



東元電機股份有限公司

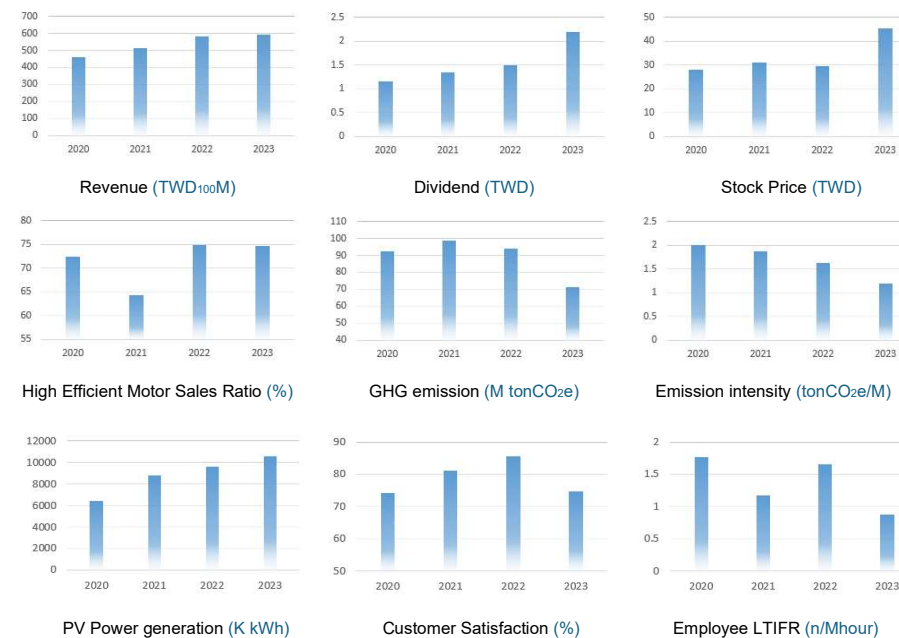
TECO Electric & Machinery Co., Ltd.

2023 Sustainability Report

Report Scope and Boundaries

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 is widened to encompass affiliates and TESSEN Electronic. As of 2015, overseas affiliates such as TECO-Westinghouse and Taian Technology (Wuxi) are also included. In 2017, important domestic and overseas affiliates such as Wuxi TECO and TECO Electro Devices are likewise included. In 2019 all facilities in China are included in this report. From 2020 affiliates in Vietnam is included, and as in 2021 affiliates in Italy (Motovario) is included in this report. In 2023, Major worldwide sales subsidiaries are included. The report primarily presents achievements and performance data in the dimensions of environmental protection, social and corporate governance engagement from January 1 to December 31, 2023

YEAR 2023, THE ANNUAL REPORT INCLUDES 108 ENTITIES AMONG TECO GROUP, AND THE SUSTAINABILITY REPORT INCLUDES ALL CORE BUSINESS FACILITIES WITH 84.6% COVERAGE RATE OF TOTAL TECO GROUP REVENUE. NON-CORE BUSINESS INCLUDES LOGISTICS, SOFTWARE, COMMUNICATIONS, HUMAN RESOURCES, REAL ESTATE DEVELOPMENT, PROPERTY MANAGEMENT AND OTHER BUSINESSES.



Reporting Principles

- This report is in accordance with the **GRI Standards** published by the Global Sustainability Standards Board (GSSB). GRI content index table is attached to this report.
- Environmental and GHG emission data are reported based on Task Force on Climate-Related Financial Disclosures (**TCFD**) standards. The TCFD reference table is attached to this report.
- Sustainability issues with significant financial impacts on the industry are reported based on Sustainability Accounting Standards Board (**SASB**) standards with reference table as well.
- The Materiality analysis and report contents are disclosed referring to Corporate Sustainability Reporting Directive (**CSRD**).

Report Assurance

- **Internal Assurance:** Relevant issues and performance are reviewed and verified in strategy meetings, monthly business meetings of TECO 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 (ISO 45001), environmental management system (ISO 14001), and GHG emissions (ISO 14064-1) are conducted every year to further guarantee the accuracy of provided data. [There is no Restatements of information in this report.](#)
- **External Assurance:** TECO commissions BSI to verify the report which was compiled in accordance with the GRI Standards with AA1000 Type 1 Moderate Assurance standards. The assurance statement is attached to this report.

Report Presented by

- This report has been compiled by the ESG Office and is available in Chinese and English versions, also provided on the corporate website. [Reporting cycle: Annual publication, consistent with Annual report.](#)
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Sustainability Commitment

Energy Conservation, Emission Reduction, Intelligence, and Automation

In 2024, the global economy is still ridden with various unfavorable and uncertain factors, including trend of interest hike for curbing inflation, postponing loose policy, lackluster outlook of the Chinese economy, due to realty and local-debt problems, continuation of Russia-Ukraine and Israel-Hamas wars, and Red-Sea shipping crisis. To assure revenue growth, it's necessary to grasp ESG/net zero emission needs, grasp booming green-energy and electrification business opportunities, and deployment in emerging markets.

In line with the business vision of ESG-driven business opportunities worldwide and focus on the dimensions of green energy, electrification, energy conservation and carbon abatement, and high-potential area, thereby kicking off strategic revenue growth plan.

- In addition to expanding undertaking of engineering businesses related to wind power, solar power, and storage, introduce key components/parts and system integration technology and take part in carbon-capture and hydrogen filling station pilot plan, thereby strengthening value positioning in new-energy ecological system.
- For power generation and storage business, the company will continue expanding the scale of EPC engineering and building up site operation experience and strengthening the capability for grid integration and demand maneuvering, gradually marching toward the goal of virtual power plant.
- For electric vehicles, the company will tap North American and Indian e-bus/remodel car/engineering vehicle markets, establish regional supply chain, and secure ship e-propelling business opportunities. For industrial electrification, zero in on fuel gas and mining applications, expand industrial mix, and expand systematic integrated sales.
- Significantly raise the revenue share of high-performance electromechanical and air-conditioning products, such as IE4/IE5/SRM/T-HiPro motors and permanent-magnetic variable-frequency screw machines, which, in addition to strengthening corresponding sale of inverters, will target sales to industries with high ESG-related demands, such as steelmaking, petroleum, papermaking and electronics, especially energy-conservation transformative programs in Taiwan, China, and Southeast Asia.

TECO has won the acknowledgement of international sustainability rating institutions and covered by DJSI sustainability index and S&P sustainability yearbook, while ranking 1st place in ESG evaluation in electromechanical category in emerging market and 3rd place in global electromechanical industrial section, ahead of major international brands, underscoring the group's long-term effort in sustainable development.



TECO Group Sustainability Policies and Commitments

TECO Group formulates "TECO Group Sustainability Policies and Commitments" to strive the practice of sustainable management by following "Sustainable Development Best Practice Principles", "Ethical Corporate Management Best Practice Principles", and "Corporate Governance Best Practice Principles" released from the board. To Ensure the implementation of the group's overall sustainability performance and to meet the requirements and expectations of stakeholders, this document is applied to all members within TECO Group including listed companies and manufacturing subsidiaries in the annual report consolidation.

Environmental Dimension

- **Emission Reduction Commitment:** Achieve 50% reduction in scope 1 and 2, and 25% reduction in scope 3 by 2030 within a decade. Lead subsidiaries to set environmental management goals, promote energy conservation to improve the energy efficiency of operating activities, and continuously improve energy performance to reduce emissions.
- **Sustainable Raw Materials Commitment:** Contribute our best effort to select low-carbon footprint, non-deforestation, non-harming biodiversity, and recycling materials in the product design and production stage. Reduce waste generation and prohibit using materials containing hazardous substances. Reduce the negative impact on the environment and human rights in the operational value chain and seek the best recycling model in the value chain, consistent with the principle of conflict-free minerals.
- **Water Resource Commitment:** Conduct water use assessment to identify opportunities for water efficiency improvements. Increase the proportion of recycling and formulate indicators to improve water efficiency.
- **Biodiversity Commitment:** Avoid operating activities in internationally or nationally important biodiversity areas, conduct risk assessments, and negotiate with stakeholders to mitigation measures to address biodiversity risks. If the business activity area has impacts on the environment and biology, compensation for restoration areas should be provided and restoration measures should be implemented to achieve the net positive benefit goal before 2050.

Social Dimension

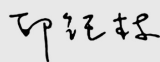
- **Elimination of Infringement and Remediation Commitment:** Due diligence be conducted on key risks, including establishing a safe and healthy working environment, preventing human trafficking (modern slavery), prohibiting forced labor, eliminating child labor, eliminating discrimination, freedom of association, and the right to collective bargaining. Value chain members should be managed by signing "Human Rights and Environmental Sustainability Commitment".

- **Occupational Health & Safety Commitment:** Comply with international standards and regulations related to occupational safety. Conduct hazard identification and risk assessment procedures and control measures for employees and contractors within operational activities. Prioritize the protection of human rights and continue to optimize the effectiveness of occupational safety management.

Governance Dimension

- **Risk Elimination Commitment:** Establish a risk governance function, conduct risk identification and mitigation activities, and auditing from the board level.
- **M&A Due Diligence Commitments:** Due diligence be conducted when conducting mergers and acquisitions to ensure that mergers and acquisitions will not have a significant negative impact on ESG.
- **Value Chain Governance Commitment:** Strengthen the communication of ESG risk awareness in the value chain, set assessment and vendor selection ESG criteria, and continue to promote the optimization of the logistics and distribution process, including choosing low-carbon transportation, reducing packaging material consumption and using recycled packaging materials, and selecting low-carbon energy.
- **Law Compliance Commitment:** Group internal management to follow "Corporate Governance Best Practice Principles", value chain members to follow "Supply Chain Business Ethics" from TECO.

Chairman




Member of Dow Jones Sustainability Indices

Powered by the S&P Global CSA

The latest Dow Jones Sustainability Index (DJSI) appraisals and listings in 2024 reveal that TECO Electric & Machinery Co., Ltd. is ahead of its emerging market competitors and is selected in the electromechanical industry this year.

Sustainability Yearbook Member

S&P Global Corporate Sustainability Assessment (CSA) Score 2023

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



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



According to the latest MSCI rating report in 2024, TECO maintains in AA rating. This indicates that TECO risk management capability is in the top 15% among global peers.



TECO is honored with the Taiwan TOP100 Corporate Sustainability Award in the comprehensive performance category, a Platinum Award in the corporate sustainability reporting category, and a Human Resource Development Leadership Award and an Information Security Leadership Award in the outstanding example category.



The Taiwan Stock Exchange announced the results of the 10th "Corporate Governance Assessment" in 2023. TECO wins the highest honor of the top 5% among 952 listed companies.

Operational Performance and Management Scope

TECO is headquartered in Taiwan and is a publicly listed company. Its main products include mechanical and electrical products, home appliances, and engineering services.

in TWD K	2020	2021	2022	2023
Operating revenues	45,823,430	51,248,387	58,315,216	59,393,661
Net profits	3,811,648	5,502,191	3,992,000	6,332,032

This report covers three core business groups: Green Mechatronic Solution Business Group (GM), Air & Intelligent Life Business Group (AI), and Intelligence Energy Business Group (IE). Core business represents **84.6%** of consolidated revenue. Non-core business includes logistics, software, communications, human resources, real estate development and property management and other businesses.

Number of full-time employees in 2023: **5,238**

Number of contract and part-time employees: **658**



Direct Economic Value Generated and Distributed in TWD k

ITEM	AMOUNT	
REVENUE	59,393,661	100.0%
OPERATING COST	32,935,571	55.5%
	As (operating costs - employee salaries and benefits), see annual report, Consolidated income statement.	
EMPLOYEE EMPLOYEE WAGES AND BENEFITS	11,415,824	19.2%
	Including salary expenses, remuneration, labor health insurance, pension, etc. Please refer to the annual report for additional information on the nature of expenses.	
SHAREHOLDER PAYMENTS TO PROVIDERS OF CAPITAL	4,807,727	8.1%
	As dividend NTD\$ 202 in 2023 and Directors' remuneration	
GOVERNMENT PAYMENTS TO GOVERNMENT	1,956,393	3.3%
	As Income tax expense, see annual report, Consolidated income statement.	
COMMUNITY COMMUNITY INVESTMENTS	20,000	0.1%
	As sponsoring and donation to NGOs	
ECONOMIC VALUE RETAINED	8,258,146	13.8%



TECO GO ECO

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

In 2023, low-carbon products accounted for **74.4%** of total sales.

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

Sustainability Taxonomy

Before the Taiwanese government has its own Sustainability Taxonomy, TECO adopts [EU Sustainability Taxonomy](#) with self-declared [TECO GO ECO low-carbon products and services classification](#) and disclose as in the following table:

In 2023, taxonomy eligible revenue accounts for **54.6%**
CAPEX accounts for **56.8%** and OPEX accounts for **15.3%**

Aggregate of Taxonomy	Organization and products	EU Taxonomy items	Revenue %	CAPEX %	OPEX %
Taxonomy Eligible	Green Mechatronic Solution Business Group (GM) High efficiency motor	3.3 Manufacture of low-carbon technologies for transport 3.6 Manufacture of other low-carbon technologies 4.1. Electricity generation using solar photovoltaic technology. 8.2 Data-driven solutions for GHG emissions reductions	42.1%	11.2%	15.3%
	Air & Intelligent Life Business Group (AI) Green Home Appliance	3.5 Manufacture of energy efficiency equipment for buildings	6.5 %	3.8%	
	Intelligence Energy Business Group (IE) Clean Energy Engineering	4.1. Electricity generation using solar photovoltaic technology. 4.9 Transmission and distribution of electricity 4.10 Storage of electricity	6.1 %	41.9%	
Not Eligible	Other Business Units	none	45.4 %	43.2%	84.7%

- Because there is no clear definition for do no significant harm (DNSH) in Taiwan, TECO adapts Taxonomy Eligible only in 2023, for details please see Appendix.
- Green Mechatronic Solution Business Group (GM): represented by the sales ratio of high efficiency motors.
 - High-voltage motors with efficiency above 95% accounted for 84.4% of the revenue, and low-voltage motors above IE3 accounted for 74.7% of the revenue.
- Air & Intelligent Life Business Group (AI): represented by the sales ratio of green home appliance.
 - Green home appliances accounted for 60.0% of the revenue.
- Intelligence Energy Business Group (IE): The performance of the entire business group is represented by engineering revenue (offshore wind power, grid resilience, green buildings, etc.)
 - Clean Energy Engineering accounted for 53.0% of the revenue.
- TECO's low-carbon products and services refer to the ISO 14020 standards, and in accordance with the principles of Type I, II, and III environmental labels and declarations.
- The proportion of CAPEX is determined to be "Taxonomy Eligible" based on the investment in new products, new technologies, new processes, safety and environmental equipment, automation and intelligence that will be compiled and implemented within 2024, general (maintenance/ retirement/ factory repair), expansion of production capacity, efficiency improvement, quality improvement, IT equipment, etc. are identified as "not eligible".
- The proportion of OPEX is composed with R&D, training, low-carbon business specific organization, environment protection expense from factory sites and community donation related to Taxonomy items.

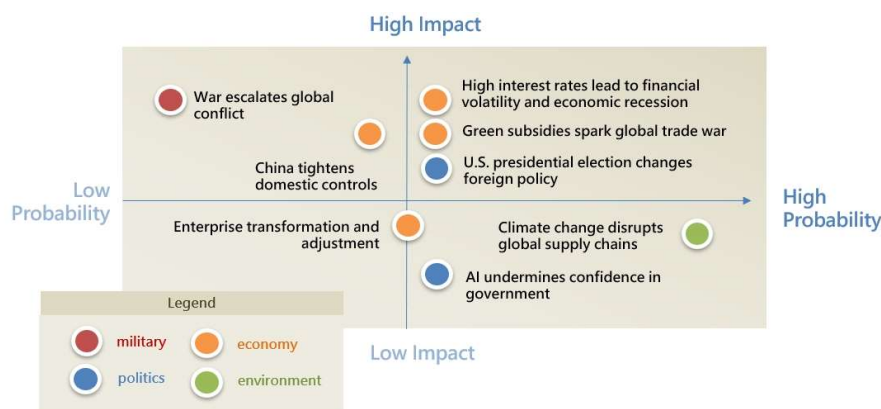
Materiality Analysis and Sustainability Management

Communicate with stakeholders through various stakeholder channels, identify major issues from global trends and make questionnaires, actively conduct interviews with representative figures of various stakeholders, collect and update the degree of concern. Analyze the risk of transformation failure and dual material factors of sustainable actions and formulate internal management systems to ensure the achievement of goals. [The materiality analysis is performed once every year.](#)

Data collection	Step1 Understand the organization's context	Based on the industry standards of the GRI Standards, identify risks and issues from world's mega trends. Refer to reports from third parties (including the World Bank, DJSI, CDP, MSCI, Eco Vadis etc.) Identify TECO's ESG Material topics.	Mega Trends ↓
	Step2 Identify actual and potential impacts	Conduct impact assessment on 16 major industrial issues including the economy, environment, and people. List the impact content and management approach. The level of concern was compiled through 261 questionnaires and the weighted average score was used to complete the ranking of major issues.	Double Materiality Analyze ↓
	Step3 Assess the significance of the impacts	The ESG Office confirms the content of the topic, analyzes the double-significant impact (financial and ESG), and explains the reasons, areas of impact, evaluation methods, and management indicators that have identified a relatively large negative impact and its risk.	Materiality Topics and Impacts ↓
Strategy Development	Step4 Develop strategy and manage risks	In view of the sustainability goals and the time required to achieve them, major topics are divided into three aspects: "to survive", "to operate" and "to profits", analyze their potential transformation failure risks, formulate prevention strategies, and manage them with KPIs Indicators and employee education and training	Goal and Plan Setting ↓
	Step5 Approval	Formulate an annual plan and submit it to the board of directors for review, track and report regularly, use the "internal carbon pricing system" to balance financial indicators and guide the sustainable actions of each business unit.	Review and Approval ↓
Action	Step6 Implement and disclose	The "ESG Office" compares the management and implementation of each issue, corresponds to GRI/ TCFD/ SASB/ CSRD standards and issues sustainability reports.	Public Disclose

1.1 Identify Material Topics from Mega Trends

To further satisfy the sustainable development, TECO starts from major world mega trends, develops risk and opportunities from them, and make corresponding mitigation plans. TECO defines 16 material issues that fits GRI topics and preform material analysis to rank priorities. In this report, TECO explains the approach of guiding companies to face and grow in new risks and opportunities. Education programs and key performance indicators (KPI) were given to employees. Finally, TECO defines 10 Material Topics and categorize into 3 major area "To Survive", "To Operate" and "To Profit" as next step links with SDG goals and sustainability.



Global Economic Situation and Industrial Trend in 2024

The growth of the United States, China, the European Union and other countries has moderated, and the economy will continue to grow at a low rate this year in 2024. International organizations such as the IMF estimate global GDP to be 3.0% and 2.9% in 2023 and 2024, which is lower than the historical average of 3.8%. Inflation has slowed down, GDP growth in major economies has moderated, and the revenue outlook remains optimistic. Revenues in North America, Southeast Asia, Australia and China continue to grow.

Identify Materiality Topics from the Global Economic Trends

	Mega Trends	Impact on Operations	Materiality Topics
1	High interest rates lead to financial volatility and economic recession	Overall strategic adjustment and financial risk hedging, and seeking new business opportunities	<ul style="list-style-type: none"> Board performance Innovative business opportunities
2	Green subsidies spark global trade war	Strive for the advantages of green finance, reduce emissions in response to international carbon taxes and fees, and organize a cross-border multi-site ESG operation mechanism	<ul style="list-style-type: none"> Climate and emission management Renewable energy use Waste recycling. Air and water pollution prevention and control
3	U.S. presidential election changes foreign policy	Establishing regional supply chains and complying with regulations such as international trade embargoes	<ul style="list-style-type: none"> Law compliance measures Supply chain management measures
4	Climate change disrupts global supply chains	Shorten the transportation distance of raw materials and components, and choose production locations that has no impact on the environment.	<ul style="list-style-type: none"> Supply chain management measures Biodiversity conservation Investment in talent cultivation
5	AI undermines confidence in government	Strengthen corporate digital environment and information protection capabilities.	<ul style="list-style-type: none"> Information security measures
6	China tightens domestic controls	Pay attention to China's reform measures and control to secure the source of raw materials.	<ul style="list-style-type: none"> Innovative business opportunities Raw material control measures
7	Enterprise transformation and adjustment	Implement adaptation measures, commit to caring for people, enhance employee capabilities and optimize the work environment	<ul style="list-style-type: none"> Diversity and equality of employees Investment in talent cultivation Employee welfare system Communication between labor and management Occupational safety measures
8	War escalates global conflict	Establishing regional supply chains to mitigate risks.	<ul style="list-style-type: none"> Board Performance Supply chain management measures

1.2 Stakeholder Identification and Communication

The identification of stakeholders is carried out by the "ESG Office". The identification method refers to the AA1000 Stakeholder Deliberation Standard. The list of stakeholders is divided into shareholders, employees, customers, suppliers, local communities, Civil Organization & NGO, and government units. There are a total of seven groups.

Type	How to identify	Engagement purpose	Engagement Results	How to engage	Report to highest authority
Shareholders	for holders of publicly issued shares	Maintain investor confidence	Selected as a member of "Dow Jones Sustainability Index" and "Taiwan Sustainability Index".	Quarterly corporate briefings, invited to participate in 11 domestic and foreign investment forums, received 302 visiting investors (including 28 foreign investors), and visited securities firms a total of 26 times.	Presentation to the Board of Directors by the Center for Corporate Governance
Employees	For FTEs or contractors	Maintain harmony in company	Unlawful infringement/complaint: 2 cases in total (one complaint has not been settled; 1 case is under investigation).	Labor-management meeting, meal meeting, staff quarterly meeting, occupational safety and health committee every quarter. Employee satisfaction survey every year.	Report to CEO and chairman from the Human Resources Center
Customers	For those who had purchasing actions	Maintain brand identity	Participated in 8 exhibitions: Smart City Exhibition, Smart Mobility Exhibition, Asia Pacific Sustainability Expo, 2023 Net Zero Emission Technology International Competition @Taiwan.	Regularly perform external audits, internal audits, process audits and product audits of the quality control system. Annual customer satisfaction survey	Reported to the chairman by the general manager of each business group
Supplier	For those who had purchasing actions	Sound supply chain operation	In 2023, 3 sustainable supply chain forums is held to promote ESG trends, GHG inventory and other sustainability issues. TECO assists 53 suppliers in conducting simple GHG inventory and participate in the government program to provide guidance to 5 suppliers.	Quarterly supplier assessment, risk assessment and on-site assessment for suppliers who do not meet the requirement.	Reported to the chairman by the general manager of each business group and the ESG office

Type	How to identify	Engagement purpose	Engagement Results	How to engage	Report to highest authority
Local communities	The authority in charge of the industrial zone at the place of operation	Maintain good environmental and social relations	No violations of air pollution discharge and waste management regulations and incidents affecting the community. A total of 1,523 employees participated in public welfare activities with 2,611 volunteer hours.	Carry out regional joint accident-prevention actions in industrial zones, Deliver electricity-saving education in communities and local schools every quarter.	Reported to the chairman by the general manager of each business group
Civil Organization and NGO	Public associations and cooperative organizations	Maintain good industry relations	Organize the "Green Mind Creative Competition" to inspire elementary and high school students' ability to think actively.	Regularly participate in public association activities and conferences and hold green energy and emission reduction related activities every year.	Reported to the chairman by the general manager of each business group
Government agencies	For business-related supervisory units	Maintain good economic and governance performance	Schedule greenhouse gas inventory of all group subsidiaries in accordance with the schedule stipulated by the Financial Supervisory Committee.	Follow the requirements of the competent authority in accordance with the law and report regularly and cooperate with the supervision from the authority.	Presentation to the Board of Directors by the Center for Corporate Governance

Identify Actual and Potential Impacts to ESG

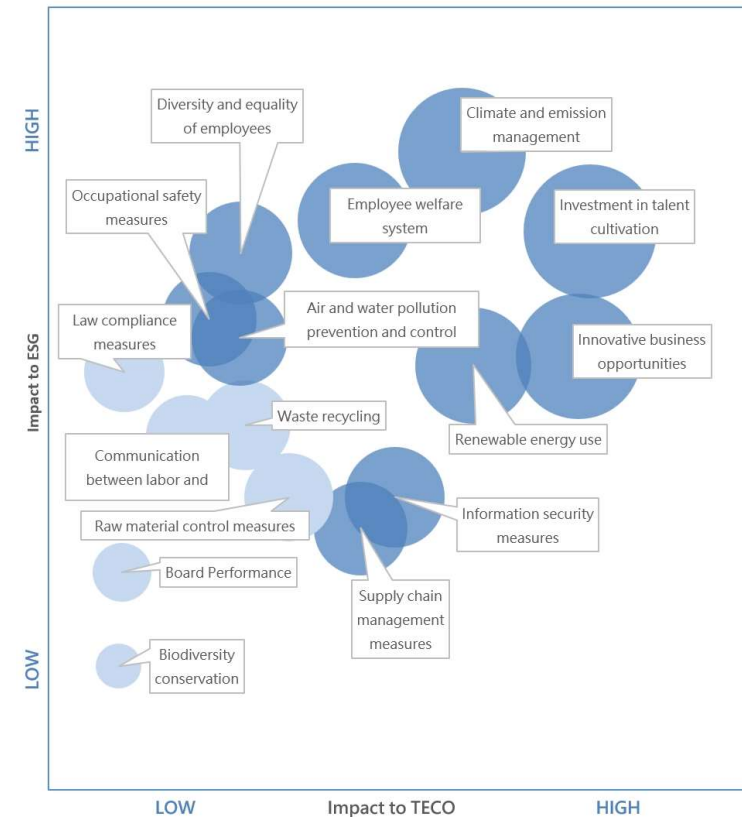
Prepared using GRI standards and incorporating the EU's "double" materiality principle. Based on the actual and potential impact on ESG, both positive and negative, and then sort out the "Impact to TECO" to compare the "Impact to ESG".

