



TECO Electric & Machinery Co., Ltd. 東元電機

## 2021 Sustainability Report



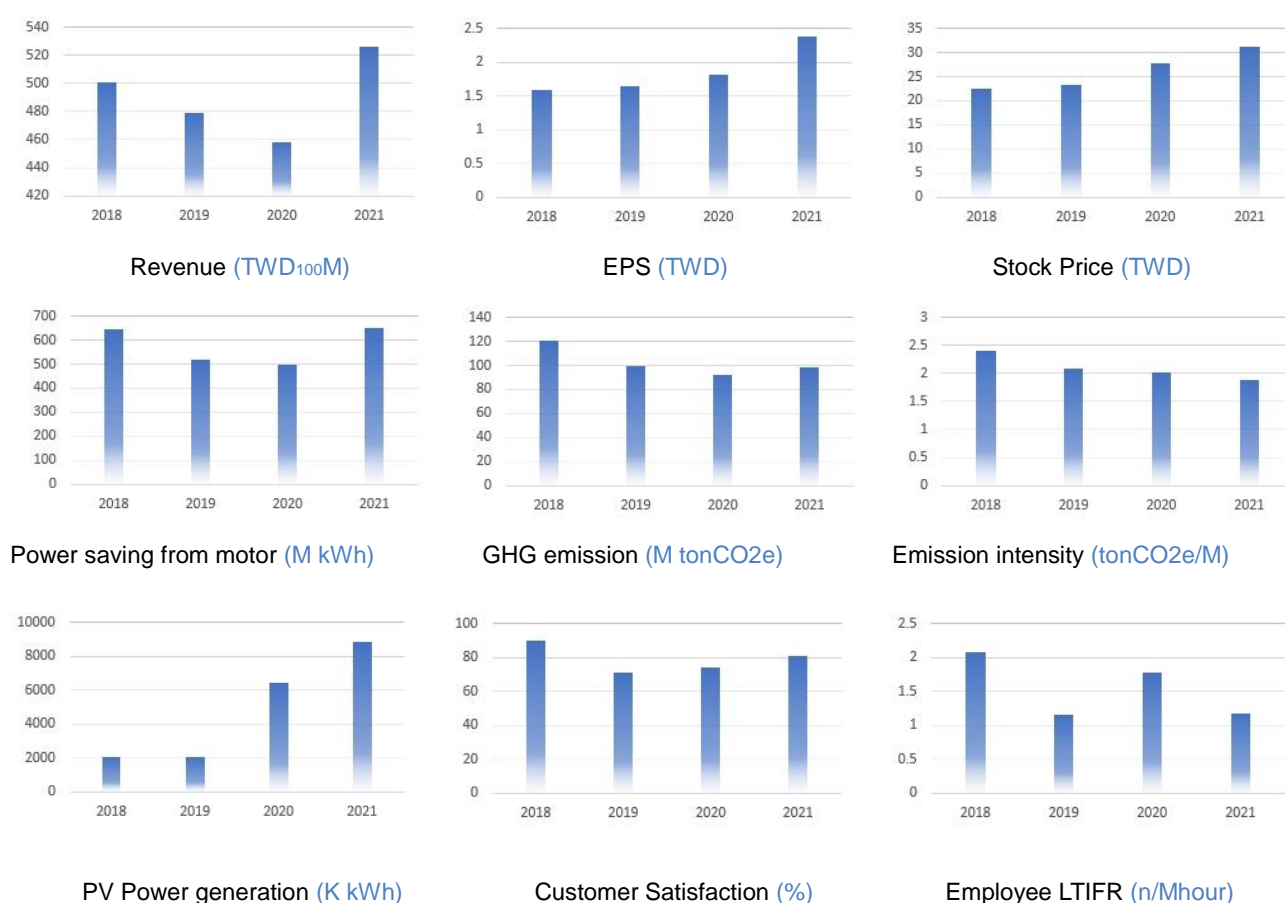
## Report Scope and Boundaries

Prior to 2013, the scope of reports was confined to operating areas in Taiwan including company HQ, manufacturing plants and the TECO Technology Foundation. In 2014, the scope 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. In 2019 all facilities in China were included in this report. From 2020 affiliates in Vietnam was included in this report. *As in 2021 affiliates in Italy (Motovario) is newly includes in this report as the significant change from year 2020.* 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, 2021

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**YEAR 2021, THE ENVIRONMENTAL AND SOCIAL INDICATORS REPORTING COVERAGE  
INCLUDES ALL FACILITIES IN TAIWAN, US, CHINA, VIETNAM AND ITALY WHICH COVERS  
89.5% OF TOTAL TECO GROUP REVENUE.**

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## Reporting Principles

- The contents and structure of this report are based on the Core Options of the GRI Standards published by the Global Reporting Initiative (GRI). The GRI Standards mapping table is attached to this report.
- Environmental and GHG emission data are reported based on Task Force on Climate-Related Financial Disclosures (TCFD) standards. The TCFD mapping table is attached to this report as well.

