



TECO Electric & Machinery Co., Ltd.

Annual CSR Report

2019

About this Report

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

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

Report Compilation Procedures

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

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 was widened to encompass affiliates and TESEN Electronic. As of 2015, overseas affiliates such as TECO-Westinghouse and Taian Technology (Wuxi) were also included. In 2017, important domestic and overseas affiliates such as Wuxi TECO and TECO Electro Devices were likewise included. From 2019 all facilities in China are included in this report. The report primarily presents achievements and performance data in the dimensions of environmental protection, corporate governance, and social engagement from January 1 to December 31, 2019.

YEAR 2019, THE ENVIRONMENTAL AND SOCIAL INDICATORS REPORTING COVERAGE INCLUDES ALL FACILITIES IN TAIWAN, US AND CHINA, WHICH COVERS 77.6% OF TOTAL TECO GROUP REVENUE.

Reporting Principles

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

Report Assurance

Internal Assurance

Relevant issues and performance are reviewed and verified in strategy meetings, monthly business meetings of 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 (OHSAS 18001 / 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.

External Assurance

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

Report Compilation Units

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

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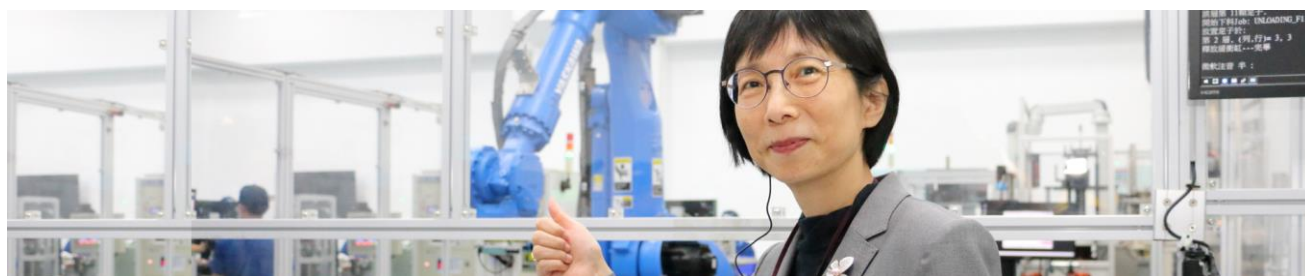
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Sustainability Commitment

1.1 Management's Pledge

Energy Conservation, Emission Reduction, Intelligence, Automation

TECO identified the motor-related technology as its core technology, engaged in R&D through constant efforts in improving the motor electromechanical technologies and worked hard to arrange the strategy about vertical and horizontal integration in the industrial chains to achieve the active expansion into global markets. Accordingly, TECO has generated momentum for revenue growth as well as advances in industrial and technological development in Taiwan. The evolution of TECO has been inextricably intertwined with global industry trends. In light of the dramatic changes and impact caused by global warming and the greenhouse effect on mankind, TECO's mission as a corporate citizen is to pursue performance management and technological development while focusing on the reduction of environmental burdens.



TECO optimized the green smart production lines at the Chungli Plant and implemented automated management in the Electric Wire Production Area. With the 3D Visual Robotic Arm, Automatic Guided Vehicle (AGV), and Automatic Coil Winding Machine, it formed the largest and most complete industrial motor intelligent production line in Asia, which is also the first one in the world. Meanwhile, the intelligent production line derived such advantages as upgrading of the efficiency and cost reduction for the following products. The TECO Chungli Plant also massively utilizes intelligent motors, the Machine Health Management System (MHm), Manufacturing Execution System (MES), and Energy Management System (EMS) researched and developed by the TECO Group independently, in order to integrate the spirit upholding energy saving and emission reduction for environmental protection into TECO's intelligent manufacturing.

Realization of Sustainable Operation

In addition to pursuing revenues and profits, TECO also strives to realize its management philosophy of "Ethical Corporate Management, Implementation of Corporate Governance, Fulfillment of Social Responsibility and Pursuit of Sustainable Operations". TECO aims to achieve its goal of sustainable corporate development through rigorous fulfillment of its role as a corporate citizen. In 2018, a functional committee other than the statutory ones, namely the "Corporate Governance and Sustainability Committee" was established to oversee the performance of sustainability issues to help the integration of the three indicators, ESG (Environment, Society and Governance), into TECO's business decision making process and fulfill the corporate social responsibility for social inclusion and the green economy.

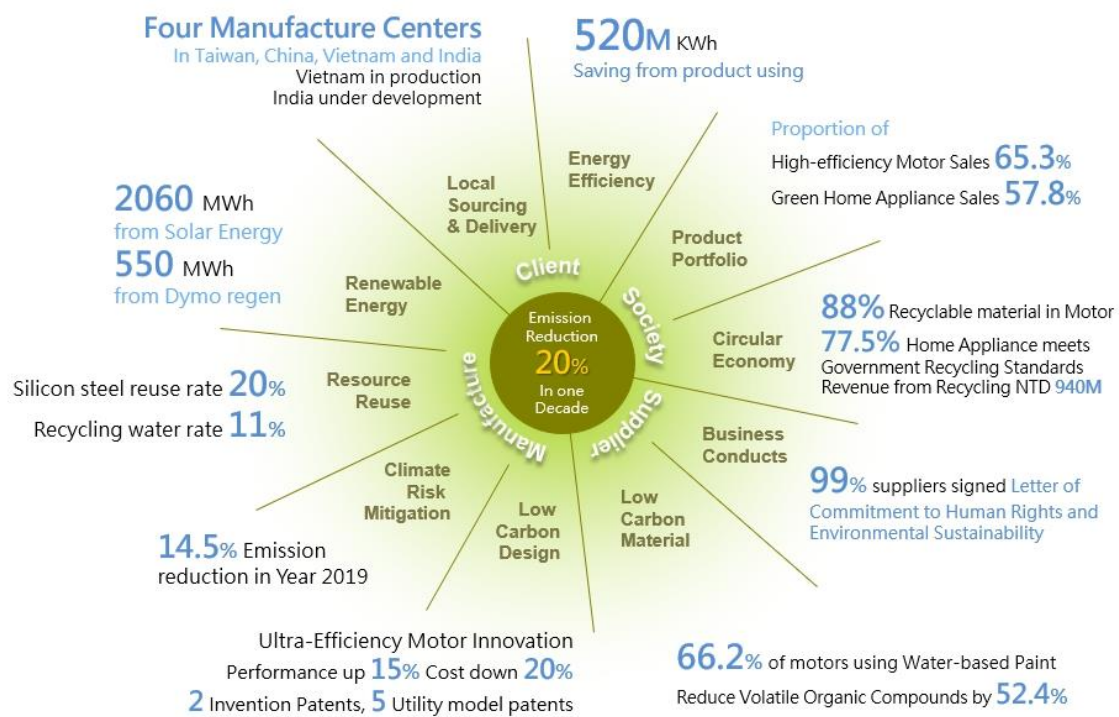
Looking ahead at 2020, impacted by COVID-19 pandemic, major forecast bodies have predicted global economy will decline in the year. Taiwan's Cabinet-level Directorate General of Budget, Accounting, and Statistics (DGBAS) forecasts that Taiwan's economy will grow by 2.37% in 2020, compared with 2.4-2.7% growth rates predicted by other forecast bodies. In the face of the challenging environment, TECO, in addition to the development axis of "energy conservation, emission reduction, intelligence, and automation," will implement digitalization, intensify marketing and production automation, thereby inducing growth with precision marketing. Moreover, while it builds secondary supply chain for parts of SmartAuto and electromechanical products, forming a remote backup mechanism to minimize the impact from external unfavorable factors to maintain steady growth and profitability.

TECO has been granted the honors of golden award for Taiwan Top50 corporate sustainability report for six years in a row and corporate citizen award by Commonwealth magazine for eight years running. Adhering to the concept of sustainable development, TECO has pledged to "20% emission reduction in 10 years" and rolled out "employee public-service account" this year, materializing the group's vision of "energy conservation, emission reduction, intelligence, and automation" according to the strictest criteria, thereby leading employees to contribute to a sustainable society, as well as forging an working environment with long-term development potential for employees, providing customers services with competitive value, and creating optimal investment returns for shareholders.

Sophia Chiu,
Chairman of TECO

1.2 Key Indicators and Performance

TECO declares “**Emission reduction by 20% in one decade**” and has demonstrated outstanding performance in terms of the customer, production site, supply chain, and social aspects. The four main production centers actively engage in the planning, and high efficiency motors and green home appliances have saved a total power consumption of 520 million kWh for customers, reduction of 320 thousand tons in emissions, renewable energy power generation of 2.61 million kWh, and the annual emissions reduction of production sites in 2019 significantly surpassed the goal to reach 14.5%. Water-based paint introduction ratio is 66.2%. TECO and other domestic home appliance manufacturers have established the E&E Recycling company and assigned directors for TECO in order to disassemble recycled old home appliance products. In 2019, the income generated from the recycling of old home appliance products was NTD 94.08 million.



Stakeholder Communication

2.1 Stakeholder identification

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

Materiality Analysis and Identification of Issues of Concern

Identification STEP1	<ul style="list-style-type: none">● The CSR task force convenes meetings with relevant units to conduct discussions and refers to the others' experience in the same industry and GRI Standards.● Verify the ESG key tasks and compile the same with the original tasks, then update and prioritize them, with respect to the questionnaire and industrial analysis suggestions proposed by customers and their third party auditors (including DJSI, CDP, EcoVadis, ISS ESG, et al.).● Verify the mega trend in the future and identify risks and opportunities from them.
Prioritization STEP2	Conduct interviews with key stakeholders, including thought leaders in the industry, TECO award winners, internal directors. Then gather the statistics of the scores and complete the prioritization of material issues of concern.
Confirm STEP3	The CSR taskforce verifies the completeness and scope of various issues, and match them with the tasks under GRI Standards to verify what the report shall focus on and how the report shall be prepared.
Review STEP4	Report to the "Corporate Governance and Sustainability Committee" subordinated to the Board of Directors for deliberation, included as motions to be discussed in the strategic planning process of TECO and various business units thereof and implemented in the annual plans and daily operations of each unit.

2.2 Identify Material Issues and CSR Goals from Mega Trends

To further satisfy the sustainable development vision, TECO has reviewed publication reports of numerous consulting companies this year, and has summarized the world mega trends and external impacts of force majeure events, along with the utilization of task force on climate-related financial disclosures (TCFD) structure, in order to analyze the impacts of external threats and opportunities on TECO's operations and to re-examine the vision and goal of corporate social responsibility.



Climate Change

Implement Carbon Reduction Solution, Realize Production Zero Emission

If major global actions are not taken, the average temperature will increase by more than 1.5°C, and this is the irreversible threshold value for climate considered by scientists. All mankind must achieve zero carbon emission by 2050 in order to stay behind such a critical limit. European countries have consecutively declared the zero-carbon target year, and the collection of carbon tax may be one of the means to achieve the goal.

Impact on Company Operations	<ol style="list-style-type: none">1. Natural disasters and air pollution causing suspension of factory operation2. Temperature rise can directly cause the interior temperature to increase in the facility.3. Customer or regulatory requirements to achieve zero emission or collection of carbon tax4. Customers or investors expect to increase the renewable energy use ratio5. General public requests the disclosure of non-financial information and greater CSR evaluation6. Investor and shareholders expect company to propose plans for climate changes
TECO's Strategy	<ol style="list-style-type: none">1. Declare "Emission reduction by 20% in one decade" and engage in actions2. Plant sites make greater investment in ventilation and cooling facilities.3. Construct plant site renewable energy facilities according to the plan, and change from the electricity sale model to plant site self-use whenever necessary4. Use climate change scenario analysis to simulate the financial performance (TCFD)5. Perform carbon price estimation, simulate impacts of carbon tax
Relevant Material Issues	<p>Climate Change Risk and Opportunity Identification: Look for new technologies for handling climate change and enhance bioresilience</p> <p>Identify Future Cost: Includes the cost of carbon pricing, carbon tax etc. that may be additionally included for calculation in the future.</p>



Natural Resource Scarcity

Waste heat and waste energy use, increase resource reuse ratio

By 2030, the increase of global population will require an additional 35% of food. Climate change can cause worsening of deficiency of resources. In the next sixty years, climate change may cause the agricultural production in most regions of Africa to decrease by one third. Global demand for water will be increased by 40%, and the demand for energy will be increased by 50%.

Impact on Company Operations	<ol style="list-style-type: none"> 1. Increase of industrial power and employee living expense (water, electricity and gas) 2. Plant site's demand for energy increases but the energy efficiency indicator becomes tougher 3. Society expects the companies to provide commitment to a circular economy 4. Capital withdrawn from the industries of petrochemical and mineral industries
TECO's Strategy	<ol style="list-style-type: none"> 1. Establish annual goal: Energy conservation 2%; water conservation 2%; waste reduction 10% 2. The recycled materials (silicon steel scrap) used in motor products have reached 27% 3. Guanyin Plant's first phase of solar power station of 1.7MW has been in power generation service with an annual power generation of 2.06 million kWh. Guanyin Plant's second phase of a solar power station of 3.6MW has been in service this year. Chungli Plant of 4.0MW is currently in the planning stage.
Relevant Material Issues	<p>Product full lifecycle management: Includes the recycling of product wastes and construction of material circular economy</p> <p>Renewable energy and green power generation: Include the solar power and reuse of waste heat etc. at the plant site</p>



Accelerated Innovation

Inspect Digitization Level and Deficiency and Digital Security

In 2020, the interconnection equipment quantity will be seven times of the earth's population. The interactive business opportunities on the internet have caused the economies of scale of enterprises to lose their absolute competitive advantage, and the demand of consumers and even employees on information tools has exceeded the environment that can be provided by enterprises. The realization of the legal ethical standard for AI and network security technology will be able to accelerate the innovative environment again. Under the impact of enterprises' high reliance on technology, Massachusetts Institute of Technology estimates that in the next five years, the risk of operating loss due to damage of technology on enterprises will reach 53%

Impact on Company Operations	<ol style="list-style-type: none"> 1. Industrial customers and consumers request TECO to provide information service environment at least equivalent to that of competitors 2. Commercial software system upgrade requirements to ensure digital security and to eliminate internet crime risk 3. Increase of demands of customers and users on digital product services
TECO's Strategy	<ol style="list-style-type: none"> 1. Promote digital transformation, establish the schedule for improving the internal operation digitization level of TECO, develop the BI and project management tool to promote global collaborative information platform 2. Invested in smart electrician production lines, and the overall efficiency increased by three times 3. Improve product energy efficiency and guide the annual GreenTech creativity competition, allowing participating teams to submit proposals with content matching with the core business of TECO and the market trend
Relevant Material Issues	<p>SmartAuto Product: Increase product energy efficiency and increase energy saving product shipping ratio</p> <p>Company Governance: Establish digital management capability and sound board director functions</p>



Demographic Shifts

Increase of Migrant Workers to Extend National Productivity

In Taiwan, this is a problem arising from population aging: Internationally, this is a phenomenon resulting from two extreme ends of the “senior” and “child” population. For developing countries, the population of children accounts for 90% of the global population of children but they tend to have insufficient education and nutrients necessary for growth.

By 2030, the world population is expected to increase by one billion, and the total world population will exceed eight billion. Among such additional one billion, 97% will be from the new emerging countries and developing countries. In addition, for developed countries, human life will be longer but the number of children will be fewer. The population above the age of 65 years old will be the group with the fastest growth. The elderly and female groups will be another source of future productivity.

Impact on Company Operations	<ol style="list-style-type: none"> 1. Government increases the ratio of pension appropriation and relevant taxes, and employees will require more relative visiting time 2. Employee with an extended retirement age, increased ratio of migrant workers, changes in industrial labor structure 3. Society expects companies to bear social responsibility of greater aspects
TECO's Strategy	<ol style="list-style-type: none"> 1. With the consideration of human factor engineering improvement equipment and jig tools, reduce the labor demand and increase machine automation in order to save on human resources 2. Guide retired employee to engage in works of: services of plant site visit, guest service and supplier audit etc.
Relevant Material Issues	Employee Human Right and Career Development: Identify potential infringement, transparent training and promotion channel, prepare future productivity source

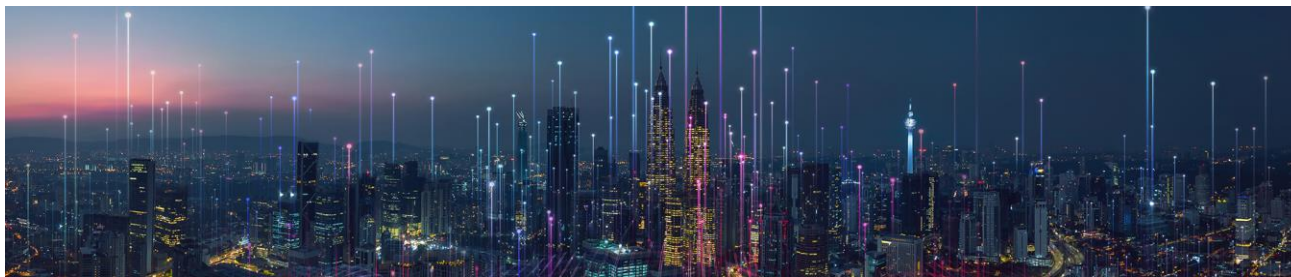


Geopolitical Changes

Use the country-centered political and economic notion, supply chain short-chain production

New emerging economies, especially Brazil and Russia, are under decline. China is facing the re-balance process of transformation from the previous reliance on export and capital investment model to domestic demand consumption model. India may become the world's second largest economy surpassing the U.S. by 2050. The use of the country-centered political and economic notion becomes the mainstream. As the future outlook becomes more uncertain than the past years, to manage the potential fluctuation, risk diversification among economies becomes more important nowadays.

Impact on Company Operations	<ol style="list-style-type: none"> 1. Use country-centered trade laws and barriers 2. The change of emerging economy power 3. New plant construction and international talent management 4. Awakening of labor human rights in new emerging countries and active audit responsibility
TECO's Strategy	<ol style="list-style-type: none"> 1. Build local manufacture center with SmartAuto production capability. Construct short-chain production model, increase local production ratio and shorten delivery date 2. Observe and track the implementation method of "Carbon Border Tax" adopted by the EU and the U.S. 3. Integrate local human resources and audit organization, cooperate with the customers' demand to actively discover any events that may lead to a human rights issue or special cultural customs and investigate
Relevant Material Issues	<p>Policy and International Influence: Through corporate events to promote the establishment and promotion of country industry policies</p> <p>Supply Chain Management: Increase global production flexibility, assist the transformation of Taiwan small and medium enterprises and provide guidance in energy conservation and emission reduction in order to increase international competitiveness</p>



Rapid Urbanization

Provide smart city product and energy conservation plans, establish a new culture and system

Presently, more than half of the world's population lives in cities, and regions of the fastest development occur in the second tier of cities of developing countries that may be unfamiliar to us. In the past, the attraction of cities mainly came from the employment opportunities; however, presently, people have greater expectations on the living quality. When the public facility demand is greater than supply or when the quality is poor, the public-private partnership (PPP) may be utilized, and wise citizens may also innovate new public services based on technologies.

Impact on Company Operations	<ol style="list-style-type: none"> 1. Investors expect expansion in the business of fundamental construction, in particular, for second tier cities of developing countries 2. New private commercial mode changes the traditional rule, and the society expects companies to engage in remote area services 3. To maintain urban living quality, factories are required to adopt higher environmental protection standards and routine reports. 4. Epidemic control and urban productivity become more significant
TECO's Strategy	<ol style="list-style-type: none"> 1. Take good advantage of TECO's brand characteristics and develop energy-saving products and plans in terms of "power" and "energy" themes 2. Organize internal audit team, patrol all plant sites and supplier chain vendors, actively disclose environmental monitoring data 3. Based on the foundation achievement, establish indigenous culture digital collection, promote tourism and create employment opportunities for students in remote areas
Relevant Material Issues	<p>Code of Conduct and Legal Compliance: Emphasize employees' personal code of ethics and enhance legal compliance audit</p> <p>SmartAuto Product: Increase product energy efficiency and increase energy saving product shipping ratio</p>

Material issues identified are as Follows:

We reconsider 26 material issues from 2018 and world mega trends. This year we keep 11 most significant issues and develop company strategy based on them. Issues are listed as following:

- **Climate change risks and opportunities:** Seek new technologies for handling climate changes and enhance bioresilience
- **Identify potential costs in the future:** Includes the calculation of costs of carbon pricing, carbon tax etc. that may be imposed in the future
- **Product stewardship:** Includes production waste recycle and material circular economy establishment
- **Renewable energy:** Includes plant site solar power and waste heat reuse etc.
- **SmartAuto products:** Increase product energy efficiency and increase the energy saving product shipping ratio
- **Corporate Governance:** Establish a digital management ability and sound board of directors' functions
- **Employee human rights and career development** Identify potential infringement, transparent training and promotion channel, prepare future productivity source
- **Industry policy influence:** Through corporate events to promote the establishment and promotion of national industry policy
- **Supply Chain Management:** Increase global production flexibility, assist transformation of small medium corporations and provide assistance in energy conservation, emission reduction, and increase international competitiveness
- **Moral/Ethical Code of Conduct:** Emphasize employees' personal code of ethics and enhance legal compliance audit
- **Economic and Financial Performance:** Establish management capability with digital tools and enable real-time decision-making mechanism.