	Materiality Topics	Positive (+) and Negative (–) Impacts	Impact to TECO		Impact to ESG	
			(+) (–)	(+) (–)	(+) (–)	(+) (–)
1	Investment in talent cultivation	(+) Improvement of corporate culture and employee quality (–) Causing corporate behavior to be irregular	●●●	●●●	●●●	●●●
2	Climate and emission management	(+) Transformation risk mitigated (–) Easily cause greenwashing behavior	●●●	●●●	●●●	●●●
3	Innovative business opportunities	(+) Seize new business opportunities (–) Causes burden on recycling system	●●●	●●●	●●●	●●●
4	Renewable energy use	(+) Enhanced power resilience (–) Increase capital expenditure	●●●	●●●	●●●	●●●
5	Employee welfare system	(+) Increased employee engagement. (–) none	●●●	●●●	●●●	●●●
6	Diversity and equality of employees	(+) Operational risk reduction (–) Increased management complexity	●●●	●●●	●●●	●●●
7	Information security measures	(+) Operational risk reduction, (–) none	●●●	●●●	●●●	●●●
8	Air and water pollution prevention and control	(+) Operational risk reduction, (–) none	●●●	●●●	●●●	●●●
9	Occupational safety measures	(+) Improve employee health; (–) none	●●●	●●●	●●●	●●●
10	Supply chain management measures	(+) Operational risk reduction, (–) Increased management complexity	●●●	●●●	●●●	●●●
11	Waste recycling	(+) Transformation risk mitigated (–) none	●●●	●●●	●●●	●●●
12	Raw material control measures	(+) Transformation risk mitigated (–) Impact on SMEs	●●●	●●●	●●●	●●●
13	Communication between labor and management	(+) Increased employee engagement. (–) none	●●●	●●●	●●●	●●●
14	Law compliance measures	(+) Transformation risk mitigated (–) none	●●●	●●●	●●●	●●●
15	Board Performance	(+) Reduce strategic bias; (–) none	●●●	●●●	●●●	●●●
16	Biodiversity conservation	(+) Improved environmental health; (–) none	●●●	●●●	●●●	●●●

【Actual Impact】 ● High ● Medium ○ Low
 【Potential Impact】 ● High ● Medium ○ Low

Top 10 Material Topics

Conduct impact assessments on 16 major industry themes, including positive impacts and actual and potential impacts on the economy, environment, and people (including human rights), and list the impact content and management methods. In 2023, 261 questionnaires (52% from Taiwan, 46% from Mainland China, and 2% from other countries) and 16 related issues were analyzed to find 10 Material Topics with high impact. The analysis results show that "investment in talent cultivation" and "employee welfare system" are very high-profile projects in both Taiwan and mainland China. Mainland employees also have great expectations in "occupational safety maintenance" and "air and water pollution prevention and control". And the opinions are very concentrated. When conducting a stakeholder questionnaire survey, the ESG Office encourages filling in negative statements, collects them, and reports all to the chairman of the board.



10 Material Topics	Impact to Economy [💰] Environment [🌱] People [👤]	Change from 2022
1 Investment in talent cultivation	<p>【💰】Enterprises need to cultivate professional digital talents to seize new business opportunities.</p> <p>【🌱】Enterprises need to internalize new norms on climate change and ESG.</p> <p>【👤】Good career development can create a win-win situation for both the company and its employees.</p>	New Topic
2 Climate and emission management	<p>【💰】Effective emission reduction can directly reduce the carbon footprint of products, but companies must increase necessary capital investment.</p> <p>【🌱】Reaching net zero by 2050 is TECO's ultimate goal, but 2050 is still far away. What matters is what we can do in the ten years we can see.</p> <p>【👤】No significant impact.</p>	Rank up ▲
3 Innovative business opportunities	<p>【💰】Under the implementation of carbon tariffs, exports must declare the carbon footprint of products. Not only must the energy efficiency of the product be improved during use, but the carbon footprint of the product itself must also be reduced as well.</p> <p>【🌱】To prevent potentially negative greenwashing.</p> <p>【👤】No significant impact.</p>	Rank same =
4 Renewable energy use	<p>【💰】No significant impact.</p> <p>【🌱】Not only Taiwan, but overseas factories are also facing pressure to use green electricity. We must start allocating the power generation capacity of the entire group.</p> <p>【👤】No significant impact.</p>	Rank up ▲
5 Employee welfare system	<p>【💰】Enterprises need to invest more in human resource costs.</p> <p>【🌱】No significant impact.</p> <p>【👤】Employees generally look forward to improved salary and benefits.</p>	Rank up ▲

10 Material Topics	Impact to Economy [💰] Environment [🌱] People [👤]	Change from 2022
6 Diversity and equality of employees	<p>【💰】Eliminate the possibility of biased decision-making.</p> <p>【🌱】No significant impact.</p> <p>【👤】Reduce the risk of human rights violations within the working environment.</p>	New Topic
7 Information security measures	<p>【💰】More software and hardware costs need to be invested.</p> <p>【🌱】No significant impact.</p> <p>【👤】Employees need to change their usage habits and receive system upgrade training.</p>	New Topic
8 Air and water pollution prevention and control	<p>【💰】More monitoring and prevention costs need to be invested.</p> <p>【🌱】Get better protection.</p> <p>【👤】Get better protection.</p>	New Topic
9 Occupational safety measures	<p>【💰】Reduce disciplinary incidents and maintain company reputation.</p> <p>【🌱】No significant impact.</p> <p>【👤】Promote work-related injury prevention measures and ensure employee safety.</p>	Rank down ▼
10 Supply chain management measures	<p>【💰】The deterioration of geopolitical relations has become an inevitable long-term trend, and it is necessary to accelerate the realization of short-chain production capabilities.</p> <p>【🌱】Carefully select production locations and supply chain manufacturers to prevent potential negative impacts.</p> <p>【👤】Prevent potential negative impacts on operations caused by local culture and regulations.</p>	Rank same =

1.3 Material Issue Management Approach

Topics	Boundary						Risk under administration	Actions taken
	Supplier	Shareholder	Employee	Community	Customers	Government		
1 Investment in talent cultivation	○	○	●		○	◎	【HR risks】 Inadequate staff skills or high turnover 【Internal control risk】 Employees are not familiar with rules and regulations	Provide corresponding training and attraction programs to slow down turnover. Implement personnel education and training and strengthen the inheritance of internal experience.
2 Climate and emission management	◎	○	●	○	◎	●	【Sustainability risk】 Failed emission reduction targets, affecting brand image 【Supply chain risk】 Supply chain emissions are inaccurate	Set emission reduction target of 50% in one decade and promote energy conservation and carbon reduction actions.
3 Innovative business opportunities	●	◎	●		●	○	【Operational risk】 The factory process is inferior, the manufacturing process is invalid or does not meet the needs	Public institutions analyze industry changes and take corresponding measures. Establish a feedback reporting process and report in stages according to severity.
4 Renewable energy use	◎	●			○	●	【Sustainability risk】 Emissions reduction targets failed 【Market risk】 Price risk, raw material price fluctuations	The creation of energy conservation and renewable energy (solar power) will reach the RE30 target by 2030.
5 Employee welfare system	○	◎	●			○	【HR risks】 Inadequate staff skills or high turnover.	Identify key talents and provide corresponding training and retention mechanisms to assist career development. Prepare annual salary adjustment budget and submit to the Board of Directors for approval.
6 Diversity and equality of employees	○	◎	●	○	○	○	【Geopolitical risk】 Decentralized sites improve business resilience. 【Occupational safety risk】 Human rights violations occur	Develop DEI strategies, establish a culture of diversity and equality and promote it to global production sites.

Topics	Boundary						Risk under administration	Actions taken
	Supplier	Shareholder	Employee	Community	Customers	Government		
7 Information security measures		◎	●	◎		◎	【Information security risks】 Security vulnerabilities and leaks	Work with information security consultants to complete information security health inspections, vulnerability scans and penetration tests, and continue to improve weaknesses.
8 Air and water pollution prevention and control		◎	○	◎	●	◎	【Sustainability risk】 Causing major environmental pollution	Comply with production, health, labor, environmental sustainability and other relevant laws and regulations. Carry out chemical standard registration operations and complete them within the deadline.
9 Occupational safety measures		○	◎	●	○	◎	【Occupational safety risk】 Occupational injuries on the rise 【Internal control risk】 Employees are aware of but fail to comply with regulations	Conducted 8 occupational safety and health promotion activities, conducted cross-factory cross-operation audits every quarter, and invited external experts to assist.
10 Supply chain management measures		●	○	○	○	◎	【Supply chain risk】 Supply chain emissions are inaccurate 【Geopolitical risk】 Geopolitics impact business resilience 【Physical climate risk】 Natural or epidemic disaster	Develop regional strategies to diversify supply chain risks. For possible disaster risks, formulate relevant response plans, including backup measures and disaster recovery plans, and arrange regular drills.

● Directly linked to the impact ◎ Caused to the impact ○ Impact through business relationships

1.4 Sustainability Goals and Transformation Plans

Continuing the materiality analysis results, to simplify the key points of communication with stakeholders and ensure the consistency of information disclosure, the ESG Office divided the material topics into "To Survive", "To Operate" and "To Profit". By further analyze corresponding risks, we adopt KPI and employee training methods to ensure the transformation goals can be achieved in terms of management strength, employee capabilities, and information disclosure. The steps are as follows:



Step1 Collect Data

For each major issue, the ESG office reviewed data records for the past four years. If there is no valid historical data, it will refer to international standards and industry practices to develop calculation formulas, supplement management data, interpret and report company performance, and obtain senior management agree.

Step2 Set Goals and Transformation Plans

Collect short, medium and long-term goals set by each department based on data. This can usually be accomplished within the annual budget review system of each business group. If there is a lack of clear goals, communicate with each department based on the expectations of stakeholders, such as "internal carbon price" "or "ratio of renewable energy power generation". After confirming that it is feasible, submit it to the chairman of the board for approval.

Step3 Identify Potential Risks

After identifying force majeure factors that may occur during the implementation of the transformation plan, resulting in transformation failure, such as "policy changes", "physical disasters" or "emergence of new competitors", etc., the ESG office consults the company-wide information provided by the financial department Risk assessment reports and industry guidelines compile recommendations to eliminate the risk of failure.

Step4 Set Training Program and KPIs

The human resources department designs training courses and training methods based on the goals set by each business group; the operations management department sets personal KPI projects for managers and conducts assessments every quarter. The results are directly linked to the salary system to ensure the effectiveness of management policies.

To Survive cannot be eliminated



Material Topics

Extreme weather has led to more frequent business interruptions, the capital market has established responsible investment guidelines, and the risk of losing market access for products that fail to meet carbon reduction needs has impacted corporate climate governance and net-zero target timelines.

- **Climate and emission management**
- **Renewable energy use**
- **Air and water pollution prevention and control**

Goals and Transformation Plans

- **Reduce emissions by 50% in 2030:** Mid-term target: reduce emissions by 34% in 2025, Long-term target: reduce emissions by 50% in 2030.
- **Complete 30% of renewable energy power generation capacity by 2030:** mid-term target of 15% by 2023, long-term target of 30%
- **Internal verification of 100% GHG for the entire group in 2025:** the mid-term goal of completing the production base and listed subsidiaries in 2024, and the long-term 2025 goal of 100% completion

Potential Risks

- **Supply Chain Risk:** Additional emissions caused by supply chain expansion, or supply chain emissions are inaccurate, causing the combined emissions to be out of control.
- **Market Risk:** Fluctuations in electricity prices and raw material prices have caused changes in the payback period of solar power generation investments, and planned investments have therefore come to a halt.

Risk Mitigation

- The ESG Office is fully responsible for monitoring the implementation of emission reduction measures and has introduced a digital system to shorten the management and control cycle from annual to monthly.
- The internal carbon pricing system raises green funds for sustainable CAPEX investment in the next year.

2023 Performance

- In 2023, the power generation capacity of the TECO plant reaches 10.58 million kWh, approximately 10% of global electricity consumption. In 2024, we will continue to plan to build more than 8 MW power generation facilities, and it is expected to reach 30% power generation capacity in 2030.
- An internal carbon pricing system will be fully implemented starting in 2023, with the price set at NTD1,600 (USD50)/ton. The business group is given an annual emission allowance and budget to pay for annual emissions.

2023 Training Program and KPIs

- A total of 11 hours of lectures on climate change and GHG inventory in 2023.
- KPI and weight: Carbon emission reduction (2%), including internal emission reduction and supply chain emission reduction, construction of power storage and operations (10%), solar power monitoring system development (2%), solar power grid connection (in the form of investment case)
- KPIs in this topic is linked to the variable remuneration of TECO's CEO.

To Operate System to be transformed



Material Topics

Taiwan's consumer price index is rising, the United States is experiencing inflation, and China is experiencing deflation. The Geopolitics makes companies are forced to choose sides. Long chains increase the carbon footprint of transportation; short chains lose the economic scale advantage of raw materials. How to cooperate with the original supply chains has become a challenge in logistic management.

- Employee welfare system
- Information security measures
- Supply chain management measures.
- Occupational safety measures

Goals and Transformati on Plans

- Sign a new version of the group agreement, including labor conditions, welfare measures, occupational safety, and grievance system.
- Establish a joint group information security defense and allocate special funds to update global information security software and hardware.
- Establish an American supply chain in 2024, reaching 50% localization. Complete the construction of an American short chain in 2025, with the expected delivery time shortened by 48% and finished product inventory reduced by 50%.

Potential Risks

- **Occupational Safety risk:** Employees are aware of the code but fail to implement it, resulting in an increase in workplace injuries.
- **Information security risks:** Security vulnerabilities and attacks on the production base's operational technology (OT) environment caused production to stop.
- **Geopolitical risks:** New geopolitical changes impact tariffs or trade embargoes, causing supply chain changes.

Risk Mitigation

- Integrate four major global system accounts and permissions and cooperate with 32 subsidiaries around the world.
- Setup Employee Stock Ownership Plans (ESOP) · It is open to all employees as long as their performance and seniority meet the requirements.
- Short-chain KPIs are set to ensure production capacity of the Mexican factory by 2024.

2023 Performance

- ESOP applicable ratio: 67.2%
- Starting from 2023, managers and above level set a three-year goals with long-term incentive rewards. *
- In response to supply chain changes and physical natural disaster risks, TECO has invested more than NTD 800 million in emerging regions to cultivate supply chains, spread the impact, and increase supply flexibility. In 2023, production bases in Mexico and India have successfully started.

2023 Training Program and KPIs

- In 2023, 20 hours of information security and 64 hours of occupational safety education are given including foreign workers.
- KPI and weight: Establish North American short chain and improve equipment availability (4%), supply chain material planning optimization (2%)
- KPIs in this topic is linked to the variable remuneration of Business Group Heads.

To Profit Seize new opportunities



Material Topics

TECO is moving towards energy transformation services and strives for energy conversion and energy conservation and carbon reduction policies in various countries, such as the United States restarting subsidies for green electricity such as solar energy and hydrogen energy. In addition to IDC computer room projects, the engineering construction business has strong growth in offshore wind power, onshore substations, energy storage, etc. In response to Taiwan's 2050 net-zero transformation, TECO is striving for virtual power generation opportunities in the privatization of the electricity market.

- Investment in talent cultivation
- Diversity and equality of employees
- Innovative business opportunities

Goals and Transformati on Plans

- Invested in digital transformation and DEI training programs.
- EPS growth in 2025 will be 50% compared to 2022
- Engineering Business mid-term target revenue growth is 9%, and its long-term target is 34% revenue growth in 2025.
- Power Business has a power generation capacity target of 50MW in 2024, a long-term target of 180MW, and has launched a power aggregation management business.

Potential Risks

- **Occupational Safety risk:** The educational effect failed to be realized, and internal human rights violations occurs.
- **Operation risk:** New competitors emerge and lose market share, or factory manufacturing processes fail to meet demand.

Risk Mitigation

- Continue and expand human rights due diligence
- Set a three-year growth plan and business goals, and report to the board of directors from the CEO.

2023 Performance

- Starting from 2023, KPI indicators will be used to ensure female recruitment positions.
- Promote DEI (Diversity, Equity and Inclusion) activities to reduce potential risks of human rights infringement. Promote Digital transformation and talent cultivation.
- The dividend distribution rate has increased to 80%, and the after-tax net income increased by 68.4% annually in 2023.

2023 Training Program and KPIs

- The DEI theme is "No to sexual harassment, anti-bullying, LGBTQ+ equality, gender equality, workplace equality, new residents and second-generation families." The training completion rate for management staff is 87%, and the training completion rate for all colleagues is 81%.
- The number of digital learning hours increased by 59%. The "Digital Competition" and "Digital Seed Cultivation Course" trained 79 talents, with a completion rate of 82%.
- KPIs and weights: M&A strategy (3%), power grid resilience (6%), Southeast Asia sales strategy (1%), high-efficiency products and production technology improvements (2%).
- KPIs in this topic is linked to the variable remuneration of TECO's CEO.



Talent Development

Digital project competition, using data analysis methods to develop solutions, and then performing POC verification to find potential business models. Six projects increased revenue by NTD9 0.5M, gross profit by 9.5M, accurate delivery rate by 21.2%, bid winning rate by 1%, and savings of NTD 8.6M.



Electric Vehicle Power System

T Power+ ranges from 150kW to 250kW, meeting the needs of different vehicle specifications of car manufacturers. It is the first power system wins DMIT (Design and Manufacture in Taiwan) certificate. TECO's bus powertrain a market share of 85% in Taiwan.



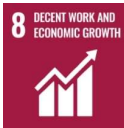
Renewable Energy

The total power generation in 2023 will be 10.58 million kWh, accounting for 10% of the group's total electricity consumption. In 2024, we plan to expand more than 8 MW power generation facilities in Taiwan, Mainland China and the United States, with the goal of generating 30% of the total electricity consumption in 2030.



Recycled Materials

Silicon steel scraps are melted and reused as the motor casing. The scrap recycling rate is 96.5%. The cast iron casing contains 88% recycled materials. In 2023, the revenue generated by green electricity recycling companies is NTD 121,648 k.



Short Supply Chain

In response to market growth and production capacity dispersion needs in various regions around the world, short-chain production centers have been established, and factories in India and Mexico are put into production in 2024.



Internal Carbon Pricing

From 2023, the internal carbon pricing system was implemented. Internal price is NTD 1,600 (USD 50) /ton. Business groups were given a target of annual emissions and budget to pay for the emissions



Offshore Wind Power

For onshore substation projects, the cumulative construction volume is about 2GW, accounting for about 35% of offshore wind farms, ranking first among Taiwanese manufacturers.



Supply Chain Resilience

Sustainable supply chain forum, provided guidance to 75 small and medium-sized enterprises on greenhouse gas inventory, assisted 53 suppliers in conducting simple greenhouse gas inventory practice, and provided guidance to 5 suppliers by participating in government programs.

E: Environmental



TECO's Environmental Protection Commitment:

- **Compliance with international regulations:** Comply with international environmental protection and sustainable development trends and ISO 14001 specifications; materials containing harmful substances are prohibited in product design and production stages.
- **Commitment to energy conservation and environmental protection:** Set environmental management goals to improve the efficiency of energy and resource used in operating activities, reduce greenhouse gas emissions, make optimal use of resources, and reduce waste, and continue to improve to promote environmental sustainability.
- **Application of green technology:** Develop green technology, promote green products, and achieve a win-win situation for ecological sustainability and economic development.
- **Improvement of environmental awareness:** Strengthen the communication of environmental risk awareness in the value chain, continue to promote internal and external training on sustainable risk and environmental impact management, and actively promote the participation of all employees, suppliers, and contractors to ensure that the commitment to sustainable management of the value chain is achieved.

TECO's Biodiversity Commitment:

- **Protection of biodiversity and forest ecology:** Encourage the use of environment friendly paper products and wood, including the use of recyclable materials and recycled materials, and expand the use of raw materials that comply with the original forest protection laws and legally mined raw materials.
- **Compliance with the principle of conflict-free minerals:** Do not purchase raw materials from conflict-mineral areas.
- **Reduction of environmental impact pressure:** Follow government regulations in site selection, operation, and establishment of office bases, and avoid setting up offices in areas with important global or national biodiversity.

2.1 Climate Change Mitigation

Governance

Board Oversight

TECO has established the "Corporate Governance and Sustainability Committee" to provide guidance on matters related to "corporate governance," "legal compliance and legal affairs," and "sustainability / climate change management." The Committee consists of three directors or more, and a majority of the members are independent directors. The members elect among and from them an independent director to serve as the convener and chairperson of the Committee meeting. Meetings are convened periodically on an annual basis. TECO has established the "ESG Office" to provide periodic reports on the execution and tracking of TECO's corporate social responsibility goal and policy implementation status to the Chairman directly monthly. To integrate TCFD culture into KPI evaluation and risk management processes, The task force consists of the administrative units of "Representatives of each business department/plant site" and "Safety and Health," "Human Resources," and "Financial Department" etc., and the task force is responsible for the promotion of routine affairs. The task force also summarizes TECO's related performance, prepares, and publishes an annual corporate social responsibility report.

Management's Role

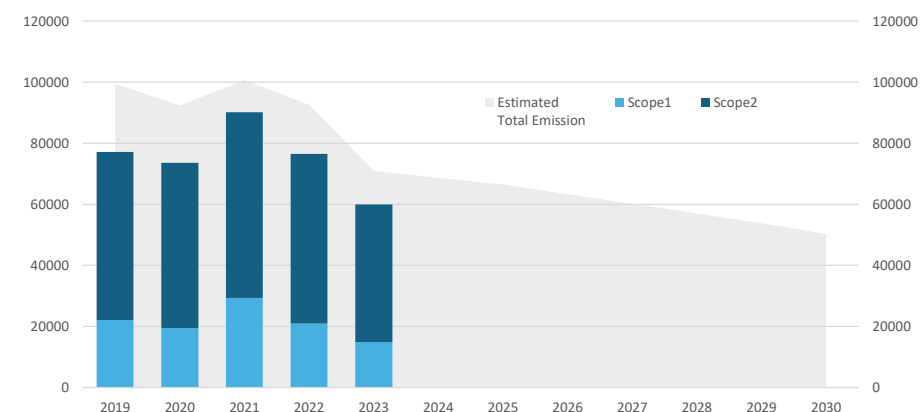
The "ESG Office Executive Officer" equivalent to CSO, is the highest responsible rank of the management level. The ESG Office establishes the sustainability management specialist to be a full-time position responsible for the execution of works, and cross-department members also form part of the task force, consisting of the administrative units of "Representative of each business department/plant site" and "Safety and Health," "Human Resource" and "Financial Department" etc. to facilitate the promotion of management of works for the entire company synchronously. ESG office reports the work progress to the Chairman and President monthly.

- For the climate related risks and opportunities, after information provided by all members is collected by the "ESG office," it is summarized, reported, and recommended to the management level and board of directors.
- For the risk of TECO internal control, the "Audit team" proposes the audit plan according to the past audit centerpiece and the existing organizational structure to examine the operating risk control implemented by TECO management level, business department of TECO, and to review the effectiveness of internal control design and execution, in order to issue an audit report for submission to the "Audit Committee" and board of directors.

Strategy

Declaration of the "emission reduction by 50% within ten years"

TECO has been recognized four times by international sustainability institutions, including the DJSI Dow Jones Sustainability Index and S&P Global the Sustainability Yearbook, and is the best performer in the industry in emerging markets in 2023. TECO announced a project goal of reducing carbon emissions by 50% in ten years in 2021, and then expanded the implementation of the plan results to overseas factories starting from the base year of 2021, so that the entire group can work together to reduce carbon emissions; and fully implement "Sustainability KPI" deeply embeds sustainable management in TECO's corporate culture. "50% emission reduction in ten years" will achieve the 50% emission reduction target in 2030, fully launch the global production base emission reduction plan, and hope to achieve the ultimate goal of "net zero" for the entire group in 2050.