Material Issue are prioritized in the matrix:



From the analysis result, the internal and external opinions in this year are relatively uniform, and there are no issues with opinions of special discrepancies at the bottom right and top left corners. In this report, in addition to the disclosure of issues on the top right corner content having the highest level of impacts on TECO operation and external, the issues concerned greatly by the external but drawing less attention from the internal of TECO are also included in order to use such issues as the internal awareness and improvement direction, such as “Product stewardship”

2.3 Corresponding Disclosure Items and Boundaries

This report discloses the top 11 material issues which the items and options in the Standards correspond to are identified as follows:

Issues	GRI Standard	Disclosure items	Coverage	Chapter
Corporate Governance	GRI 102 General Disclosures	102-1 Name of the organization 102-2 Disclosure of multiple items, such as activities, brands, products and services	Coverage > 75%	3.2
SmartAuto products	GRI 201 Economic Performance	201-1 Direct economic value generated and distributed by the organization	Coverage > 75%	3.1
	GRI 203 Indirect Economic Impact	203-2 Significant Indirect Economic Impact	Coverage > 75%	3.7
Economic and Financial Performance	GRI 201 Economic Performance	201-1 Direct economic value generated and distributed by the organization	Coverage > 75%	3.1
	GRI 203 Indirect Economic Impact	203-2 Significant Indirect Economic Impact	Coverage > 75%	3.1
Employee human rights and career development	GRI 403 Occupational Health and Safety	403-1 Occupational Health and Safety Management System 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Coverage > 75%	5.1
	GRI 404 Training and Education	404-1 Average hours of training per year per employee 404-2 Programs for upgrading employee skills and transition assistance programs	Coverage > 75%	5.3
	GRI 405 Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	Coverage > 75%	5.2
Product stewardship	GRI 301 Materials	301-1 Materials used by weight or volume 301-2 Applicable renewable materials	Coverage > 75%	4.4
	GRI 302 Energy	302-5 Reductions in energy requirements of products and services	Coverage > 75%	4.3
Moral/Ethical Code of Conduct	GRI 102 General Disclosures	102-16 Values, principles, standards, and norms of behavior	Coverage > 75%	3.2
	GRI 205 Anti-corruption	205-2 Communication and training on anti-corruption policies and procedures	Coverage > 75%	5.3
	GRI 206 Anti-Competition	206-1 Legal actions against anti-competition, anti-trust, and monopoly practices	Coverage > 75%	3.2
	GRI 307: Environmental Compliance	307-1 Violation of environmental laws and regulations	Coverage > 75%	5.1
	GRI 416 Customer Health and Safety	416-2 Incidents of non-compliance concerning the health and safety impacts or products and services	Coverage > 75%	3.2
Climate change risks and opportunities	GRI 201 Economic Performance	201-2 Financial implications and other risks and opportunities due to climate changes 203-2 Significant Indirect Economic Impact	Coverage > 75%	4.1
	GRI 305 Emissions	305-1 Direct (Scope 1) GHG emissions 305-2 Disclosure of multiple items, such as energy indirect (Scope 2) GHG emissions, et al.	Coverage > 75%	4.2
Identify potential cost in future	GRI 201 Economic Performance	201-2 Financial implications and other risks and opportunities due to climate changes 203-2 Significant Indirect Economic Impact	Coverage > 75%	4.1
Supply Chain Management	GRI 204 Procurement Practices	204-1 Proportion of spending on local suppliers	Taiwan	3.6
	GRI 308 Supplier Environmental Assessment	308-1 New suppliers that were screened using environmental criteria	Taiwan	3.6
	GRI 414 Supplier Social Assessment	414-1 New suppliers that were screened using social criteria	Taiwan	3.6
Renewable energy	GRI 302 Energy	302-5 Reductions in energy requirements of products and services	Coverage > 75%	4.3
Industry policy influence	GRI 102 General Disclosures	102-12 External initiatives 102-13 Membership of associations	Taiwan	3.4
	GRI 415 Public Policy	415-1 Political contributions	Taiwan	5.5



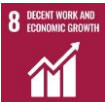





2.4 Issues of Concern to Stakeholders and Communication Channels

	Issues of Concern	Communication Channels	Communication Results
Shareholders	<ul style="list-style-type: none"> Company operating development status Financial transparency Risk management Corporate Governance Environmental protection 	<ul style="list-style-type: none"> Market Observation Post System (MOPS) Shareholders' Meetings – Convened at least once a year (2019.6.14) Participation in domestic and international investment forums – Total of 8 forums Visits by corporate investors – Total of 167 persons Exclusive mailbox for investor relations/stock affairs – Dedicated personnel replies immediately 	<ul style="list-style-type: none"> Nominated as “FTSE4Good TIP Taiwan ESG Index” In the Corporate Governance Evaluation held by TWSE in 2019, TECO earned excellent scores on all indicators and was ranked among the Top 5 % of all evaluated enterprises for 6 consecutive years.
Employees	<ul style="list-style-type: none"> Company strategies and operating status Labor-management Relations Employee Rights and Interests Education, training and career development Work environment Communication of employee opinions 	<ul style="list-style-type: none"> Labor-management meeting – Once per quarter Employee meeting – Once per quarter Discussions with top executives-once semi-annually Occupational Health and Safety Committee meeting– Once per quarter Employee Welfare Committee Top-Notch Bi-monthly – One issue every two months Employee satisfaction survey-once per year Propose the motion for improvement 	<ul style="list-style-type: none"> Conferences with the president, plant managers, HR center executives and union directors and supervisors are scheduled annually. Employee satisfaction is maintained above 80 points. Encourage social engagement, accumulating over 2,266 volunteer service hours. Promote My Charity Bank system and paid leave for participation in charitable activities to expand and encourage the social engagement. A total of 434 courses were offered independently by TECO business units or in accordance with the annual training plan. The average annual training hours per employee totaled 18.1 hours.
Customers	<ul style="list-style-type: none"> Product and Service Labeling Customer Health and Safety Marketing Communications Customer Satisfaction Survey Green Products 	<ul style="list-style-type: none"> Customer service hotline-whenever it is necessary Discussions with dealers/1~4 times per year, non-scheduled dealer visits After-sale service tracking – Follow-up phone interviews every time a service is provided Official website and media – Updated, if necessary Satisfaction questionnaire surveys – 1~4 times per year 	<ul style="list-style-type: none"> TECO identifies its electromechanical business as the subject and sends the customer satisfaction survey questionnaire to its global customers twice per year to collect the feedback served as the goals of critical improvement. .
Supplier	<ul style="list-style-type: none"> Green Supply Chain Management Supplier Human Rights Assessment Business performance Order management Quality management Production technologies 	<ul style="list-style-type: none"> Supplier evaluations – 70 suppliers to be evaluated per year Supplier performance appraisals – Once per quarter Supplier guidance – whenever it is necessary E-procurement— whenever it is necessary 	<ul style="list-style-type: none"> Conduct the risk assessment and on-site evaluation on key suppliers; the spending to suppliers whose evaluation is scheduled to be completed accounts for 75% of the total procurement value, while the spending to suppliers whose evaluation was completed accounts for 84% of the total procurement value. 99% signing rate for Letter of Commitment to Human Rights and Environmental Sustainability

	Issues of Concern	Communication Channels	Communication Results
Local communities	<ul style="list-style-type: none"> Occupational health and safety Environmental management Social engagement Volunteer services 	<ul style="list-style-type: none"> Industrial zone service center – Non-scheduled Industrial zone joint defense – Once per quarter Mailbox on TECO website – Non-scheduled Volunteer activities/per quarter 	<ul style="list-style-type: none"> There were no air pollution or waste management violations that affected the communities. Participated in the regional joint-defense and increased inter-company disaster prevention meetings to prevent disasters from occurring and affecting community environment and safety. Offered the educational courses for energy conservation to the communities and local schools, thereby contributing 600 service man hours.
NGO NPO	<ul style="list-style-type: none"> Environmental protection Social welfare Labor conditions 	<ul style="list-style-type: none"> Disclosure of financial information - Issue the CSR reports on an annual basis to disclose the implementation performance and result information in the 3 dimensions of environment (E), society (S), and governance (G). GHG audit passed BSI (British Standards Institution) ISO 14064-1 (GHG audit) certification and earned a "reasonable level" certificate each year. 	<ul style="list-style-type: none"> Active participation in external organizations and initiatives to support the SDGs and government policies. Invited 80 children from the Family Support NGOs to participate in the TECO Public Welfare Games, and donated a total of NTD 116,000 to four groups
Government agencies	<ul style="list-style-type: none"> Legal Compliance Occupational health and safety GHG reduction Environmental protection Energy management 	<ul style="list-style-type: none"> Participation in forums, public legal hearings, and document correspondence organized by competent authorities – Non-scheduled Employee meeting intended for promotion of the requirements under new laws and regulations, and compliance with anti-corruption/ethical corporate management laws – Once per quarter 	<ul style="list-style-type: none"> Market Observation Post System – Report of important messages. Establishment of an OHSAS 18001 and CNS 15506 (Taiwan Occupational Health and Safety Management System) compliant occupational health and safety management system to systematically promote occupational safety and health-related management tasks, and to ensure effective implementation and legal compliance of the management system.

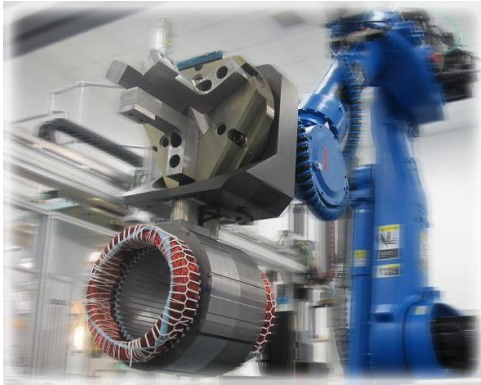
2.5 Response to UN Sustainable Development Goals (SDGs)

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

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

Economy and Governance

Global Footprint of Ethical Governance



- TECO's high efficiency motor plant in Binh Duong province, Vietnam was inaugurated
- The intelligent food delivery service robot won the silver medal of Taiwan Excellence Awards
- Join hands with CIP to start the construction of the onshore substation at the Changfang and Xidao Wind Farm
- Taiwan Sugar Corp. and TECO builds Taiwan's first smart green energy recycling house.
- Taiwan Enterprise Sustainability Award (TCSA) for six consecutive years.
- Top 5% of corporate governance evaluation for five consecutive years.
- "Award of Corporate Citizen" granted by Commonwealth magazine for the eighth consecutive year.
- Selected as one of the constituent stocks of the FTSE4Good TIP Taiwan ESG Index
- Taipei City Public Construction Excellence Award.

3.1 Key Performance and Indicators

Looking back at 2019, beset by multiple uncertainties, including, Sino-U.S. trade friction, deteriorating Japan-Korea relationship, and Brexit, global economy and trade slackened, with major exporting nations scoring lackluster performance. Taiwan, however, staged an adequate performance, thanks to transferred orders resulting from the trade war, Taiwanese firms returning to Taiwan for investments, strong exports of information and communication, audiovisual, and electronic components and parts, and continuing private investments. Adhering to the theme of "energy conservation, emission reduction, intelligence, and automation," TECO managed to retain steady profits in 2019, via global deployment for tapping the needs of HVAC industry, solution sales of electromechanical products, PM/EV motors, and remote smart health management for motors, plus lowering influence of external fluctuations via control and management projects. Year 2020's key strategies are:

SmartAuto manufacture and products	Dedicate to strengthening R&D capability and seeking strategic alliance, strategic investments, and merger and acquisition (M&A) opportunities, while striving to expand penetration rate of SmartAuto products to enhance revenue and profit.
Deployment and automation of manufacturing centers	To cope with the needs of growth of regional markets and capacity distribution, set up four major production centers (mainland China, Taiwan, Vietnam, and India) via integrating existing low-voltage motor production lines and supply chains.
Product stewardship Emission reduction by 20% in one decade	In response to climate change improvement actions, we commit from each manufacture sites. In addition to its own energy saving and emission reduction, it has also continued to introduce high-efficiency motors to reduce customers' emissions.



in thousand NT\$

Company	2019 Revenue	Coverage Rate
TECO 東元電機	18,873,312	39.4%
TESEN 東勝電氣	2,166,655	4.5%
TECO-Westinghouse 東元西屋	7,981,908	16.7%
Taian Technology (Wuxi) 台科無錫	1,662,044	3.5%
Wuxi TECO 無錫東元	3,683,010	7.7%
TECO Electro Devices 東元精電	274,605	0.6%
Qingdao TECO Precision 青島東元	1,011,599	2.1%
Jiangxi TECO A/C 江西東成	317,236	0.7%
Wuxi TECO Precision 無錫精密	609,005	1.3%
Jiangxi TECO 江西東元	582,190	1.2%
Motovario Corp	3,864,234	8.1%
others	6,883,560	14.4%
TECO Group	47,909,358	100.0%

3.2 Corporate Governance Strategy

Corporate Governance Framework

TECO realizes the sustainable corporate development through rigorous fulfillment of TECO's role as a corporate citizen based on the corporate vision of "Energy Conservation, Emission Reduction, Intelligence, and Automation" and the management philosophy of "Ethical Corporate Management, Implementation of Corporate Governance, Fulfillment of Social Responsibility and Pursuit of Sustainable Operations."



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

	Number of persons	Average term of office
Executing director	1 seat	7.5 years
Independent Director	3 seats	2.2 years
Director	11 seats	16.1 years
Total	15 seats	12.7 years

【Post-Session Updates】

According to the amendment of the "Articles of Incorporation" approved by the shareholders' meeting on 2020/5/11, the number of members of directors was reduced from 15 directors to 7~11, and at least 3 independent directors were named (predefined target ratio is 1/3).

Annual average board of directors' meeting attendance rate **95.56%**

Audit Committee

TECO established an "Audit Committee" in 2013 to replace the supervisor system. The Committee is comprised of 3 independent directors. An independent director is appointed as the convener and Chairman of the committee. Independent director Ting-Wang, Cheng served as the convener for this term. The meeting of the Audit Committee was conducted in accordance with TECO's "Audit Committee Charter," where at least one meeting is convened every quarter. In 2019, 8 meetings were convened and the attendance rate of the entire members achieved 100% (not including attendance by proxy).

Compensation Committee

TECO established a "Compensation Committee" to ensure a sound remuneration system for directors and managers. Committee members are appointed by board resolution. The committee consists of a minimum of 3 members. At least one member must be an independent director and the committee members must elect a convener and Chairman. Standing independent director Wei-Chi Liu serves as the convener for this term. Pursuant to the "Articles of Association for Compensation Committee," the Committee convenes the meeting at least twice a year. A total of 2 meetings with an average attendance rate of 100% were held in 2019.

Senior Managerial Officer Remuneration Evaluation Indicator: Revenue, gross profit, profit/loss achievement rate, total asset turnover, return on assets, return on invested capital	Manager remuneration is divided into fixed and variable pay. The latter is directly linked to performance appraisal results based on key performance indicators (KPI). Each business department establishes the business department key performance indicators according to the annual development focus of TECO. KPIs are imposed from top to bottom encompassing all units at every level.
Long-Term Performance Reward Mechanism	It is planned that 50% of employee remuneration will adopt the shareholding trust method to hold the shares of TECO, and the shares can be retrieved after two years, and such a new mechanism will become effective in July 2020.

Corporate Governance and Sustainability Committee

In order to build a fair governance system, solidify and enhance the management function, and be dedicated to fulfilling corporate social responsibility and sustainability for TECO, the "Corporate Governance and Sustainability Committee" was established in 2018. The Committee consists of 3 directors or more, a majority of whom are independent directors. The members shall elect among and from them an independent director to serve as the convener and chairperson of the Committee meeting. The current convener is served by Standing Director and also Independent Director Wei-Chi Liu. The Committee meeting is organized in accordance with TECO's "Articles of Association for Corporate Governance and Sustainability Committee." In 2019, 3 meeting was convened, and the attendance rate of the entire members achieved 100% (excluding attendance by proxy).

Corporate Social Responsibility (CSR) Committee

TECO formed the CSR Committee in 2014, which convenes at least 1 meeting per month and governs the CSR taskforce. The Committee reports directly to the Chairman and keeps track of TECO's CSR goals, and policy implementation status. Furthermore, it compiles TECO's CSR-related accomplishments in order to compile and publish the annual CSR report. TECO's CSR implementation performances are presented to the Board of Directors on a monthly basis.

Incorporation of the 3 main indicators (environment, society, governance) into the corporate decision-making process. TECO strives to achieve sustainable corporate growth and fulfill its corporate social responsibility in the fields of social inclusion and green economy. Starting from 2017, KPI for various business division executives (linked to executive salaries) were introduced along with CSR performance linkages in order to reinforce CSR promotion.

Corporate Governance Framework



Compliance with code of ethical conduct

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

WE STOP

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

WE IMPLEMENT

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

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

In 2019, an employee was dismissed from the job position due to the violation of the Ethical Management Best Practice Principles

November 25, 2019

Dong-Dian-Ren (2019) No. 212

Subject: Dismissal of specialist Yang, OO of the Home Appliance Product Management Team, Home Appliance Business Department.

Description: Specialist Yang, OO of the Home Appliance Product Management Team, Home Appliance Business Department was found to engage in forgery during the performance of job duties and was in violation of the Ethical Management Best Practice Principles. Accordingly, according to Subparagraphs 6 and 7 of Article 71 of the Employee Work Rules, the employment contract may be terminated without early notice. The dismissal of such employee became effective on November 21, 2019.



Corporate Governance
reference document

Risk Management Organization

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

Sustainability Risk

TECO has established the “CSR Task Force” to provide periodic reports on the execution and tracking of TECO’s corporate social responsibility goal and policy implementation status to the Chairman directly on a monthly basis. 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. For the climate related risks and opportunities, after information provided by all members is collected by the CSR task force, it is summarized, reported, and recommended to the management level, Chairman, and the “Corporate Governance and Sustainability Committee”. In the first-fourth meetings of the “Corporate Governance and Sustainability Committee,” the “uncontrollable sustainability risk” and its preventive strategy report were presented.

Internal Control Risk	<p>TECO has formed an “Internal Audit Division”. The division assists the board of directors and management level in the identification and assessment of risks as well as the review and confirmation of the effectiveness of internal control system design and operations. The division formulates annual audit plans in accordance with the five main components of COSO internal control based on past audit experiences, the budget draft for the following year, and the current organizational framework. The level of control of external environmental risks by the management level, control of operational risks by business divisions, and the effectiveness of internal control system design and operations is reviewed based on these plans. The division delivers auditing reports upon completion of auditing operations and regularly reports to the Board and the “Audit Committee”.</p>
Financial risks	<p>TECO has established the “Finance Group” to be responsible for the interest rate, exchange rate changes, inflation status tracking, and the management and hedging policies governing high-risk and high-leverage investments, loaning of funds, endorsements/guarantees and derivative transactions, and to pay attention on impacts of domestic and foreign important policies and legal changes on the financial status and business of TECO.</p>
Information Security Risk	<p>In 2020, TECO established the “Corporate Administration Performance Developing Office and Business Intelligence Department” to report to the Chairman directly. Information security educational promotion is organized periodically and responsive action management procedure is established. System weakness tests and remote backup drills are performed semi-annually. TECO information software and hardware systems are maintained by the subsidiary, Information Technology Total Services (ITTS), and ITTS is equipped with the ISO/IEC 27001 certification.</p>



3.3 Information Security Management

Information Security Management	The Chairman of ITTS is one of the board members of TECO and supervises TECO's IT strategy in the board. TECO establishes the job position of CTO to be responsible for the promotion of internal IT affairs, and the responsible unit is the Business Performance Strategy Office BI Smart IT Team, and it is reported to the Chairman directly.
Information Security Protection Measures	TECO has stipulated regulations explicitly for the information security policy and personal information protection for execution. Periodic educational training is implemented annually; periodic system weakness scan and remote backup drill are performed annually.
Process and Structure	TECO's information system is completely entrusted to the subsidiary, ITTS, for handling. ITTS has qualified the ISO27001 certification, and the information system entrusted is within its scope of ISO27001 certification.



Information Technology Total Services Co., Ltd. (ITTS), a subsidiary of TECO Group, listed its shares on the over-the-counter market in Taiwan in 2019, a step which will give TECO a strong boost in its foray into the emerging AIoT market.

Markets and Markets, a market information body, predicts that the market scale of smart factory will top US\$244 billion and the output value of AIoT will expand at 26% CAGR (compound average growth rate) by 2024, with the growth rate of the Asia-Pacific higher than the average level, especially in the MES (manufacturing execution system) sector. To cash in on the handsome potential, ITTS will help parent company TECO Electric & Machinery in transforming its factories worldwide into smart ones gradually, with the aim of cutting delivery time by 30% and raising capacity utilization rate by 10%. In addition, it will help a Chinese lens manufacturer headquartered in Zhejiang attain real-time visualized management, via integration of ERP, MES, and manufacturing equipment, thereby boosting market competitiveness. It has also applied AR (augmented reality) technology in smart warehousing, helping TECO's Wuxi plant cut warehousing flow to merely two days, from original five days. Moreover, it has helped some Taiwanese factories in Vietnam establish smart monitoring system, enabling their Taiwan headquarters to have a firm grip on the production status of the Vietnamese factories real time.

3.4 Participation in External Organizations and Initiatives

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

We focused on emerging business trends and corporate sustainability issues. By sponsoring and participating events from Epoch Foundation, Center for Corporate Sustainability (CCS) and Taiwan Creative Economy Association, TECO keep tracking future material issue and ideas.