The company is led by the "ESG Office" and conducts analysis of material issues with reference to the Climate-related Financial Disclosure Recommendations (TCFD) framework. Through research reports, documents and communication with internal and external major stakeholders, the company determines the content and priorities of each issue. order, and integrate the risk lists proposed by various departments, conduct risk assessments, and put forward corresponding strategic suggestions. After review, the chairman will report to the "Corporate Governance and Sustainability Committee" of the board of directors and formulate an annual work plan in accordance with the sustainability commitments to achieve TECO Vision.

TECO Global Motor Value Chain and its GHG Inventory

	Upstream (Scope3)	Operation (Scope1&2)	Downstream (Scope3)
Short term -2025	Listed company. Manage and check by schedule.	34% reduction by 2025 Each factory upgrades process and equipment, builds solar power generation devices, and completely bans R410A refrigerant in small air conditioners.	Carry out the inventory of major category in scope3 and track the trend.
	SME Conduct counseling and complete 50% of the inventory according to the purchase amount.		
Mid term -2030	Listed company. Completed in accordance with government requirements.	50% reduction by 2030 European and American solar power generation installations, foundry technology upgrades, high-voltage equipment products stop using SF6.	Track the trend scope3 and introduce zero carbon products.
	SME complete 80% of the inventory according to the purchase amount.		
Long term -2050	Fully complete the inventory and set reduction targets.	Achieving TECO Group's overall Net Zero.	All products and services in carbon neutral.

Carbon GHG Inventory Digital System



In order to quickly and effectively track the performance of the reduction and management of emissions in each production site, ESG Management Platform has been implemented in 2023.

Carbon Inventory Management Platform

<https://tecoesg.push-server.info>

Provide each production base and headquarters with real-time review of greenhouse gas emissions, accelerate data integration, increase communication efficiency, and help identify emission trends, set carbon reduction goals, identify hot spots, and formulate carbon reduction strategies.

In addition, in the process of corporate mergers and acquisitions and joint ventures, in order to ensure that partners meet quality, environmental protection and safety and health requirements, and that products comply with sustainable management, TECO simultaneously checks and obtains ISO 9001, TS16949, and strengthens the introduction of ISO 14001, ISO 45001 or hazardous substances of management and control capabilities.

Internal Carbon Pricing System

The internal carbon pricing (ICP) system was implemented after approval by the board of directors, as an incentive for emission performance management tool. In the future, carbon fee collected from business groups will be invested in equipment updates and daily work improvements, thereby creating a more friendly ESG environment. The internal carbon price is set at NTD1,600 (USD 50) /ton. The general manager of the business group is given an allowance for annual emissions and prepares a budget to pay for the annual emissions. If the emissions exceed the target value, it is equivalent to paying more budgetary amounts. Which affect directly to business group performance and bonuses.

Supply Chain Emission Reduction Actions

TECO holds sustainable supply chain forum and guides SMEs to carry out GHG inventory under the condition of limited resources. We expect to master the basic carbon emission data and establish the ability to reduce emissions among the vast number of SMEs in Taiwan. 3 sessions in 2023 took place. About 75 small and medium-sized suppliers from various business divisions were invited to carry out emission reduction publicity and factory counseling. Assisted 53 suppliers to conduct simple GHG inventory. There are 3 internal education and training sessions totaling 11 hours, including emission reduction sharing sessions. In conjunction with the government plan, we conducted a series of ISO14064 greenhouse gas inventory training for 5 suppliers. This supplier development program has been launched in January 2023. All five suppliers will complete the greenhouse gas emissions inventory by the end of 2023 as a key target for subsequent emission reduction and improvement.



Westinghouse, Texas, USA

Climate Risk Management

Risk Type	Scope	Period	Risk Assessment
Current Regulation	own op	-2024 (S)	Must conduct GHG inventory of all subsidiaries
	own op	-2026 (M)	To be able to have carbon credit inventory and carbon offset capabilities
	own op	-2030 (L)	To be able to have the ability to declare carbon footprint for exports
Emerging Regulation	upstream	-2026 (M)	CBAM may affect the price and origin of upstream steel products
	own op	-2030 (L)	To be able to adjust supply chain logistics from the list of carbon leakage countries
Technology Risk	own op	-2024 (S)	Must master higher efficiency technologies (IE5 / IE6)
	own op	-2026 (M)	Must enter the supply chain of hydrogen power generation
Legal Risk	own op	-2024 (S)	Policies require increasing the proportion of renewable energy use or continuing to increase the price of gray electricity
	downstream	-2026 (M)	Policy mandates improving motor energy efficiency to IE4 or above
	own op	-2030 (L)	Government starts Cap and Trade
Market Risk	downstream	-2026 (M)	Customer requested a quotation for a zero-carbon motor
	downstream	-2026 (M)	Customers ask producers to recycle old motors
	upstream	-2030 (L)	The mass production of low-carbon products affects the acquisition of upstream materials (rare earths, lithium, hydrogen), etc.
Reputational Risk	own op	-2026 (M)	TECO must continue to play a leading role in the motor replacement market
	own op	-2030 (L)	Integrate group subsidiaries to set emission reduction targets and participate in SBT
Acute Physical Risk	downstream	-2030 (S)	Population heatwave exposure +18.6 pp @ temperature +1.5°C [note1]
	downstream	-2050 (M)	Population heatwave exposure +34.5 pp @ temperature +2.0°C [note1]
	downstream	-2075 (L)	Population heatwave exposure +45.7 pp @ temperature +2.5°C [note1]
Chronic Physical Risk	upstream	-2030 (S)	Labor productivity -2.1 pp @ temperature +1.5°C [note2]
	upstream	-2050 (M)	Labor productivity -3.6 pp @ temperature +2.0°C [note2]
	upstream	-2080 (L)	Labor productivity -4.9 pp @ temperature +2.5°C [note2]

- [note1] Change in fraction of population annually exposed to heatwaves in Texas (United States) under NGFD current policies scenario.
- [note2] Relative change in labor productivity due to heat stress in Jiangsu (China) under NGFD current policies scenario.

Business Opportunities from Climate Change

Electricity Generation and Storage



TECO will acquire Tai power's largest energy storage project site (60MW) in 2022 and invest in energy storage systems and decentralized grid resilience plans; it covers an area of 0.66 hectares, is equipped with 25 containers, has an installation capacity of 60MW/80MWh, and a total power storage of 80MWh. This is equivalent to the electricity consumption of nearly 8,000 households for a whole day, accounting for 37.5% of Taiwan's energy storage capacity. To make the power system more secure and stable, multiple protective measures have been implemented for energy storage safety to ensure that potential risks can be dealt with quickly and effectively under any circumstances. An energy storage management system (ESMS) has been introduced, which automatically uploads the system operating status every 10 seconds, with an execution rate of over 99% (better than the standard 95%).

EV Powertrain



TECO power system, with motor power ranging from 150kW to 250kW, has patented technologies such as noise reduction, magnetic leakage reduction, and torque ripple reduction. It is also highly efficient and lightweight and can meet the needs of long-term high-speed driving. In addition to be applied to electric buses and large trucks, the power system can also be extended to other field applications such as electric ferries, electric agricultural machinery, and port electric unmanned guided vehicles. It is currently a Taiwanese manufacturer that has obtained DMIT (Design and Manufacturing in Taiwan) of powertrain manufacturers. TECO and Mitsui & Co. of Japan jointly established TEMICO (TECO Mitsui Corporation) in India. TECO provides electric vehicle power systems; Mitsui is responsible for business opportunities in India. Mitsui & Co. has been expanding its business in India since the 1950s.

Industrial decarbonization

North America has benefited from President Biden's Build Back Better plan, which has invested approximately US\$4 trillion, and demand for motors has become increasingly strong. In 2023, TECO Motor's sales in North America will account for approximately 40% of overall sales; the growth rate exceeds 35%. TECO's investment in building a new factory in Mexico can quickly connect TECO Westinghouse in Texas, USA, and strengthen the North American supply chain. The Mexican factory is in Cienega de Flores, with a complete supply chain nearby. It can smoothly achieve Made in Mexico and enjoy preferential import and export tariffs. In addition, in response to regional economic and short-chain trends, we established a North American production base in Mexico, transferred some of the production capacity of Asian factories, and supplied the market nearby to reduce long-chain risks and enhance the competitiveness of high-efficiency motors. In addition, TECO has already achieved results in carbon capture and hydrogen energy products. Entering the North American market, the Texas project in the United States provides motors for heat exchangers and cooling fans of carbon capture equipment. We have also designed a series of compression-specific motors for hydrogen production and transportation to terminal hydrogen refueling stations.



Sales proportion of high-efficiency motors above IE3



Employees at the new factory in Mexico

Transformation Risk Scenario Analysis

According to the scenario analysis results from The Network of Central Banks and Supervisors for Greening the Financial System (NGFS), if the current situation continues, the global temperature will rise by 1.5°C in 2030, 2°C in 2050 and 3°C in 2090.

In the case of global temperature rise of 3°C, about 10% of the labor force will be lost due to high temperature. River flooding doubles in China and triples in India. Typhoons and cyclones increased by 16% in Japan, 12% in the Philippines, and 47% in the United States. On the economic side, due to the impact of natural disasters, the world will lose 2% of GDP in 2040, and the economic development of many countries has stagnated since then. And if the goal of net zero by 2050 can be achieved, although the temperature will still rise by 1.4°C by 2050, the next generation of human beings will have the opportunity to change. The greatest transition risk is our mismanagement of emission reduction pathway and miss last chance to prevent the critical point.

NGFS NET ZERO 2050 (global temperature rise 1.4°C by the end of the century)

To achieve net zero by 2050, Five-fold increase in renewable energy, 50% electrification of residential and commercial buildings (including the production of building materials), Use 40% carbon-neutral fuel (including hydrogen energy, bio diesel, etc.), sequester 5 Gt of carbon per year, improve energy efficiency, reduce energy consumption intensity by 60%, and decarbonize the use of agriculture, forestry and land resources.

TECO's Action

- In its industry, TECO has developed high-efficiency motors. The sales ratio by revenue in 2023 is 74.7%. At the same time, special anti-corrosion motors required for carbon capture equipment have been developed and have entered the equipment supply chain.
- Urban electric bus power modules will enter mass production in 2022 and win 85% market share in Taiwan in 2023.
- The total power generation capacity is 10.58 million kWh in 2023, approximately 10% of global electricity consumption. In 2024, we will continue to plan and build more than 8 MW power generation facilities, and it is expected to reach 30% of the power generation capacity in 2030. *

NGFS NDCs (Global temperature rise by 2.6°C by the end of the century)

To prevent "carbon leakage", the European Union will levy carbon tariffs (CBAM) on imported goods that have not been levied with carbon taxes in the place of production starting in 2023; the United States has also proposed the Clean Competition Act (CCA) and imported goods must declare the content of controlled substances starting in 2026. Products with more than 500 pounds of materials are used to protect European and American companies from unfair competition. Taiwan is also guided by the "Climate Change Response Act", planning to import specific products that must declare carbon emissions and offset with carbon credits.

TECO's Action

From the TECO global motor supply chain, possible transactions involving carbon tariffs include (1) imports to Taiwan, (2) exports to the United States, and (3) exports to Italy. The biggest impact is on exports to the United States, which account for about 40% of the motor industry's revenue.

If we estimate based on steel, steel accounts for 54% of the weight of the motor. TECO purchases about 60,000 tons of steel around the world every year, which translates into about 24,000 tons of steel materials, of which the total carbon footprint is as high as about 60,000 tonCO₂e.









If calculated based on the EU 2025 carbon price of EUR 80 (TWD 2,800)/ton, exports to the United States will be potentially impacted by TWD 168M. TECO requires steel suppliers to disclose product carbon footprint information for procurement considerations and will fully implement an "internal carbon price system" from 2023 onwards to track and evaluate quarterly and link it to salary incentives. Through this management method, TECO can further evaluate the effectiveness of emission reduction in a scientific way and reduce the carbon footprint of products in both raw material and manufacturing stages.

Physical Risk Scenario Analysis

RCP Scenario

Representative Concentration Pathways (RCPs) which utilize the change in radiative forcing from 1750 to 2100 as the main indicator are employed for future temperature and precipitation change analysis. RCP2.6 (increase in radiative forcing by 2.6W/m²) is the scenario of mitigated global warming, while RCP4.5-RCP6.0 and RCP8.5 (and above) are scenarios characterized by limited mitigation or no mitigation, respectively. According to Network for Greening the Financial System (NGFS), RCP results in vastly different outcomes for global TECO manufacture sites.

Based on the output of TECO's global production bases, TECO may lose an annual output value of 510 million @RCP2.6 or 620 million @RCP6.0 in 2050.

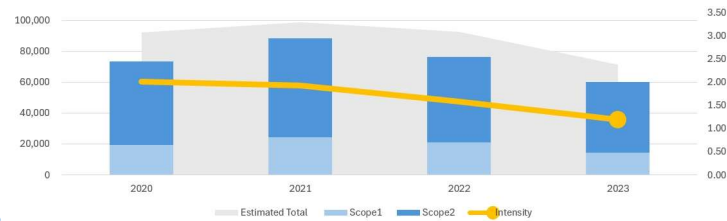
RCP 2.6 CO ₂ level 421 ppm			RCP 6.0 CO ₂ level 670 ppm		
	Temperature	Productivity	Temperature	Productivity	
 Taiwan	rise by 2.3°C	drop by 2.3 (pp)	rise by 2°C	drop by 2.8 (pp)	
 China	rise by 1.3°C	drop by 2.5 (pp)	rise by 1.5°C	drop by 3.1 (pp)	
 USA	rise by 1.4°C	drop by 4.0 (pp)	rise by 1.6°C	drop by 4.9 (pp)	
 Italy	rise by 1.3°C	drop by 1.0 (pp)	rise by 1.6°C	drop by 1.2 (pp)	
 Vietnam	rise by 1.0°C	drop by 5.6 (pp)	rise by 1.2°C	drop by 6.4 (pp)	
 Malaysia	rise by 1.0°C	drop by 5.8 (pp)	rise by 1.1°C	drop by 6.7 (pp)	
 Mexico	rise by 1.0°C	drop by 1.9 (pp)	rise by 1.4°C	drop by 2.3 (pp)	
 India	rise by 1.1°C	drop by 6.1 (pp)	rise by 1.2°C	drop by 7.1 (pp)	

Data source for other countries are from Network for Greening the Financial System (NGFS) and is compared with 1986-2006 data.

Metrics and Targets

GHG Emissions in SCOPE 1 and 2

In 2023, global production sites and sales offices conduct GHG emission inventories, with a coverage rate of 84.6% (calculated based on the group's consolidated revenue), and coverage through third-party external verification: 61.4% (only factory sites).



in tonCO ₂ e				
Estimated Total	92,334	1,006,882	92,556	73,685
Scope1 (tonCO ₂ e)	19,505	29,316	21,007	14,914
Scope2 (tonCO ₂ e)	54,085	60,800	55,536	47,424
Intensity (tonCO ₂ e/NTD M)	2.02	1.92	1.59	1.24
Revenue (NTD k)	45,823,430	52,557,030	58,315,216	59,393,661
Coverage (%)	79.7%	89.5%	82.7%	84.6%

* Intensity =(Scope1+Scope2) / Consolidated Revenue

2023 Target: Scope1: 24,552 tonCO₂e; Scope2: 50,921 tonCO₂e

GHG inventory in **operational control** and recognition of all the emissions of the subsidiaries over which TECO has the operating power. The emission coefficients cited are the standards announced by the countries concerned. The "estimated total emission" is the quotient of the "actual inventory" divided by "coverage" to simulate the annual potential total emission within the Group. (Gas types include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, and sulfur hexafluoride).



Third-party external verification: BSI in Taiwan, CQC in mainland China/Vietnam, SGS in the United States, and TUV in Italy. Citing Global Warming Potential IPCC AR6 version.

GHG Emissions in SCOPE 3

TECO initiates Scope3 emission assessment from year 2019. In 2023 TECO obtained ISO 14064-1:2018 certification through third-party verification for Taiwan sites.

(in tonCO₂e) **2023 Total Scope 3 Emission: 63,955,674.09 tonCO₂e**

Category 1 - Purchased goods and services	246,407.88	0.4%	Based on the annual motor raw material purchase volume * the carbon emission coefficient of each raw material. Sources of carbon emission coefficients include suppliers, TECO's own factory site inventory data, and the Taiwan Environmental Protection Agency's carbon footprint calculation platform. (Worldwide)
Category 2 - Capital goods	1550.22	0.0%	Purchase weight is used as the basis for calculation. (Mainland China)
Category 3 - Fuel- and energy-related activities	3,401.68	0.0%	Calculated based on the total amount of purchased electricity and the upstream carbon emission equivalent coefficient.
Category 4 - Upstream transportation and distribution	8,610.09	0.0%	Upstream transportation and distribution only cover land transportation, and only traces back to one upper-level transportation location, screening materials covering the top 65% of the factory's annual total purchase amount (Worldwide)
Category 5 - Waste generated in operations	786.25	0.0%	The calculation is based on the waste generated by TECO's factory in 2023 and with reference to the waste treatment service coefficient provided by the Taiwan Product Carbon Footprint Platform. (Worldwide)
Category 7 - Employee commuting	288.45	0.0%	Divide employee commuting modes into public transportation and self-driving cars, citing the Chinese product life cycle greenhouse gas emission coefficient database (Mainland China)

Category 9 - Downstream transportation and distribution	3,202.93	0.0%	Downstream transportation and distribution only cover land transportation and are only traced back to one upper-level down location, and the material weight of the annual purchase volume is used as the activity data calculation target. (Mainland China)
Category 11 - Use of sold products	63,694,825.00	99.6%	In 2023, the shipment volume of high-voltage large motors in the Americas and mainland China is increased. The details and calculation methods are explained as following (Worldwide)

Coefficient source: Government Data and Ecoinvent 3.0

2023 Target: Scope3: 67,321,762.2 (tonCO_{2e})

Category 11 - Use of sold products.

Type	Sales(unit)	Total kW	Power Consumption (kWh)	Emission (tCO _{2e})
Standard motors	632,379	3,910,176	19,550,800k (70,395.5 GJ)	9,775,400
Customized motors	13,812	21,567,770	107,838,850k (388,289.7 GJ)	53,919,425

- The total kW number is the design specification of each motor. The average low-voltage small motor is about 6kW each; the high-voltage large motor is designed according to customized needs, with the highest design exceeding 20,000kW. Every 1kW of operation consumes 1 kilowatt hour of electricity (kWh).
- Estimation of annual power consumption of motors: Each motor operates for 5,000 hours per year*average power consumption per unit time of the motor.
- Based on the actual number of motors sold in 2023, 646,191 units and their kW, the emission coefficients are estimated and summed according to the proportion of sales regions (Taiwan 53%; Americas 19%; Mainland China 11%; others 17%) to estimate the emissions caused by annual power consumption. total amount.
- Scope 2 Emission Factor: (Taiwan 0.495; United States 0.371; Mainland China 0.792; Italy 0.255; Vietnam 0.677) kgCO_{2e}/kWh
- In 2023, the shipment volume of high-voltage large motors in the Americas and mainland China are increased from 3,355 units in 2022 to 13,812 units in 2023. Therefore, the total emissions of products sold will increase accordingly.

Current status of participation in Science Based Targets (SBT)



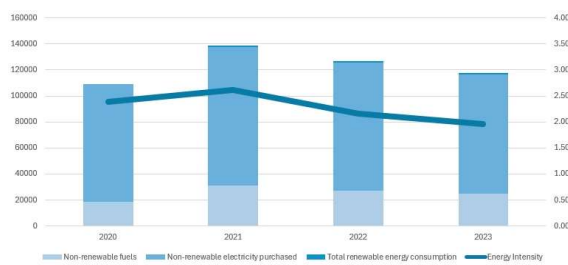
TECO announced in 2021 a goal of reducing carbon emissions by 50% in ten years, and then expanded to factories worldwide, making the entire group's core business (covering 84.6%) to reduce emissions. However, SBT requires the setting of emission reduction targets must cover 100% of the group's consolidated subsidiaries, TECO Group has as many as 53 consolidated companies, including logistics, software, communications, and human resources, real estate development and property management and other businesses. The "ESG Office" of TECO is coaching each subsidiary one by one to commit to its emission reduction targets and transformation plans. It is expected to complete 100% coverage in 2026, and TECO Group will be able to submit a consolidated target to SBT.

Energy management plan

According to TECO's global core business (coverage rate 84.6%) energy consumption comes from natural gas, diesel, gasoline (scope 1) and purchased electricity (scope 2). Scope 1 energy consumption is targeted to reduce by 5% per year; scope 2 is based on in 2030, the power generation capacity can reach the target of 30% of the total electricity consumption.

TECO Group has proposed a total of 23 energy-saving and carbon-reducing plans, investing 4,850k in environmental protection expenditure; saving a total of 2,676,482kWh (based on Taiwan's 2022 electricity coefficient of 0.495kg CO₂e/kWh), and reducing carbon emissions by 1324.8 tonCO₂e.

R&D is dedicated to the research and development of high-efficiency motors. IE3 and IE4 motors account for 74.7% of total motor product revenue. In addition, for the research and development of energy-saving and water-saving home appliances, green home appliances accounted for 60% of the revenue, with a cumulative carbon reduction of 91,743 tonCO₂e in three years. In addition to carbon reduction and energy saving planning for process equipment and products, energy efficiency training is provided for energy management personnel in production bases to improve energy saving awareness (such as carbon reduction case analysis, energy consumption saving or carbon reduction effect calculation courses, etc.); The number of people trained for strength training reached 2,046, totaling 3,548.35 hours.



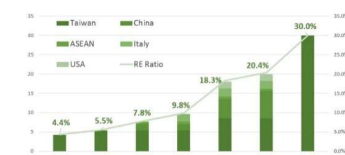
	2020	2021	2022	2023
Non-renewable fuels	18385.9	31382.6	27139.1	24879.2
Non-renewable electricity purchased	90995.6	106279.5	98384.3	91410.1
Renewable energy consumption	0	1,293	1,158	1,231
Energy Intensity	2.39	2.62	2.15	1.96
Coverage	79.70%	89.50%	80.30%	84.60%
in GJ	39,4970	496,797	453,013	420,403

Calorific value conversion coefficient (LPG 6,635 Kcal/liter, natural gas 9,000Kcal/m³, diesel 8,400Kcal/liter, gasoline 7,800Kcal/liter, electricity 860Kcal/degree) * 0.0000041868GJ/Kcal * 1,000 (Source: Energy Bureau)

2.2 Climate Change Adaptation

Renewable Energy in Factory

TECO's total power generation in 2023 is 10.58 million kWh, accounting for approximately 10% of the group's (global locations) total electricity consumption. In 2024, we plan to expand more than 8.0MW power generation facilities in Taiwan, Mainland China and the United States, with the goal of generating 30% of the total electricity consumption in 2030.



2023 Power Generation

10.58 M kWh

2023 T-REC issued **1,076**

Power Regeneration in Factory

A "Dynamometer" is a device used to detect the torque and power of a motor, and at the same time generates electricity regeneration during the test process. TECO has multiple sets of large-scale dynamometer equipment, which in 2023 regenerated a total of 210,000 kWh for own use.

- 1,500kW Dynamometer : 204,631 kWh
- 5,000kW Dynamometer : 8,948 kWh



2023 Power Regeneration

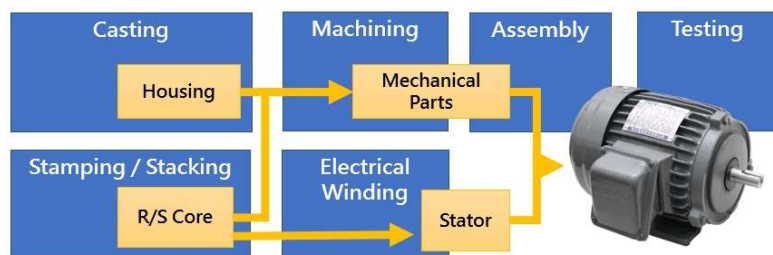
210k kWh

Low Carbon Services and Opportunities

Tai power's ten-year power grid resilience plan has three main business opportunities, including first, decentralization projects, mainly to reduce the risk of power grid concentration, with a business opportunity of 20.6 billion; second, reinforcement projects, mainly to improve the stability of equipment, with a business opportunity of 15.4 billion; and finally, It is a defense project, mainly to prevent the spread of power outages. The business opportunities are 1.26 billion, and the three main axes will release a total of 37 billion business opportunities.



2.3 The Sustainable Use and Protection of Water



Manufacture water dependence analysis

TECO's main business is motor production. In addition to water consumption during the production of casting sand molds, the rest of the operations are mostly circulating water used for equipment cooling or environmental protection purposes, circulating water used by scrubbers in the air discharge process, and people's livelihood usage for employees.

PROCESS	WATER USAGE	RECYCLE STATUS
CASTING	Cooling water used in dissolving furnace	Recycle
	Water mixed with sand when making sand molds	Discharge
	The spray painting process requires water for environmental protection	Recycle
STAMPING / STACKING	Cooling water for cast aluminum/brazing	Recycle
ELECTRICAL WINDING	Cooling water for vacuum pressure impregnation system (VPI) process	Recycle
TESTING	Water-cooled model testing	Recycle



Water Recycle

In 2023, the recycled water consumption quantity accounted for **21%** of all water consumption. The recycled water consumption quantity is 76 tons/day, and it is used for 250 days per year.

- Casting recycled water basin capacity of 60 tons
- Die casting recycled water basin capacity of 100 tons

TECO implements water-saving measures, aiming to reduce water consumption by 5% annually, including

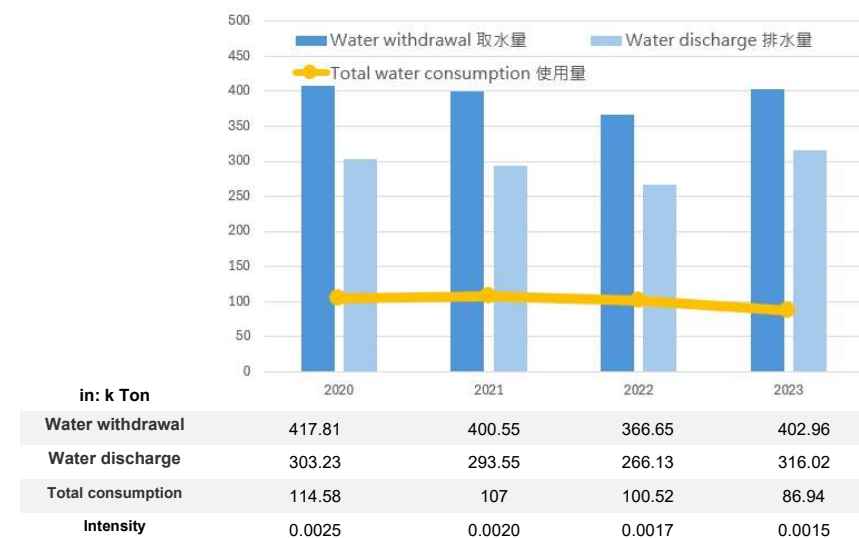
leak detection and improvement of pipeline leakage losses. TECO's wastewater discharge is estimated based on 80% of water consumption. Wastewater from each TECO factory has been inspected by qualified inspection vendors, and the discharged water quality complies with legal requirements. The casting, die-casting and painting operations in the factory are equipped with water recycling, and the recycling rate is approximately 21%. There are no environmental protection zones, habitats or areas with high biodiversity around the factory, and it has little impact on the environment and ecology.



Wuxi paint room converted to dry type

Wuxi is a high-risk area for water resources. The factory area accounts for 1.58% of TECO's total water intake and approximately 1.47% of total water consumption. Wuxi has launched a water-saving project in response to water consumption and domestic waste and sewage management; in 2023, the spray booth process will be improved from wet to dry, saving up to 7% of water consumption.

Water Usage Performance



Discharge Water Management

The water used by TECO is process cooling water and domestic sewage, and most of the wastewater sources are general wastewater. Factory wastewater is collected by underground pipes and then flows into the Industrial Zone Administration Bureau or municipal sewage treatment plant for unified treatment. The wastewater treatment process complies with the local industrial zone sewage treatment plant entry standards (no cases of exceeding the standards occurred in 2023), and interception facilities are installed in the plant to respond to emergencies. The management scope covers Taiwan, Mainland China, Europe and the Americas, with a coverage rate of 84.6%. The implementation of water resources management relies on the practices of each public institution. Regular monitoring of water quality discharges and regular inspections of wastewater volume are carried out. Water resource risk identification and opportunity assessment are carried out in different regions according to their process characteristics and standard procedures. Production bases conduct water resource training to improve water conservation. Awareness (such as: courses on application of waste reduction and water saving achievements); training for 2,005 people, totaling 3,466.35 hours.

Water Use Efficiency

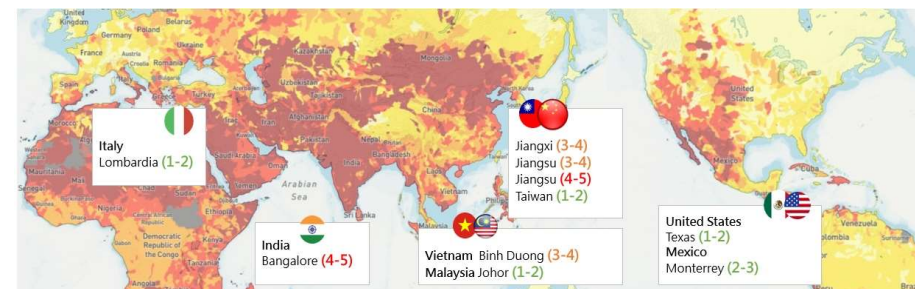
The water source for TECO's factories and sales offices is municipal potable water, and water use, and drainage comply with local government laws and regulations; [no water and wastewater violations occurred in 2023](#). Gradually carry out water-saving management based on water resource usage efficiency and reduce water intensity.

Water Statistics (M m³)

	Water withdrawal	Water discharge	Water consumption
Municipal potable Water	385.09	301.72	83.37
Underground Water	17.875	14.3	3.575

Water Sensitivity Analysis

TECO uses the World Resources Institute (WRI) Aqueduct Water Risk Atlas to analyze water resource risk levels based on global river basin and basin information to identify the water risk indicator level of the global supply chain (1 is the lowest; 5 is the highest).



The analysis shows that India (Bangalore) is the region with the highest risk and is also the latest production base to be established under international geopolitical considerations. The establishment of new factories must pay more attention to the protection and recycling of water resources. The mainland (Jiangxi and Jiangsu) is a secondary risk area. However, the mainland production base is mainly based on stamping and mechanical processing and is not highly dependent on water sources. The main risk comes from the metal smelting supply chain. TECO purchases more than 35,000 metric tons of steel come from five steelmaking plants including Baosteel, Taigang, Shougang, Huaigang and Xinang Steel, which are the main sources of steel. Vietnam (Binh Duong) is also a secondary risk area, but the Vietnam factory mainly performs motor post-processing, machining, installation, testing, etc., and is not highly dependent on water sources. TECO Motor's flagship Chungli factory is in Taoyuan. Although it is assessed as low risk by the Aqueduct Water Risk Atlas, water shortages have often occurred over the years. Taoyuan is a drought-prone area based on the hydrological annual report statistics published by Taiwan. The analysis of weather phenomena and corresponding measures under RCP2.6 and 6.0 scenarios are as follows:

Scenario	Corresponding actions
RCP 2.6 CO ₂ level 421 ppm Rainfall increases 73%. What if it floods for more than 10 cm high in factory?	<ul style="list-style-type: none"> Prior protection: None of the production equipment and materials of Chungli Factory will be destroyed if flooded. If it is predicted in advance that there will be heavy rain, the factory may plan the surrounding sandbags in advance to prevent water from flooding into the factory building, and the construction cost of sandbag stacking is estimated at NT\$4 million. Flooded: If there is a sudden heavy rain, the water will flood into the factory on the day of the torrential rain; sandbags cannot be stacked in the factory in advance for waterproofing, and it is necessary to urgently mobilize 30 water pumps to drain the flooded area quickly. The investment amount of 30 water pumps is estimated at NT\$500,000.
RCP 6.0 CO ₂ level 670 ppm Rainfall decreases 42%. What if water supply stops for 1 week?	<ul style="list-style-type: none"> The water used in Chungli Plant is mainly used for casting, dissolving, sand treatment and dip painting (80 tons/day of shared water), and for the circulating water (10 tons/day of shared water) for air conditioning cooling by the integrated factory's electricians and cutting by the mechanics. <ul style="list-style-type: none"> Water interruption within 4 days: The water storage of the foundry factory (315 tons of capacity) and the water storage of the integrated factory (55 tons of capacity) can be used for support. Water interruption for over 4 days: A 25-ton waterwheel (4 trips/day) can be employed, and the cost is NT\$80,000 for water replenishment each time.

Data source for Taiwan is from Taiwan Climate Change Projection Information and Adaptation Knowledge Platform (TCCIP) and is compared to current weather data.

2.4 The Transition to a Circular Economy



How does the raw material circulate? There are two cycles in TECO: "In-plant circular" and "Life cycle circular"

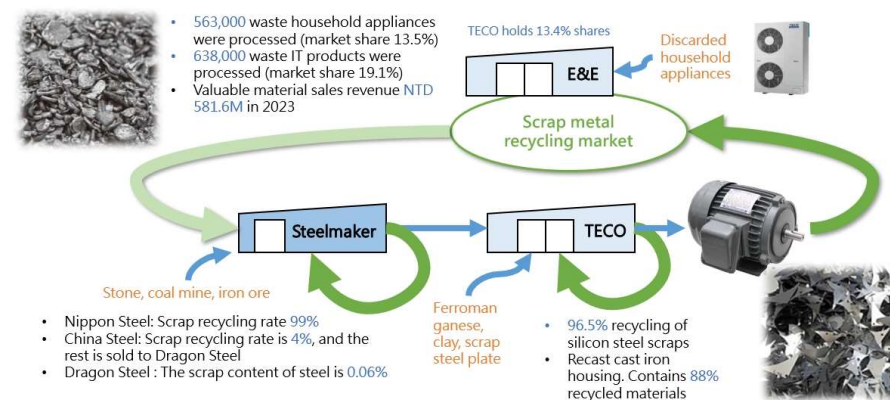
In-plant circular (GRI 301-1)

TECO has own foundry in Taiwan, which means we can melt wastes from production process and re-manufacture it into motor frame bracket housing parts. We have now reached **96.5%** of iron reusing rate.

Lifecycle circular

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

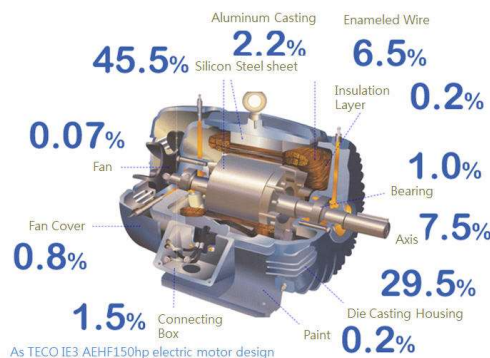
"E&E Recycling Co., Ltd.", a joint venture between TECO and home appliance manufacturers. It recycles NTD 581.6M of valuable materials from recycled waste products in 2023.



Motor Carbon Footprint Analysis

Motors are one of the most important sources of power. According to statistics, 46.2% of energy is consumed by motors worldwide. From household appliances to industrial machinery, motors power every equipment.

What kind of material forms a motor? More than 90% is metal. Here shows TECO high efficiency (IE3) 150 hp motor data:



Steel: **54 %**

Iron: **32 %**

Copper: **6 %**

Aluminum: **2 %**

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

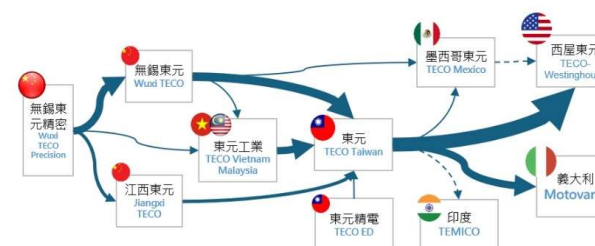
Model	Emission from Raw Material(kgCO ₂ e)	Emission from Manufacture (kgCO ₂ e)	Total Emission (kgCO ₂ e)
AEHF 2HP	152 (92.5%)	12 (7.5%)	164
AEHF 20HP	625 (89.9%)	70 (10.1%)	695
AEHF 150HP	3770 (90.9%)	375 (9.1%)	4145

* Data verified by BSI in 2016

The total sales of TECO's motor series of products qualifying the carbon footprint analysis accounted for **32.4%** of the overall volume

TECO conducted a carbon footprint assessment of the AEHF, AEHH, and AFHH three-model series motors. The calculation method is the proportion of the total sales volume of the model in 2023 to the total motor sales volume.

Sustainable Raw Material



The raw materials purchased by TECO globally are steel, iron, copper, aluminum, and a small amount of plastic. Based on regional analysis, the main producing areas are China, Taiwan, Vietnam, and Europe. Taiwan has a foundry that can melt the scrap generated during the production process in an electric furnace and remanufacturing it into the frame bracket shell required for the motor. Its recycling rate is 22.3% in Taiwan and 4.1% globally.

Material	Origin	Quantity (ton)	Recycle Rate	Notes
Aluminum	China	170	--	Aluminum raw materials are aluminum products and aluminum ingots, and the global purchasing tons in 2023 are regarded as usage.
	Taiwan	460	--	
	Europe	700	--	
Copper	China	3,670	--	Copper raw materials are enameled wires, copper bars, and copper pipes (air conditioners). The global purchasing tons in 2023 are considered as usage.
	Taiwan	1,700	--	
	Vietnam	620	--	
Iron / Steel	China	41,600	--	The raw materials of steel are silicon steel coils, steel plates, and steel rods. The usage is based on the global purchasing tons in 2023. Taiwan has foundries that can melt scraps and make them into the casings needed for motors.
	Taiwan	15,200	3,400 (22.3%)	
	Vietnam	24,000	--	
	Europe	1,700	--	
Plastics	Taiwan	60	--	Mainly used in home appliances.

Product Stewardship

Design Stage	<p>Motor lightweight: The T-HiPro+ series motor is developed in 2023. The optimized design of the lightweight motor is about 25% lighter than the original product. On average, each motor can reduce weight by 3,890 kilograms and reduce carbon emissions by 9,485 kilograms.</p>
	<p>The motor uses recycled materials: the motor casing is cast from silicon steel scraps, ferromanganese, clay, scrap steel plates and other raw materials. The 2023 cast iron casing contains 88% recycled materials.</p>
	<p>Water-based paint introduction: The motor water-based paint introduction plan was launched in 2016: By the end of 2023, the water-based paint introduction proportion has reached 81.1% of the total production, and the total emission of volatile organic compounds (VOC) has been reduced by 585,777kg, and the emission reduction has reached 72.4%. .</p>
Manufacturing Stage	<p>Environmentally friendly refrigerant substitution: Home air conditioners promote R32 environmentally friendly refrigerant and process refrigerant recycling, accounting for 89% of the number of units produced in 2023.</p>
	<p>Through process and equipment optimization, the overall energy saving of the Taiwan factory in 2023 will reach 1,231 kilowatt-hours. Related actions include promoting smart automated production and equipment energy-saving solutions.</p>
	<p>Waste resources are used to melt and reuse silicon steel scraps as motor casings. In 2023, a total of 3,419 kilograms of residual materials was recycled, with a scrap recycling ratio of 96.5%. The casting output is 3,898 kilograms. The cast iron casing contains 88% recycled materials.</p>
Transportation Stage	<p>Controlling SF6 emissions: Overhead line switch products (POLE SW) improve measurement and filling equipment to reduce emissions, with the emissions rate reaching 1.48% in 2023 (a 47% reduction compared to 2020 emissions)</p>
	<p>Direct logistics users shorten the delivery process and increase home delivery revenue by 637,000 in 2023.</p>

Use and Repair Stage	<p>Committed to deliver high efficiency motors. In 2023, IE3 and IE4 motors will account for 74.7% of all motor product revenue.</p>
	<p>Committed to the research and development of energy-saving and water-saving home appliances, green home appliances will account for 60% of revenue in 2023, with a cumulative emission reduction of 91,743 tons in three years.</p>
	<p>The development of the T-Power+ (bus) electric vehicle power system to reduce the environmental harm of fuel vehicles is a priority for the power system to obtain the DMIT (Design and Manufacture in Taiwan) Industrial Innovation Program, with a market share of 85% in Taiwan in 2023.</p>
End-of-Life Stage	<p>Most motor products are made of recyclable metal materials. Taking the AEHF series of motor products as an example, 88% of the materials can be recycled after the product is discarded.</p>
	<p>Home appliance products participate in the Taiwan Environmental Protection Agency's waste recycling policy (television sets, washing machines, refrigerators, air conditioners/heaters), providing consumers with a free service of transporting waste equipment to qualified treatment plants. Those that comply with the waste recycling policy in 2023 Home appliances accounted for 54.4% of annual sales</p>
	<p>TECO Electric and other home appliance manufacturers jointly established E&E Recycle Company in Taiwan and assigned directors to provide recycling and processing services for waste electronic and electrical items. Income from recycling in 2023 is NTD 121,648k</p>
	<p>Overall production proportion of recyclable products in 2023: 74.04%, estimated proportion of actual recycled products: 63.95%</p>

End of Life Cycle Responsibility

Consolidate recycle scenario from motor and home appliance products:

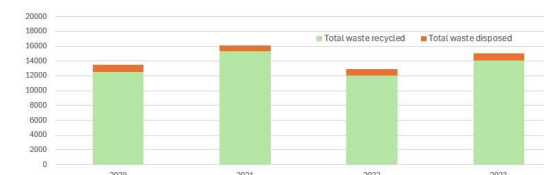
	2020	2021	2022	2023
Percentage of products sold last year that can be reused or recycled	75.81%	76.85%	79.62%	74.04%
Percentage of products and materials that were actually reused or recycled	68.20%	69.04%	73.71%	63.95%
Revenue from recycling (NTD k)	94,634	116,463	117,670	121,648

- Calculation of recyclable ratios for sold products:
 - Estimated total weight of recyclable products (motors + household appliances) sold per year * recyclable material ratio of different product categories (motors 88%, household appliances 51.5%)/Estimated total weight of all products sold per year.
 - Calculation of estimated total weight of products sold: Due to the large number of sold motor and household product models it is very difficult to create individual weight statistics. Shipped quantity of different product quantities (number of items) *Weight of most frequently sold models is therefore used as the calculation formula for estimated total weight of products sold.
- Calculation of actual recyclable ratios:
 - Denominator: Weight of products sold is substituted for weights in the production process which are impossible to trace due to the substantial number of products.
 - Numerator: Due to different product characteristics, it is difficult to perform actual statistical analysis of recycled quantities. Consequently, the actual recyclable ratio is estimated according to the following scenario, and it is assumed that the products purchased by customers in the respective year are replacements for existing products of the same brand. Assumed recyclable ratios are 100% and 50% for motors and household appliances, respectively.
- TECO and other home appliance manufacturers have engaged in a joint venture to establish the E&E Recycling Company and assigned directors for the company to provide waste electrical and electronic equipment recycling and processing services. Calculation of benefits derived from recycling: Illustrated by TECO shareholding ratio (13.42%) in E&E Recycling company.
- Motor product life cycles range from 10-15 years. Since motors are mainly made of metal, the recyclable metal material of one single motor can reach 88%. Consequently, scrapped products are disposed of by customers autonomously through the sale and purchase of valuable metals. TECO has not yet received requests for motor recycling service from customers.
- Environmental Protection Administration in Taiwan has established the Waste Four Machine Recycle Policy (refrigerator, air conditioner/heater, washing machine, television), and the distribution units that consumers make their purchase from provide the transportation service to the qualified operator for processing; therefore, product manufacturers have a relatively greater difficulty in the actual statistics of the annual recycle amount.

Waste Management

Formulate the "Waste Storage and Clearance Management Measures" and environmental management measures related to waste in the factory area, strengthen the tracking of waste removal and disposal, and hold meetings to review from time to time in accordance with laws and regulations. When selecting a waste treatment supplier, TECO conducts on-site evaluation on treatment capacity and the relevant acceptance standards to strengthen the tracking and management of waste removal and treatment.

General Waste



Unit: metric tons

Total waste recycled	12526.55	15340.87	12027.48	14100.44
Total waste disposed	1000.24	724.22	859.64	946.89
Waste landfilled		215.34	192.42	39.01
Waste incinerated with energy			342.66	733.05
Waste incinerated without energy recovery		468.68	280.72	115.99
Waste otherwise disposed		40.2	43.84	58.84
Waste with unknown disposal method	1000.24			
Coverage	79.70%	89.50%	80.30%	84.60%

Hazardous Waste



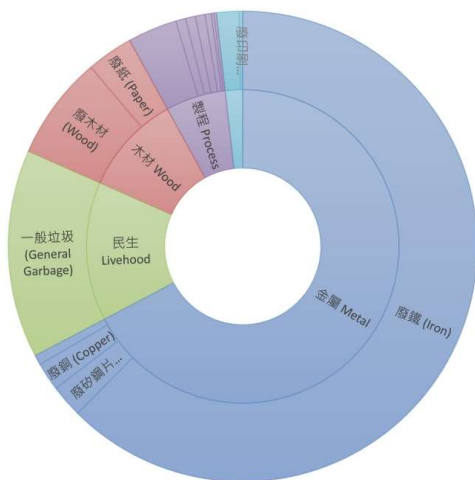
Unit: metric tons

Total hazardous waste recycled	0	536.253	599.28	602.35
Total hazardous waste disposed	731.55	336.16	294.92	286.27
Waste landfilled		3.371	0.129	0.073
Waste incinerated with energy				206.474
Waste incinerated without energy recovery		280.074	237.267	31.953
Waste otherwise disposed		10.39	10.4	0.706
Waste with unknown disposal method	731.55	42.322	47.064	47.07
Coverage	79.70%	89.50%	80.30%	84.60%

Due to the different definitions of hazardous waste in different countries, from 2021 onwards, when expanding the recognition of the Italian factory, the calculation will be based on EU standards, and the data was traced back to 2020 retroactively. This resulted in an increase in the group-wide hazardous waste value. The waste oil, grinding sludge, coolant emulsions, aqueous washing solution, contaminated packaging, contaminated filters and absorbents, and exhausted wheels of the Italian factory are all recognized as hazardous wastes, but such wastes are recognized as non-hazardous general business waste in other countries.

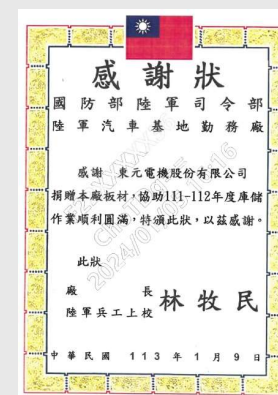
TOTAL WASTE DISPOSAL WEIGHT	GENERAL WASTE	HAZARDOUS WASTE
REUSE AND RECYCLING	14,100.44	602.35
INCINERATION	Energy recovery: 733.06 Non-energy recovery: 115.99	Energy recovery (steam): 206.47 Non-energy recovery: 31.95
BURY	39.01	0.07
OTHER	Physical treatment: 34.51 Heat treatment: 24.33	Physical process: 0.71 Waste inert: 47.07

Unit: metric tons



The total amount of waste broken down by component in 2023 is 17,595.81 metric tons

The factory targets an annual reduction of 2%. The data coverage rate reaches 84.6%. Waste removal, treatment, and burial in each region are entrusted to qualified local government processors, and the contract confirms that the waste transfer has been certified by a third party.



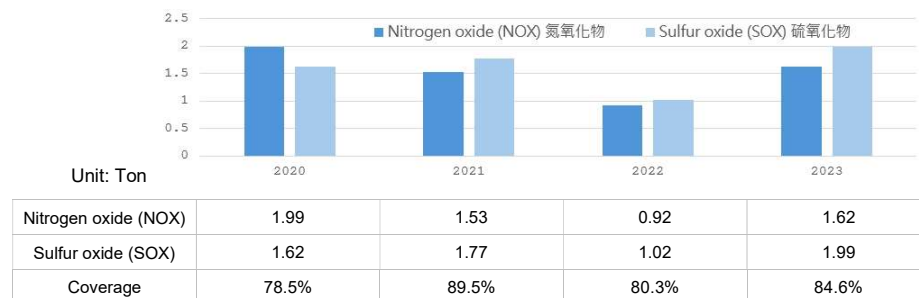
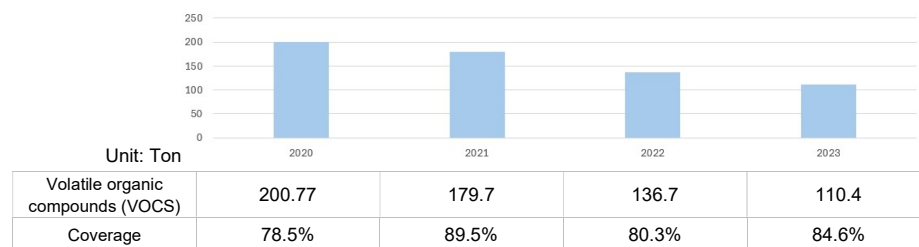
Wooden pallet recycling

When purchasing goods from various factories in Taiwan, they are transported on pallets. The usable wooden pallets will be dismantled and made into wooden boxes. In addition to its own use, some wooden pallets were also provided free of charge to nearby military service factories. A total of 31.4 tons will be provided in 2022 and 2023. About 1,650 wooden pallets, calculated at a cost of 300 yuan per pallet. Cumulatively saving taxpayers 500,000 in the defense budget.