Transnational Commercial Cooperation Organizations	Other organizations
<ul style="list-style-type: none"> Chinese International Economic Cooperation Association Taiwan-Turkey Business Association Taiwan India Business Association R.O.C. East Asian Economic Association 	<ul style="list-style-type: none"> Taiwan Electrical and Electronic Manufacturers' Association Chung-Hwa Railway Industry Development Association (CRIDA) Taiwan Automation Intelligence and Robotics Association (TAIROA) Taiwan Electrical Appliance Association Taiwan Refrigeration and Air Conditioning Engineering Association of Republic of China Taiwan Power Electronics Association Electric-Electronic and Environmental Technology Development Association of R.O.C. (CED) Chinese National Association of Industry and Commerce, Taiwan (CNAIC) Epoch Foundation Taiwan Creative Economy Association
Corporate sustainability-related organizations <ul style="list-style-type: none"> Center for Corporate Sustainability (CCS) Business Council for Sustainable Development of Taiwan (BCSD-Taiwan) 	
Renewable/Clean Energy Organization <ul style="list-style-type: none"> Taiwan Wind Turbine Industry Association Taiwan Wind Energy Association Association of Atmosphere Protection in Taiwan (AAPT) 	

- According to Article 11 of TECO's Code of Integrity, employees shall not donate or otherwise sponsor political candidates in the name of TECO or other affiliates.
- Charitable donations: The purpose of donation must be confirmed when making charitable donations, and should not bribe in disguise.
- For trade associations or tax-exempt groups, the main fees are membership fees and event funding.



3.5 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 of TECO. In 2019, the online customer sales volume accounted for 15.3%, and the non-subsidiary distribution ratio accounted for 16.4%. The overall customer satisfaction evaluation result is published as follows:

Customer satisfaction	2016	2017	2018	2019
Overall	64.0%	81.3%	90.0%	71.4%
Data coverage	68.0%	74.4%	83.6%	80.0%
Motor & Drive	60.3%	80.5%	90.8%	69.2%
Data coverage	-	84.0%	95.0%	90.4%
Home appliance	84.91%	85.99%	84.86%	83.79%
Data coverage	18%	20%	19%	21%

The satisfaction on electrical and mechanical products declined in 2019, and after investigation of the cause, such decline was mainly due to the “product delivery date” and “after-sales service satisfaction” requiring improvement. Improvement methods in 2020 are as follows:

Product delivery	<p>Establish diversion mechanism: Uniformly arrange motor models that are of great sale and facilitated manufacturing process in the headquarter plant for manufacturing, and Chungli outsources models that are of greater complexity of manufacturing process to Mod Shop for assembly, such that during the reduction of replacement of molds, the manufacturing efficiency can be increased, and the production delivery date can be improved.</p> <p>Establish standard products automatic supplement mechanism: Construct IT system, and specify a standard for inventory level, and if such standard is reached, the system issues a warning, and orders are submitted to the factory for manufacturing such that product delivery date is improved.</p>
After-sales service	<p>Service Cloud system is established, and the distributors, affiliates and end users are able to send out a repair notice via the system, and the service window then accepts the notice and considers how to provide recommendation and strategy in order to implement repair service case management through the system, to timely and effectively handle customer complaints and to track field service status and to control the factory repair time, thereby managing the repair progress and improving the customer satisfaction on after-sales service.</p>

3.6 Sustainability Supply Chain

In 2019, TECO's total procurement amount was about NT\$57 billion. The suppliers which TECO paid the procurement amount by more than NT\$1 million totaled 420 companies and those to which TECO paid the procurement amount more than NT\$50 million totaled 22 companies. Mass and commodities suppliers are defined as Critical supplier, Frequent trade suppliers from manufacture sites are defined as Teir 1 supplier. Critical supplier shares 7% of total supplier numbers, and Teri 1 shares 30%.

According to TECO policy, critical and teir 1 suppliers are identified as following:

Critical		Teir 1	
Mass and commodities suppliers	66	Frequent trade suppliers	300

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."



Reference document

Supplier Management and Indicators

Supplier ESG Indicators		
KPI #1	Certificates from Tier 1 suppliers Includes ISO 9001, TS16949, ISO 14001 or OHSAS 18001	Target Rate:100% Target Year:2023
KPI #2	No child labors We support, follow, and comply with child labor laws across our operations and value chain.	Target Rate:100% Target Year:2023
KPI #3	100% signing rate of "Letter of Commitment to Human Rights and Environmental Sustainability."	Target Rate:100% Target Year:2023

TECO screens suppliers using 3 major dimensions of environment, society and governance performance to ensure that the supplier management system's condition, capability, potential and performance fulfill the required needs. The "Procedure for Vendor Assessment" is formulated and used as the basis for supplier assessment and selection. Furthermore, in order to make sure that its suppliers fulfill their social responsibilities and provide a healthy, safe work environment, CSR has been incorporated into TECO's qualified supplier selection criteria with 20% weighting.

Definition of ESG high risk	
Risk #1	Wastes, water, gas emission and waste management process should comply with regulations.
Risk #2	Noise control and management should comply with regulations.
Risk #3	Are there any environmental protection related violation cases?
Risk #4	Are there any process to handle harmful materials (for example RoHS & REACH) and how to store and report the usage of chemical material?
Risk #5	Is supplier passes ISO14001 certification?

Supplier Audit Procedures

Before trading	TECO ensures suppliers meet relevant quality, environmental, safety and health criteria and their products conform to green management and control. TECO has actively assisted its suppliers to improve their quality by obtaining ISO 9001, TS16949 international certifications. It has also demanded suppliers to design green, eco-friendly products, as well as implement ISO 14001, ISO 45001 or other hazardous substance control capabilities.
Contract signing	Signs the "Letter of Commitment to Human Rights and Environmental Sustainability" which allows TECO to terminate the contracts if any violation of social commitment is discovered. Signing rate reaches 99%
On-site audit	For new or high-risk, tier 1 or critical suppliers identified through risk identification, TECO forms evaluation teams through in-plant R&D, quality control, manufacture, procurement, safety and environmental, and audit related personnel to perform the on-site audit.
During trading period	Conduct performance appraisal on suppliers on a monthly basis and annual audit on risk identification to monitor the variance. For every tier 1 suppliers and key suppliers, we hold on-site audit once every three years

Five major dimensions of supplier evaluation

1	2	3	4	5
R&D capability	Quality control capability	Management and service system	Production technologies	CSR
Evaluation item: Product life cycle management, technical provenance, defect improvement ability, number of R&D personnel, etc.	Evaluation item: Independence of quality management organization, material input inspection management, RoHS analysis, instrument/production process and output quality control.	Evaluation item: Management experience and philosophy, business ethics, employee training program, production and delivery date management system, financial structure, etc.	Evaluation item: Grade of key equipment, mold management status, work instruction manual, stipulation of standard work hours, etc.	Evaluation item: Labor rights, hiring of child labor, forced labor conditions, degree of emphasis on work environment safety, noise prevention and management, wastewater and waste management, energy conservation and emission reduction, stipulation of hazardous substance management protocol, etc.
Auditor: R&D personnel	Auditor: QC personnel	Auditor: Procurement personnel	Auditor: Production technology personnel	Auditor: Environmental safety personnel

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

Supplier evaluation rating

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

Existing Critical and Teir 1 suppliers are audit at least once every 3 years.

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"> 1. Suppliers that employ child labor (under 15 years old) will be listed as unqualified suppliers and terminate trading. 2. Suppliers should have OHSAS18001 3. List labor human rights as one of the assessment item. 4. "Letter of Commitment to Human Rights and Environmental Sustainability" must be signed with purcument contract.
Environmental protection	<ol style="list-style-type: none"> 1. Select environmental friendly suppliers 2. Guide suppliers to improve energy saving and emission reduction 	<ol style="list-style-type: none"> 1. Suppliers should have ISO14001 2. List enviromental protection and emission status as the assessment items. 3. "Letter of Commitment to Human Rights and Environmental Sustainability" must be signed with purcument contract.

2019 Supplier Assessment Result

Type of supplier	Percentage assessed annually	Percentage assessed at least once every 3 years	Total
Critical (Mass and commodities suppliers)	0%	90%	90%
High risk suppliers	0	0	0

Type of supplier	Number of suppliers assessed in the last 3 years	Percentage of suppliers in that category assessed in the last 3 years	Description of target
Teir 1 suppliers (Frequent trade suppliers)	200	67%	Target:200 Year: 2022
Critical but noe Teir 1	10	40%	Target:15 Year: 2020

Percentage of High-Risk Suppliers

Type of supplier	High-Risk Percentage	Percentage of suppliers in that category
Teir 1	0	0
Critical but not Teir 1	0	0
All suppliers	0	

Non-use of conflict mineral commitment

TECO has formulated a "Declaration of Non-Use of Conflict Minerals" to ensure the proper handling of conflict mineral issues. Suppliers are required to conduct detailed surveys of supply chains to ensure that metals such as Gold (Au), Tantalum (Ta), Wolfram (W), Cobalt (Co), and Tin (Sn) are not acquired from non-governmental military groups, illegal organizations, and mining areas in the conflict zones of the Republic of Congo or through smuggling. By effectively identifying and tracing the source of materials, TECO is able to prevent the use of conflict minerals in its production. Metals exported by the following nations do not meet conflict-free norms as determined by the US Security Council: DRC, Rwanda, Uganda, Burundi, Tanzania, Kenya.

TECO Achievements

100% procurement of non-conflict raw materials

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



3.7 Product Innovation

Product innovation policy: Based on the core value of TECO Vision “**Energy Conservation, Emission Reduction, Intelligence, and Automation**” to create new applications for product itself or for manufacture process.

Production automation	After the successful setup of SmarAuto manufacture line in Taiwan, inaugurated in July 2019, the Vietnamese plant in Becamex industrial park boasts cutting-edge environment-friendly process and automated smart production line, promising to become the group's major production base.
Automated marketing:	Implement marketing digitalization plan, expanding and optimizing various high-performance marketing platforms and gradually executing business intelligence systems, to induce precision marketing and facilitate growth.
Motor product innovation	In addition to high-efficiency smart motor, TECO invests also in ship motor, permanent-magnet motor, and electric-vehicle motor.
Home appliances innovation	Rollout of variable-frequency electromagnetic-suspension centrifuge for high-end energy-conservation market and whole-series variable-frequency DC light business air conditioners.. Concerning refrigerators, in addition to expanding domestic market share for medium- and large-sized whole-series variable-frequency models, launch first indigenous variable-frequency business 1000L refrigerator and residential refrigerator with automatic switch between freezing and preserving modes, the first such model in Taiwan.

R&D Investment in thousand NT\$

	2016	2017	2018	2019
TECO	684,736	634,436	568,565	574,548
Group consodilate	1,393,604	1,281,206	1,120,748	1,179,300

Definition of New Product

	Motor and Dive	Home Appliance
New Product	Introduced within 3 years	Introduced within 2 years
Sales from new products (%)	2%	5%
Sales from Significantly improved products (%)	54%	15%

3.8 Performance on high-efficiency motors

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

The motor is classified into five grades: IE1 (lowest), IE2, IE3, IE4, and IE5 (highest) according to the rated efficiency. Each country also formulates industrial standards to regulate domestic energy efficiency. TECO defines products above the IE3 level as high efficiency motors. What is the difference between using traditional (IE1) and high efficiency (IE3) motors? We illustrate it by carbon emissions:

Conventional IE1		High Efficiency IE3
3,731	Emission from Production Stage kgCO2e	4,145
379,144	Emission from One-Year Usage kgCO2e	370,040 (+700 trees)
5,687,160	Emission from Lifecycle Usage kgCO2e	5,550,600 (+10 thousand trees)

* based on IE3 AEHF150hp motor specifications

Calculated by operating 250 days per year, the high efficiency (IE3) motor can reduce emissions by 9,104 kg of CO2 per year, which is equivalent to the carbon uptake of 700 trees. In the 15 years of the life cycle, it is equal to the carbon absorption of 10,000 trees.

What is the special threshold for manufacturing high efficiency (IE3) motors? The answer lies in the full-in rate of enamelled copper wires. The neat and tight the copper wire upgrades motor efficiency. The full-in rate of copper wire inside the high-efficiency motor must be more than 85%. It has been difficult to achieve more than 75% in the past by human hands. TECO invested more than US\$10 million to build a world's first and most complete industrial motor smart line in Asia by using 3D vision robots and AGVs. We commit to build the production capability for high efficiency motors.



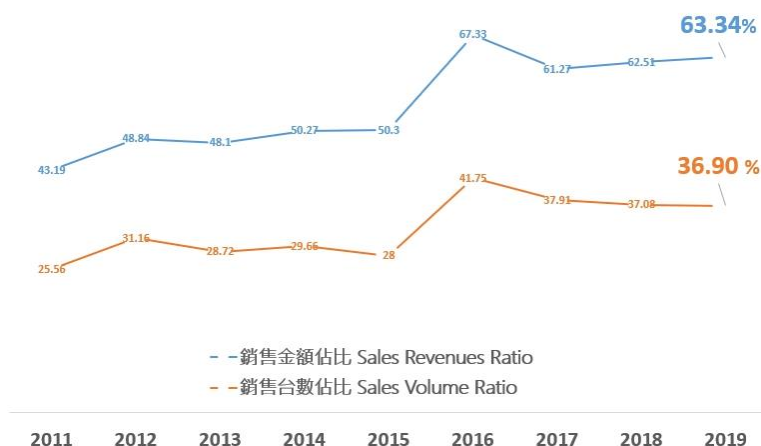
TECO has already completed the development of the first aluminum die-cast rotor IE4 high-efficiency induction motors in the world as well as IE4 high-efficiency permanent magnet motors integrated with inverter drives to achieve maximum energy conservation and emission reduction effects for customers and improve TECO's technical capabilities. In addition, TECO uses no or very little rare-earth magnets for its IE4 synchronous reluctance motors and magnet-assisted synchronous reluctance motors. Even the most efficient IE5-grade permanent magnet motors have already been deployed.

Energy-saving statistics for sales of high-performance energy-efficient motors with capacity below 300hP (224kW) in 2019.

- **Total energy savings: 520,145.76 MWh** (Note1)
- **Total emission reduction: 264,754.19 tonCO₂e** (Note2)

Note 1 : Calculations based on 5,000 operating hours per year

Note 2 : Per public notice of the Bureau of Energy in 2020, the power emission coefficient is 0.509 (kgCO₂e/kWh)



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

Smart, Energy-Saving, and IoT Home Appliances

Develop all-area air conditioner and smart home appliances and integrate cloud applications to provide comprehensive solutions. Use core variable-frequency energy conservation technology (product energy conservation) and cloud monitoring EMS energy management system (energy conservation management) to provide comprehensive services and solutions for consumers and public spaces.

Integrate the environmental temperature and humidity sensors of home appliances such as the air conditioner, refrigerator, and dehumidifier related appliances as well as the smart cleaning energy conservation module of TECO. In addition, based on the two main principles of “user living-oriented; support with technology management,” technology and living are integrated to satisfy different consumer demands and to improve customer satisfaction. According to the product characteristics, design, and install body sensing, PM2.5, VOC components etc., in order to construct an environmental system sensing network.

For commercial and industrial air conditioners, develop and emphasize customization in order to satisfy the demands of different industries, thereby achieving the objective of power saving. In addition, launch a home air conditioner-cloud quality service APP, capable of satisfying the diverse needs of different users and improving user experience. For large air conditioners, one-stop type of services can be provided for various types of large places, and TECO provides not only products but also a customized energy conservation solution to customers.

Home air conditioner service new technology - cloud service maintenance APP, and consumers can simply press a special key on the APP to start the program with ease. TECO's cloud diagnosis is able to detect the condition of the air conditioner, and the Big Data exclusive for the health of air conditioners is accumulated in order to establish standardized and consistent procedures for repair. The cloud service maintenance APP utilizes the technical analysis computation integration to provide standardized and highly convenient maintenance services as well as the most optimal maintenance solution, thereby reducing the processing time. In addition, Big Data analysis is further used to predict the user preference trend in order to use it as the development direction for new products in the future. Applied to social care, public construction and BEMS, HEMS fields, thereby achieving the goal of a low carbon society.



Energy-efficient product emission reduction

Unit: Metric tons

Emission reduction	Home A/C	Refrigerator	Total
2017	9,297	1,552	10,849
2018	10,520	2,327	12,847
2019	14,097	3,618	17,715

Emission reduction by **78,000 MWh** **41,411 Ton CO₂e** cumulatively for 3 years Energy-saving

The sales of green energy-saving home appliances ^(Note) accounted for **57.81%** of the net sales attributed to Home Appliance Division in 2019.

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

- Home A/C and commercial A/C: To obtain class-1 under “Energy Efficiency Rating for Non-conducted air conditioner Products” promulgated by Ministry of Economic Affairs (MOEA) via its letter under Bureau of Energy Document No.10504606420 dated December 28, 2016.
- Refrigerator: To obtain class-1 under “Energy Efficiency Rating for Refrigerators” promulgated by Ministry of Economic Affairs (MOEA) via its letter under Bureau of Energy Document No. 10604601990 dated May 10, 2017.
- Dehumidifier: To obtain class-1 under “Energy Efficiency Rating for Dehumidifiers” promulgated by Ministry of Economic Affairs (MOEA) via its letter under Bureau of Energy Document No. 10604601460 dated April 17, 2017.
- Television: Before July 1, 2019, no more than the limit identified in the energy consumption standards promulgated by the Ministry of Economic Affairs (MOEA) in the attachment to its letter under Bureau of Energy Document No. 10405003751 dated April 28, 2015. From July 1, 2019, the Ministry of Economic Affairs issued Document No. 10705015400 to replace the previous regulations.
- Electric fan: Energy efficiency more than or equivalent to the benchmarking identified in the attachment to the letter of Ministry of Economic Affairs (MOEA) under Bureau of Energy Document No. 10505001040 dated February 5, 2016.
- Washing machine: To satisfy the “Gold” grade identified in the “Scope of Products Applicable to Water Efficiency Label and Specifications & Standards” attached to the Regulations for Management of Water Efficiency Label promulgated by Ministry of Economic Affairs (MOEA) via its letter under Water Resources Agency Document No. 10604602300 dated June 7, 2017.

The sales volume of TECO high efficiency motors and first-grade energy efficient product accounts for **12.2%** of the total revenue of TECO

Environmental Actions

4.1 Environmental Risk Management (TCFD)

TECO is fully committed to minimizing environmental impact generated by the strategies about procurement from and selection of vendors, management of risk assessment on product development, materials input and production processes, continuing improvement on defective production models warehousing, and transportation

Policy and Organization

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

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

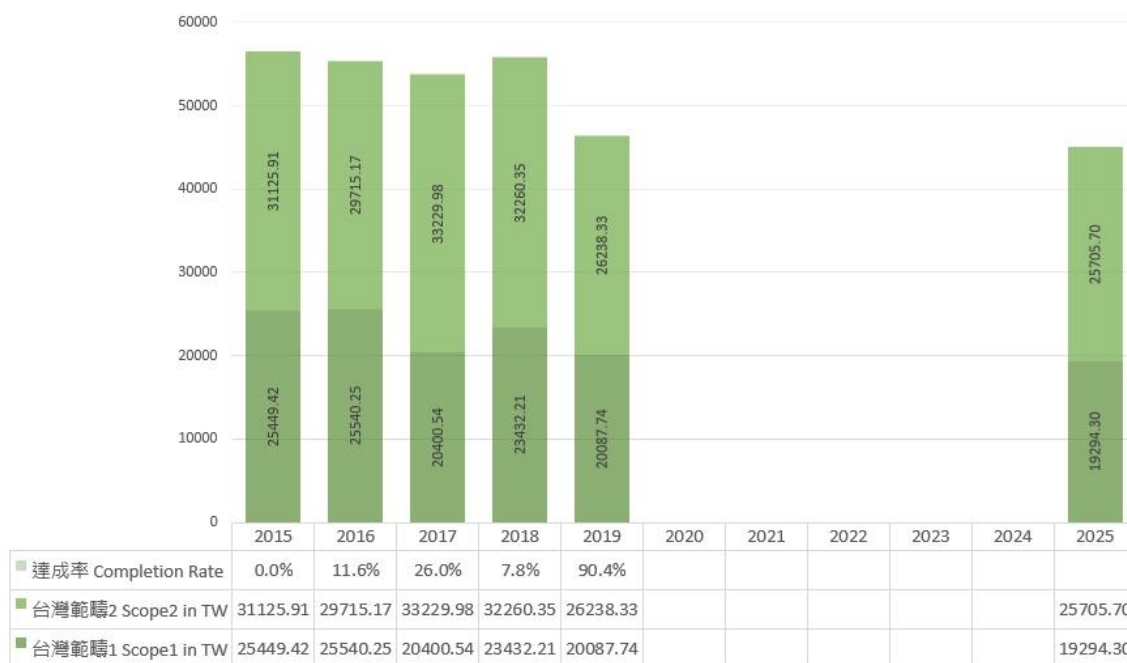


In addition, in order to ensure that business partners meet the requirements of quality, environmental protection and safety, and that products comply with green management and control during the merger and acquisition and joint venture procedures of the enterprise, TECO also simultaneously checks for the acquisition of ISO 9001, TS16949 and other international certification requirements, and strengthens the introduction ISO 14001, ISO 45001 or hazardous substance control capabilities.

As of 2016, TECO utilizes the monitoring and analysis functions of the self-developed EMS system to enhance the energy usage efficiency of the whole production process in plants and implements constant improvements with the goal of enhancing product life cycles from the perspective of energy management, realizing clean production, improving recycling rates, achieving sustainable development and in fulfilling the vision of protection of our natural environment. As in the process of merge and acquisition.

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

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



Data coverage: Taiwan area (3rd party verified)

Year 2019, the Environmental and Social indicators reporting coverage includes all facilities in Taiwan, US and China, which covers **77.6%** of total TECO Group revenue.

Governance

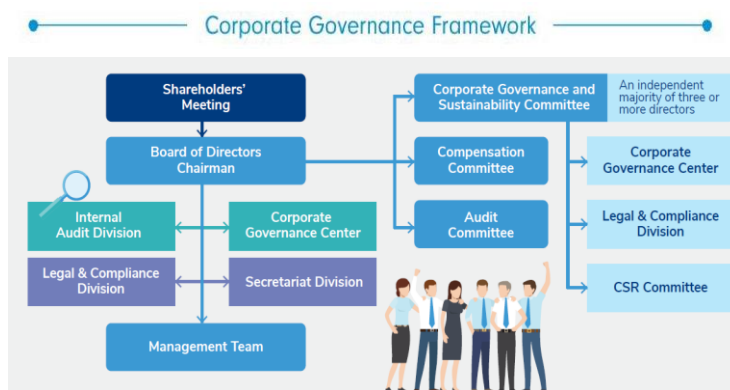
Board Oversight

TECO has established the “Corporate Governance and Sustainability Committee” in order to provide guidance on matters related to “corporate governance,” “legal compliance and legal affairs,” and “corporate social responsibility.” 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 “CSR Task Force” to provide periodic reports on the execution and tracking of TECO’s corporate social responsibility goal and policy implementation status to the Chairman directly on a monthly basis. 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 “CSR Task Force Director General” is the highest responsible rank of the management level, and the Factory Director of Chungli Plant assumed the position this year. The CSR task force 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. in order to facilitate the promotion of management of works for the entire company synchronously. CSR task force 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 “CSR task force,” 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 in order 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

Risks and Opportunities

Risk	Short-term 2020	Automation causes the plant site's demand for energy to increase but the energy efficiency indicator becomes tougher Introduction of emission reduction needs to adapt to the new manufacturing process and environment Natural disasters and air pollution causing suspension of factory operation Spread of disease causes the suspension of factory work and absence of personnel
	Medium-term 2022	International competitors consecutively declare zero carbon emissions goal for 2050 Customers or investors expect to increase the renewable energy use ratio Increase of power expense, employee living expense, and salary Investor and shareholders expect company to propose plans for climate changes
	Long-term 2025	Customer or regulatory requirements to achieve zero emission or collection of "Carbon Border Tax" for international trading and transaction Society expects the companies to provide commitment to a circular economy Extension of employees' retirement age, and insufficient young group of talents. Increased ratio of migrant workers, changes in industrial labor structure Capital withdrawn from the industries of petrochemical and mineral industries, causing deficiency of raw materials and increase in costs
Opportunity	Short-term 2020	Promote digital transformation and set up a schedule for improving the corporate internal operation digitization level Invest in smart electrician production lines, and increase overall efficiency Increase of the sale percentage of energy saving products
	Medium-term 2022	Construct plant site renewable energy facilities according to the plan, and change from the electricity sale model to plant site self-use whenever necessary Invest in energy storage engineering capability and develop electric vehicle low-carbon power module Market accepts the issuance of green bonds
	Long-term 2025	Identify future costs, perform estimation of internal carbon pricing, establish advantages under the impact of carbon tax Construct short-chain production model, increase local production ratio and shorten delivery date

Impact on Organization

Items	Description
Product and Service	Exploit TECO's brand characteristics and develop energy-saving products and plans in terms of the topics of "power" and "energy", energy saving product sale percentage goal of 80% (65.3% in 2019)
Supply chain	Construct short-chain production model, increase local production ratio and shorten delivery date
Adjustment and Mitigation Activities	Construct plant site renewable energy facilities according to the plan. The Guanyin Plant's first phase of solar power station of 1.7MW has been in power generation service with an annual power generation of 2.06 million kWh. Guanyin Plant's second phase of a solar power station of 3.6MW started service this year. The Chungli Plant of 4.0MW is currently under planning. Proper planning for functions of retired employees, such as: services of plant site visit, guest services, and supplier audits etc.
R&D Investment	Invested an amount of USD 10 million in smart electrician production lines, and the overall efficiency increased by three times The Vietnam Plant automatic vanish continuous production equipment, reduces pollution of volatile gas and simplifies production personnel
Sales Operation	Promote digital transformation, establish the schedule for improving the internal operation digitization level of TECO, develop the BI and project management tool to promote global collaborative information platform
Operating Costs and Operating Income	Assess the implementation method of the "Carbon Border Tax" and use a product's "carbon footprint" to analyze potential financial impact
Capital Expenditure and Capital Allocation	Environmental capital investment amount: NT\$33,880,000 For purchase of equipment, property amount for environmental protection matters, such as the purchase of solar panels, purchase of variable-frequency equipment etc. Environmental protection related expenses: NT\$18,828,000 Other investment amounts related to environmental protection, but excluding equipment purchase, such as air/water/waste soil/noise regulatory official fees/treatment fees; environmental monitoring fee; environmental management system maintenance fee etc.

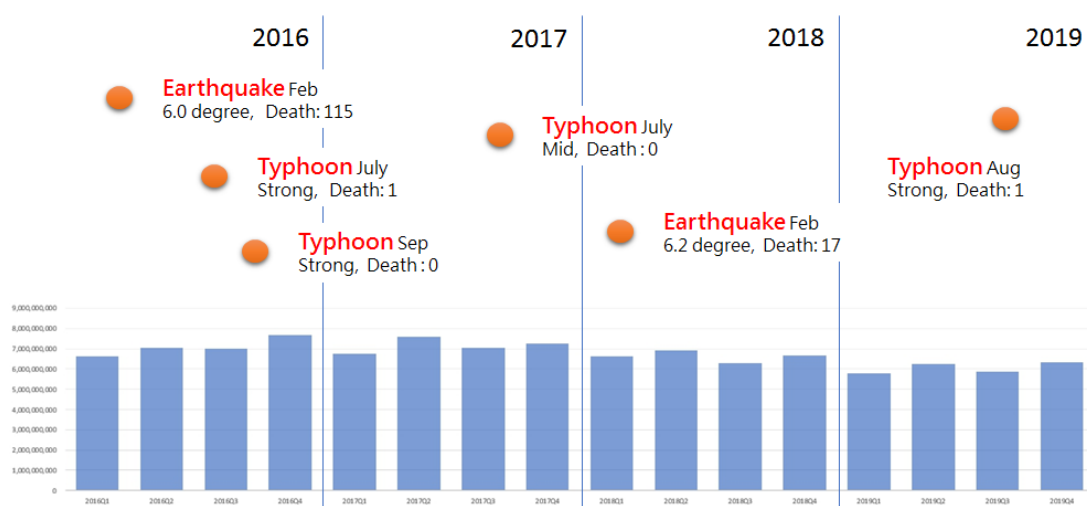
Risk Management

Risk Identification and Assessment Process

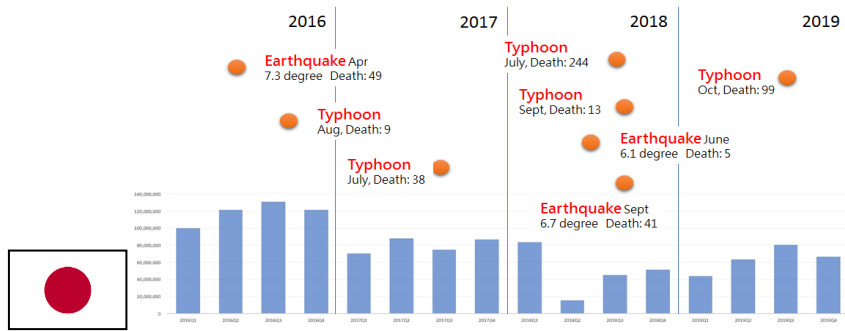
The “CSR Task Force” acts as the responsible unit of TECO to perform material issue analysis according to the Task Force on Climate-Related Financial Disclosures (TCFD). Through research report, literature and internal/external major stakeholder communication, examine and establish the content of each issue and their priority sequence, and summarize the risk list submitted by each department, in order to perform risk assessment and to propose corresponding strategy and recommendation. After the review by the Chairman, report is submitted to the “Corporate Governance and Sustainability Committee” of the board of directors, and the annual work plan is established according to the sustainability commitment of “ten year emission reduction by 20%,” in order to concretely achieve the vision of “energy conservation, emission reduction, intelligence, automation.”

4.2 Sensitivity Analysis of Natural Disaster Impacts

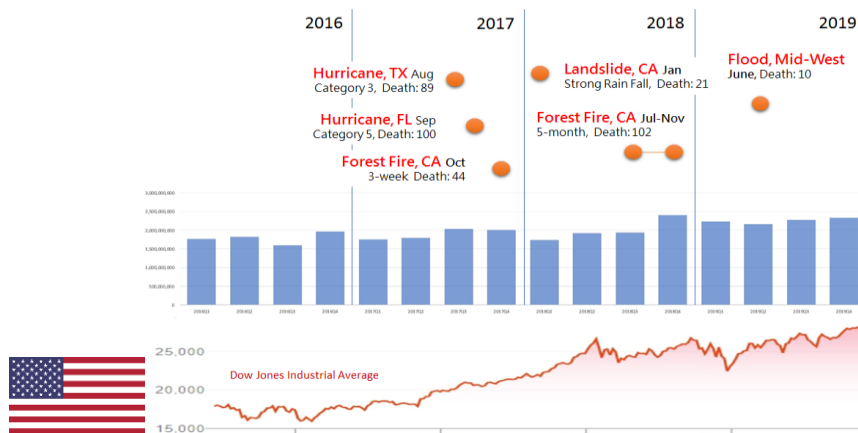
To understand the sales impact caused by natural disasters, TECO has analyzed the correlation between the revenue in the past four years in key sales regions and the occurrence time of natural disasters. The sales change in Taiwan mainly follows the pattern of annual high and low seasons. The sales status in China and the U.S. is related to the local economic performance (mainly based on the stock market performance). The impacts of occurrence of natural disasters on TECO’s industry is not obvious.



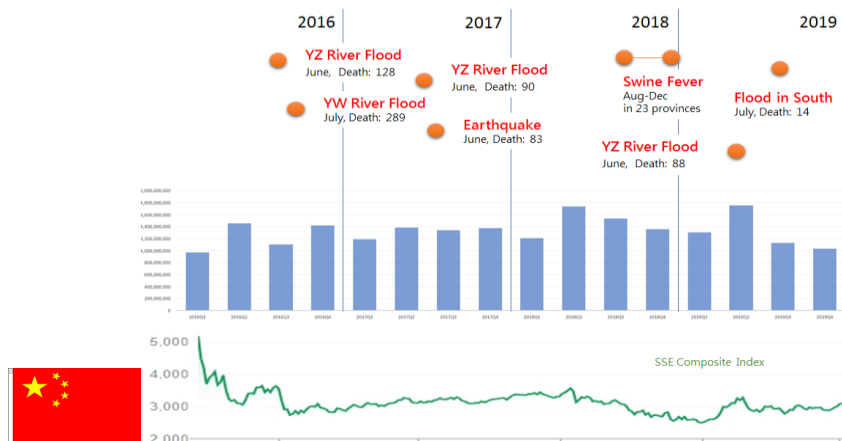
The natural disasters in Taiwan mainly refer to typhoons in the summer and earthquakes. For the past four years, the sales change shows no relevant trend in relation to natural disasters but follows a fixed high and low season pattern annually.



In Japan, natural disasters mainly refer to floods and earthquakes. In the past four years, the sales change shows no relevant trend in relation to natural disasters. The reason for the sales decline in the second quarter of 2018 was mainly due to the adjustment of the collaboration model with the business partners, which was not related to the earthquakes concentrated in the third quarter



The natural disasters in the U.S. mainly refer to hurricanes, flood, and forest fires. In the past four years, the sales change shows no relevant trend in relation to natural disasters, but it is more closely related to the Dow Jones index trend.



The natural disaster in China mainly refers to floods. In the past four years, the sales change shows no relevant trend in relation to natural disasters, but it is more closely related to the SSE Composite Index trend.

Metrics and Targets

Disclosure of Risk Impacts

Type	Items	Financial impact
Transformation risk	Policy and regulation	<ul style="list-style-type: none"> Customer or regulatory requirements to achieve zero emission or collection of “Carbon Border Tax” for international trading and transaction International competitors consecutively declare zero carbon emissions goal for 2050 <p>If TECO does not deploy plans early, TECO may lose its competitiveness in international trade due to carbon tax. By using the 150HP motor as an example (equivalent to an output power of 115kW, capable of providing the power for an electric four-wheel vehicle), the manufacturing process carbon emission is 375kgCO₂e, and for the year of 2050, if the EU sets the carbon price to be USD75/tCO₂e, then the import of motors may increase the potential cost by USD 28 per unit.</p>
	Technology	<ul style="list-style-type: none"> Automation causes the plant site’s demand for energy to increase but the energy efficiency indicator becomes tougher Introduction of emission reduction needs to adapt to the new manufacturing process and environment Customers or investors expect to increase the renewable energy use ratio <p>Corporations must plan the emission reduction road map in order to gradually achieve zero emissions. TECO invests in the plant site solar power generation station and performs the cast waste heat recovery assessment. In addition to relevant equipment for the construction of solar power, the renovation of the facility roof is also constructed at the same time, and the investment cost per MW power generation is NTD 40~60 million.</p>
	Market	<ul style="list-style-type: none"> Society expects the companies to provide commitment to a circular economy Increase of power expense, employee living expense, and salary Extension of employees’ retirement age, and insufficient young group of talents. Increased ratio of migrant workers, changes in industrial labor structure <p>Increase in electric bills. For the region of Taiwan, by 2030, the electricity rate increase is expected to reach 38%, and the price per degree of electricity (contract capacity) will increase from NTD 1.97 to NTD 2.72. Motor housing is a cast part and the cast production main driving source is the electricity, accounting for approximately 13% of the cost. Consequently, an increase in the electricity rate will affect the production cost directly.</p> <p>The market demand for high efficiency motors increases, and the fill-in ratio of the copper wires inside a high efficiency motor manufactured must reach above 85%, and the manual wiring must reach 75% or more, which is difficult when quality</p>

		requirements need to be satisfied at the same time. TECO needs to introduce automatic production in order to overcome the double problems of technology and manpower
	Reputation	<ul style="list-style-type: none"> General public requests the disclosure of non-financial information and greater CSR evaluation, investor and shareholders expect TECO to propose plans for climate change <p>TECO foreign investment ratio is approximately 40%, and the international ESG investment trend affects the stock price. To meet the expectation of investors, TECO needs to establish a sustainability risk control mechanism and to disclose relevant content, and major event reporting management mechanism</p>
Physical risk	Immediacy	<ul style="list-style-type: none"> Natural disasters and air pollution causing suspension of factory operation Spread of disease causes the suspension of factory work and absence of personnel <p>In the region of China, the government may request factories to suspend its operation partially or completely according to the air pollution warning on that day, and one day of operation suspension of the factory can cause a production capacity loss of approximately NTD 15 million</p>
	Long-term	<ul style="list-style-type: none"> Capital withdrawn from the industries of petrochemical and mineral industries, causing deficiency of raw materials and increase in costs Increase of average temperature <p>TECO's motors use steel materials of high specification, and the annual purchase volume is approximately 60,000 tons. The fluctuation of steel cost becomes one of the major risks of force majeure.</p> <p>Temperature rise can directly cause the interior temperature to increase in the facility, and the plant site needs to make greater investment in ventilation and cooling facilities. For the past two years, TECO has invested NTD 2.5 million in the improvement, and a budget of approximately NTD 1 million is planned annually for continuous improvement of equipment at the plant site in order to protect the health of employees.</p>

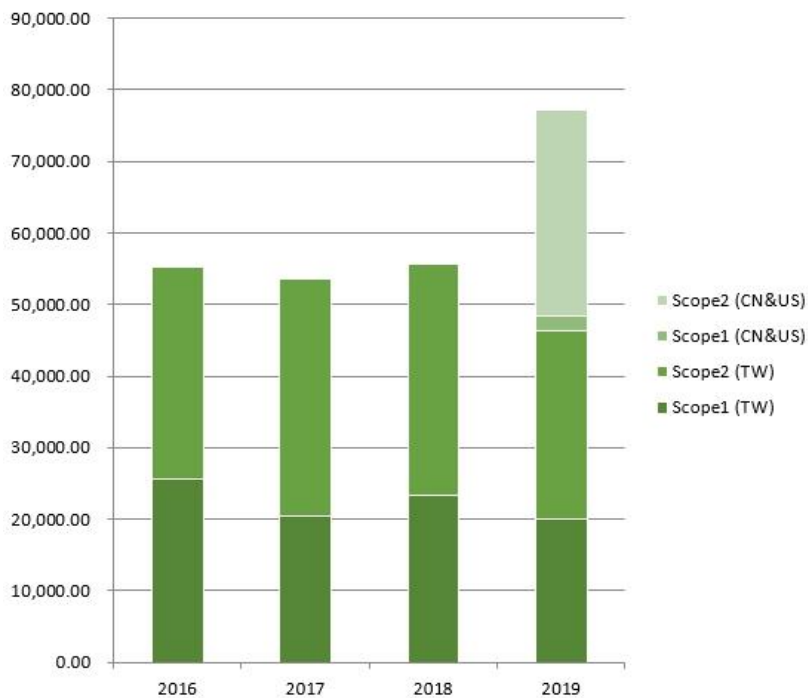


Disclosure of Opportunity Impacts

Type	Items	Financial impact
Opportunity	Resource efficiency	<ul style="list-style-type: none"> Invest in smart electrician production lines and increase overall efficiency Promote digital transformation and promote global collaboration information platform <p>TECO has introduced the smart electrician production mode, and the production quantity has increased from 10 units per person per day to 34 units, and the production first pass yield has reduced from 400 minutes to 20 minutes.</p> <p>Execute the marketing and sales digitalization plan to expand and optimize various high performance information platforms at the marketing and sales end, and gradually establish a sound business intelligence system (BI) in order to increase the precision market sales, leading to sales growth.</p>
	Energy source	<ul style="list-style-type: none"> Construct plant site renewable energy facilities according to the plan, and change from the electricity sale model to plant site self-use whenever necessary <p>TECO has constructed a 5.3MW power generation capacity at Guanyin, and this year, TECO has further constructed a 1.7MW power generation capacity in Chungli. After the full capacity of grid connection, it is expected to generate 8 million kWh annually, and the sales income is approximately NTD 40 million.</p>
	Product and Service	<ul style="list-style-type: none"> Increase of the sale percentage of energy saving products Solution demand percentage increase <p>In addition to the focus on IE3/IE4 high efficiency motor green products, TECO also actively engages in high-end new products of ultra high power and smart motors, ship motors, permanent-magnet motors, and motors for EV vehicles etc. Among which, large motors have benefited from the great sales orders and the successful entrance into the electromechanical system solution sales sector in the overseas markets, such that main markets indicate growth, and the overall sales growth is remarkable</p>
	Market	<ul style="list-style-type: none"> Invest in energy storage, energy conservation engineering capability and develop low-carbon product module <p>Successfully entered into the market sectors of offshore wind farm, micro-grid, internet data center (IDC), smart building, solar power generation and energy storage system etc., and the annual order receipt exceeds NTD 10 billion.</p>
	Resilience	<ul style="list-style-type: none"> Construct short-chain production model, increase local production ratio and shorten delivery date <p>Under the production site allocation plan, the Vietnam Plant officially started its production line in July 2019, and through smart monitoring, vacuum casting technology, and increase of automation ration, the production cost has been reduced. The overall operating cost is controlled with continuous process and reasonable expenditure, such that an amount of approximately NTD 30 million is reduced.</p>

GHG Emissions in SCOPE 1 and 2

TECO conducts GHG emission assessment for sites in Taiwan, China and US with ISO 14064-1. In year 2019 the coverage rate reached 77.6%, 56.6% among it (data from Taiwan) has been verified by BSI (British Standards Institution)'s ISO 14064-1 (GHG audit) verification to provide the assurance about accuracy of assessment data.



Emission intensity in Taiwan

	2016	2017	2018	2019
Scope1 (TW)	25,540.25	20,400.54	23,432.21	20,089.92
Scope2 (TW)	29,715.17	33,229.98	32,260.35	26,238.33
Scope1 (CN&US)	NA	NA	NA	2,073.27
Scope2 (CN&US)	NA	NA	NA	28,749.28
Scope1 (total)	25,540.25	20,400.54	23,432.21	22,163.19
Scope2 (total)	29,715.17	33,229.98	32,260.35	54,987.61
Data Coverage	65.9%	60.9%	58.4%	100.0%

Direct and indirect emissions

The method of consolidating the amount of greenhouse gases is by operational control cited emission factors locally. The refrigerant escape in the China is not included in this year and will be added from 2020.

bsi.
Opinion Statement

Greenhouse Gas Emissions
Verification Opinion Statement

This is to verify that: TECO Electric & Machinery Co., Ltd.
SF
No. 19-5, San Chong Road
Nan-Kang
Taipei City
11501
Taiwan (R.O.C)

For and on behalf of BSI:
Managing Director BSI Taiwan, Peter Pu
Lifted Issue: 2020-04-10
Page: 1 of 3

...making excellence a habit.