2.5 Pollution Prevention and Control

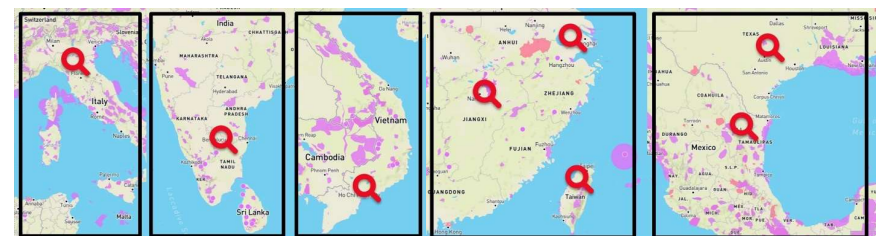
Air pollutants are mainly generated during motor production in the Chungli plant and consist mainly of Volatile Organic Compounds (VOCs). TECO has implemented improvements at the source by replacing the base coat for motors with VOC-free water-based paint. Air pollution control facilities have been established 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. Pollutant categories include SOx, NOx, PM and VOCs. TECO is firmly committed to reducing pollutant concentrations to conform to air pollution standards.



- Data coverage calculation method: Calculated based on the revenue ratio of each operating location for the current year. (revenue from sites with VOC / total group revenue).
- In 2023, 11 new sales subsidiaries including Shanghai TECO will be added, and the data coverage will account for 84.6% of the consolidated revenue.
- Due to the expansion of the scope of data inventory in 2023, the target setting method has been readjusted and managed with an annual reduction of 10%.

2.6 The Protection and Restoration of Biodiversity

TECO is committed to the compliance of biodiversity. The impact of the local ecological environment has been considered in the initial stage of the group's operation and production area; in order to minimize the impact on the ecological environment; and to ensure that there is no significant negative impact and impact on biodiversity. TECO uses the Integrated Biodiversity Assessment Tool (IBAT) to conduct a discussion on the ecological diversity impact layer of existing operating production areas. The scope covers factories in Taiwan, the United States, China, Vietnam, Italy, India (under construction), and Mexico (under construction). The production bases selected by TECO are all located in industrial areas approved by the governments of various countries, and the harm to biodiversity is limited.



More than 50% of the materials used in motors are steel, including silicon steel sheets, steel plates, bar steel, etc. The scraps of steel can be re-dissolved and cast into motor casings, which are the most critical raw materials in motor manufacturing. TECO purchases more than 35,000 metric tons of steel in mainland China every year from five steelmaking plants including Baosteel, Taiyuan Iron and Steel, Shougang, Huaigang and New Steel. We also used IBAT to explore the impact layer of the operating production area on ecological diversity. We found that except for the forest park and bird conservation area near the "Tianlongshan Grottoes" on the outskirts of Taiyuan, Shanxi Province, the operations of other steel plants have no impact on the surrounding ecology. Significant impact.



Data source: Sites of Biodiversity Importance, IBAT, UN Environment World Conservation Monitoring Centre

Biodiversity management framework and indicators

Guiding Principles	Corresponding Practices
Top management oversight of nature-related risks and opportunities	<ul style="list-style-type: none"> The highest supervision is the "Corporate Governance and Sustainability Committee". The chairman serves as the top management, and the members of the committee include several members of the board of directors; the ESG office is the executive level unit. Biodiversity promotion plans must be reported to the board of directors (the biodiversity policy is expected to be approved in 2023). Process to identify natural risk: <ol style="list-style-type: none"> Spatial Distribution Maps - Preliminary use of land use map data to perform site analysis. Introduce an assessment process to identify overall nature-related risks and opportunities from 2023.
Impact on business strategic and financial planning	<ul style="list-style-type: none"> Short term risk : Air pollution caused by production process. Short term opportunity : Water-based paint reduces VOCs emissions and air pollution. Mid term risk : Water pollution affects environmental ecosystem. Mid term opportunity : Water-saving measures and comprehensive assessment of energy, greenhouse gas, water resources and biodiversity. Long term risk : Biodiversity disruption due to raw material supply and impact on stakeholders. Long term opportunity : Conservation programs for biodiversity conservation. Improve marine and terrestrial biodiversity.
Assessment Results	The current operating sites are not located in or adjacent to a country or a nationally designated important biodiversity area.
Management metrics	<ul style="list-style-type: none"> Comply with regulatory standards and increase the proportion of water-based paint. Set water reduction goals; increase recycled water utilization. Proportion of usage of wood products and paper with non-deforestation certification.
Commitment and targets	<ul style="list-style-type: none"> Increase the proportion of water-based paint to more than 90% by 2025. Before 2025, the goal is to reduce the water consumption by 2% per year, which will eventually be equal to the water consumption quantity. HQ office implements FSC certification in 2025.

*Referring to the risk management structure and definition, TECO defines short-term (three years), medium-term (three to five years), and long-term (more than five years).

S: Social & Human Rights



TECO's Occupational Safety and Health Commitment:

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

TECO Declaration of Human Rights Policy

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

TECO's declarations on its human rights policy includes:

✓ Investment	✓ Working hours
✓ Fairness and non-discrimination	✓ Meet basic salary requirement
✓ Creating good employee relations	✓ Safe and healthy work environment
✓ No child labor	✓ Training
✓ Prohibit compulsory and forced labor	✓ Communication channels

TECO 's Declaration of Human Rights

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



Letter of Commitment to Human Rights and Environmental Sustainability

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



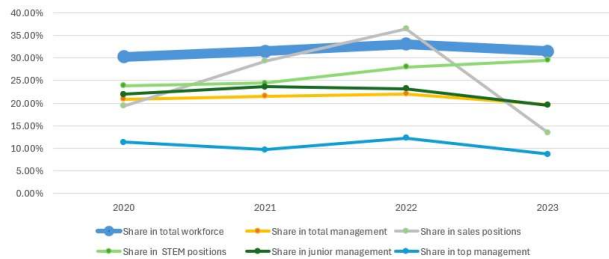
3.1 Diversity and Equal Opportunity

This Report covers **5,896** personal in TECO Group, includes **2,433** in parent company (as 2023.12.31)

Total hiring by region and gender	Full-Time		Temporary		Part-time	
	male	female	male	female	male	female
Taiwan	1,995	718	147	38	44	13
North America	265	72	13	2	6	1
Mainland China	932	304	10	89	158	55
Europe	386	108	24	10	6	11
S.E. Asia	202	93	0	0	0	0
Other	118	45	12	3	2	14

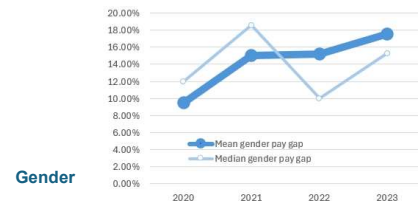
- FTEs are full-time permanent and periodic employees., TECO has no non-guaranteed hours employees.
- Full-time employees in mainland China: 630 with permanent contract, 606 with periodic contract.
- By full-time equivalent, FTEs are: **5,797**
- The number of employees did not fluctuate significantly from the previous year.





Share in total workforce	30.30%	31.47%	33.10%	31.50%
Share in total management	20.90%	21.59%	22.10%	19.70%
Share in junior management	22.00%	23.61%	23.20%	19.60%
Share in top management	11.40%	9.73%	12.30%	8.70%
Share in sales positions	19.40%	29.33%	36.50%	13.50%
Share in STEM positions	23.90%	24.48%	28.00%	29.50%

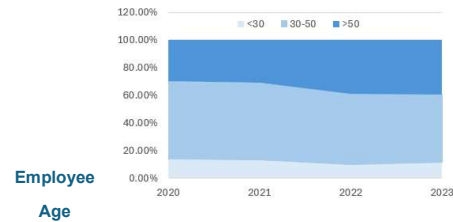
- Data covers 100% Global Core Business Units.
- Management level: Supervisors above the rank of officer (including the ranks of Officer, Manager, Director, Assistant Vice President and Business Group President)
- Junior management level: Supervisors of the rank of officer, supervisors of the rank of manager
- Top management level: Supervisors of the rank of director, supervisors, Assistant Vice President and Business Group President



Gender Pay Gap

Mean	9.50%	15.01%	15.20%	17.6%
Median	12.00%	18.58%	10.00%	15.3%
Bonus gap	0	0	0	0

Data covers 78% Global Core Business Units.



Employee Age

Gender Pay Indicators by position

Supervisor	2.00%
Managers	-4.74%
Top management	-44.56%
Non-manager	21.90%

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

Data covers 41.3% (2,433/5,896) Parent Company

Workforce by Nationality

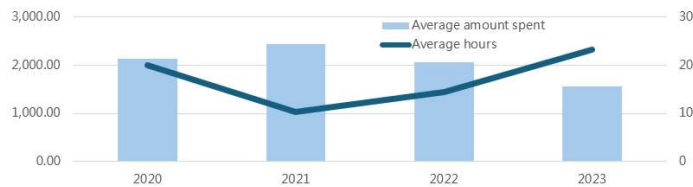
Region	Share in total workforce	Managers share in all positions
Taiwan ROC	51.4%	48.3%
Asian but not ROC	31.4%	37.6%
Other Nationality	17.2%	14.1%

Data covers 100% Global Core Business Units.

The proportion of women in management will drop from 22.1% to 19.7% in 2023. The company has set the proportion of female employees and the proportion of female supervisors as one of the KPIs. In this way, equal conditions for men and women are considered when appointing and promoting. The proportion of women in revenue-related positions has increased from 28% to 29.5%. In the future, when promoting important positions in the company's operations, the company will strengthen the training of female successors and include gender evaluation items in the senior executive succession plan.

Due to the nature of the industry in which there are still far more men than women, TECO will continue to encourage female employees to develop in diverse ways and take on challenging positions. TECO Group supports a culture of equality and diversity in talent development. However, because the industry belongs to the electrical machinery and equipment manufacturing and repair industry, the number of female employees is relatively low. After understanding the situation in the industry, the company's ratio of female employees at all levels is like that of its peers.

Career Development



Average hours	19.98	10.21	14.36	23.26
Average amount spent	2,125.61	2,431.94	2,054.05	1,553.61

Training hours by gender

Gender	Hours
Male	24.14
Female	22.46

Training hours by position

Position	Hours
Junior Supervisor	30.94
Managers	25.82
Top management	24.08
Non-manager	22.65

Training hours by type

Type	Hours
Physical course	11.50
Online course	10.42
On job training	0.22
External training	1.08

The total number of education and training hours in 2023 is 56,651 hours, the average training hours is 23.26 hours, and the total education and training investment cost is NTD 3,783,052. Mainly due to the easing of the covid-19 epidemic and the gradual resumption of physical courses, coupled with the promotion and application of online learning platforms, online compulsory courses are included in 2023 (ex: information security, DEI, environmental security, ESG and other related courses).

The company implements a Mentor Program. The general manager of the project serves as the Mentor, and potential mid- to high-level managers are selected as Mentees based on needs. Mentees from different business groups will communicate and independently discuss the direction of development and projects to be jointly implemented.

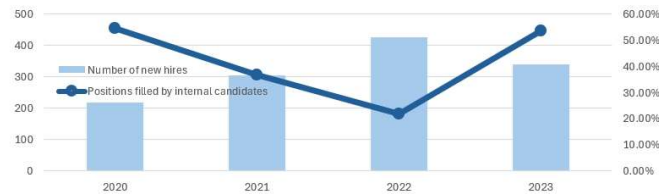
Data scope: 70%, includes Taiwan and Mainland China sites.

Employee Training Program

Development plan	Description of benefits	Quantified benefits	Participation Ratio
Digital Project Competition Through competition, cultivate key talents to think about the company's digital transformation plan and lead colleagues to implement it.	Key talents are potential employees of the company. To help them develop towards manager level and above, and make stable contributions to the company, in line with the company's digital transformation strategy in 2023, key talents are arranged as digital transformation leaders. This competition starts from the ideas to the actual proof of concept (POC) stage and by using existing data and resources, these ideas can be put into production.	In 2023, a total of 6 digital projects from 15 proposals are selected. Comprehensive estimated benefits of the 6 cases: increased revenue by NTD 90.5M, increased gross profit by NTD 9.5M, increased accurate delivery rate by 21.2%, increased bid winning rate by 1%, and saved NTD 8.6M.	2.36%
Cultivation of Key Talents Select key talents in each unit every two years and plan individual development plans (IDP) for key talents	By cultivating key talents, we can ensure the continuity and stability of work in each unit and reduce the chaos caused by management changes. The successor is familiar with the company's strategies and will be able to respond to market changes and challenges more effectively after successful succession. A clear key talent system can effectively motivate employees, see their career development path, and have a stronger sense of identification and belonging to the company.	In 2023, the key talents accounted for 3.5% (60/1679) of the company's 5-8 grade personnel. There are 16 key talents who received "grade promotion" in 2023, accounting for 26.7% (16/60) of all key talents. The promotion rate for key talents is 13.3% (16/120) (higher than the overall promotion rate of 5.4% (120/2192))	2.7%

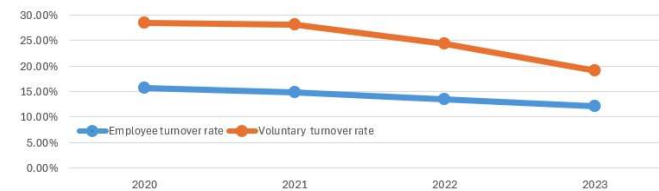
Data scope: 70%, includes Taiwan and Mainland China sites.

Talent Motivation and Retention



Number of new hires	219	304	427	340
Positions filled by internal candidates	54.60%	36.80%	21.90%	53.6%

Data covers 41.3% (2,433/5,896) Parent Company



Employee turnover rate	15.70%	14.80%	13.44%	12.04%
Voluntary turnover rate	12.80%	13.30%	10.96%	7.04%

Data covers 100% Global Core Business Units.

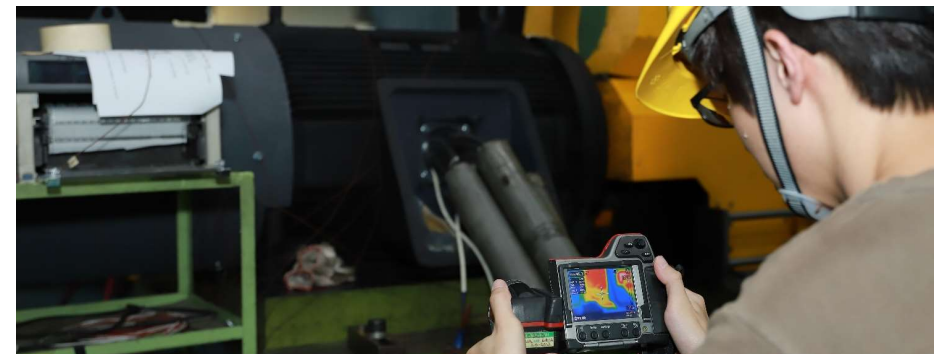
Internal recruitment: Compared with the vacancies filled by internal employees last year, 75% of them were on-site engineering operations, with a male-to-female ratio of approximately 3:2. Most employees to be filled were aged 40-49, accounting for approximately 32.2%.

External recruitment: Compared with the new employees last year, due to the nature of the industry, there are more male employees, with a male: female ratio of 11:9; in terms of age, middle-aged and middle-aged people will become the main workforce in 2023

The turnover status is calculated based on gender. The male turnover rate is 72.70% and the female turnover rate is 27.30%. The turnover rate is based on age. It is divided into three groups: under 30 years old, 30 to 50 years old, and over 50 years old. The turnover rate 16.38%, 48.81%, 34.81% in order.

base: 2023/12/31			New Hire			Turn Over			Total number of FTE		
Age / Gender	male	female	total	male	female	total	male	female	total		
<30	111	38	149	111	21	132	193	80	273		
	74%	26%	44%	84%	16%	29%	71%	29%	11%		
30 -50	97	51	148	139	60	199	785	415	1,200		
	66%	34%	44%	70%	30%	43%	65%	35%	49%		
>50	35	8	43	98	30	128	698	262	960		
	81%	19%	12%	77%	23%	28%	73%	27%	39%		
Total	243	97	340	348	111	459	1676	757	2,433		

Data covers 41.3% (2,433/5,896) Parent Company



Compensation Plan

Item	Measurement
Performance Measurement	<p>Management by objectives: Performance appraisals are conducted twice a year (once every six months) and are evaluated by the supervisors at the next level and the two levels above.</p> <ul style="list-style-type: none"> The assessment grades are divided into 5 grades (Grade 1 is the best). Including aspects: (1) Achievement of key goals 70%; (2) Ability (innovation/communication/adaptability) 15%; (3) Attitude (achievement motivation/proactivity/responsibility/customer orientation/teamwork) 15%. Before the assessment, arrange at least one performance interview to understand employee performance and provide feedback, and confirm goals and development plans. Employees with poor performance evaluations will also be put through a performance coaching program by their unit supervisors. In 2023, the Group will coach and improve a total of 196 people. <p>Multi-faceted performance appraisal: In response to differences in job attributes, for senior executives, employees who are promoted to manager level or above in the current year, matrix organization personnel, and expatriate personnel, Multi-faceted performance appraisal is applied for (1) performance dimension, (2) responsibility dimension, (3) leadership dimension, and (4) continuous improvement dimension, and (5) organizational dimension as the assessment dimension, so that employees can obtain multi-angle feedback.</p>
	<p>In 2023, the "Long Term Incentive (LTI)" system was established for managers and above and will be paid based on personal KPIs and performance appraisals in the next three years. KPIs are set according to the nature of the execution project, involving relevant personnel of the sustainability project, and their KPIs will be linked to relevant sustainability indicators.</p> <ul style="list-style-type: none"> Established Employee Stock Ownership Plans (ESOP) and incorporated sustainability indicators into indicator assessment. There are a total of 2,116,572 shares in the Centripetal Shareholding Association, of which the senior management level has a total of 637,273 shares; the non-senior colleagues have a total of 1,479,299 shares. In 2023, all employees can participate if their performance appraisal and seniority meet the requirements. The applicable ratio is 67.2% (1,635 people/2,433 people). As of 2023/12/31, the number of participants is 249. Average payment period: 2 years.

3.2 Working Conditions and Communications

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. TECO 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. [On February 21, 2023, the new version of the group agreement was signed with updated employee support programs.](#)

The union convenes annual general meetings for the election of representatives, 11 Directors and 3 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. TECO 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 20 model workers were selected. All business activities of TECO strictly conform to the Labor Standards Act. Employees are notified of major operational changes by law in advance.

Labor union

- Established in 1974
- Collective agreement signed in 1981 and accepted by all TECO staff members.
- [A new group agreement was signed in 2023 with updated employee support programs.](#)
- General union meetings are convened on an annual basis for the election of union directors and supervisors.
- Conferences convened by the Chairman, President, union Directors and Supervisors are held on a semi-annual basis. Monthly Director and Supervisor meetings are convened to discuss various employee-related issues. Company representatives attend these meetings to communicate with the labor representatives.

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

Number of employees in Taiwan under protection of unions **100%**

TECO has unions in Taiwan, Jiangxi China and Italy. Accounts 50% of the total group.

Supporting Program Superior to Regulatory Requirements

Support Type	Notes
Stress management	Provide employee EAP psychological consultation services. Colleagues can consult by phone or in person and receive four hours of free psychological counseling services per year (one hour each time).
Exercise and Wellness Program	Health lectures are held every quarter, an AED is added to the office, CPR/AED courses are made compulsory, employees are encouraged to learn health knowledge, and cancer screening activities are held regularly. Host exercise classes after hours and cover part of tuition for employees.
Flexible working hours	To allow employees to achieve a work-life balance, avoid traffic jams during peak hours, work according to personal life rhythms, and reduce work psychological pressure, we have the flexibility to work from 7:50 to 09:00.
Part-time job transition	Discuss and adjust flexibly on a case-by-case basis.
Babysitting measures	To sympathize with parents who need to take care of young children, we provide paid family care leave and sign an agreement with the kindergarten to allow colleagues to work with peace of mind.
Lactation facilities	For pregnant employees, we have dedicated parking spaces, provide maternal health protection consultation, and set up a lactation room. We received excellent certification in the 2019 Taipei City Assessment.
Workplace first aid	The headquarters will add an AED in 2023 and achieved the goal of more than 70% of colleagues completing CPR+AED training and obtaining Taipei City AED Safe Place Certification.
Paid parental leave for the primary caregiver	During pregnancy, the main childbearing person is entitled to 10 days of maternity leave with full pay, and 8 weeks of maternity leave before and after childbirth, totaling 9.5 weeks of paid leave.
Paid parental leave for the non-primary caregiver	During the pregnancy of the partner, 7 days each, a total of 2 weeks of paid leave.
Extra Paid Leave	The company provides 3 days of paid welfare extra leave per year. Support employees to balance work and family life.

Childcare, Insurance and Retirement

GRI		Description	
		Data covers 41.3% (2,433/5,896) Parent Company	
GRI 401-3	Parental leave	Parental leave information and data	Female Male
		a Total number of employees that were entitled to parental leave.	15 26
		b Total number of employees that took parental leave	6 7
		c Total number of employees that returned to work in the reporting period after parental leave ended	5 5
		d Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	5 4
GRI 404-2	Retirement transition assistance	e Return to work and retention rates of employees that took parental leave	83.33% 71.43%
		Retired laborer	
		1. Provide courses related to (medium-)elderly or retired employees, such as retirement financial management.	
		2. Hire retirees over 65 years old to pass on their professional skills and experience.	
		3. Support retirement association activities to improve the quality of life and fun of TECO retirees.	
GRI 401-2	Standard benefits for full-time employees	Workers who being terminate employment.	
		Provide job referral services, employment consultation and vocational training-related information to laid-off employees to assist employees in job transition.	
		<ul style="list-style-type: none"> Insurance: Insure according to law. Group insurance benefits are provided, with the company fully paying the premiums. The coverage includes life insurance, accident insurance, medical insurance, critical illness insurance and cancer medical insurance. Employees can also add insurance for their dependents. 	
		<ul style="list-style-type: none"> Retirement system: Retirement funds are withdrawn every month and deposited into a bank trust to take care of employees' retirement life. Contribute 6% of employees' monthly salary to their personal account monthly. 	
		<ul style="list-style-type: none"> Employee Stock Ownership Plans: All employees can participate in employee ESOPs to encourage colleagues to hold company stocks for the long term. 	
		<ul style="list-style-type: none"> Leave system better than the law: : <ol style="list-style-type: none"> Parental Leave: Suspended without pay, each child can apply for parental leave before they reach three years old, up to two years. Public welfare leave: In order to encourage employees to participate in social welfare activities, three days of public welfare leave are provided every year. Birthday leave: Establish birthday leave to express the company's blessings. Maternity check leave: During pregnancy, the company provides employees with ten days of maternity check leave with full pay, which is better than the seven-day maternity check-up leave under the current regulations. Convalescent Leave: Paid convalescents leave as compared to days of hospitalization. 	

GRI

Description

Data covers 41.3% (2,433/5,896) Parent Company

Occupational / non-occupational medical and health services
GRI 403-3 GRI 403-6 GRI 403-7

- For health promotion, TECO provides the following items in addition to regular health examinations stipulated by laws and regulations, on-site physician services, and occupational safety laws. :
 - Health lecture (all employees): Health lecture held every quarter.
 - Breastfeeding room (postpartum employees): Establish company-owned breastfeeding room.
 - Health education information (all employees): Publish health education information every month.
 - Employee physical examination (employees once every three years).
- Provide the following resources for employees to participate on their own will.
 - Massage for the Visually Impaired (HQ): Provides massage services to colleagues every Friday afternoon.
 - CPR & AED training course (HQ): This service obtained Taipei Safe Place Certification.
 - Provide 4 hours of psychological counseling services per person per year (one of the EAP plans) (HQ).
 - Cancer Screening (all employees): Annual cancer screening in the office
 - Contractor management: Identification of major negative impacts and risks (organizing meetings, hazard notifications, labor insurance accident insurance, emergency response, special operations in accordance with legal requirements and the release of qualified certificates, etc.); reducing negative impacts and hazards faced by workers who is not employee.
- Vaccination (all employees): Publicly funded/self-funded vaccinations are held every year so that colleagues can be vaccinated in the office to reduce the risk of influenza and Covid-19.
- Scope of management system and internal regulations (5,896 people in the whole group)

ISO 45001 standard specifications (5,089 people)	Employee	Other Woker	Contractor
Number of people covered	4,462 (75.7%)	627 (10.6%)	271 (100%)
According to legal requirements (807 people)	Employee	Other Woker	Contractor
Number of people covered	776 (13.2%)	31 (0.5%)	76 (100%)

5.	Occupational disease tracking			
	Occupational disease classification /year	2021	2022	2023
	Class 4 (Health examination results are abnormal and related to work)	1 (0.1%)	0	0
	Class 3 (Abnormal health examination results cannot be determined to be work-related and require further evaluation by doctor)	25 (1.4%)	7 (0.4%)	0
	Class 2 and under The results of the health examination are normal or have nothing to do with work)	1,766 (98.5%)	1,785 (99.6%)	1,792 (100%)
The index of regular care and regular follow-up visits (chronic prescription) has dropped and remained stable; in 2023, it will all be reduced to level 1~2.				
Annual physical examinations will be conducted in 2024.				