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

GHG Emissions in SCOPE 3

TECO initiates Scope3 emission assessment from year 2019. Based on motor business. Calculate its emission from purchased good and service, used of motor products and end of life treatment.

Purchased goods and services (Category 1): **205,347** ton/CO₂e

Raw material	Purchase quantity (ton)	Carbon emission equivalent (tCO ₂ e)
Silicon steel plates	57,158	186,592
Thick steel plates	248	508
Steel rods	1,400	3,258
Enameled Wire	1,843	8,091
Copper wire	365	48
Castings	1,557	6,851
Upstream total		205,347

Data source:

China Steel Corporation, Walsin Lihwa Corporation, TECO own Foundry, Carbon Footprint Calculation Service Platform from Taiwan government

Use of said products (Category 11): **12,537,753** ton/CO₂e

According to the actual motor sale volume of 792485 units in 2019 and its energy efficiency, the carbon emission associated with the annual power consumption is estimated.

Carbon emission coefficient source: The 2019 electricity emission coefficient of 0.509 kg/CO₂e announced by the Bureau of Energy, Ministry of Economic Affairs is used.

Motor annual power consumption estimation: For each motor, the number of operating hours of 5000 hours per year*motor average unit time power consumption is used for the calculation.

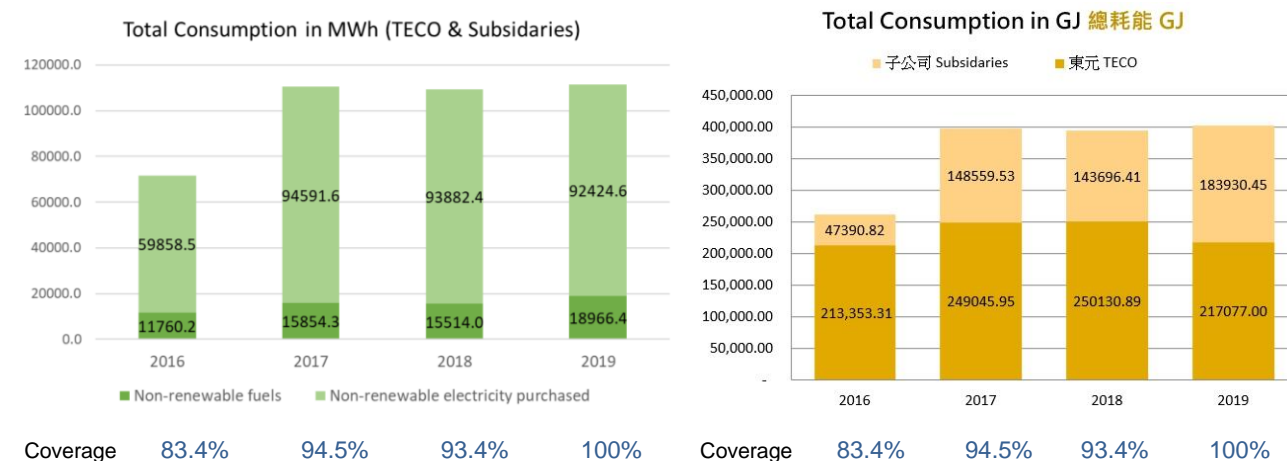
End-of-life treatment of said products (Category 12): **169** ton/CO₂e

With the 2019 waste generation amount of TECO Group of 497.13 tons, along with the reference to the general waste incineration treatment service coefficient of 340 kgCO₂e/ tons provided by the Taiwan Product Footprint Platform, estimation is performed and the production emission data coverage is 78.1%.

4.3 Energy consumption

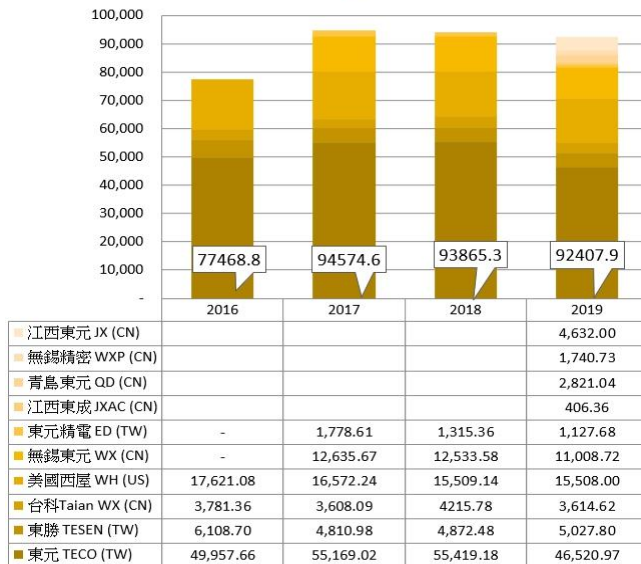


In 2019, the Group's energy consumption data management scope covered all of the plant sites in Taiwan, the U.S., and China. For 2020, the management border is planned to include Italy and Vietnam for the statistics. The coverage scope of this year accounts for 77.6% of the overall consolidated revenue of TECO Group.



Target for 2019: 112,950 MWh

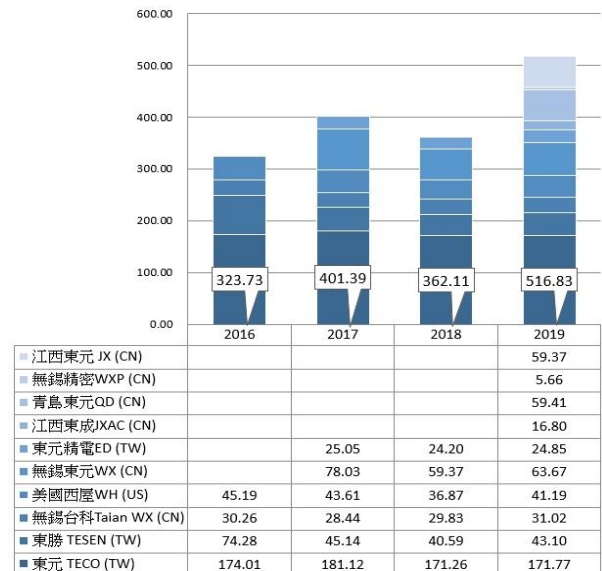
用電 Electricity (千度 MWh)



Total 77,468.80 94,574.61 93,865.52 92,407.92
Coverage 83.4% 94.5% 93.4% 100%

All sites in China are included from 2019

用水量 Water (仟公噸 k ton)



Total 323.73 401.39 362.11 516.83
Coverage 83.4% 94.5% 93.4% 100%

Target for 2019: 520 k ton

液化石油氣 LPG (公秉 kL)



Total 274.0 276.1 258.9 306.0
Coverage 83.1% 77% 76% 78.1%

天然氣 Nature Gas (千度 MWh)



Total 888.7 1201.1 1190.0 1525.8
Coverage 75.5% 82% 81.3% 86.5%

柴油 Diesel (公秉 kL)



Total 98.5 135.5 126.6 144.4
Coverage 83.4% 94.5% 93.4% 98.4%

汽油 Gasoline (公秉 kL)



Total 21.2 48.5 40.1 45.8
Coverage 66.3% 65.8% 63.2% 65.4%

Water



Recycled performance

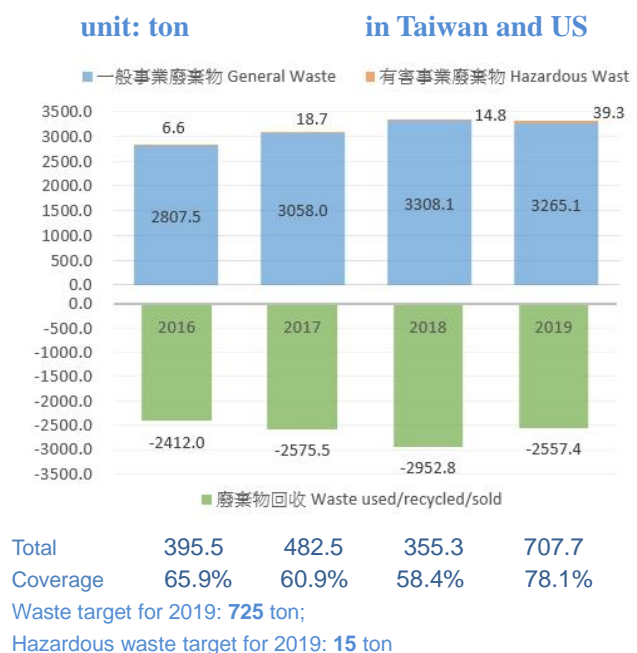
In 2019, the recycled water consumption quantity accounted for **11.1%** of all water consumption
 The recycled water consumption quantity is 76 tons/day, and it is used for 250 days per year
 Casting recycled water basin capacity of 60 tons
 Die casting recycled water basin capacity of 100 tons

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

TECO estimates that its total wastewater discharge equals 80% of the total water consumption. TESEN wastewater discharge calculations, on the other hand, are based on process wastewater amounts. The quality of wastewater discharged by TECO and its plants is inspected by qualified third-parties to ensure conformity to relevant standards. TECO plants discharge the tested wastewater to treatment facilities in their respective industrial zones. Upon proper treatment by such facilities, the quality of the discharged water meets relevant legal requirements. The casting, die casting, and painting operations at the Chungli plant site are installed with water recycling and reuse facilities, and the recycle consumption rate is approximately 11%. There are no environmental protection zones, habitats or areas with high biodiversity in the close vicinity. The impact on existing ecosystems is therefore minimal.

Waste management

TECO has formulated waste storage and disposal management guidelines as part of its environmental safety management system to implement waste reduction and resource recycling in TECO and affiliated enterprises. A unified storage area has been established for waste generated by all plants. Tracking is implemented and records are created during the disposal and treatment process. Relevant records are preserved for 3 years. Waste treatment methods employed by TECO can be divided into the following categories: Re-use, incineration, physical treatment, offshore processing, landfill. Waste electric wires and cables are shipped to Mainland China for physical treatment.



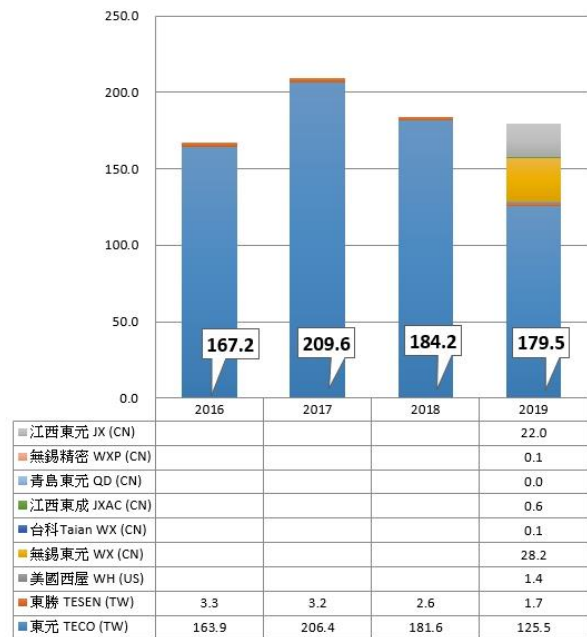
Air Pollution Management

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. TECO has also adopted low-voc varnish.

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

unit: ton

in Taiwan, US and China



Coverage 65.9% 60.9% 58.4% 100%

VOC emission target for 2019: 185 ton

unit: ton

in Taiwan, US and China

Sulfur oxide (SO _x)	2.24
Nitrogen oxide (NO _x)	1.58
Volatile organic compounds (VOCs)	179.53



Water-Based Paint Introduction

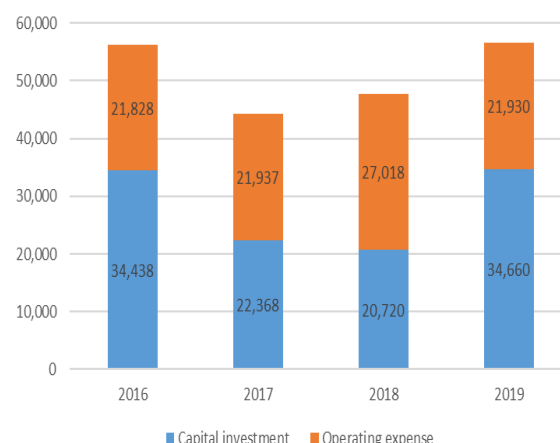
Since 2016 Q2, TECO has continued to use water-based paint to replace oil paint, and the introduction goal is 85%. The goal was achieved in 2019, and a total emission of volatile organic compounds (VOC) of 85,237kg was reduced, and the emission reduction rate has reached 52.4%. The environmental friendly paint introduction ratio has reached 66.23% of the total production volume in 2019.

Environmental expenditures

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

- **Definition of capital investment:** For the purchase of equipment, property amount for environmental protection matters, such as the purchase of solar panels, purchase of variable-frequency equipment etc.
- **Definition of operating expense:** Other investment amounts related to environmental protection, but excluding equipment purchase, such as air/water/waste soil/noise regulatory official fees/treatment fees; environmental monitoring fees; environmental management system maintenance fees etc.

unit: NTD k in Taiwan, US and China



Coverage 94.9% 94.0% 93.5% 94.0%

Creation of renewable energy

TECO has installed a solar power generation facility on the roof of the plant site, and Mono-Crystalline Silicon Photovoltaic Modules and TECO 25/30kW solar inverters are used, along with the application of the cloud monitoring management system to achieve the preventive maintenance by virtue of the real-time monitoring to cut the maintenance manpower and cost, and also upgrade the income from power generation significantly by 3~4%.

- In 2017, invested NTD 80 million at the Guanyin Plant for the construction of 1.7MW power generation capacity
- In 2019, invested NTD 163 million at the Guanyin Plant for the construction of 3.6MW power generation capacity
- In 2020, invested NTD 105 million at the Chungli Plant for the construction of 1.7MW power generation capacity

Dynamometer is an equipment for testing a motor's torque and power, and it also produces power regeneration during the testing process. TECO has a multiple sets of large dynamometer equipment, and the total power regeneration in 2019 was 550 thousand kWh supplied for own use in the plant site.

- 1500kW dynamometer power regeneration: 435,864 kWh
- 5000kW dynamometer power regeneration: 121,356 kWh



2019 power generation
2.06 million kWh



2019 power regeneration
550 thousand kWh

4.4 Product Stewardship Management

Environmental Performance for Raw Material and Component Selection Stage	The main products of TECO Group are motors and home appliance productions. In addition to the compliance with the regulatory requirements of RoH and REACH, motor products mainly adopt the design of lightweight, use of recycled materials, and environmental friendly paints. As for home appliance products, the environmental friendly coolant replacement is an important design consideration.
	Motor lightweight design: Applied the cast housing lightweight technique to general-purpose motors with aluminum housing, optimized design and reached IE3 standard.
	Use recycled materials for motors: Use silicon steel scrap for melting and reuse in the motor housing. At the end of 2019, the regenerated iron ratio had reached 20.4%
	Introduction of water-based paint: In 2016, motor water-based paint introduction plan was activated, and the motor exterior coating paint was changed to use water-based paint in order to effectively reduce the emission of volatile organic compounds (VOC). Up to the end of 2019, the water-based paint introduction ratio has reached 66.23% of the total production quantity and has reduced the total emission of volatile organic compound (VOC) of 85,237kg, and the emission reduction has reached 52.4% .
	Environmental friendly coolant replacement: In 2016, R32 coolant and process coolant recycle were launched. Up to the year of 2020 Q2, R32 used by the air conditioners of home appliances manufactured by TECO reached 67%
Environmental Performance of Direct Operation and Manufacturing Stage	Through process and equipment optimization, in 2019, the overall energy saving of TECO Group for the plant sites in Taiwan reached 8.7423 million kWh , and relevant achievements included the promotion of smart automatic production, equipment energy conservation plan etc.
	Through waste resource recycling and silicon steel scrap melting technology, in 2019, the silicon steel scrap production was reduced by 20.4% .
	SF6 effusion reduction solution has been implemented. SF6 is a potential gas for greenhouse gas, and it is an essential gas used by TECO for the production of high pressure equipment. In 2020, TECO has implemented the process optimization and revised the quality control operation

	procedures in light of achieving the goal of reducing the SF6 effusion rate by 50% in comparison to 2019.
Environmental Performance for Delivery, Storage and Transportation Stage	Promoted the reduction of empty-load vehicles for the return trip in order to improve the empty vesicle utilization rate, and the transportation volume was improved by 14% in 2019 in comparison to 2018.
	Use durable and reusable packing material such as pallet for motor transportation. Saving from packing material is NTD 4.77 M per year
Environmental Performance for Use and Repair Stage	Committed to the research and development of high efficiency motors. In addition to the manufacturing and sale of the existing IE3 motors, TECO has also completed the research and development as well as the planning for IE4 and IE5 related products. In 2019, IE3 & IE4 motors accounted for 63.34% of all motor product sales revenue.
	Dedicated in the research and development of energy conservation and water saving home appliance products. For home appliance productions, TECO actively improves the energy use efficiency, and 57.81% of the home appliance products have obtained the energy efficiency or water efficiency label certificates in Taiwan.
	Launched the system integration solution "Machinery Equipment Health Management Platform" (MHm) to provide a power system module integrated with motor, variable-frequency drive and gear reducer. The smart equipment monitoring technology has been further extended for the construction of QRC (Quick Response & Repair Center) for customers' motors, in order to provide long-term and excellent after-sales service of the original manufacturer to customers. The service includes motor product timely maintenance, technical modification and replacement. The service scope is also extended to provide machinery equipment related parts, such as the replacement service for variable frequency drive and power distribution panel etc.
Environmental Performance for Product/Service End-of-Life Stage	A motor product assembly is mostly made of recyclable metal materials. By using the motor product of AEHF model series, after the scrap of this product, the recyclable material reaches 88%.
	Home appliance products participated in the Recycle Policy (television, washing machine, refrigerator, air conditioner/heater) announced by the Environmental Protection Administration in Taiwan, in order to provide service of transporting the waste of four machines to qualified treatment operators for consumers at free of charge. Up to 2019, the home appliance

products complying with the Waste Four Machine Recycle Policy accounted for **77.5%** of the annual sales volume.

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



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

In-plant circular

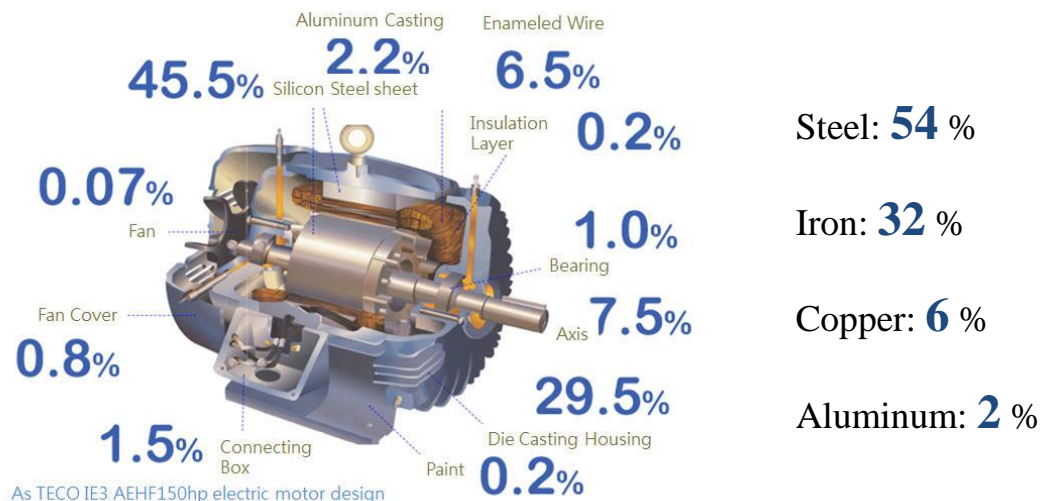
TECO has own foundry in place, which means we have the ability to melt wastes from production process and re-manufacture it into motor frame bracket housing parts. We have now reached 27.3% of iron reusing rate.

Lifecycle circular

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

Motor Carbon Footprint Analysis

Motors are one of the most important source of power. According to statistics, 46.2% of energy is consumed by motors worldwide. From household appliances to industrial machinery, motors powers every equipment. What kind of material forms a motor? More than 90% is metal. Here shows TECO high efficiency (IE3) 150 hp motor data:



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 kgCO₂e	Emission from Manufacture kgCO₂e	Total Emission kgCO₂e
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 **9.4%** of the overall revenue

TECO conducted full assessment of motor carbon foodprint in 2016, covers 2.3% of total product models. Its series model has a total 9.4% share of total models. Data is calculated by sales revenue in 2019.

Social Engagement

5.1 Labor Rights and Environmental Safety

Environmental Safety Policy: Pollution-free Environment, Zero Occupation Disaster

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

TECO has established ISO 14001 、ISO 45001 environmental safety management system. Coverage rate reached 98.4 % 。TECO Wuxi Precision plans to apply for ISO 14001 in near future. TECO has been conducting ISO 14064-1 GHG inventories since 2013. Systematic inventories ensure data accuracy and serve as the foundation for energy conservation and carbon reduction activities. TECO organizes Environmental Safety Month Events in Q3 every year. In addition to the display of event banners and environmental safety-related posters, the event also features environmental safety training and Q&A activities with prizes.

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



ISO 45001
Certification



ISO 14001
Certification

Health and Safety Occupational Human Rights Risk Assessment

In year 2019, TECO conducted following assessments:

Impact consideration	Potential health and safety risk associated with the work pattern
Company current status assessment method	<ol style="list-style-type: none"> 1. Operating environment monitoring 2. Overload hazard risk assessment
High risk group %	<ol style="list-style-type: none"> 1. Ratio of environmental monitoring result exceeding standard value: 0% 2. Personnel ratio of employees at overload risk levels 3 and 4: 0.04%
2019 Risk assessment	<ol style="list-style-type: none"> 1. All employee operating environment monitoring results indicate qualification. 2. High risk cases account for 0.04% of employees, and the ratio is extremely low. Individual case working hours are continued to be controlled, and living guidance is provided and periodically tracked.
Management measures	<p>Policy: Sound environmental safety and health management system, enhance risk assessment and training, implement environmental safety audits, in order to maintain a safe, healthy, and clean working environment.</p> <p>Mechanism:</p> <ol style="list-style-type: none"> 1. Establish operating environment monitoring plan, implement periodically, monitor improvement of abnormality. 2. Establish overload hazard preventive plan, perform consulting health education, operation adjustment according to the assessment result and track improvement.
Goal management	<ol style="list-style-type: none"> 1. 100% compliance with regulatory requirements and standards. 2. For employees of the overload risk of levels 3 and 4, the goal is 0 employees for such levels.

Calculation is performed based on the TECO's plant sites in Taiwan. Explanation on the ratio calculation:

1. Testing point locations for operating environment monitoring calculation: Taipei with 15 points (CO₂), Chungli with 53 points (8 points for dust, 5 points for high temperature, 18 points for organic compounds, 6 points for CO₂, 16 points for noise), Guanyin with 40 points (8 points for dust, 5 points for high temperature, 13 points for organic compound and specific chemicals, 4 points for CO₂, 10 points for noise), Hukou with 17 points (11 points for organic compound and specific chemicals, 4 points for CO₂, 2 points for noise). They all passed.
2. Estimated number of people under overload hazardous risk assessment: Remaining people levels 3 and 4 after improvement: 1 person/average total number of people of 2327 people=0.04%
3. Employees include indigenous people and new immigrants.

Laber Human Rights and Communication

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. Meetings as following:

TECO respects and supports the labor standards of the "United Nations Universal Declaration of Human Rights", "United Nations Global Covenant" and "International Labour Organization Conventions", and is committed to ensuring that everyone inside and outside TECO can be treated with equality and dignity.



Declaration of Human Rights

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. The union convenes annual general meetings for the election of representatives, 11 Directors and 4 Supervisors by all members in attendance. Monthly Director and Supervisor meetings are convened to discuss various employee-related issues. Company representatives attend these meetings to communicate with the labor representatives. Labor union offices have been set up in plant areas to give employees a chance to communicate and exchange opinions with union representatives during working hours. 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 in 2019. All business activities of TECO strictly conform to the Labor Standards Act. Employees are notified of major operational changes 7 days in advance.



Labor union

- Established in 1974
- Collective agreement signed in 1981 and accepted by all TECO staff members.
- 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 of the Group under protection of unions and percentage thereof:

89.03%

- Data covers 71.0% of total TECO Group subsidiaries by renune, There are total of 3,020 people qualified to join the unions. 2,689 (89.03%) people joined and 10.97% of the employee or contractor not joining unions.
- TECO has established various complaint filing channels. For personnel not joining unions, their rights and interests can be protected via TECO's system, and they may also report to the labor-management negotiation representatives in order to obtain protection for their rights and interests.

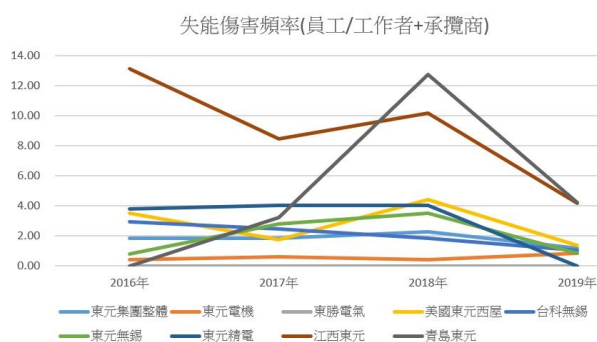


Occupational Injury Statistical Data

Scope of survey: TECO, TESEN, Taian Technology (Wuxi), TECO Wuxi, TWMC, Qingdao TECO, Jiangxi TECO, TECO Electro Devices, total accounts for 97.51% of the Group.

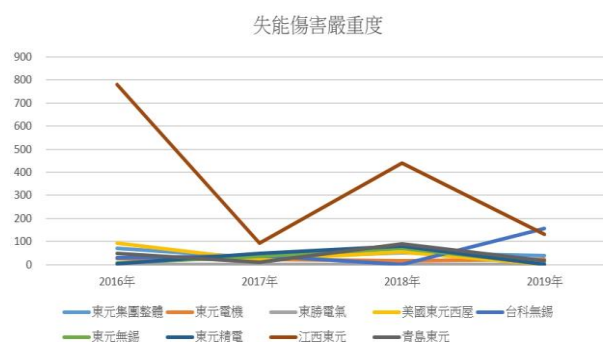
Frequency Rate (FR)

(excluding commuting accidents)



Severity Rate (SR)

(excluding commuting accidents)



In 2019, the TECO Group's Disabling Injury Frequency Rate (FR) (excluding traffic accidents) is **1.04** (including employees, students from work study program, technical students and dispatch workers). In 2019, the TECO Group's Disabling Injury Severity Rate (SR) (excluding traffic accidents) is **38** (including employees, students from work study program, technical students and dispatch workers).

In 2019, the Disabling Injury Frequency Rate (FR) (excluding traffic accidents) of **TECO Group employees is 1.11**, and Disabling Injury Severity Rate (SR)(excluding traffic accidents) is **40**. The Disabling Injury Frequency Rate (FR) (excluding traffic accidents) and the Disabling Injury Severity Rate (SR) (excluding traffic accidents) of workers (students from work study program, technical students, and dispatch workers) are both 0. TECO Group has one contractor's occupational injury incident this year.

For the accidents occurred, mostly clamping, jamming or pressing injuries, each plant has conducted the cause analysis on each individual case (improper moving line, failure to stop machine completely after troubleshooting, personnel negligence etc.), engineering or management improvement (restricting the mold placement area, re-planning placement racks, additional installation of fence and shield, safety operation standard with enhanced control and personnel re-educational and training) measures etc. The number of accidents and occupational injuries in 2019 has decreased in comparison to past years.

	2016	2017	2018	2019
Employee occupational injury rate	1.83	1.83	2.28	1.11
Number of employee accidents	17	17	19	9
Number of contractor accidents	0	0	2	1
Data coverage	98.81	98.26%	97.62%	97.51%

Annual employee disabling injury frequency rate FR
1.11

Better than industry Standard

According to the average value of comprehensive injury indicator of industries in 2017 to 2019 in R.O.C. announced, for the disabling injury frequency rate (occupational injury rate) data, the average is 1.33 for the manufacturing industry, and the average is 1.38 for the power equipment and installation/manufacturing industry.

Scope of survey: TECO, TESEN, Taian Technology (Wuxi), TECO Wuxi, TWMC, Qingdao TECO, Jiangxi TECO, TECO Electro Devices, total accounts for 97.51% of the Group.

Data Calculation Explanation:

- Denominator: Total working hours including employees and workers (students from work study program, technical students, and dispatch workers).
- Numerator: FR uses the number of employees/workers (students from work study program, technical students and dispatch workers) subject to occupational injuries with the number of days of loss above one day (including death, excluding traffic accidents). SR uses the number of days of employees/workers (students from work study program, technical students and dispatch workers) with disabling injury
- Formula: $FR = (\text{Total number of people with disabling injury} \times 10^6) / \text{Total number of working hours}$
 $SR = (\text{Total number of days of loss due to disabling injury} \times 10^6) / \text{Total number of working hours}$

Occupational Disease Occurrence Rate

All plants of TECO maintain a proper working environment, and perform operating environment monitoring and improvement periodically. Employees are also provided with necessary protective equipment and testing, and employee health examinations are also arranged and tracked. All plants in Taiwan are provided with occupational care and contracted physicians proceed to the plant for field service monthly. Four main plans are implemented to protect the physical and mental health of employees. In addition, health promotion activities and health educational promotion are frequently organized. In recent years, there have been no occurrence of employee occupational disease cases.

In 2019, the Occupational Disease Occurrence Rate is 0 in TECO Group.

	2016	2017	2018	2019
Employee Occupational Disease Occurrence Rate	0	0	0	0
Data coverage	98.81	98.26%	97.62%	97.51%

Scope of survey: TECO, TESEN, Taian Technology (Wuxi), TECO Wuxi, TWMC, Qingdao TECO, Jiangxi TECO, TECO Electro Devices, total accounts for 97.51% of the Group.

Data Calculation Explanation:

- Denominator: Total working hours including employees and workers (students from work study program, technical students, and dispatch workers).
- Numerator: The number of patients in Taiwan are identified in accordance with the health examination declaration for prevention of occupational diseases required by the Bureau Labor Insurance, Ministry of Labor ; The number of patients in China are identified in accordance with the Law of the People's Republic of China on Prevention and Control of Occupational Diseases ; The number of patients in the U.S.A are identified in accordance with the OSHA's Form 300 declaration.
- Formula: Occupational disease occurrence rate= $(\text{Number of cases of occupational disease identified} \times 10^6) / \text{Total number of working hours}$

Environmental Safety and Health Violating Cases

Notes to violations of occupational health and safety laws: 2019/3/6

Violation of law: Subparagraph 4 of Paragraph 1 of Article 27 of the Occupational Safety and Health Act

Violation of law: Subparagraph 2 of Article 45 of the Occupational Safety and Health Act

Xin-Shui-Bei 69kV substation electromechanical construction, the workers of silencer assembly operation contractor Yu Yang Company, performing joint operation failed to guide and assist the contractor to implement necessary safety and health educational training according to the provisions of occupational safety and health educational training regulations.

Countermeasures:

1. Such violation was mainly due to the fact that the contractor failed to report its new employees and name list timely to perform training. In the future, before the daily dispatch of workers, toolbox meetings are to be implemented, and the name list provided is verified in order to inform the construction site of construction items and hazardous factors, and to check personal equipment and machinery.
2. Perform irregular patrol and inspection. In case of discovery of violation of safety and health regulations, impose punitive fines.
3. Periodically convene negotiation organization meetings monthly to promote relevant safety and health matters.

Notes to violations of occupational health and safety laws: 2020/1/3

Violation of law: Paragraph 1 of Article 22 of the Occupational Safety and Health Act, and the Paragraph 1 of Article 6 of the Occupational Safety and Health Act

Penalty: NT\$90,000

1. On December 26, 2019, employee OOO was instructed to use a crane to perform silicon steel roll lifting operation, but due to insufficient space, a finger jamming injury occurred.
2. The fixed crane operator OOO who performed the operation of lifting a weight above 0.5 tons but less than 3 tons had not received safety and health on-job training.

Improvement strategies:

Deficiency 1:

1. Mold storage area for mold change is restricted to be placed with one set of mold for change.
2. Material storage rack is planned to be installed in front of the equipment.
3. Surrounding of the material rack is newly installed with a fence for protection.

Deficiency 2:

Employee OOO has completed the fixed crane operator on-job training for load below 3 tons on 2020/2/25.

Notes on violation of environmental protection and fire control regulations: China region

Provision of Article 20 of “Wuxi City Water Environment Protection Regulations” states “Any unit and individual shall not use the rainwater drainage outlet for discharge of wastewater”

Penalty: RMB 175,000 **Improvement strategies:** Sewer construction has been improved completely in 2020/07
Paragraph 20 of Article 3 of the “Atmospheric Pollution Prevention and Control Law of the People's Republic of China”

Penalty: RMB 165,000 **Improvement strategies:** improved completely.

Paragraph 11 of Article 75 of the “Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes.”

Penalty: RMB 50,000 **Improvement strategies:** improved completely.

Subparagraph 2 of Paragraph 1 of Article 16 of the “Fire Control Law of the People's Republic of China,”
firefighting facilities failed to be maintained intact and effective at all times

Paragraph 2 of Article 28 of the “Fire Control Law of the People's Republic of China,” work area with locked safety doors

Paragraph 2 of Article 29 of the “Fire Control Law of the People's Republic of China,” the number of on-duty personnel at the central control room was insufficient and there were no on-duty personnel

Penalty: RMB 5,000

Improvement strategies: Timely management improvement completed



5.2 Human Resource Policy

HR Policy

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

Plan the Group-wide HR wise employment mechanism

Promote the Group-wide functional resources integration

Upgrade workers' passion and contribution

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

- TECO has 6 business units, 1 research institute, and 1 smart automation and biotech center, employing a total workforce of 2,253 persons.
- The educational background of TECO's employees is improving every year. Over 67.4% of all staff members have a college degree or higher, serving as the backbone for the sustainable development of TECO.

TECO employees' average age was 44.2 years old and average seniority 15.68 years. The passing on of knowledge and expertise and cultivation and retention of key personnel represent paramount tasks in the field of talent development.

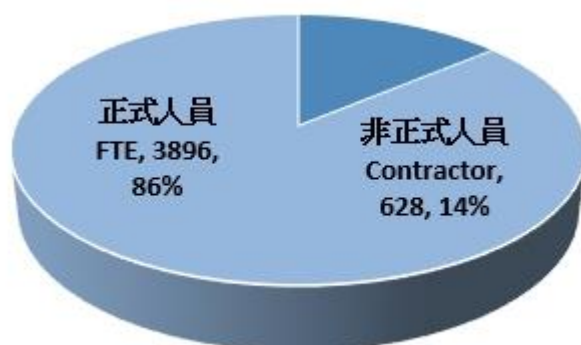
2019 Performance



- Continue to conduct employee surveys and maintain an employee satisfaction level of 80 points or higher.
- Organized energy conservation education in local schools and communities with 600 man-hour.
- Encourage social engagement, accumulating over 2266 volunteer service hours.
- 2019 Parental leave Retention rate 89%
- 2019 Happy Enterprise Award

Manpower structure

**Permanent/
Number of non-permanent employees**



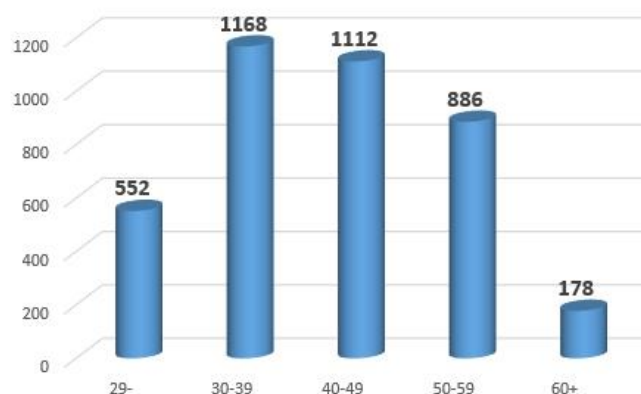
**Ratio of gender
(Permanent employees)**



**Employment in different positions
(Permanent employees)**



Age structure of permanent employees



Diversity Indicators

Female share of total workforce	30.8 %
Females share in all management positions *	13.0 %
Females share in junior management positions *	14.2 %
Females share in top management positions *	5.5 %
Females share in management positions (in revenue-generating functions) *	11.2 %

Management positions : Supervisor and above positions

Junior management : Supervisor and manager

Top management : Director and executive

* number covers only HQ and subsidiaries in Taiwan

Care for underprivileged groups

TECO safeguards the security of personal information provided by job seekers pursuant to the Personal Information Protection Act. Such information is not used for purposes other than the recruitment and selection process without the express consent of the job seekers. TECO's hiring policies are in strict compliance with the regulations set forth in the Labor Standards Act. TECO does not hire minors under the age of 15. Interns under the age of 16 receive comprehensive workplace and life guidance, and counseling. TECO provides suitable employment opportunities for workers with mental and physical disabilities and indigenous workers. TECO currently employs 52 disabled and 26 indigenous workers.

Year		Disable employment	Aboriginal employment
2019	Number of people	52	26
	Percentage	1.33%	0.67%



In 2019, TECO continued to organize the new employee orientation and the Group's freshman welcome ceremony. The two-day courses of the new employee orientation included TECO history and values, introduction to business units, basic competencies (administrative procedure/regulations & systems/time management), development of work attitude and visit to the plant's production lines, and the ethical corporate management and CSR-related issues were highlighted in the employees' code of ethics courses.

For the Group's freshmen welcome ceremony of this year, a total of ten group affiliates were also invited to participate in the event with passion. In addition to the arrangement of interaction and encouragement between medium/senior level supervisors of the Group with the freshmen, the Dean of College of Commerce, National Chengchi University, Yi-Chia Chiu, and the President of Willis Towers Watson and Reward Consulting Taiwan Region, Mei-Jung Wei, were also invited to participate in this year's ceremony. The two experts in the field provided sharing of thoughts on the two main topics of "Innovative Thinking under Changing Environment" and "Work Attitude Establishment for Freshmen" in order to encourage new employees to learn with joy, to understand environmental change, and to innovate with growth.



5.3 Career Development Path

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

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

In addition to the development of training blueprints for different positions, TECO also conducts annual training needs surveys. Individual Development Plans (IDP) for every indirect employee serve as the foundation for better communication between employees and supervisors regarding career development. TECO has an internal system in place for "key personnel" of grades 5~8 or below to actively cultivate managerial candidates. Talent development plans are developed annually for key personnel. Key personnel accounts for 5% of the total staff ranking at grades 5~8 in 2019

Class Name	Training Agenda
Management science programs Senior management's reservation	<ul style="list-style-type: none"> ● Completion of senior management's training and BU strategy presentations at Overseas Affiliate Meetings. ● Arrange overseas visits by top-level executives to endow them with a better understanding of cutting-edge technology standards and practices worldwide. ● Train the management awareness and abilities required of potential senior management succession candidates: Organize the management elite class with the faculty from NCC College of Commerce. The topics include strategic thinking, business model and multinational business, etc
Management science programs Junior/middle management reservation	<ul style="list-style-type: none"> ● Regular organization of management competency training including junior and middle management associate training classes, new officers' training program, mentoring programs, benchmark learning, and talent cultivation projects to strengthen management skills of potential talent. ● Encourage potential talents' voluntary learning of knowledge about management science and related trends & issues: Work with CommonWealth Magazine to implement the online educational resources of Leader Campus and make available the chances and environment for learning at anytime and anywhere.

	<ul style="list-style-type: none"> Organize the BU strategic thinking workshop, attended by the President, various BU's assistant VPs, and potential talents altogether; also invite the young potential talents from various BUs to attend the annual strategic agreement meetings for the Group's domestic and overseas companies to enable the young talents to learn about the strategic planning and arrangement issues together. 	
Technical programs	Produce the educational blueprint for the five major technical categories covering motors, electric controls, appliances, power, and refrigeration and air conditioning; have the in-house experts specialized in the various areas take the initiative to create the teaching materials and question database and plan a system linking the program certification with the qualifications for promotion to enhance TECO's objective basis for recruitment of talents and provide the technicians with a specific competence learning goal.	
Key production skills	TECO has an internal system in place for "key personnel" of grades 5~8 or below to actively cultivate managerial candidates. Talent development plans are developed annually for key personnel. Key personnel accounts for 5% of the total staff ranking at grades 5~8 in 2019. About 50% of the key personnel have been selected for "grade promotions," "executive assignments," "rotation" or "overseas assignments" for the most recent three years. This ratio is significantly higher than that of TECO's overall ratio.	

In 2019, a total of 760 courses were offered independently by TECO business divisions or in accordance with the training plan. The average annual training hours per employee totaled 18.1 hours.

Meanwhile, TECO continues to organize 11 CSR-related policy and regulation courses; 10 employees' legal rights and promotion-related courses; 14 employee healthcare and burnout prevention courses; 76 safe work environment-related courses; trainees included high, mid, and low-level executives as well as regular employees.

Training and Development Input

Average hours per FTE of training and development	13.99
Average amount spent per FTE on training and development.	2,595.4
Internal transfer or promotion	80.58%
Elite Manager Class	36% wins transfer or promotion
Transformation and sustainability Workshop	<ul style="list-style-type: none"> ● Kirkpartick L1 reaction evaluation Average score of 86 points ● Kirkpartick L2 learning evaluation 83% qualified the RTS test Average score of 95 points ● Kirkpartick L3 behavior evaluation: Enhance trainees' project execution and team connection and cooperation skills; resignation rate in 2019 was 3%, which was lower than the overall resignation rate of 9.4% in 2019)

Main training content of transformation and sustainability workshops: A series of workshops were opened and a total of four classes, and three sessions of 20-hour course for each class were organized. The workshops were to enhanced the training with respect to the methodology essentials and corporate key functions and knowledge. The content of the workshops included project management method, execution power knowhow (Excel data analysis, presentation skill, seven steps of problem solving, pyramid highly efficient communication skills), and the four main corporate key functions of supply chain, sales management, manufacturing management and procurement.