Occupational Safety

GOAL: No pollution to the environment and zero hazards at work

TECO has established an occupational safety team under the CEO office, which is responsible for policy formulation, plan management and supervision of environmental safety and health, and has set up dedicated units in each factory.

TECO establishes and implements management systems based on ISO 14001 and ISO 45001 (environmental management and occupational safety and health management systems).

HQ and 13 production bases have all completed the establishment of ISO 14001 and ISO 45001 and passed third-party verification, with a coverage rate of 100%.

Sales-oriented companies implement supervision in accordance with internal management policies.

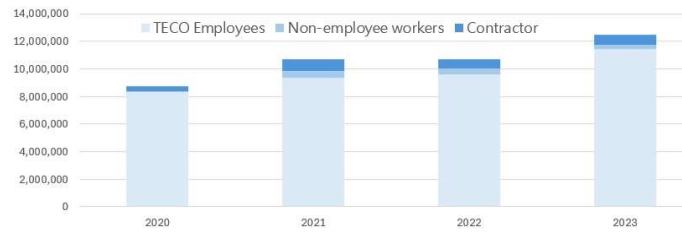
The Occupational Safety and Health Committee is held every quarter, with 1/3 of the members being labor representatives, to conduct management exchanges and perform the following actions in accordance with ISO 45001:



Regulations and Stakeholder Requirements	In 2023, 136 environmental protection regulations and 88 safety and health regulations will be updated, with no non-compliance.
Identification of hazards and risks and environmental considerations	In 2023, there will be 2,880 environmental identification cases, 3,668 safety and health cases, 0 high-risk cases, 1 medium-high risk case, and the rest are low-risk or negligible. The evaluators obtain relevant certificates and licenses in accordance with the law and complete the identification.
Quantitative target management	In 2023, there are 11 environmental goals and 9 safety and health goals; all of them have been completed.
Standard operating procedures	There are 116 procedures in 2023; 6 are reviewed and revised regularly. *
Education, training and information cascade	In 2023, there will be 931 people trained and 3,755 hours of training; 117 copies will be delivered.
Regular inspections and safety inspections	There will be 517 inspections in 2023.
Occupational accident and false alarm investigation	In 2023, there were a total of 11.42 million disaster-free working hours and 10 moderate injuries.
Improve proposal and change management	In 2023, there are 370 proposals and 3 change management cases.

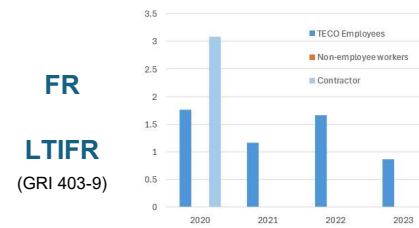
Occupational disease statistics
GRI 403-10

Occupational Injury Statistics



TECO Employees	8,302,155	9,324,030	9,616,537	11,423,538
Non-employee workers	83,944	522,408	413,600	331,432
Contractor	322,899	856,688	668,809	692,488

In order to strengthen the statistics of occupational injuries in each factory, we independently calculate the frequency of incapacitating injuries FR and the severity rate of incapacitating injuries SR for all regular employees of TECO Electric Group. We also calculate the incapacitation frequency FR and the severity rate SR of other workers, engineering contractors and outsourcing contractors in Taiwan factories. Injury frequency FR and incapacitating injury severity rate SR.

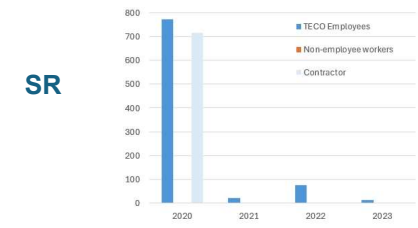


Employees	1.77	1.17	1.66	0.87
Other workers	0	0	0	0
Contractor	3.09	0	0	0
coverage	86.3%	89.5%	82.7%	84.6%

TECO Group's Disabling Injury Frequency Rate (FR) (excluding traffic accidents) is **0.87**

FR for other workers and contractors (excluding traffic accidents) is **0**

(note) Formula: FR= (disability injury counts/total working hours X 10⁶), under the definition of Labor Inspection Law Enforcement Rules 6. The disability injury counts are limited to incidents that occurred in 2023 and applied also to US, China and Vietnam subsidiaries.



Employees	774	20	74	13
Other workers	0	0	0	0
Contractor	715	0	0	0
coverage	86.3%	89.5%	82.7%	84.6%

TECO Group's Disabling Injury Severity Rate (SR) (excluding traffic accidents) is **13**

SR for other workers and contractors (excluding traffic accidents) is **0**

(note) Formula: SR= (Number of total lost workdays/total working hours X 10⁶), under the definition of Labor Inspection Law Enforcement Rules 6. The number of total workdays is limited to incidents that occurred in 2023 and applied also to US, China and Vietnam subsidiaries.

The occupational injury incidents are divided into severe, moderate, mild, and false alarm levels. The detailed description for 2023 is as follows, **NO death case in 2023**

LEVEL	CASE	TYPE	No matter what level of occupational injury occurs, it must be reported according to the "General Accident Handling Procedure". After the accident investigation of moderate injuries, the treatment tools and standardized procedures should be optimized. Internal education and training must be updated.
MILD	10	Improper action 2 Clamped 1 bruised 2 Crushing/crushed 2 falls on ground 3	

Date Coverage: 100% Global Core Business sites, accounts for 84.6% of consolidated revenue.

3.3 Human Rights Mitigation and Remediation

According to UN "Universal Declaration of Human Rights" and "United Nations Global Compact" TECO develops "Declaration of Human Rights" to manage internal HR policies. Human right issues cover parent company, subsidiaries, and suppliers. TECO has established human rights due diligence procedures. It evaluates and reviews human rights risk issues every year, identifies affected objects and risk sources, and plans actions. Health, safety, and human rights risks includes "Working Environment Monitoring" and "Overload Hazard Prevention" and reveal and formulate improvement plans as listed in following table.

In 2023, the Human Resources Center promotes DEI (Diversity, Equity, and Inclusion) project to further mitigate the risk of infringement.

Issues of Concern	Topics	Risk Assessment	Stakeholder	Mitigation Plan and Remediation Action	Implementation Results
Safe and healthy work environment	Formulation of health care plans for maternal employees	Assessments are carried out based on work environment and operating hazard evaluation charts	Female employees	Task adjustment based on risk communication and consensus, provision of breastfeeding facilities and exclusive parking spaces	9 protection is in progress. Regularly track the situation before, during and after pregnancy; report the progress to the safety committee.
	Unlawful Infringement Prevention	Employee self-appeal	Employee	To protect the rights of the complaining employees, after HR received the complaint CEO appoints the person in charge of the case and the Safety team carries out investigations and implement countermeasures	The number of notifications is 2 (2 cases have not been filed); the investigation completion rate is 100%
	Operating environment monitoring	Sampling, monitoring and improvement of the working environment of employees every six months.	Employee	By government regulation and tracking standards	No work environment monitoring exceeds the standard
Prohibition of forced labor	Overtime work is not encouraged; rest times of employees are respected	HR and Occupational Safety track overtime statistics on a monthly basis	Employees	It is announced in labor-management meetings and quarterly meetings that overtime work is not encouraged	Controlled adequately without risks

	Overload hazard risk assessment (every three years)	Ratio of employees at overload risk levels 3 and 4: 0.21% (5/2,433)	Employees	Establish overload hazard preventive plan, perform consulting health education, operation adjustment according to the assessment result and track improvement.	Overload risk level 3 ended to 10 in the fourth quarter of 2023 and was downgraded to 5 after tracking.
Prohibition of child labor	Supplier Code of Conduct: Signing of a Pledge to Human Rights and Environmental Sustainability	Compilation and audits in the context of supplier evaluation standards	Employees Supplier	Audits of employees aged 15 and above in accordance with relevant laws starting from recruitment	Controlled adequately without risks
Elimination of discrimination	Focus on the spirit and future development of the Modern Slavery Act	Examination of the living and work conditions of foreign workers to rule out unequal treatment	Migrant workers	All foreign workers have official employee status	Controlled adequately without risks
Freedom of association and right to collective bargaining	Guarantee of the right to form labor unions and convene labor-management meetings	Guarantee that employee grievance channels are secure and unobstructed, regular employee satisfaction surveys	Employees	Monthly Director and Supervisor meetings are convened to discuss various employee-related issues. Company representatives attend these meetings to communicate with the labor representatives.	Percentage of union-protected employees: 100%



Safe Work Place
Certification



Breastfeeding Facility
Certification

Data covers 41.3% Parent Company. Employees include Aboriginal and new immigrants. FTE based on equivalent working hours: 44%

DEI (diversity, equity and inclusion) activities

In the two DEI training courses in 2023, the completion rate of management staff and all colleagues reached 80%:

- DEI diversity and inclusion microfilm (87% for management, 81% for all colleagues)
- DEI Diversity and Inclusion Culture Formation & Unconscious Bias (90% for management, 85% for all employees)

A "Slogan Submission Contest" was held and 33 innovative slogan proposals were received. In the end, 867 colleagues selected the three with the highest votes and the masterpiece "Diversity welcomes business opportunities, equality enjoys mutual benefits, and integration creates success." Its core values are widely implemented throughout the company

Each factory held a "Taste of Mom and Home" food feast full of love and understanding, and 103 colleagues participated in the event, including Taiwanese, Thai, Malaysian, Vietnamese, Burmese, Chinese, Southern Fujian, Hakka... and other ethnic groups. A total of 46 Choose a delicious dish and vote for the most popular dish in each factory.

We collected short videos from 21 groups of colleagues across the company to explain the connection or ideas between DEI and themselves. The videos were officially launched on TECO DEI's official website "What Is DEI?@TECO 2023" and announced for all to watch.

The communities where the headquarters and factories are located hold charity activities, including [Elderly Dinner], [Halloween Trick-or-Treat], and [Charity Games], with approximately 700 employees and community members participated.

Human rights related education and training:

Human rights-related education and training in 2023 include "Management methods to avoid workplace bullying risks", "Practical responses to personal data protection law", "Labor safety and health on-the-job education and training", a total of 21 courses and 38 hours. The employee training completion rate is 100%.

Human Rights Agreements and Contracts:

TECO protects the human rights of employees through the trade union and labor-management meeting systems. Employees who are eligible to join the union are protected by the union at a rate of 100%. TECO's suppliers are bound by the "Human Rights and Environmental Sustainability Commitment Letter".

3.4 Employee and Customer Engagement

Employee Wellbeing Survey

Employee surveys are conducted every year, with a total of 11 aspects and 49 questions, including leadership, colleagueship, innovation, digital cognition, work arrangements, employee benefits, performance appraisal system, career development, and training, quality of life, and employee engagement. Process goes through an anonymous questionnaire survey. [The goal is 80 points.](#)

	2020	2021	2022	2023	Target
Score	Supervisor	Supervisor	Supervisor	Supervisor	80
	75.2	73.6	84.8	76.7	
	Employee	Employee	Employee	Employee	
	69.6	71.3	88.8	69.9	
	Average:	Average:	Average	Average	
	72.4	72.4	86.8	71.8	
Participation Ratio (%)	39.7%	51.0%	51.6%	45.9%	55%

The survey covers sites in Taiwan, Mainland China and United States, accounts for 73%

According to feedback, the lowest 3 topics are Career opportunities, employee engagement and quality of life.

- Career opportunities: Employees in all units have doubts about performance appraisal, salary adjustment, promotion, and bonus systems. They have low willingness to pursue internal training and have doubts about the company's future development direction.
- Employee engagement: Employees pay attention to whether the communication channels are transparent enough to pass on feedback.
- Work pressure: Most employees mentioned that the lack of manpower and serious gaps lead to high work pressure. In the future, external recruitment will be carried out and professional skills training for internal staff will be strengthened.

The response rate of this questionnaire survey is lower than that of 2022. The reason is that there are 8 more subsidiaries covered and 9 more questions. Improvement action for next year is: The time to fill in the questionnaire to be increased, communication with the worldwide sites to be strengthened, and the content of the questionnaire to be adjusted to fit local needs.

Customer Satisfaction

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. Home appliance business department mainly uses the method of telephone interview as the key method to collect customer feedback. The regional subsidiaries of TECO are the main sales channel for the industrial customers. In 2023, the online customer sales revenue accounted for 11.7%, and the sales volume accounted for 14.0%. The overall customer satisfaction evaluation result is published as follows:

Customer satisfaction	2020	2021	2022	2023	Target
Overall	74.2%	81.1%	85.6%	74.7%	81.1%
Data coverage	86.3%	85.1%	83.7%	81.8%	
Electromechanical	72.5%	78.1%	84.9%	65.3%	80%
Data coverage	100%	100%	88.3%	83.3%	
Home appliance	82.6%	84.5%	86.3%	86.8%	85%
Data coverage	21%	57%	64.5%	62%	
Engineering		86.1%	87.0%	87.7%	85%
Data coverage		84.0%	96.0%	98.0%	

TECO reorganized its organization in July 2021 and integrated its products into three major business groups: electromechanical systems, home appliance, and smart energy engineering. The satisfaction ratio is calculated according to the statistical data of individual business groups and the individual goals and is calculated according to the proportion of the total revenue.

Improvements be made as follows:

Sales service	Inquiry and order technical communication: Starting from 2023, starting from the valuation stage, the first version of the design drawing will be established. After the order is officially received, the delivery time is expected to be shortened by 1 week to meet customer needs.
After-sales service	Improvement of service timeliness: stations with insufficient manpower have been supplemented with manpower (2) Implementation of unfinished parts tracing (hosted by the general manager) (3) Digitization of technical information, and service technical documents can be checked instantly on mobile phones

Data covers 100% Global Core Business Units.

G: Governance



4.1 Sustainability Governance

Board of Directors

The TECO board of directors is the highest executive organ of TECO 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.

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

Senior Managerial Officer Remuneration

Senior managers conduct performance evaluations based on Key Performance Indicators (KPI) every quarter. 60% of the assessment items are linked to financial indicators (such as: operating income, operating profit, current profit and loss, total asset turnover, ROA, ROIC, etc.); 40% are linked to long-term planning and sustainable KPIs. "Sustainability KPI" includes three important indicators: GHG emissions, emission intensity and supply chain performance (assessed through GHG inventory). The KPI achievement rate is linked to the manager change bonus payment. In addition, internal carbon pricing (NTD1,600/ton) is implemented starting from 2023, which will further affect the profits of each business group, thereby affecting manager rewards.

Long-Term Incentive

Employee Stock Ownership Plans (ESOP), part of employee compensation is given in the form of a stock-holding trust, and the company stocks purchased can be deferred for two years before being claimed back. Through this system, the connection between the company's executive rewards and the company's mid-to long-term operating performance is strengthened.

4.2 Business Ethics and Group Nomocracy

To enable directors and managers to strictly abide by the code of conduct and ethical principles when engaging in business activities, the "Rules of Ethical Conduct to Directors and Managerial Officers" have been formulated as the standard of conduct for every director to junior employees of the company.

In terms of sustainable governance, the board of directors formulated three basic documents: "Sustainable Development Best Practice Principles", "Ethical Corporate Management Best Practice Principles" and "Corporate Governance Best Practice Principles" to establish the TECO culture and issued "TECO Group Sustainability Policies and Commitments". To implement sustainability policies among TECO Group.

TECO Electric has a "TECO Sustainability Commitment" signed by the CEO and requires all employees to abide by it. For suppliers, it follows the "Supply Chain Business Ethics" and issues a "Human Rights and Environmental Sustainability Commitment" that is required to be signed when signing purchase contracts. For the manufacture subsidiaries that consolidated in the annual report, "TECO Group Sustainability Policies and Commitments" is used as a guide to standardize the ESG policy, ensure the implementation of the group's overall sustainable development policy, and meet the requirements and expectations of stakeholders.



TECO Internal
Organizational
Regulations



Zero political donation

The amount of political donations in 2023 is zero.

Zero Integrity violations

In 2023, no unfair competition, bribery or bribery, conflict of interest, money laundering, insider trading, customer privacy data leakage or other incidents occurred. There were 2 complaints regarding discrimination and harassment, but neither was found to be substantiated after investigation.

Environmental safety and health violations

Three cases occurred in 2023, with a fine of 250,000, 7 cases in 2022, with a fine of 780,000, and 6 cases in 2021, with a fine of 1,563. The details are listed in the appendix "5.6 Legal Compliance Violation Events".

20% of Intellectual property links to ESG

The definition of successful commercialization is no longer just whether the product creates profits for the company, but whether the product meets the market or consumer expectations for ESG. TECO develops intellectual property strategies for ESG and uses intellectual property information to formulate business strategies (Internal application), and also consider the intellectual property strategy of the company's activities and corporate image (external application) and establish an innovative intellectual property management system. The fields connected by intellectual property include low-carbon industry and automation, warehousing mobile platforms, electric vehicle power systems, high-efficiency energy-saving electromechanical equipment, automation equipment, etc. 83 patents.

**4.3 Internal Audit and Risk Management**

TECO has established a complete risk management system. The "Audit Committee" and "Corporate Governance and Sustainability Committee" serve as the highest level of the company's risk management and are responsible for various risks. The overall risk analysis is coordinated and compiled by the CFO and reported to Board of Directors. In addition, the audit team directly under the board of directors is responsible for monitoring and auditing the management mechanism, ensuring the effectiveness of the company's risk control and managing potential risks through internal audit operations. Senior managers are required to report the evaluation results of risk management indicators to the above-mentioned committee and accept the assessment of sustainable KPIs, which directly affects their variable remuneration.

The board of directors formulates "Risk Management Policies and Procedures" to define operational risks. To integrate sustainable risks into the overall risk management system, TECO identifies major themes from world trends and uses "double materiality analysis" to identify transformation failure risks, "ESG Office" confirms and explains the impact causes, impact areas, assessment methods and corresponding "risks" and management measures of the ten major themes. At the same time, refer to the company's overall "Risk Assessment Analysis Report" provided by the CFO to list key climate risk and sustainability management projects, track the risk avoidance implementation results of each responsible unit, and disclose it in the sustainability report. The process of materiality identification and sustainable goal setting is conducted annually.



TECO Internal
Organizational
Regulations



ESG Office (The 1st line of risk control)

The "ESG Office CEO" is equivalent to the CSO as the highest level of management and has a "Sustainability Manager" who is responsible for full-time implementation of the work. It is also organized across departments by "representatives of each business unit/factory area" and "safety and health". It is composed of staff units such as the Human Resources Department and the Finance Department to facilitate the simultaneous management and promotion of company-wide work. The ESG office reports work progress to the chairman of the board every month. On climate-related and sustainable risk opportunities, the "ESG Office" collects information provided by each member and compiles reports and recommendations to the management and Board of Directors.

Corporate Governance and Sustainability Committee

(The 2nd line of risk control)

The committee members are composed of more than three directors, more than half of whom are independent directors. Responsible for managing sustainability, legal compliance and information security risks.

Audit Team (The 3rd line of risk control)

Each year, an audit plan is proposed based on the five elements of COSO internal control, as well as past audit experience, the next year's budget draft and the existing organizational structure, to review TECO's management, the degree of control over overall internal and external environmental risks, and business unit operations. Risk control, and the effectiveness of the design and implementation of the internal control system and issue an audit report after completing the audit work, and report it regularly to the "Audit Committee" and the Board of Directors.

Audit Committee

The committee members are composed of independent directors of the board of directors and manage financial and internal control risks.

Risk / Impact Management

TECO has implemented a comprehensive risk management process, including assessing the degree of risk impact (divided into three levels: <5%, 5%-10%, >10% of the impact on assets or revenue), and the company's response to the risk control capabilities for systematic identification and processing. In this risk management process, TECO evaluates various major risks faced by the company and incorporates them into the risk management process.

High Impact amount >10%		<ul style="list-style-type: none"> General economic risk Geopolitical risks Physical disaster risk Information security risk 	
Mid Impact amount > 5% - <10%	<ul style="list-style-type: none"> Safety risks 	<ul style="list-style-type: none"> Law compliance risk Market risk Supply chain risk 	
Low Impact amount <5%	<ul style="list-style-type: none"> Employee turnover risks 	<ul style="list-style-type: none"> Liability / Credit risk Internal control risk Operational risk Sustainability risk 	
	Able to control	Can be partially controlled	Unable to control

	Risk item	PIC	Response measures	Mitigate	Avoid	Transfer
1	General economic risk	CEO	Adjust the global operation plans of each business unit and the resource allocation of asset locations.	√		
2	Geopolitical risks	CEO	Through the diversification strategy of production bases, risks caused by geopolitics can be effectively reduced.	√		
3	Physical disaster risk	Asset	Regular drills. Cover possible disaster risks by purchasing insurance.	√		√
4	Information security risk	IT	4 incidents occurred and were promptly reported and dealt with, and no major information security incidents were caused.	√		
5	Law compliance risk	Legal	Each unit completes self-assessment of dishonesty risks: Company Law, Securities and Exchange Law, Consumer Protection Law, Investment Review Law, Personal Privacy Law	√		

	Risk item	PIC	Response measures	Mitigate	Avoid	Transfer
6	Market risk	CFO	Interest rate, exchange rate and price risk management and control. Portfolio diversification limits are met.	✓		
7	Supply chain risk	Buyer	Effectively reduce supply chain risks through decentralized production bases and ensure supply chain resilience.	✓		
8	Safety risks	Occupational safety	A total of 8 occupational safety and health training activities were conducted to enhance employees' safety awareness.	✓		
9	Liability / Credit risk	CFO	Control liability and credit risks to banks and clients.	✓		
10	Internal control risk	Audit team	Conduct self-assessment of internal controls every year.	✓		
11	Operational risk	Performance Management	Analyze industry changes, take corresponding measures, and set performance indicators.	✓		
12	Sustainability risk	ESG Office	Set a ten-year emission reduction target of 50% and promote energy conservation and carbon reduction.	✓		
13	Employee turnover risks	HR	Implement personnel education and training and strengthen internal experience inheritance to slow down brain drain.	✓		

Information Security Management

TECO Information Security Management System (ISMS) participates in the information security maturity rating sponsored by the Digital Industry Agency of the Ministry of Digital Development in 2023. The information security rating service integrates international information security standards such as IEC 62443, NISTSP 800-82, and ISO/IEC 27001. Conduct information security assessments to continuously strengthen information security protection capabilities.

In 2023, 4 external vulnerability detection incidents occurred, and the intrusion prevention system has been set up to block them, without causing any incidents.

TECO has established an Information Security Committee under the "Corporate Governance and Sustainability Committee" of the Board of Directors and appointed a Chief Information Security Officer. The information security management unit is the "Digital Development Office", which continues to supervise information security enhancement measures.

- **Chairman Chiu** manages TECO Group's digital transformation and information security-related strategies. The company obtained ISO/IEC27001 and CNS27001:2014 Information Security Management System (ISMS) certification on 110.11.4.
- **Independent Director Li-Chen Lin**, who was a director of Taiwan's China Petroleum Corporation, participated in the review of China Petroleum Corporation's plans for information security diagnosis and strengthening defense due to hacker attacks.
- **Board Director Li-Chong Huang**, has a background in information security management. He has served as IT industry process reengineering (BPR) and information system (PLM) manager, building information management software systems and hardware room equipment operations, firewalls, remote backup and other information Security Measures.
- **Chief Information Security Officer (CISO) Albert Tseng**, who has a background in information security management, served as deputy general manager and solution director of Microsoft Greater China Public Sector Group, and Tivoli SW Associate Manager of IBM Software Department Greater China. He will serve as Chief Information Security Officer from August 2022.
- **Executive Manager: Vincent Hu**, serves as the Director General of the Information Security Committee and has ISO 27701 and IEC 62443-2-1 lead auditor certificates.

Information Security Governance

Information security protection

To strengthen information security management, ensure the confidentiality and integrity of information, as well as the reliability and availability of information equipment and network systems, an "Information Security Policy" has been formulated to manage information security risks, so that the company's information operations can reach international standards. Information security standards. In addition, we plan management and reporting policies, include information security as part of performance appraisal, and conduct information security education and training every year.

Process

Verification of uninterrupted operations will be performed at least once every six months. In 2023, drills for uninterrupted operations were conducted for the ERP system, global order system, firewall and other systems. An information security health diagnosis and penetration testing project has been planned in 2022, using hacker thinking to simulate attack techniques to conduct penetration testing on TECO's external service website, and the penetration testing has been performed.