Data disclosure scope includes: TECO, TECO-Westinghouse (TWMC), Qingdao TECO, Wuxi TECO, Taian Technology (Wuxi), Jiangxi TECO, Jiangxi TECO A/C, and based on the calculation based on the revenue ratio, it accounts for **93.43%** of the total percentage of the Group.



CSR-related Training Course List

	Course promotion	Course title
1	CSR promotion	2019 12th term of the Taiwan corporate sustainability award ceremony and GCSF global corporate sustainability forum
2	CSR promotion	2019 major energy consumption user energy saving and energy audit system
3	CSR promotion	2019 Taoyuan city low carbon green technology and environmental protection laws
4	CSR promotion	2020 energy audit for major power consumption users of manufacturing nature
5	CSR promotion	ESG performance information disclosure and sustainability indicator analysis
6	CSR promotion	Sustainable city forum series main forum: Green economy development
7	CSR promotion	Taoyuan city green energy roof and industry carbon energy asset management instructions
8	CSR promotion	2019-2019 environmental education and training - Sustainable development and low carbon community (policy-safety and health) / 2nd group in 2019 (Guanyin)
9	CSR promotion	2019-2019 environmental education and training - Sustainable development and low carbon community (policy-safety and health) / 3rd group in 2019 (Chungli)
10	CSR promotion	2019-2019 environmental education and training - Sustainable development and low carbon community (policy-safety and health) / 4th group in 2019 (Hukou)
11	CSR promotion	2019-Carbon disclosure and carbon trading education and training (policy-safety and health) / 1st group in 2019 (Nangang)
12	Corporate governance & laws	“Board of Directors Efficacy (including performance) Evaluation” and “Corporate Governance System Assessment”
13	Corporate governance & laws	2019 Publicly listed companies and non-TWSE (TPEx) publicly offered company insider equity trading law compliance promotion
14	Corporate governance & laws	2019 Corporate governance evaluation promotion
15	Corporate governance & laws	Latest Company Act amendment analysis: Board of directors’ meeting and shareholders’ meeting operation practice and impact
16	Corporate governance & laws	Fraud risk audit practice and management
17	Corporate governance & laws	2019-Kung Liang Seminar - Strategies for anti-money laundering and counter terrorism financing / 1st group in 2019 (Nangang)
18	Corporate governance & laws	2019- Anti-money laundering and sanction policy (financial management) / 1st group in 2019 (Nangang)
19	Corporate governance & laws	2019-Shareholder activism and hostile takeover (policy-board of directors) / 1st group in 2019 (Nangang)
20	Corporate governance & laws	2019- Introduction to Money Laundering Control Act and practical methods for prevention of trade-based money laundering (policy-legal) / 1st group in 2019 (Nangang)
21	Corporate governance & laws	2019- Ethical management (legal) / 1st group in 2019 (Nangang)
22	Safe Work Environment	2019 Hsinchu County Government occupational safety and health promotion seminar / 2019 Hsinchu County Government occupational safety and health promotion seminar
23	Safe Work Environment	2019 Radiation Protection Education and Training
24	Safe Work Environment	2019 Occupational injury and disease prevention seminar
25	Safe Work Environment	ISO 45001:2018 Occupational safety and health management system verification standard course
26	Safe Work Environment	Crane refresher training
27	Safe Work Environment	Crane operation and lifting
28	Safe Work Environment	Emergency rescue personnel on-job education and training
29	Safe Work Environment	Emergency rescue personnel on-job refresher training
30	Safe Work Environment	Hypoxic operation supervisor on-job training
31	Safe Work Environment	Environmental education enhancement course
32	Safe Work Environment	Occupational safety and health service supervisor on-job education and training
33	Safe Work Environment	Occupational safety and health management personnel on-job education and training
34	Safe Work Environment	2019-1. Optical fiber technology development 2. Closure project case study-Dihua case 3. Occupational safety and health promotion (EE)/1st group in 2019 (Nangang)
35	Safe Work Environment	2019-1. Smart city, future outlook 2. Closure project case study-Singapore case 3. Occupational safety and health promotion (EE)/1st group in 2019 (Nangang)

36	Safe Work Environment	2019-ISO 45001 Management system hazard identification and risk assessment (HA)/1st group in 2019 (Guanyin)
37	Safe Work Environment	2019-ISO 45001 Management system - hazard identification and risk assessment training (GE/FA/AIM)/1st group in 2019 (Chungli)
38	Safe Work Environment	2019-ISO 45001 Management system - hazard identification and risk assessment training (GE/FA/AIM)/2nd group in 2019 (Chungli)
39	Safe Work Environment	2019-ISO 45001 Management system risk assessment education and training (SA)/1st group in 2019 (Hukou)
40	Safe Work Environment	2019-ISO 45001 Occupational safety and health management system provision interpretation (FA/GE/AIM)/1st group in 2019 (Chungli)
41	Safe Work Environment	2019- Civil defense regiment fire drill (FA/GE)/1st group in 2019 (Chungli)
42	Safe Work Environment	2019- Civil defense regiment fire drill (FA/GE/AIM)/2nd group in 2019 (Chungli)
43	Safe Work Environment	2019- Hazard general education (SA)/1st group in 2019 (Hukou)
44	Safe Work Environment	2019-Hazard general education (SA/EE/AIM)/1st group in 2019 (Hukou)
45	Safe Work Environment	2019-Self-Defense Fire Protection Grouping Training ended on June 30 (SA/EE)*/1st group in 2019 (Hukou)
46	Safe Work Environment	2019-Self-Defense Fire Protection Grouping Training ended on Dec. 31 (SA/EE)*/1st group in 2019 (Hukou)
47	Safe Work Environment	2019-Fixed crane operator and lifting personnel on-job education and training (FA/GE/AIM)/1st group in 2019 (Chungli)
48	Safe Work Environment	2019-Fixed crane operator and lifting personnel on-job education and training (FA/GE/AIM)/2nd group in 2019 (Chungli)
49	Safe Work Environment	2019-Fixed crane operator and lifting personnel on-job education and training (FA/GE/AIM)/3rd group in 2019 (Chungli)
50	Safe Work Environment	2019-Fixed crane operator and lifting personnel on-job education and training (FA/GE/AIM)/4th group in 2019 (Chungli)
51	Safe Work Environment	2019-Fixed crane operator and lifting personnel on-job education and training (FA/GE/AIM)/5th group in 2019 (Chungli)
52	Safe Work Environment	2019-Pallet truck, powered lifting truck safety instructions (EE)/1st group in 2019 (Hukou)
53	Safe Work Environment	2019-Emergency rescue personnel on-job training (Guanyin)/1st group in 2019 (Guanyin)
54	Safe Work Environment	2019-Emergency rescue personnel on-job refresher training (general education)/1st group in 2019 (Chungli)
55	Safe Work Environment	2019-Fire Training (EE)/1st group in 2019 (Guanyin II Plant)
56	Safe Work Environment	2019-Fire Training (EE)/2nd group in 2019 (Guanyin II Plant)
57	Safe Work Environment	2019–Fire Drill Training (HA)/002 group in 2019
58	Safe Work Environment	2019–Fire Drill Training (HA)/1st group in 2019 (Guanyin)
59	Safe Work Environment	2019-Special operation staff education and training course (GE)*/1st group in 2019 (Chungli)
60	Safe Work Environment	2019-Special operation staff education and training course (GE)*/2nd group in 2019 (Chungli)
61	Safe Work Environment	2019-Occupational safety management responsibility education and training for personnel above the rank of team lead (policy-environmental safety)/1st group in 2019 (Chungli)
62	Safe Work Environment	2019-Occupational safety management responsibility education and training for personnel above the rank of team lead (policy-environmental safety)/2nd group in 2019 (Chungli)
63	Safe Work Environment	2019-Occupational safety management responsibility education and training for personnel above the rank of team lead (policy-environmental safety)/3rd group in 2019 (Hukou)
64	Safe Work Environment	2019-Occupational safety management responsibility education and training for personnel above the rank of team lead (policy-environmental safety)/4th group in 2019 (Guanyin)
65	Safe Work Environment	2019-Crane operation and lifting initial training (FA/GE/AIM)/1st group in 2019 (Chungli)
66	Safe Work Environment	2019- Stacker on-job refresher training (FA/GE/AIM)/1st group in 2019 (Chungli)
67	Safe Work Environment	2019- Stacker on-job refresher training (FA/GE/AIM)/2nd group in 2019 (Chungli)
68	Safe Work Environment	2019- Stacker on-job refresher training (FA/GE/AIM)/3rd group in 2019 (Chungli)
69	Safe Work Environment	2019-Orientation Safety and Health training (general education)/10th group in 2019 (Guanyin)
70	Safe Work Environment	2019-Orientation Safety and Health training (general education)/11th group in 2019 (Guanyin)
71	Safe Work Environment	2019-Orientation Safety and Health training (general education)/13th group in 2019 (Guanyin)
72	Safe Work Environment	2019-Orientation Safety and Health training (general education)/1st group in 2019 (Guanyin)
73	Safe Work Environment	2019-Orientation Safety and Health training (general education)/1st group in 2019 (Guanyin II plant)

74	Safe Work Environment	2019-Orientation Safety and Health training (general education)/2nd group in 2019 (Guanyin II plant)
75	Safe Work Environment	2019-Orientation Safety and Health training (general education)/3rd group in 2019 (Guanyin II plant)
76	Safe Work Environment	2019-Orientation Safety and Health training (general education)/4th group in 2019 (Guanyin II plant)
77	Safe Work Environment	2019-Orientation Safety and Health training (general education)/5th group in 2019 (Guanyin)
78	Safe Work Environment	2019-Orientation Safety and Health training (general education)/9th group in 2019 (Guanyin)
79	Safe Work Environment	2019-Orientation Safety and Health training (general education)/14th group in 2020
80	Safe Work Environment	2019-Orientation Safety and Health training (general education)/16th group in 2020
81	Safe Work Environment	2019-Orientation Safety and Health training (general education)/17th group in 2020 (Guanyin)
82	Safe Work Environment	2019-Orientation Safety and Health training (general education)/1st group in 2019 (Chungli)
83	Safe Work Environment	2019-Transfer workplace safety and health training (general education)/1st group in 2019 (Guanyin II plant)
84	Safe Work Environment	2019-Transfer workplace safety and health training (general education)/2nd group in 2019 (Guanyin II plant)
85	Safe Work Environment	2019-Transfer workplace safety and health training (general education)/3rd group in 2019 (Guanyin I plant)
86	Safe Work Environment	2019-Transfer workplace safety and health training (general education)/4th group in 2019 (Guanyin I plant)
87	Safe Work Environment	2019-Machine and equipment safety and health education and training (including plant site diagnosis result explanation) (safety and health)/1st group in 2019 (Chungli)
88	Safe Work Environment	2019-Machine and equipment safety and health education and training (including plant site diagnosis result explanation) (safety and health)/2nd group in 2019 (Hukou)
89	Safe Work Environment	2019-Machine and equipment safety and health education and training (including plant site diagnosis result explanation) (safety and health)/3rd group in 2019 (Guanyin)
90	Safe Work Environment	2019-Occupational safety, environmental management system internal auditor training (safety and health)/1st group in 2019 (Chungli)
91	Safe Work Environment	2019-Occupational safety, environmental management system internal auditor training (SA)/1st group in 2019 (Hukou)
92	Safe Work Environment	2019-Occupational safety and health hazard prevention demonstration tour event (environmental safety)/1st group in 2019 (Chungli)
93	Safe Work Environment	2019-Occupational safety and health hazard prevention demonstration tour event (environmental safety)/2nd group in 2019 (Chungli)
94	Safe Work Environment	2019-Occupational safety and health hazard prevention demonstration tour event (environmental safety)/3rd group in 2019 (Chungli)
95	Safe Work Environment	2019-Occupational safety and health hazard prevention demonstration tour event (environmental safety)/4th group in 2019 (Chungli)
96	Safe Work Environment	2019 – On-the-job Education Training for Occupational Safety and Health Committee Members (Policy-environmental safety)/1st group in 2019 (Chungli)
97	Safe Work Environment	2019-Occupational safety and health management personnel change reporting system education (EE)/1st group in 2019 (EE Station_Fubon Changchun section station)
98	Health Care	2019-Health lecture (HA)/Healthy stomach, essential to a wonderful life (Guanyin)
99	Health Care	2019-Health lecture (HA)/Prevention against cancer (Guanyin)
100	Health Care	2019-Health lecture -Oral cancer prevention lecture (general education)/1st group in 2019 (Nangang)
101	Health Care	2019-Health lecture -Create a healthy life from medical treatment - Future with illness (general education)/1st group in 2019
102	Health Care	2019-Health lecture -Women's cancer prevention lecture (general education)/1st group in 2019 (Nangang)
103	Health Care	2019-Health lecture -Diet for exercising to gain muscle and shed fat (FA/GE/AIM)/1st group in 2019 (Chungli)
104	Health Care	2019-Health lecture - Embrace starting from "Carbohydrates and Sugar" (FA/GE/AIM)*1st group in 2019 (Chungli)
105	Health Care	2019-Women's cancer prevention promotion health lecture (SA/EE)*1st group in 2019 (Hukou)
106	Health Care	2019-Colon cancer-Colorectal cancer health lecture (SA/EE)*1st group in 2019 (Hukou)
107	Labor rights	"Practical issues and responsive actions for new system of labor lawsuit" seminar
108	Labor rights	2019 Labor Standards Act seminar
109	Labor rights	2019-Seminar-Labor related events and labor dispatch related regulation amendment interpretation (general education)/1st group in 2019 (Nangang)
110	Labor rights	2019-Understanding of labor lawsuits under Labor Incident Act (legal)/1st group in 2019 (Nangang)
111	Labor rights	2019-Labor Incident Act seminar (HR/legal)/1st group in 2019 (Nangang)

5.4 Compensation and Benefits

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

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

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

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

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

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

Job grade	Gender	Pay gap statistics				
		TECO	TECO Electro Devices	Wuxi TECO	Taian Technology (Wuxi)	TECO-Westinghouse
General staff	M	1.06	1.05	1.02	1.19	1.12
	F	1	1	1	1	1
Director	M	1.03	0.84	0.95	1.09	0.98
	F	1	1	1	1	1
Manager	M	0.90	1.04	1.3	1.11	1.17
	F	1	1	1	1	1
Factory manager, directors	M	0.73	1	1.43	0.81	0
	F	1	0	1	1	0

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

Leave Policy Superior to Regulatory Requirements

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

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

Unpaid parental leave statistics	M	F	Total
Reinstatement rate	100%	67%	86%
Retention rate	100%	86%	89%



Employee satisfaction surveys

Employee satisfaction survey is conducted via anonymous questionnaires on an annual basis. The subjects include TECO's officers and all employees. The recovery ratio of questionnaire exceeded 30% of the whole employees throughout TECO, and the survey results will be fed back to all workers. By responding to the demands of employees, according to the satisfaction survey at the end of 2019, the average satisfaction score reached 81.6 points **with the set target at 80 points**, and the score continues to be maintained above 80 points.

	2016	2017	2018	2019
Score	Supervisor: 82.4 Employee: 80.2	Supervisor: 82.7 Employee: 80.1	Supervisor: 82.4 Employee: 82.0	Supervisor: 83.8 Employee: 79.4
Participation Ratio (%)	43%	38%	38%	32%

Survey is conducted in classification according to whether an employee is a supervisor and whether a computer system is used. The questionnaire is performed via both the online and paper method simultaneously (with the use of an anonymous method), and the survey time is a period of three weeks. After the surveys are collected, result statistics are performed according to the employee attribute (regular staff/supervisor).



5.5 Corporate Citizen Public Welfare Events

The Group's Policy

As TECO acts as the driving source for the global industry in manufacturing, the Group is further dedicated in the fulfillment of the responsibility of a corporate citizen to promote energy conservation and environmental protection, in light of achieving a wonderful life with integration of technology and culture.

To cope with the climate change and its impacts, and to maintain the sustainability of the earth, we have started from the business objectives, and the percentage of energy saving products is expected to reach 80% by 2025. We have also established a ten-year goal, and emissions reduction will reach 20% by 2025. TECO Technology Foundation is further linked to the core functions of TECO, and with the principle of “cultivate technology talents, advocate prospective thinking, promote social advancement and harmonic inclusion,” executes the public welfare policy based on the three main focuses of “technology humanity award,” “disadvantaged learning plan” and the “indigenous inheritance plan.” With the technology and humanity award, TECO engages in the cultivation of relevant talents and prospective thinking with best effort in order to increase the awareness on climate change and to expand innovative application aspects. Through the disadvantaged learning plan, equal and high quality education is provided to students in remote areas. In addition, through the indigenous inheritance plan, unique cultural heritages in Taiwan can be further protected in order to promote the inclusion and sustainability of society.

As a multinational corporation, we also promote different public welfare projects according to the local needs of the global community, including: community welfare scholarship, donation of rice to community low income household project, community greening etc., in light of contributing efforts to achieve the goal of equal learning opportunity, elimination of poverty, and environmental sustainability.

Type of Philanthropic Activities

Category	Percentage of Total Costs
Charitable Donations	72.9%
Community Investments	24.3%
Commercial Initiatives	2.8%





Energy Conservation and Emission Reduction



Education in Remote Areas and for Disadvantaged Groups



Indigenous Sustainable Education Plan

Green Tech TECO Technology Scientific Creativity Competition, TECO Award, community greening, cooperative education and energy conservation seminars. From young scientists to senior scientific researchers, from production site neighbors to community students and the elderly, the purpose is to promote the education of energy conservation and emission reduction and to increase relevant awareness, thereby seeking solutions with innovative technologies and continuing the development of such solutions into business models.

Establish social equality and promote the TECO brand image. TECO considers the participation of social welfare activities as part of business policy. Each employee is offered a social welfare holiday of three days annually, and all TECO employees are encouraged to become corporate volunteers in order to participate in social welfare together.

The ultimate goal of the social welfare policy of TECO is to promote social improvement and harmonic inclusion. As a multinational corporation, harmony and inclusion have always been demonstrated in the corporate culture of TECO. Through Exclamation Mark - Indigenous Sustainable Education Program, Taiwan's unique cultural heritage is protected properly, which also promotes the inclusion and sustainability of the society.

Operational Benefits

Company's emission reduction goal: Emission reduction by 20% in ten years, and the achievement rate in 2019 was 79.6 %
High-efficiency motors help the global customers save electricity by 520 million kWh per year
Energy-saving home appliances with the energy-saving of 33.5 million kWh of electricity per year

In 2019, TECO invested a total 3,110 volunteer hour with the average cost of NTD 186 per hour. The volunteer activities improve employee teamwork spirit.

Social media and Facebook posts with an accumulated number of accessing people reached 146,777 viewers.

Youtube videos with an accumulated number of accessing people reached 1,386,510 viewers.

Social Benefits		
<p>The Green Tech 2019 event with the number of participating teams reached 117 teams from more than ten countries and regions, including U.S.A., India, Denmark and Japan etc., and the number of participants reached 500 people.</p> <p>TECO 26th Award (2019) with a total of eight winners. Over the past 25 years since the establishment, elites have been discovered continuously and 139 outstanding people in the fields of science and humanities have received the award.</p> <p>In 2019, Energy conservation seminars: a total of 1200 people participated.</p>	<p>Remote area scientific innovation teaching cultivation project: In 2019, the project reached more than 199 schools in 11 counties and cities, and 10,651 students and 1,000 teachers benefited from the project.</p> <p>Remote area Art Appreciation Classes: Three classes are delivered to remote schools in 2019. A total 38 classes through 15 years has been joined by 35,476 teachers and students.</p>	<p>In 2019, 1,637 individuals participated in the cultural transmission program, more than 165 teachers participated in the cultural transmission program, and the number of hours of cultural transmission program reached 8,347 hours including a total of 412 folk songs and 35 dance numbers, and a total amount of NT\$ 8,690,756 was raised. Over the past 18 years, long-term supports and services have been provided to approximately 21,333 children in ten groups.</p> <p>5 performances are delivered in 2019 with 8,565 audience in Taiwan. 10 International activities make Taiwanese aboriginal folk music and dance rituals spread all over the world.</p>



“Green Tech” International Creativity Competition



“Green Tech International Creativity Competition” is the first competition event to drive the scientific research trend in energy conservation and carbon reduction for students and teachers in domestic universities and colleges, and such event has received great recognition from the international academic and educational sectors. In 2019, the number of teams enrolled in the “International Competition and “Main Competition” reached 117 teams from more than ten countries and regions, including U.S.A., India, Denmark, Japan, Singapore, Indonesia, Russia, China, Hong Kong, Taiwan etc., and the number of participants reached 500 people, a record high over the past years. TECO employees joined the volunteer service team, and from the operations of check-in, presentation, actual creation, work demonstration and display, evaluation operation, administrative support to award presentation, withdrawal etc., our employees participated in the service of such works.



For the first, second, and third place winners of the “Main Competition,” Mr. Jui-Sung Kuo, Chairman of TECO Technology Foundation helped to present the awards. For the first place winning work “Dr. Battery - New Complex Wave Charging Method with Prolonged Life and Activation Effect on Lithium battery.” After receiving the award, the student representative expressed that he was very grateful for all the senior officers at seat to provide him the opportunity to receive the award on the stage, and he also complimented all participating teams with competitive skills and expressed his wish that after winning this competition, it would be able to attract greater subsequent company investment opportunities, such that before the coming era for great popularity of electric cars, it would be possible to allow batteries to have a much longer cycle life.

TECO Award



TECO Awards have been continuing to discover elites and honor persons who have outstanding contributions in the areas of technology and humanities. Given the political economy of competition and rapid transformation of the social structure and industrial development, it is a tough moment for business management.

147 distinguished persons were honored by in 26 years



TECO Awards witness Taiwan's technology development at the very beginning and the current highly developed technology. Each winner is not only involved in the process of innovation of the technology industry and R&D, but also made significant contributions to the relevant area including Electromechanical engineering, IT & Communications, Agriculture & Biomedicine, and Humanity & Education. Notwithstanding, TECO Group still affirmatively upholds its sustainability philosophy and continues fulfilling its corporate social responsibility. It also promises to continue supporting the Foundation's operation and working with the Foundation to boost the sustainability of the technology and humanities in Taiwan.

2019 TECO Award Winners



Dr. Jang-Ping Sheu has been deeply involved in wireless networking and mobile computing research for a long time and has published many groundbreaking papers. He assists enterprises to develop key technologies and enhance product competitiveness. Dr. Sheu has won numerous academic and professional awards and has made outstanding contributions.



Dr. Yen-Shin Lai has dedicated himself to the development of inverter for energy saving, high efficient power converters and high performance servo drives for more than 30 years. He is with good national and international reputation in the related field. His contributions to problem solving oriented research and value-added impact to the industry are revealed by serving as consultant, technology transfer and collaboration with local and international companies.



Dr. Tsair-Fuh Lin dedicated to research on monitoring and treatment of harmful algae in drinking water systems, with cutting-edge technologies developed and applied in Asia, US, and Australia. Contributed greatly to environmental education and research, industrial development, water quality and safety, academic exchanges, and technology export.



Dr. Chih-Huang Lai renowned for the thin-film technology development with innovation of materials and processes, especially for the applications of high-density magnetic memory, sensors, and solar cells. Accomplished important technology transfers to leading companies with outstanding performance.



Dr. Ru-Shi Liu based on the core technologies of synthesis, formulation, and analysis, it is applied in the field of high-efficiency light-emitting diodes, lithium batteries, and energy. The research papers, patents and industrial cooperation have achieved fruitful results. It is a well-known inorganic material with outstanding academic and practical experience at home and abroad chemist.



Dr. Shan-Hui Hsu successfully implementing macromolecular biomedical materials to nerve repair and 3D printing with stem cells. Transferring technologies and multiple patents to industry. Starting up bioengineering companies with the research team.



Dr. Chu-Fang Lo researched on the pathogenic mechanisms of White Spot Disease (WSD) and Acute Hepatopancreatic Necrosis Disease (AHPND) has been outstanding. In addition, her transfer and licensing of detection technology to GeneReach has led to the successful development of diagnostic kits that have been of tremendous benefit to the marine biotechnology industry and the shrimp aquaculture industry.



Mr. Tien Yuan, with the spirit of practice and contribution, Mr. Tien Yuan dedicates his life to delivering science education and improving education status in rural area. His disinterested dedication towards Taiwan society, especially in the remote area, deserves our deepest respect and affirmation.

Exclamation Mark - Indigenous Sustainable Education Program



From 2013, the Foundation formed a strategic alliance and a platform for “transmission and education” by enlisting NPOs, enterprises, and individuals. All circles of society are encouraged to serve as “sponsors” for the Foundation’s programs which aim to pass down traditional indigenous music, dance, rituals, and cultural values. Furthermore, the Foundation encourages and supports tribal communities in their efforts to develop bespoke education initiatives with an equal emphasis on “culture,” “education,” “people” and “ethnicity.” Extended learning activities ensure ongoing cultivation and development of new talents, as well as continuing and disseminating the heritage of ethnic art and culture. The aim is to increase the development of knowledge and skills and elevate competitiveness. As of 2019, approximately 21,333 children of 10 different tribes have received long-term support and services. The Foundation supports 39 folk song, dance, workmanship, creativity, and fitness troupes, generating astonishing results in the fields of “traditional culture and art, education, and ethnic sustainability” (the program was therefore named “Exclamation Mark”).



In 2019, 1,637 individuals participated in the cultural transmission program, more than 165 teachers participated in the cultural transmission program, and the number of hours of cultural transmission program reached 8,347 hours including a total of 412 folk songs and 35 dance numbers, and a total amount of NT\$ 8,690,756 was raised.

TECO and corporate partners have continued to promote the project of “Exclamation mark” for 18 years, and the “Exclamation Musical Dance” held annually has become the brand for the indigenous folk songs and symphony fusion presentation. The grand show organized once per year has attracted more than 2,000 audience to participate in the show, such that the social awareness and power cohesion is achieved and the learning energy of students is also created. The outcome of “Exclamation Mark” comes from the implementation of “cultural transmission education”, and the cultural transmission education is able to facilitate the group’s self-recognition and self-assurance, and it is also the main “drive” for the participation support from parents and seniors. In addition, the key to cultural transmission education is to have the leading, accompanying and guiding teachers to achieve continuous improvement and growth in various aspects of professionalism, mission and passion etc



In 2019, TECO organized the first social welfare type of sports event and invited 80 adults and children from Wanhua Children Welfare Service Center, Taipei Family Helper Center, New Taipei City Family Helper Center, Juru Community Development Association etc. to the stadium of Takming University of Science and Technology in Taipei City, such that participants were able to involve in social welfare through exercise, achieving both health and demonstration of public charity.



For the Field of Land Adoption event organized continuously over the past years, affiliated enterprises, such as Pelican Express and Information Technology Total Services (ITTS) were also invited to participate in the event, including the rice donation and beach cleaning activities etc. TECO considers the participation of social welfare activities as part of the business policy implementation, encourages employees to care about the social welfare issues and calls all employees to participate in social welfare activities during their free time.

Accordingly, TECO offers a social welfare holiday of three days annually to each employee, and employees are encouraged to become corporate volunteers in order to participate in social welfare together, to care and contribute to society.

My Charity Bank System

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

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

Summary and Appendix

Let the World See Taiwan

TECO was nominated as “FTSE4Good TIP Taiwan ESG Index” this year. Therefore, it catches the global sustainable investment train formally. As the largest industrial motor producer in Taiwan, TECO is leading its suppliers in the supply chain to promote Taiwan’s industrial intelligence to the world. Last year, we helped our customers save the electricity by about 520 million kWh throughout the world. Each kWh of the electricity saved with our help should be identified as the contribution made by Taiwan’s industry to the world.

The 2019 TECO CSR Report is the 10th issue published by TECO since 2010 and the 8th issue verified by an external third-party organization. This year’s report analyzes and identifies material issues and secondary issues based on GRI Standards. These serve as important KPIs for related departments to facilitate reading by stakeholders, as well as give them a clearer understanding of developments pertaining to each material issue. The goal is to improve communication with stakeholders regarding concepts and approaches of TECO in the dimensions of governance, economy, environment, and society.

Looking ahead at 2020, impacted by COVID-19 pandemic, major forecast bodies have predicted global economy will decline in the year. Taiwan's Cabinet-level Directorate General of Budget, Accounting, and Statistics (DGBAS) forecasts that Taiwan's economy will grow by 2.37% in 2020, compared with 2.4-2.7% growth rates predicted by other forecast bodies. In the face of the challenging environment, TECO, in addition to the development axis of "energy conservation, emission reduction, intelligence, and automation," will implement digitalization, intensify marketing and production automation, thereby inducing growth with precision marketing. Moreover, while it builds secondary supply chain for parts of SmartAuto and electromechanical products, forming a remote backup mechanism to minimize the impact from external unfavorable factors to maintain steady growth and profitability.

TECO has been granted the honors of golden award for Taiwan Top50 corporate sustainability report for six years in a row and corporate citizen award by Commonwealth magazine for eight years running. Adhering to the concept of sustainable development, TECO has pledged to "20% emission reduction in 10 years" and rolled out "employee public-service account" this year, materializing the group's vision of "energy conservation, emission reduction, intelligence, and automation" according to the strictest criteria, thereby leading employees to contribute to a sustainable society, as well as forging an working environment with long-term development potential for employees, providing customers services with competitive value, and creating optimal investment returns for shareholders

6.1 GRI Indicators Index

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		102-2 Activities, brands, products and services	21
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		102-4 Location of operations	22
		102-5 Ownership and legal form	23
		102-6 Market served	22
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		102-8 Information on employees and other workers	72
		102-9 Supply chain	32
GRI 102: General Disclosures			
Core		102-10 Significant changes to the organization and its supply chain	22
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		102-12 External initiatives	30
		102-13 Membership of associations	30
		102-14 Statement from senior decision-maker	4
		102-15 Provide a description of key impacts, risks, and opportunities	45
		102-16 Values, principles, standards and norms of behavior	26
		102-18 Governance structure	25
		102-19 Delegation of authority and responsibility	23
		102-20 Senior management's responsibility toward economy, environment and society	20
		102-22 Supreme governing body and formation of the committee thereof	20
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		102-24 Nomination and selection of the supreme governing body members	23
		102-25 Conflict of interest	26
		102-26 Purpose of foundation, values and strategic roles of the supreme governing body	44
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GRI 102: General Disclosures			
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GRI 204: Procurement Practices		
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GRI 206: Anti-Competition		
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GRI 301: Materials		
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GRI 302: Energy		
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GRI 305: Emissions		
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	305-4 GHG emissions intensity	52
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	305-6 Emissions of Ozone-Depleting Substances (ODS)	52
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	57
GRI 306: Effluents and Waste		
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GRI 307: Environmental Compliance		
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GRI 308: Supplier Environmental Assessment		
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GRI 401: Employment		
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GRI 402: Labor/Management Relations		
All	402-1 Minimum notice periods regarding operational changes	65
GRI 403: Occupational Health and Safety		
Core	403-1 Occupational Health and Safety Management System	42
	403-2 Identification of hazards, risk assessment, and investigation on incidents	64
	403-3 Occupational health service	67
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GRI 404: Training and Education		
Core	404-1 Average hours of training per year per employee	76

GRI Items / Scope of Disclosure	Disclosure items	Page number
	404-2 Programs for upgrading employee skills and transition assistance programs	74
GRI 405: Diversity and Equal Opportunity		
Core	405-1 Diversity of governance bodies and employees	72
GRI 412: Human rights evaluation		
	412-2 Employees' training about human rights policy or procedures	74
Core	412-3 Important investment agreements or contracts containing human rights clauses or on which the human rights review was already conducted	64
GRI 414: Supplier Social Assessment		
Core	414-1 New suppliers that were screened using social criteria	34
GRI 416: Customer Health and Safety		
	416-1 Assessment of the health and safety impacts of products and service categories	60
All	416-2 Incidents of non-compliance concerning the health and safety impacts or products and services	No violation
GRI 417: Marketing and Labeling		
	417-1 Requirements for product and service information and labeling	62
All	417-2 Incidents of non-compliance concerning product and service information and labeling laws	No violation
	417-3 Incidents of non-compliance concerning marketing communications laws	No violation
GRI 419: Socioeconomic Compliance		
All	419-1 Non-compliance with laws and regulations in the social and economic area	27

6.2 Assurance Reports and Certifications

Summary of Subject Matter Assured

No	Subject matter information	Applicable criteria	page
1	<p>The sales of green energy-saving home appliances (Note) accounted for 57.81% of the net sales attributed to Home Appliance Division in 2019. Note: Energy-saving home appliances refer to the models satisfying any of the following circumstances:</p> <ul style="list-style-type: none"> • Home A/C and commercial A/C: To obtain class-1 under "Energy Efficiency Rating for Non-conducted air conditioner Products" promulgated by Ministry of Economic Affairs (MOEA) via its letter under Bureau of Energy Document No.10504606420 dated December 28, 2016. • Refrigerator: To obtain class-1 under "Energy Efficiency Rating for Refrigerators" promulgated by Ministry of Economic Affairs (MOEA) via its letter under Bureau of Energy Document No. 10604601990 dated May 10, 2017. • Dehumidifier: To obtain class-1 under "Energy Efficiency Rating for Dehumidifiers" promulgated by Ministry of Economic Affairs (MOEA) via its letter under Bureau of Energy Document No. 10604601460 dated April 17, 2017. • Television: Before July 1, 2019, no more than the limit identified in the energy consumption standards promulgated by the Ministry of Economic Affairs (MOEA) in the attachment to its 	<p>Ratio of the 2019 net sales of green energy-saving home appliances in the net operating revenue of TECO Home Appliance Division in 2019.</p> <p>Denominator: The net sales attributed to Home Appliance Division in 2019 parent company financial statements. The total sales revenue, NT\$5,472,297 (including recycling and disposal fees), referred to in the statement of operating revenue attached to the separate financial statement 2019, less the sales discount, sales return, and incentive pay to distributors.</p> <p>Nominator: The net sales of green energy-saving home appliance models in 2019 which satisfied the standards governing the application for various labels published by the competent authority online on December 31, 2019 (revenue less the sales return, sales discount plus recycling and disposal fees less the incentive pay to distributors).</p>	41

	<p>letter under Bureau of Energy Document No. 10405003751 dated April 28, 2015. From July 1, 2019, the Ministry of Economic Affairs issued Document No. 10705015400 to replace the previous regulations.</p> <ul style="list-style-type: none"> • Electric fan: Energy efficiency more than or equivalent to the benchmarking identified in the attachment to the letter of Ministry of Economic Affairs (MOEA) under Bureau of Energy Document No. 10505001040 dated February 5, 2016. • Washing machine: To satisfy the “Gold” grade identified in the “Scope of Products Applicable to Water Efficiency Label and Specifications & Standards” attached to the Regulations for Management of Water Efficiency Label promulgated by Ministry of Economic Affairs (MOEA) via its letter under Water Resources Agency Document No. 10604602300 dated June 7, 2017. 	
2	<p>In 2019, the sales of high performance energy-efficient motors below 300hP (224kW) (IE3+IE4) accounted for 63.34% and 36.90% of TECO's sales revenue and volume, respectively.</p>	<p>Total annual sales value and volume of IE3 and IE4 motors (classified in accordance with horsepower efficiency and power consumption standards of IEC 60034-30-1:2014) with capacity below 300HP, divided by annual sales value and volume of motors from the Business Division of Green Electric-Machinery.</p> <p>39</p>
3	<p>Energy-saving statistics for sales of high performance energy-efficient motors with capacity below 300hP (224kW) in 2019.</p> <ul style="list-style-type: none"> • Total power savings of 520,145.76 MWh (Note1) <p>Note 1: Calculations based on 5,000 operating hours per year.</p>	<p>The IE3 category refers to IE3 motors with a capacity below 300HP that conform to the horsepower efficiency and power consumption standards of IEC 60034-30-1:2014.</p> <p>The IE4 category refers to IE4 motors with a capacity below 300HP that conform to the horsepower efficiency and power consumption standards of IEC 60034-30-1:2014.</p> <p>39</p> <p>Power savings, expressed in kilowatts/hour, were calculated by multiplication of total annual sales volume of motors according to the above classification and total discrepancy (same horsepower) by the power consumption difference between said category and IE1 motors, assuming 5,000 operating hours per year.</p>
4	<p>NG consumption statistics for TECO and the following subsidiaries total 1525.8 m³ in 2019.</p> <ul style="list-style-type: none"> • TECO Electric and Machinery Co., Ltd. 690.09 m³ •Teco Westinghouse Motor Company 154.40 m³ • Wuxi Teco Electric & Machinery Co., Ltd 230.75 m³ •QingDao Teco Precision Mechtronics Co., Ltd 71.97 m³ •Wuxi Teco Precision Industry Co., Ltd 378.59 m³ 	<p>The 2019 natural gas consumption is calculated based on receipts issued by CPC Corporation, Taiwan, US Atmos Energy Company and CR Gas.</p> <p>55</p>
5	<p>Annual power consumption statistics for TECO and the following subsidiaries total 92,407.92 MWh in 2019.</p> <ul style="list-style-type: none"> • TECO Electric and Machinery Co., Ltd. 46,520.97 MWh •TESEN Electronic Co., Ltd. 5,027.80 MWh • Taian Technology (Wuxi) Co., Ltd. 3,614.62 MWh • Teco Westinghouse Motor Company 15,508.00 MWh •Wuxi Teco Electric & Machinery Co., Ltd. 11,008.72 MWh 	<p>The 2019 power consumption is calculated based on receipts issued by Taipower and US Constellation New Energy, Inc., and common invoices issued by Jiangsu ,Shandong and Jiangxi Electric Power Company. Where TECO Electric and Machinery Co., Ltd., TESEN Electronic Co., Ltd., Taian Technology (Wuxi) Co., Ltd. , Wuxi Teco Electric & Machinery Co., Ltd, Teco Electro Devices Co., Ltd, Jiangxi TECO Air Conditioning Equipment Co., Ltd, QingDao Teco Precision Mechtronics Co., Ltd, Wuxi Teco Precision Industry Co., Ltd , Jiangxi Teco Electric and Machinery Co., Ltd and</p> <p>55</p>

	<ul style="list-style-type: none"> •Teco Electro Devices Co., Ltd 1,127.68 MWh •Jiangxi TECO Air Conditioning Equipment Co., Ltd. 406.36 MWh •QingDao Teco Precision Mechtronics Co., Ltd 2,821.04 MWh •Wuxi Teco Precision Industry Co., Ltd 1,740.73 MWh • Jiangxi Teco Electric and Machinery Co., Ltd 4,632.00 MWh 	subsidaries, affiliated enterprises, or contractors have shared meters, power consumption is apportioned according to meter readings or mutually agreed upon proportions.	
6	In 2019, the TECO Group's Disabling Injury Frequency Rate (FR) (excluding traffic accidents) is 1.04 (including employees, students from work study program, technical students and dispatch workers).	Defined according to Article 6 of Enforcement Rules of the Labor Inspection Act Frequency Rate (FR) = Number of disabling injuries/total working hours x 1,000,000. The aforementioned data was provided by TECO Electric and Machinery Co., Ltd., TESEN Electronic Co., Ltd., Teco Westinghouse Motor Company, Taian Technology (Wuxi) Co., Ltd, Wuxi Teco Electric & Machinery Co., Ltd, Jiangxi Teco Electric and Machinery Co., Ltd, QingDao Teco Precision Mechtronics Co., Ltd and Teco Electro Devices Co., Ltd. The standard also applies to subsidiaries in the US and China.	67
7	In 2019, the TECO Group's Disabling Injury Severity Rate (SR) (excluding traffic accidents) is 38 (including employees, students from work study program, technical students and dispatch workers).	Defined according to Article 6 of Enforcement Rules of the Labor Inspection Act Severity Rate (SR) = Number of lost days/total working hours x1,000,000. The aforementioned data was provided by TECO Electric and Machinery Co., Ltd., TESEN Electronic Co., Ltd., Teco Westinghouse Motor Company, Taian Technology (Wuxi) Co., Ltd, Wuxi Teco Electric & Machinery Co., Ltd, Jiangxi Teco Electric and Machinery Co., Ltd, QingDao Teco Precision Mechtronics Co., Ltd and Teco Electro Devices Co., Ltd. The standard also applies to subsidiaries in the US and China.	67
8	In 2019, the Occupational Disease Occurrence Rate is 0 in TECO Group.	<p>The number of patients in TECO Electric and Machinery Co., Ltd., TESEN Electronic Co., Ltd., and Teco Electro Devices Co., Ltd. are identified in accordance with the health examination declaration for prevention of occupational diseases required by the Bureau Labor Insurance, Ministry of Labor.</p> <p>The number of patients in Taian Technology (Wuxi) Co., Ltd, Wuxi Teco Electric & Machinery Co., Ltd, Jiangxi Teco Electric and Machinery Co., Ltd and QingDao Teco Precision Mechtronics Co., Ltd are identified in accordance with the Law of the People's Republic of China on Prevention and Control of Occupational Diseases.</p> <p>The number of patients in Teco Westinghouse Motor Company are identified in accordance with the OSHA's Form 300 declaration.</p>	68



Reference link for 3rd party assurance report and certificates, including OHSAS18001, ISO14001, ISO14064, ISO14066, ISO14067 and ISAE3000 limited assurance letter from PwC for this report.

Independent Limited Assurance Report

To **TECO Electric & Machinery Co., Ltd.**

We have been engaged by **TECO Electric & Machinery Co., Ltd** (“TECO”) to perform assurance procedures on the sustainability performance information identified by TECO and reported in the 2019 Corporate Sustainability Report (hereinafter referred to as “CSR Report”), and have issued a limited assurance report based on the result of our work performed.

Subject Matter Information and Applicable Criteria

The sustainability performance information identified by TECO (hereinafter referred to as the “Subject Matter Information”) and the respective applicable criteria are stated in the “Summary of Subject Matter Assured” on page 94, 95 and 96 of the CSR Report. The scope of the aforementioned Subject Matter Information is set out in the “Report Scope and Boundaries” on page 1 of the CSR Report.

Management’s Responsibilities

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

Our Responsibilities

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

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

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

- Made inquiries of the persons responsible for the Subject Matter Information to understand the processes, information systems and the relevant internal controls relating to the preparation of the aforementioned information to identify the areas where there may be risks of material misstatement; and

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

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

Compliance of Independence and Quality Control Requirement

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

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

Inherent Limitations

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

Limited Assurance Conclusion

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

Other Matter

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

PricewaterhouseCoopers, Taiwan

Li, Yi-Huah

Partner

August 18, 2020

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