We maintain ISO 27001 verification at this stage and will evaluate other verifications (BS 10012/ISO 27701) in the future. In 2012, we have formulated a personal data file security maintenance plan and processing methods to promote and implement personal data protection.

Risk Control

To ensure the stable and safe operation of information systems, we strengthen defense in depth and target the three main axes of [anti-virus](#), [anti-hacking](#) and [anti-leakage](#). Strengthen network firewall, anti-virus, and network whitelist control, identify malicious traffic through intrusion detection systems, and proactively block such traffic from entering the network. Improve the ability to defend against external attacks and ensure the security of internal confidential information, ensuring that various information assets are not unavailable due to various threats and damage, resulting in information service errors or interruptions.

4.4 Policy Inference and Governance of Trade Associations

TECO actively participates in the activities of industry associations and non-profit organizations, and maintains close exchanges with industry, government, and academia. At the same time, we regularly make suggestions to the government on industrial upgrading, net-zero transformation, fiscal and taxation policies, human resources, and business environment to promote overall economic development.

TECO echoes the United Nations and international 2030/50 carbon reduction and net-zero goals, declaring a "50% reduction in emissions in ten years" and will achieve the 50% emissions reduction goal in 2030 and the net-zero goal in 2050. All TECO's climate initiatives are in line with the Paris Agreement, which aims to limit global temperature rise to 1.5°C compared with pre-industrial levels. The scope of this commitment applies to all TECO subsidiaries and business areas, as well as all operating sites.

Regarding the joining, withdrawal and participation in related activities of industry associations and non-profit organizations, the relevant departments will first review whether the organization's purpose and activity content are consistent with TECO's position and participate with the consent of the heads of each business department.

Climate-related initiatives need to be reviewed by the "ESG Office" and participated in with the consent of the CEO of the office. Their implementation will be monitored by the "Corporate Governance and Sustainability Committee" at the board level. The "ESG Office" regularly conducts reviews and evaluations of public associations in which the company participates.

The "Secretary Office of the Board of Directors" coordinates and manages the participation of public associations, regularly evaluates and reviews the public affairs or advocacy activities of industrial public associations and other groups in compliance with this policy, and regularly reports directly to the chairman of the board on the implementation of various policies to confirm that they are in compliance with this policy. Public policy engagement and advocacy activities are consistent with the Paris Agreement.

If it is inconsistent with TECO's policy stance, it will be asked to improve. If it does not revise its position within a certain period, TECO will withdraw from the group or activity, terminate its membership, withdraw financial support, and make a public statement to disclose relevant information.

In 2023, TECO's support to tax-exempt groups such as industry associations and non-profit organizations totaled NT\$ 23,042,706. No political contributions.

2023 Trade Association List

Topic of Concern	Association Name	Fee NTD	Roles
Industrial Transformation and Upgrading	Epoch Foundation (Epoch)	300,000	Director
	Taiwan Electrical and Electronic Manufacturers' Association (TEEMA)	135,524	Director
	Taiwan Machinery Industry Association (TAMI)	52,800	Member
	Electric-Electronic and Environmental Technology Development Association of R.O.C. (CED)	130,500	Chairman
	Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	335,000	Honor Chairman
	Chung-Hwa Railway Industry Development Association (CRIDA)	40,000	Director
	Taiwan Excellent Brand Association (TEBA)	40,000	Director
	Taiwan Power Electronics Association (TaiPEA)	30,000	Director
	Taiwan Electrical Appliance Association (TEPA)	20,000	Director
	Taiwan Automation Intelligence and Robotics Association (TAIROA)	25,000	Director
	Taiwan Refrigeration and Air Conditioning Engineering Industry Association (TRAIA)	10,000	Member
	Taiwan Foundry Industry Association (TCIA)	21,600	Member
	Institute for Biotechnology and Medicine Industry	20,000	Member
	Center for Corporate Sustainability (TAISE)	280,000	Director
Sustainable development (Climate change)	Business Council for Sustainable Development of Taiwan (BCSD Taiwan)	120,000	Honor Chairman
	Taiwan Smart City Development Association (TCSA)	10,000	Member
Renewable /Clean Energy (Climate change)	Taiwan Wind Industry Association (TWIA)	20,000	Director
	Taiwan Wind Energy Association (TWEA)	20,000	Member
	Association of Atmosphere Protection in Taiwan (AAPT)	6,000	Director
	Photovoltaic Power System Business Association (PVGSA)	20,000	Member
	Taiwan Solar Photovoltaic Industry Association (TPVIA)	10,000	Member
	Taiwan Smart Grid Industry Association (TSGIA)	10,000	Director
	Taiwan Smart Electric Vehicle and Green Energy Technology Association (TEGA)	35,000	Member
International Business	Chinese International Economic Cooperation Association (CIECA)	50,000	Director
	Taiwan-Turkey Business Association (TTBA)	25,000	Honor Chairman
	Taiwan India Business Association (TIBA)	15,000	Honor Chairman
	R.O.C. East Asian Economic Association (EAEA)	50,000	Honor Chairman
	Cross Strait CEO Summit	100,000	Director
Local Business and Culture	Wuxi Xinwu District Taiwan Compatriots Investment Enterprise Association	210,201	Member
	Nanchang Taiwan Compatriots Investment Enterprise Association	97,689	Member
	Taiwan Science Park Science Industry Association	108,000	Member
	Taiwan Creative Arts Industry Development Foundation	200,000	Founder
	Top Ten Outstanding Youth Foundations	375,000	Vice Chairman

4.5 Supply Chain Engagement

TECO's supply chain is mainly distributed in Taiwan and mainland China, and its products are mechanical and electrical and home appliances under the TECO brand. The upstream of the [mechanical and electrical](#) supply chain is the bulk raw material supplier, and the downstream is the direct sales of major customers and the global distribution network. The upstream of the [home appliance](#) supply chain is raw material or key component suppliers, and the downstream is Taiwan's distribution network, malls, and online e-commerce platforms.

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

- **Tier-1 suppliers:** Suppliers who has direct trading contract for the bulk material (including single-source material) suppliers and within top 80% transaction amount of each factory in the current year.
- **Non- Tier-1 suppliers:** Suppliers who is original manufacturer but selling product to TECO through Tier-1 suppliers in the current year.
- **Significant suppliers:** Suppliers who has negative ESG impact and within top 80% transaction amount of each factory in the current year.

The total purchase from Tier-1 suppliers is about NT\$5.41 billion, of which the purchase amount from significant Tier-1 suppliers is about NT\$2.09 billion, accounting for about 38.56% of the total procurement.

Total number of Tier-1 suppliers	151
Total number of significant suppliers in Tier-1	101
% of total spend on significant suppliers in Tier-1	38.56%
Total number of significant suppliers in non Tier-1	10
Total number of significant suppliers (Tier-1 and non Tier-1)	111

Supplier Business Conduct

In order to ensure that suppliers fulfill their corporate social responsibilities, TECO has not only demanded suppliers to provide competitive quality, delivery date and technology by implementing the appraisal system, other in-depth management measures have been applied, including: formulation of the supplier CSR clause, establishment of the supplier appraisal form, strategy to increase the ratio of local procurement, as well as the signing of "Prohibited /Restricted Substance Guarantee," "Declarations of Non-Use of Conflict Minerals" and "Letter of Commitment to Human Rights and Environmental Sustainability." and "Supplier Code of Conduct". Suppliers are required to comply with it when signing or changing contracts. [By regularly reviewing the supplier's economic, social, and environmental practices, TECO can ensure consistency with the supplier's code of conduct and avoid potential conflicts with sustainability-related requirements.](#)

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related document



Supplier Management and Indicators

TECO screens suppliers through the four aspects of environment, society, corporate governance, and operational performance (as shown in the table below), which is part of the TECO supplier assessment form, and all suppliers (100%) are required to carry out Appraisal and counseling, to confirm the status, ability and potential of the supplier and the needs to improve operational performance.

The quality control team supervises each business department to formulate the "Third Party Supplier Assessment Implementation Procedure" as a sustainable risk and assessment operation. Identifies negative ESG in accordance with national regulation risks, industry specific risks, or business risks (as shown in the table below). If any of the first six items do not meet the TECO's specifications, it is regarded as a [significant supplier who has negative ESG risks](#).

The ESG Office is one of the key departments to supervise ESG implementation. ESG Office head, equivalent to CSO, is the highest decision-maker for suppliers' ESG strategy.

Definition of ESG high risk

Risk #1	Wastes, water, gas emission and waste management process should comply with regulations.	Environment	National Regulation Risk
Risk #2	Was there any major occupational safety issues or cases?	Environmental and Social	Industry Specific Risks
Risk #3	Are there any process to handle harmful materials (for example RoHS & REACH) and how to store and report the usage of chemical material?	Environment	Product Specific Risks
Risk #4	Does the supplier violate social responsibilities related to labor human rights?	Social	National Regulation Risk
Risk #5	Does the supplier violate corporate governance and integrity management code?	Governance	National Regulation Risk
Risk #6	Does the supplier implement measures to reduce greenhouse gas emissions?	Environment	Industry Specific Risks
Risk #7	Business performance indicators such as delivery capabilities, quality control, stability, and cost-effectiveness.	Business	Industry Specific Risks

Supplier Audit Procedure

Before trading	TECO ensures suppliers meet relevant quality, environmental, safety and health criteria and their products conform to green management and control. TECO has actively assisted its suppliers to improve their quality by obtaining ISO 9001, TS16949 international certifications. It has also demanded suppliers to design green, eco-friendly products, as well as implement ISO 14001, ISO 45001 or other hazardous substance control capabilities.
Contract signing	Signs the "Letter of Commitment to Human Rights and Environmental Sustainability" which allows TECO to terminate the contracts if any violation of social commitment is discovered. Signing rate reaches 99%
On-site audit	For new or high-risk, tier 1 or critical suppliers identified through risk identification, TECO forms evaluation teams through in-plant R&D, quality control, manufacture, procurement, safety and environmental, and audit related personnel to perform the on-site audit.
During trading period	All suppliers are assessed and audited every three years, and those with better ESG performance are considered as priority partner for continuous cooperation. If the key items or the minimum scoring standards cannot be met, corrective measures for non-conformities will be issued to suppliers, whom must submit a corrective report based on the actual situation within 30 days after receiving notice. After TECO reviews, the item will be included in follow up audit. The contract can be terminated to ensure compliance with TECO norms and identified potential risks if the criteria still can't be reached.

Supplier Evaluation Scoring Table

Items	Weighting	Ratio	ESG	Responsible Unit	Description
Marketing Process	15	4.4%	G	Procurement	Encompasses business conduct principles
Design & Development Process	41	12.0%		R&D	Encompasses schedule control and design capabilities
Document & Data Management	20	5.9%		QC	Encompasses document life cycle management and audit efficiency
Operation Management	10	2.9%	G	Procurement	Encompasses organizational duties and responsibilities and monitoring mechanism
HR & Environmental Safety	38	11.1%	E, S	Health & Safety	Encompasses ISO management, pollution control, water and energy conservation, labor rights, regular communication, prohibition of forced labor and child labor, and discrimination
Production Management	14	4.1%		Production Management	Encompasses production scheduling management and handling of emergencies
Procurement Process	30	8.8%	E, G	Procurement	Encompasses supplier evaluation system and control of prohibited substances and conflict minerals
Warehousing Process	23	6.7%		Production Management	Encompasses MRP system, control of non-conforming materials, and storage criteria management
Equipment Management	21	6.2%		Production Technology	Encompasses maintenance, spare part management, and mold life cycle management
Measuring Equipment	21	6.2%		QC	Encompasses calibration management, lab personnel control, and MSA analysis
Process Control	33	9.7%		Production Technology	Encompasses relevant SOP, rework management, and on-site 5S management
Quality Control	54	15.8%		QC	Encompasses quality assessment, sampling management, authorities and responsibilities in the handling of non-conforming items, five core management tools, and technician certificates
Internal Auditing Process	7	2.1%	G	QC	Encompasses audit plans and tracking of corrective actions for detected anomalies
Continued Improvements	14	4.1%		QC	Encompasses continued improvement of SOP and linkage to prevention of recurrence and control plans



Evaluation	Criteria
Qualify	Quality Control ≥ 80 and All other items ≥ 70 and Critical items ≥ 80
Conditional Qualify	Quality Control ≥ 70 and All other items ≥ 60 and Critical items ≥ 70
Disqualify	Quality Control < 70 or Any item < 60 or Critical items < 70

- Critical items are those specifically important to said vender, for example, failure items from last evaluation.
- For critical and tier one venders, TECO evaluates once every three years.
- ESG related weighting shares **29.3%**

In the aspect of corporate social responsibility, TECO sets "Labor Human Rights Social Responsibility" and "Environmental protection" as top two assessment items.

ESG Goals	Management Strategy
Labor Human Rights Social Responsibility Ensure that all suppliers treat employees in accordance with TECO's human rights expectations	<ol style="list-style-type: none"> Suppliers that employ child labor (under 15 years old) will be listed as unqualified suppliers and terminate trading. Suppliers should have ISO45001. List labor human rights as one of the assessment items. "Letter of Commitment to Human Rights and Environmental Sustainability" must be signed with procurement contract.
Environmental protection <ol style="list-style-type: none"> Select environmentally friendly suppliers. Guide suppliers to improve energy saving and emission reduction 	<ol style="list-style-type: none"> Suppliers should have ISO14001. List environmental protection and emission status as the assessment items. "Letter of Commitment to Human Rights and Environmental Sustainability" must be signed with procurement contract.

2023 Supplier Assessment Result

TECO audits suppliers once every three years and conducts a two-stage evaluation for key (central purchase) suppliers. In the first stages whether the supplier has its own ESG system or ISO certification is identified, and at the same time screening is carried out according to its category of manufacturing or trade. The second stage of evaluation is carried out after the identification of high-risk suppliers in the first stage. In the second stage, TECO's official supplier rating scale is used for evaluation, of which ESG accounted for 29.3%

Supplier GHG Inventory Assessment Results

In 2023, a total of 102 suppliers have conducted social and environmental assessments (including 58 significant suppliers). There is no negative impact found in social assessment, however, not performing GHG inventory is identified as significant environmental negative impact among SME suppliers. [There is no trading relationship termination from failure ESG engagements.](#)

Total number of suppliers assessed. (For GHG Inventory)	102
2023 target 50% (75)	
% of significant suppliers assessed (Who don't not have GHG data)	91.89%
Number of suppliers assessed. (Need to conduct GHG)	53
% of suppliers without GHG but agreed on improvement plan	100%
Number of suppliers conducted GHG	0

Provided guidance on identifying important suppliers that did not comply with TECO's ESG risk projects and had not yet conducted GHG inventory, and assisted 53 suppliers in conducting simple inventories.

Implemented 3 internal education and training sessions totaling 11 hours, covering basic environmental management new knowledge and emission reduction sharing sessions.

We also conducted a series of ISO14064 empowerment education and training for suppliers. In addition to assisting in coaching and improvement, 5 suppliers were provided with actual on-site guidance and inspections.

This supplier development plan was launched in January 2023. All five suppliers will complete greenhouse gas emission inventories by the end of 2023 as a key target for subsequent emission reduction and improvement, and the company will include it in KPI management in 2024 to continue. Conduct inventory training on suppliers and observe whether they implement emission reduction.

Coverage and progress of suppliers with Capacity Building Programs

TECO helps suppliers understand ESG trends and improve their ability to identify risks and improve methods of energy conservation and carbon reduction through physical seminars from time to time, and shares the latest international trends, ESG benchmark corporate energy product development, energy conservation and emission reduction methods and Management System.

Total % of significant suppliers supported in corrective action plan implementation.	53 (100%)
2023 target 50% (51)	
% of significant suppliers supported in Capacity Building Programs	5 (4.5%)
2023 target 5% (5)	

A total of 3 sustainable supplier seminars are held in 2023, and a total of about 75 small and medium-sized enterprise suppliers from various business units will be invited for physical two-way communication and sharing. TECO also provides procurement department employees with the opportunity to attend three sustainable supplier seminars to receive education and training on ESG related supply chain management. It also provides an ESG online diversified learning platform through the TECO e-Digital Academy so that all employees can learn and conduct ESG courses to increase their awareness of sustainable supply chains.



Hazardous Substance Policy and Material Management

Implement the management of the prohibition of environmentally harmful substances. In addition to choosing conflict-free metals as raw materials for each product design stage, a hazardous substance management mechanism is also established to clearly declare that the company, suppliers, contractors, and partners shall follow. **TECO promises that by 2023, 100% of motors and home appliances and their raw materials comply with international mandatory regulations and management.**

Regulatory Trends	Restriction of Hazardous Substances in Electrical and Electronic Equipment Directive, (RoHS), Registration, Evaluation, Authorization and Restriction of Chemicals, (REACH) must be included in the management measures at least one year before implementation.
Management Mechanism	The production sites are all in compliance with the group's management measures for prohibiting/restricting the use of environmentally hazardous substances, and the subsidiaries and affiliated companies have consistent implementation standards as well. Raw materials, parts, processed products, and consumables must be followed. At present, 10 categories of prohibited/restricted hazardous substances are controlled, covering non-steel, steel, plastic packaging, paper packaging, wood packaging, foam packaging and process chemicals.
Renew and Implementation	When there is a major change in the external norms, it will be discussed across business departments and re-promulgated. The frequency is about once a year.
Disclosure	All business groups follow TECO policy, and fully control 10 categories of prohibited/restricted hazardous substances.

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.

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.

Summary and Appendix

To fulfill the target of "10-year 50% emission reduction" target by 2030, the company will continuously execute emission reductions plans in the four aspects of energy generation, volume reduction, recycling, and substitution, including expansion of rooftop PV power devices in its factory premises worldwide. In 2023, the Italian plant installed a 2.03 MW PV power facility, boosting the group's PV power capacity to 9.66 MW, one step closer to the group's target having renewable energy meeting 30% of power consumption.

In climate governance, implement KPI & ICP quantified performance evaluation, to deepen overall grassroots-level awareness. Take advantage of those mechanisms to help various units identify potential risks and opportunities, prompt them to actively execute carbon-abatement plans, induce low-carbon capital outlay, and strengthen internalization of employees' emission-reduction awareness. In supply-chain management, demand major suppliers in Taiwan to carry out greenhouse-gas inventory, a task completed by over 50 small and medium enterprises under the assistance of TECO in 2023.

In social aspect, in order to encourage encouragement of young generation in R&D on new emission-reduction technologies, the company held "green-brain innovative competition" and "international competition for net-zero emission technologies," passing on the mission of net-zero emission sustainability. The company has also organized International Competition for Net Zero Emission Technology" for college students, encouraging engagement in R&D on emission reduction technology and passing on the mission of net zero emission sustainability. Moreover, the company holds "TECO Award" for outstanding Taiwan figures in science/technology and humanity, for their contribution to build a progressive society with equal emphasis on both fields. With high regard on the benefits of stakeholders, the company has been pushing DEI (diversity, equity, and inclusion), promoting new workplace culture via education and concept, spurring multiple values.

In sum, adhering to the concept of sustainable development, the company will spare no effort pushing ESG and new zero emission, conforming global current to raise international competitiveness, materializing corporate governance, continuous pushing digital transformation, to raise operating efficiency. The goal is forge a sustainable-development working environment and provide customers more quality services and solutions, creating sustainable value for shareholders.

5.1 Sustainability Public Activities



The 30th "TECO Award" has one winner in the humanities category, 8 winners in the science and technology category, and has founded eight new companies covering optical equipment, medical equipment, smart agriculture, smart grid and other fields. Science and technology award winners have 965 industry-university cooperation projects, with a total project value of more than 4.9 billion



A total of 146 teams from 9 countries and 40 universities have registered for the "2023 Net Zero Emission Technology International Competition @Taiwan". Through this international competition, the Foundation actively advocates "sustainable talent cultivation" in all walks of life.



The Green Mind Creative Competition will be expanded by TECO in 2023, inviting students from third grade and above in primary and secondary schools across the country to participate, inspiring students to think proactively and implanting the sustainable DNA of the earth from an early age.



TECO and its corporate partners have continued to promote the "Exclamation Mark" project for more than 20 years, attracting more than 5,000 visitors every year. The results come from the implementation of "transmission education", and the key to its success lies in the transmission teachers who guide the tribal culture.

5.2 GRI Indicators Index in accordance

Statement of use	TECO has reported in accordance with the GRI Standards for the period January 1 st to December 31st 2023
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Not applicable

GRI 2 : GENERAL DISCLOSURES 2021		PAGE
2-1	Organizational details	8
2-2	Entities included in the organization's sustainability reporting	8
2-3	Reporting period, frequency and contact point	2
2-4	Restatements of information	No information to restatement
2-5	External assurance	2
2-6	Activities, value chain and other business relationships	8, 95
2-7	Employees	63, Number of people under the management of this report: 5,896 Number of people in the parent company: 2,433 (including contracted and part-time employees as of 2023.12.31). Full-time employees are permanent or full-time employees with a fixed number of years; there are no employees with unlimited hours guaranteed.
2-8	Workers who are not employees	Non-employee workers include contractors and subcontractors (including security, cleaning, catering, in-factory project contracting, etc.). The number of non-employed workers in the entire group is: 127,990. Statistics on other categories will be added in the future, including agency dispatch, home workers, interns, self-employed workers, and volunteers.
2-9	Governance structure and composition	85, For details, please refer to the annual report (1) Director information
2-10	Nomination and selection of the highest governance body	In accordance with the "Nomination Standards for Director Candidates", the "Corporate Governance and Sustainability Committee" selects and nominates director candidates and submits them to the Board of Directors for review before being formally nominated at the shareholders' meeting. The "Board of Directors Performance Evaluation Results" for each year will be provided to the "Corporate Governance and Sustainability Committee" as a reference for director nomination and renewal. For details, please refer to the annual report "Implementation of Board Diversity Policy and Board Independence" and the annual report "Succession Planning for Board Members and Key Management". In the future, ESG impact management capabilities will be gradually added to the nomination and selection criteria for the board of directors.
2-11	Chair of the highest governance body	The chairman of the board does not concurrently hold the position of general manager
2-12	Role of the highest governance body in overseeing the management of impacts	Please refer to "1.2 Stakeholder Identification and Communication" of this report
2-13	Delegation of responsibility for managing impacts	87, "4.3 Internal Control and Risk Management" The ESG Promotion Office is responsible for identifying major themes and formulating sustainable goals through "double materiality analysis". The process is conducted once a year.
2-14	Role of the highest governance body in sustainability reporting	Information and data are compiled by the ESG Promotion Office and submitted to the "Corporate Governance and Sustainability Committee" of the Board of Directors for review.

2-15	Conflicts of interest	<ul style="list-style-type: none"> Serving on other boards: 5 directors concurrently serve on other boards. There is no spouse or second-degree relative relationship among the directors. Those who have an interest in the resolutions listed by the board of directors or the legal persons they represent shall not participate in the discussion and voting when the important content of their interests is explained at the current board meeting, and if there is a risk of harming the interests of the company, and during the discussion and voting shall be recused and shall not act on behalf of other directors to exercise their voting rights. Please refer to the "Implementation Status of the Proposal to Recuse Directors' Interests" in the annual report. Cross-shareholding status with suppliers or other interested parties, and the existence of controlling shareholders: Please refer to the annual report "The number of shares held by the company, the company's directors, managers and the companies directly or indirectly controlled by the company in the same reinvested enterprise", and combined to calculate the comprehensive shareholding ratio." For relevant information on related party transactions, please refer to "VII. Related Party Transactions" in the annual report. <p>For information on the part-time work of directors, please refer to "6. Information on the company's chairman, general manager and other managers who have worked for an accounting firm or its related companies in the past year" in the annual report.</p>
2-16	Communication of critical concerns	<ul style="list-style-type: none"> ESG aspect: Major cases communicated in the board of directors in 2023 include: board member diversity policy, board performance evaluation method, promotion of 50% emission reduction in ten years, internal carbon pricing (ICP) and carbon flow management, strengthening information security with overseas related companies Please refer to the "Information on the Operation of the Corporate Governance and Sustainability Committee" in the annual report for joint defense and information security chief appointment cases. Financial aspect: Major cases to be communicated in the board of directors in 2023 include: Dongan Asset's acquisition of 6.06% of Shizheng's equity from TEK (Singapore), the controlled foreign company (CFC) system and its impact on the group. Internal audit: In 2023, the independent directors will have four regular communications with the internal audit unit. Please refer to the annual report "Communications between Independent Directors and Internal Audit Units".
2-17	Collective knowledge of the highest governance body	Directors will receive a total of 86 hours of training in 2023, with an average of 7.8 hours per director. Courses include the new look of corporate governance under the ESG trend, what practical measures TECO should take in the face of climate change, etc. Please refer to the "Directors' Training Situation" in the annual report. TECO's major ESG theme "Climate Change" is included in the board of directors' refresher course
2-18	Evaluation of the performance of the highest governance body	A "board evaluation" is conducted every year and an evaluation is conducted by an external professional independent organization every three years, with the latest one in 2024. The content includes five major aspects, including the degree of participation in company operations, improving the quality of board decision-making, board composition and structure, director selection and continuous training, and internal control, with a total of 45 evaluation indicators. Please refer to "Execution Status of Board of Directors Evaluation" in the annual report. Currently, TECO's ESG major theme management has not been included in the performance evaluation of the board of directors.
2-19	Remuneration policies	The salary and remuneration of individual directors will be provided to the salary and remuneration committee for reference based on the "board performance evaluation results" of each year. Senior managers conduct performance reviews at the end of each quarter based on key performance indicators (KPIs). Key performance indicator evaluation items include value-added operations, accelerated operations, in-depth management, and forward-looking layout. About 60% of the assessment items are linked to financial indicators (such as: operating income, operating profit, current profit and loss, total asset turnover rate, ROA, ROIC, etc.); 40% are linked to short, medium, and long-term planning and execution status. move.

		Please refer to the annual report "Analysis of the total remuneration paid to the company's directors, general managers and deputy general managers in the last two years by the company and all companies in the consolidated statements as a proportion of individual after-tax net income, and an explanation of the policies, standards, combinations and arrangements for remuneration payment. The procedure for determining remuneration and its correlation with operating performance." Currently, there is no link between directors' TECO ESG material management performance and their remuneration.	
2-20	Process to determine remuneration		70
2-21	Annual total compensation ratio	<ul style="list-style-type: none"> The ratio of the annual total compensation of the highest-paid individual in the organization to the median annual total compensation of other employees in the organization (excluding the highest-paid individual) is 11.83 The ratio of the median percentage increase in annual total compensation of the highest-paid individual in the organization to the average percentage increase in annual total compensation for other employees in the organization (excluding the highest-paid individual) is 17.9% Remuneration is calculated in accordance with national accounting standards. 	
2-22	Statement on sustainable development strategy		5
2-23	Policy commitments	60, TECO Electric's Human Rights Declaration, official website link: www.teco.com.tw/esg	
2-24	Embedding policy commitments	84, The board of directors has formulated three basic documents: "Code of Practice for Sustainable Development", "Code of Integrity Management" and "Code of Corporate Governance Practice" to establish the company's operating standards. TECO Electric itself requires the "TECO Sustainability Management Commitment Letter" signed by the general manager. Employees comply with this, and supplier management follows the "Code of Conduct, Integrity Management Operating Procedures and Conduct Guidelines" and the "Supplier Code of Conduct" and issues a "Human Rights and Environmental Sustainability Commitment Letter" that is required to be signed back when signing the procurement contract. Corporate governance and internal organizational regulations official website link: www.teco.com.tw/about/tecoteam	
2-25	Processes to remediate negative impacts	When conducting a stakeholder questionnaire survey, the ESG Promotion Office also encourages filling in negative statements and collecting them. In 2023, when analyzing 261 questionnaires (52% from Taiwan, 46% from Mainland China, and 2% from other countries), 27 negative statements were collected at the same time. Complaints, including the pressure of American employees working at the Taipei headquarters due to time differences, and the lower-level salary and benefits that did not meet expectations, were all reported to the chairman of the board and publicly reflected in the ranking of ten important themes.	
2-26	Mechanisms for seeking advice and raising concerns		12
2-27	Compliance with laws and regulations	<ul style="list-style-type: none"> Incidents of being fined: 3 environmental, safety and health violations occurred in 2023, with a fine of 250,000 and 7 environmental, safety and health violations occurred in 2022, with a fine of 780,000. (All violations related to this industry are classified as major violations) Incidents of non-monetary sanctions: None 	
2-28	Membership associations		93
2-29	Approach to stakeholder engagement		14
2-30	Collective bargaining agreements		77

GRI 3 : MATERIAL TOPICS 2021

3-1	Process to determine material topics	12
3-2	List of material topics	20
3-3	Management of material topics	22

	2023 TECO MATERIAL TOPICS	GRI INDICATORS IN ACCORDANCE
1	Investment in talent cultivation	GRI 404 Training and Education 2016
2	Climate and emission management	GRI 305 Emissions 2016
3	Innovative business opportunities	GRI 201 Economic Performance 2016 GRI 301 Materials 2016
4	Renewable energy use	GRI 302 Energy 2016
5	Employee welfare system	GRI 401 Employment 2016 GRI 402 Labor/Management Relations 2016
6	Diversity and equality of employees	GRI 405 Diversity and Equal Opportunity 2016
7	Information security measures	TECO's own topic
8	Air and water pollution prevention and control	GRI 305 Emissions 2016 GRI 303 Water and Effluents 2018
9	Occupational safety measures	GRI 403 Occupational Health and Safety 2018
10	Supply chain management measures	308-2 Negative environmental impacts in the supply chain and actions taken. 414-2 Negative social impacts in the supply chain and actions taken

GRI TOPIC THOSE THAT ARE MARKED WITH ★ ARE MATERIAL TOPICS; OTHERS ARE

VOLUNTARY DISCLOSURE TOPICS

GRI 201★ECONOMIC PERFORMANCE 2016		
201-1	Direct economic value generated and distributed	9
GRI 301★MATERIALS 2016		
301-1	Materials used by weight or volume	49, Sustainable materials management
301-2	Recycled input materials used	49
GRI 302★ENERGY 2016		
302-1	Energy consumption within the organization	42, TECO only consumes electricity, not heating, cooling or steam.
302-5	Reductions in energy requirements of products and services	38, The energy consumption of TECO's global production base comes from natural gas, diesel, gasoline (Category 1) and purchased electricity (Category 2). The energy consumption of Scope 1 is reduced by 5% per year as the management goal; the energy consumption of Scope 2 is based on the 2030 annual target. The management goal is to

		achieve 30% of the total electricity consumption by generating electricity.
GRI 303★WATER AND EFFLUENTS 2018		
303-3	Water withdrawal	45
303-4	Water discharge	45
303-5	Water consumption	45
GRI 305★EMISSIONS 2016		
305-1	Direct (Scope 1) GHG emissions	38
305-2	Energy indirect (Scope 2) GHG emissions	38
305-3	Other indirect (Scope 3) GHG emissions	38, The total emissions of Scope 3 in 2023 are: 63,906,473 tonCO ₂ e
305-4	GHG emissions intensity	38, Emission intensity is calculated as direct (Category 1) and energy indirect (Category 2)
305-5	Reduction of GHG emissions	38 <ul style="list-style-type: none"> Category 1 reduction of 14,467ton CO₂e in 2023 (base year 2021) Category 2 reduction 15,635 ton CO₂e (base year 2021) Category 3~6 reduction 14,533,307 ton CO₂e
305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	58
GRI 306 : WASTE 2020		
306-1	Waste generation and significant waste-related impacts	55
306-2	Management of significant waste-related impacts	55
306-3	Waste generated	56
306-4	Waste diverted from disposal	56
306-5	Waste directed to disposal	56
GRI 308 : SUPPLIER ENVIRONMENTAL ASSESSMENT 2016		
308-2★	Negative environmental impacts in the supply chain and actions taken	100
GRI 401★EMPLOYMENT 2016		
401-1	New employee hires and employee turnover	69
401-2	Benefits provided to full-time employees that are not provided to temporary or parttime employees	70
401-3	Parental leave	73
GRI 402★LABOR/MANAGEMENT RELATIONS 2016		
402-1	Minimum notice periods regarding operational changes	30 days
GRI 403★OCCUPATIONAL HEALTH AND SAFETY 2018		
403-1	Occupational health and safety management system	76
403-2	Hazard identification, risk assessment, and incident investigation	77 <p>Very high risk (5), medium to high risk (4), moderate risk (3), low risk (2) and ignored risk (1)</p> <p>(3,668 hazard identification and risk assessment cases in 2023, 0 high-risk cases, and 1 medium-high risk case)</p>
403-3	Occupational health services	75-76
403-4	Worker participation, consultation, and communication on occupational health and safety	75 <p>117 copies of safety and health information conveyed (employees of our factory)</p>
403-5	Worker training on occupational health and safety	75 <p>General and occupational safety and health education and training (ISO 45001), contractor safety and health education</p>

		and training, statutory education and training (931 people trained, 3755 hours in 2023; 117 copies communicated)
403-6	Promotion of worker health	75-76
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	75 <p>9 safety and health goals for 2023; all completed. (Safety Protection Management Plan for Hazardous Machinery and Equipment)</p>
403-8	Workers covered by an occupational health and safety management system	75-76
403-9	Work-related injuries	77
403-10	Work-related ill health	75-76 <p>The exercise of the right of withdrawal is protected by law and no additional sanctions are allowed.</p>
GRI 404★TRAINING AND EDUCATION 2016		
404-1	Average hours of training per year per employee	66
404-2	Programs for upgrading employee skills and transition assistance programs	67
404-3	Percentage of employees receiving regular performance and career development reviews	70
GRI 405★DIVERSITY AND EQUAL OPPORTUNITY 2016		
405-1	Diversity of governance bodies and employees	One board member is between 30 and 50 years old. Ten are over 50 years old.
405-2	Ratio of basic salary and remuneration of women to men	64
GRI 414 : SUPPLIER SOCIAL ASSESSMENT 2016		
414-2★	Negative social impacts in the supply chain and actions taken	100

5.3 TCFD Index

ITEM	CONTENTS AND PAGE NUMBER	
GOVERNANCE	Describe the board's oversight of climate related risks and opportunities	28
	Describe management's role in assessing and managing climate-related risks and opportunities.	28
	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	32
STRATEGY	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	33
	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	35
	Describe the organization's processes for identifying and assessing climate-related risks	28
RISK MANAGEMENT	Describe the organization's processes for managing climate-related risks	89
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	89
	Describe the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	33
METRICS & TARGETS	Disclose Scope 1, Scope 2, and if appropriate Scope 3 greenhouse gas (GHG) emissions, and the related risks.	38
	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	29

5.4 SASB Index

TOPIC	CODE	ACCOUNTING METRIC	CATEGORY (UNIT)	PAGE
ENERGY MANAGEMENT	RT-IG-130a.1	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	Quantitative (GJ, MWH)	42
EMPLOYEE HEALTH & SAFETY	RT-IG-320a.1	(1) Total recordable incident rate (TRIR), (2) fatality rate, and (3) near miss frequency rate (NMFR)	Quantitative (Rate)	76
FUEL ECONOMY & EMISSIONS IN USE-PHASE	RT-IG-410a.1	Sales-weighted fleet fuel efficiency for medium- and heavy-duty vehicles	Quantitative (KL)	42
	RT-IG-410a.2	Sales-weighted fuel efficiency for non-road equipment	Quantitative (KL)	42
	RT-IG-410a.3	Sales-weighted fuel efficiency for stationary generators	Quantitative (KL)	42
	RT-IG-410a.4	Sales-weighted emissions of: (1) nitrogen oxides (NOx) and (2) particulate matter (PM) for: (a) marine diesel engines, (b) locomotive diesel engines, (c) on-road medium- and heavy-duty engines, and (d) other non-road diesel engines	Quantitative (ton, KL)	58
MATERIALS SOURCING	RT-IG-440a.1	Description of the management of risks associated with the use of critical materials	Discussion and Analysis	51
REMANUFACTURING DESIGN & SERVICES	RT-IG-440b.1	Revenue from remanufactured products and remanufacturing services3	Not available	Not available

Based on SICS Industry: **Industrial Machinery & Goods**

5.5 EU Taxonomy

Product revenue to EU Taxonomy

BUSINESS GROUP	TAXONOMY ALIGNED	TAXONOMY ELIGIBLE	NOT ELIGIBLE
GREEN MECHATRONIC SOLUTION (GM)	<ul style="list-style-type: none"> System and software that enable emission management. System that enables carbon removal. 	<ul style="list-style-type: none"> High-voltage motors with efficiency above 95% Mid/Low-voltage motors with efficiency above IE3. Electric Vehicle powertrain products. 	Other products and services
AIR & INTELLIGENT LIFE BUSINESS (AI)	<ul style="list-style-type: none"> System and software that enable emission management 	<ul style="list-style-type: none"> Home Appliance product with first degree energy saving or related certifications 	Other products and services
INTELLIGENCE ENERGY BUSINESS GROUP (IE)	<ul style="list-style-type: none"> Constructions for renewable energy generation or storage. System that adopts carbon neutral fuels 	<ul style="list-style-type: none"> Offshore wind power station, grid resilience, green building constructions 	Other products and services

Economic activities	Business Group	Total Revenue (NTD B)	(1) climate change mitigation	(2) climate change adaptation	(3) water resources	(4) Circular economy	(5) Pollution	(6) Biodiversity
3.3 Manufacture of low-carbon technologies for transport	GM	0.1	0.1%	--	--	--	--	--
3.5 Manufacture of energy efficiency equipment for buildings	AI	3.8	6.5%	--	--	--	--	--
3.6 Manufacture of other low-carbon technologies	GM	24.7	41.9%	--	--	--	--	--
4.9 Transmission and distribution of electricity	IE	2.5	4.2%	--	--	--	--	--
4.10 Storage of electricity	IE	1.1	--	1.9%	--	--	--	--
8.2 Data-driven solutions for GHG emissions reductions	GM	0.1	0.1%	--	--	--	--	--

CAPEX to EU Taxonomy

BUSINESS GROUP	TAXONOMY ALIGNED	TAXONOMY ELIGIBLE	NOT ELIGIBLE
ALL GROUPS	Investment and M&A in creating business that make significant contributions and do no harm to the other environmental objectives.	Investments in new products, new technologies, new processes, safety and environmental equipment, automation, and intelligence equipment	Investments in general (maintenance/ retirement/ factory repair), expansion of production capacity, efficiency improvement, quality improvement, IT equipment

Economic activities	Business Group	Total CAPEX (NTD M)	(1) climate change mitigation	(2) climate change adaptation	(3) water resources	(4) Circular	(5) Pollution	(6) Biodiversity
3.3 Manufacture of low-carbon technologies for transport	GM	29.0	5.7 %	--	--	--	--	--
3.6 Manufacture of other low-carbon technologies			--	5.4 %	--	--	--	--
4.1. Electricity generation using solar photovoltaic technology	AI	9.8	3.8 %	--	--	--	--	--
3.5 Manufacture of energy efficiency equipment for buildings	IE	108.8	--	39.7%	--	--	--	--
4.1. Electricity generation using solar photovoltaic technology			2.2 %	--	--	--	--	--
4.9 Transmission and distribution of electricity								

OPEX to EU Taxonomy

BUSINESS GROUP	TAXONOMY ALIGNED	TAXONOMY ELIGIBLE	NOT ELIGIBLE
ALL GROUPS	Expense on in business organization that make significant contributions and do no harm to the other environmental objectives.	<ul style="list-style-type: none"> Expense in R&D and sustainability related training. Expense from low carbon solution, energy management related business units. Expense to NGOs in sponsor and donation to sustainability related activities. 	Other expense

Economic activities	Business Group	Total OPEX (NTD B)	(1) climate change mitigation	(2) climate change adaptation	(3) water resources	(4) Circular	(5) Pollution	(6) Biodiversity
3.3 Manufacture of low-carbon technologies for transport	Entire TECO Group	1.2	15.3 %	--	--	--	--	--
3.6 Manufacture of other low-carbon technologies								
3.5 Manufacture of energy efficiency equipment for buildings								
4.1. Electricity generation using solar photovoltaic technology								
4.9 Transmission and distribution of electricity								
4.10 Storage of electricity								

5.6 Legal Compliance and Violations

Description of violations of environmental protection laws: 2023/12/08 Taiwan

Violation of laws: "Waste Disposal Act, Article 27, Paragraphs 3 and 11"

- At the Kaohsiung Home Appliance Station, the aquatic plants and flower containers near the office windows on the second floor were not properly managed, causing vector mosquitoes to breed.
- At the Kaohsiung Home Appliance Station, objects that impede hygiene and tidiness are piled up on the roadside.

Penalty amount: NT\$2,400

Countermeasures:

Organize regularly to keep the environment tidy; deal with flower utensils and stacked items immediately.

Description of violations of occupational safety and health laws: 2023/11/01 Taiwan

Violation of laws: "Article 27, Paragraph 1, Paragraphs 1, 2, and 3 of the Occupational Safety and Health Law"

When constructing the new construction project of public facilities (1) in the third terminal area of Taiwan Taoyuan International Airport, the third contractor Chen Wensong (Hongyun Enterprise Co., Ltd.) (rebar project) and Dongyiwang Engineering Co., Ltd. (construction frame project) respectively hired laborers to work together. , failed to include them in the agreed organization to participate in the operation, failed to coordinate the safety facilities for the use of construction racks and workbenches, failed to inspect workplaces where workers were engaged in dangerous steel bars and construction racks, and failed to make active coordination and adjustments in accordance with regulations As a result, the third-party contractor is required to install protective equipment such as guardrails or safety nets for 3F construction racks and ventilation shaft workbenches with a height of more than 2 meters. When operating construction racks with a height difference of more than 1.5 meters, they should set up protective equipment such as guardrails or safety nets. Equipment that allows workers to get on and off safely puts workers at risk of occupational accidents.

Amount of penalty: NT\$150,000

Countermeasures:

1. The construction site shall issue a document to notify all manufacturers (contractors, sub-contractors and the 3rd and 4th notified contractors) of the agreement to organize a meeting, and publicize in the meeting notice and meeting content if there are sub-subcontractors (including manpower dispatch) in this case) must be notified to the company for listing.
2. In response to this shortcoming, arrange publicity and review in the agreement organization.
3. Require on-site engineers and security engineers to increase the frequency of inspections. When it is impossible to strengthen inspections due to participation in meetings, inspections and other work, coordinate the assistance of other regional engineers.
4. Dismantle the unqualified construction frames and working platforms, erect qualified mobile construction frames instead, and install anti-fall nets and safety guardrails in areas where there is a risk of falling.

Explanation of violations of occupational safety and health laws: 2023/05/30 Taiwan

Violation of laws: Article 27, Item 1 of the Occupational Safety and Health Act

In the new construction project of public facilities (1) in the third terminal area of Taiwan Taoyuan International Airport, when the subcontractor Hanhai Construction Engineering Co., Ltd. hired workers separately to work together, the subcontractor was not included in the agreement organization to participate in the operation, and the lifting was not coordinated. Safety facilities for hanging operations. For workers using mobile cranes to engage in dangerous operations of steel bar hanging, there is no actual inspection in accordance with the regulations, and no active coordination and adjustment actions are taken. The subcontractor is required to take measures during operation of the crane. Equipment or measures to prevent hanging objects from passing above people and people from entering under hanging objects, and instruct and assist subcontractors to hire workers who have been trained in hanging operations to do the job, which may cause occupational accidents to workers. The danger.

Amount of penalty: NT\$100,000.

Countermeasures:

1. When performing hanging operations, the hanging area must be strictly surrounded and controlled, and a dedicated person should be assigned to supervise the work. A whistle will be blown to remind when hanging.
2. Convene each work class to carry out publicity and education training on lifting and hanging hazards to enhance workers' personal safety awareness.
3. Reaffirm relevant hanging specifications in the agreement organization meeting.

5.7 Third Party Certification and Assurance



Reference link for 3rd party assurance report and certificates, including ISO 14001, ISO 14064, ISO 14066, ISO 14067, ISO 45001 and AA1000 assurance letter for this report.



INDEPENDENT ASSURANCE OPINION STATEMENT

TECO Electric & Machinery Co., Ltd. 2023 Sustainability Report

The British Standards Institution is independent to TECO Electric & Machinery Co., Ltd. (hereafter referred to as TECO in this statement) and has no financial interest in the operation of TECO other than for the assessment and verification of the sustainability statements contained in this report.

This independent assurance opinion statement has been prepared for the stakeholders of TECO only for the purpose of assuring its statements relating to its sustainability report, more particularly described in the Scope below. It was not prepared for any other purpose. The British Standards Institution will not, in providing this independent assurance opinion statement, accept or assume responsibility (legal or otherwise) or accept liability for or in connection with any other purpose for which it may be used, or to any person by whom the independent assurance opinion statement may be read.

This independent assurance opinion statement is prepared on the basis of review by the British Standards Institution of information presented to it by TECO. The review does not extend beyond such information and is solely based on it. In performing such review, the British Standards Institution has assumed that all such information is complete and accurate.

Any queries that may arise by virtue of this independent assurance opinion statement or matters relating to it should be addressed to TECO only.

Scope

The scope of engagement agreed upon with TECO includes the followings:

1. The assurance scope is consistent with the description of TECO Electric & Machinery Co., Ltd. 2023 Sustainability Report.
2. The evaluation of the nature and extent of the TECO's adherence to AA1000 AccountAbility Principles (2018) in this report as conducted in accordance with type 1 of AA1000AS v3 sustainability assurance engagement and therefore, the information/data disclosed in the report is not verified through the verification process.

This statement was prepared in English and translated into Chinese for reference only.

Opinion Statement

We conclude that the TECO Electric & Machinery Co., Ltd. 2023 Sustainability Report provides a fair view of the TECO sustainability programmes and performances during 2023. The sustainability report subject to assurance is free from material misstatement based upon testing within the limitations of the scope of the assurance, the information and data provided by the TECO and the sample taken. We believe that the performance information of Environment, Social and Governance (ESG) are fairly represented. The sustainability performance information disclosed in the report demonstrate TECO's efforts recognized by its stakeholders.

Our work was carried out by a team of sustainability report assurers in accordance with the AA1000AS v3. We planned and performed this part of our work to obtain the necessary information and explanations we considered to provide sufficient evidence that TECO's description of their approach to AA1000AS v3 and their self-declaration in accordance with GRI Standards were fairly stated.

Methodology

Our work was designed to gather evidence on which to base our conclusion. We undertook the following activities:

- a review of issues raised by external parties that could be relevant to TECO's policies to provide a check on the appropriateness of statements made in the report.
- discussion with managers on approach to stakeholder engagement. However, we had no direct contact with external stakeholders.
- 5 interviews with staffs involved in sustainability management, report preparation and provision of report information were carried out.
- review of key organizational developments.
- review of the findings of internal audits.
- review of supporting evidence for claims made in the reports.
- an assessment of the organization's reporting and management processes concerning this reporting against the principles of Inclusivity, Materiality, Responsiveness, and Impact as described in the AA1000AP (2018).

Conclusions

A detailed review against the Inclusivity, Materiality, Responsiveness, and Impact of AA1000AP (2018) and GRI Standards is set out below:

Conclusions

A detailed review against the Inclusivity, Materiality, Responsiveness, and Impact of AA1000AP (2018) and GRI Standards is set out below:

Inclusivity

This report has reflected a fact that TECO has continually sought the engagement of its stakeholders and established material sustainability topics, as the participation of stakeholders has been conducted in developing and achieving an accountable and strategic response to sustainability. There are fair reporting and disclosures for the information of Environment, Social and Governance (ESG) in this report, so that appropriate planning and target-setting can be supported. In our professional opinion the report covers the TECO's inclusivity issues.

Materiality

TECO publishes material topics that will substantively influence and impact the assessments, decisions, actions and performance of TECO and its stakeholders. The sustainability information disclosed enables its stakeholders to make informed judgements about the TECO's management and performance. In our professional opinion the report covers the TECO's material issues.

Responsiveness

TECO has implemented the practice to respond to the expectations and perceptions of its stakeholders. An Ethical Policy for TECO is developed and continually provides the opportunity to further enhance TECO's responsiveness to stakeholder concerns. Topics that stakeholder concern about have been responded timely. In our professional opinion the report covers the TECO's responsiveness issues.

Impact

TECO has identified and fairly represented impacts that were measured and disclosed in probably balanced and effective way. TECO has established processes to monitor, measure, evaluate, and manage impacts that lead to more effective decision-making and results-based management within the organization. In our professional opinion the report covers the TECO's impact issues.

GRI Sustainability Reporting Standards (GRI Standards)

TECO provided us with their self-declaration of in accordance with GRI Standards 2021 (For each material topic covered in the applicable GRI Sector Standard and relevant GRI Topic Standard, comply with all reporting requirements for disclosures). Based on our review, we confirm that sustainable development disclosures with reference to GRI Standards' disclosures are reported, partially reported, or omitted. In our professional opinion the self-declaration covers the TECO's sustainability topics.

Assurance level

The moderate level assurance provided is in accordance with AA1000AS v3 in our review, as defined by the scope and methodology described in this statement.

Responsibility

The sustainability report is the responsibility of the TECO's chairman as declared in his responsibility letter. Our responsibility is to provide an independent assurance opinion statement to stakeholders giving our professional opinion based on the scope and methodology described.

Competency and Independence

The assurance team was composed of auditors experienced in relevant sectors, and trained in a range of sustainability, environmental and social standards including AA1000AS, ISO 14001, ISO 45001, ISO 14064, and ISO 9001. BSI is a leading global standards and assessment body founded in 1901. The assurance is carried out in line with the BSI Fair Trading Code of Practice.

For and on behalf of BSI:


Peter Pu, Managing Director BSI Taiwan



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Statement No: SRA-TW-2023026
2024-06-03

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