## Report Assurance

- **Internal Assurance:** Relevant issues and performance are reviewed and verified in strategy meetings, monthly business meetings of TECO and business divisions, and quarterly KPI review meetings. The data provided are subject to review and approval by department executives. In addition, internal annual audits (coupled with external verification) of the quality management system (ISO 9001), occupational health and safety management system (ISO 45001), environmental management system (ISO 14001), and GHG emissions (ISO 14064-1) are conducted every year to further guarantee the accuracy of provided data.
- **External Assurance:** TECO commissions BSI to verify the report which was compiled in accordance with the Core Options of the GRI Standards with AA1000 Type 1 Moderate Assurance standards. The assurance statement is attached to this report.

## Report Presented by

- This report has been compiled by the ESG Office and is available in Chinese and English versions, also provided on the corporate website. Reporting cycle: Annual publication.
- Contact person: ESG Office/ Jay LC Huang, Special Assistant, [csr@teco.com.tw](mailto:csr@teco.com.tw)
- Website: <http://www.teco.com.tw/csr/eng>

# Table of Contents

<b>Sustainability Commitment .....</b>	<b>4</b>
<b>1.1 Management Pledge .....</b>	<b>4</b>
<b>1.2 Key Indicators and Performance.....</b>	<b>6</b>
<b>1.3 Operational Performance .....</b>	<b>7</b>
<b>Sustainability Issues and Communication .....</b>	<b>8</b>
<b>2.1 Materiality Analysis.....</b>	<b>8</b>
<b>2.2 Identify Material Issues and ESG Goals from Mega Trends .....</b>	<b>9</b>
<b>2.3 Material Issue Management Approach .....</b>	<b>15</b>
<b>2.4 Impact Management and Sustainability Goals .....</b>	<b>18</b>
<b>2.5 Approach to Stakeholder Communication .....</b>	<b>22</b>
<b>Economy and Governance .....</b>	<b>24</b>
<b>3.1 Strategy and Action Program.....</b>	<b>25</b>
<b>3.2 Risk Management Mechanism .....</b>	<b>28</b>
<b>3.3 Information Security Management .....</b>	<b>32</b>
<b>3.4 Code of ethical conduct.....</b>	<b>34</b>
<b>3.5 R&amp;D and innovation.....</b>	<b>36</b>
<b>3.6 Sustainability Supply Chain .....</b>	<b>42</b>
<b>Environmental Actions .....</b>	<b>49</b>
<b>4.1 Climate Actions (TCFD) .....</b>	<b>50</b>
<b>4.2 Energy consumption .....</b>	<b>62</b>
<b>4.3 Product Stewardship Management .....</b>	<b>68</b>
<b>4.4 Marine Life Diversity.....</b>	<b>73</b>
<b>Social Engagement.....</b>	<b>74</b>
<b>5.1 Human Resource .....</b>	<b>76</b>
<b>5.2 Human Rights Due Diligence and Mitigation .....</b>	<b>77</b>
<b>5.3 Career Development .....</b>	<b>81</b>
<b>5.4 Compensation and Benefits .....</b>	<b>83</b>
<b>5.5 Employee Engagement.....</b>	<b>89</b>
<b>5.6 Customer Satisfaction .....</b>	<b>91</b>
<b>5.7 Occupational Safety .....</b>	<b>93</b>
<b>5.8 Corporate Citizen Public Welfare Events .....</b>	<b>98</b>
<b>Summary and Appendix.....</b>	<b>104</b>
<b>6.1 Participation in External Organizations and Initiatives .....</b>	<b>105</b>
<b>6.2 GRI Indicators Index.....</b>	<b>107</b>
<b>6.3 TCFD Index.....</b>	<b>110</b>
<b>6.4 Third Party Certification and Assurance.....</b>	<b>111</b>

# Sustainability Commitment

## 1.1 Management Pledge

### "Energy Conservation, Emission Reduction, Intelligence, and Automation"

TECO relies on its core motor technologies and R&D philosophy which is centered around the four principles of Energy Conservation, Emission Reduction, Intelligence, and Automation in its efforts to realize digital transformation, lean sales and marketing, and production automation. The Company is actively committed to perfecting its Business Intelligence Management System and utilizes a digitized platform to maintain a firm grasp of the status of operations in regional offices and branches all over the world. In 2021, the whole world was still suffering from COVID-19 and its Omicron variant. Different nations locked their countries, which impacted physical economic activities and further led to serious inflation and supply chain disruption. Due to the congestion in the important international ports and the soaring shipping fees, the prices of major materials like copper and iron have risen dramatically, and the IC wafer has been globally in short supply. The interests of the overall industry have been suppressed. Despite of the impact of COVID-19, for Taiwan, the domestic production capability has still continuously risen. The export activities remained bustling, and the important constructions of public and private sectors in Taiwan also continued. In 2021, Taiwan was ranked high in the world for its economic performance, with an annual economic growth of up to 6.28%.



The Company, mainly focusing its business on electromechanics, energy and air conditioning, has achieved impressive green engineering results. For instance, we were responsible for the turnkey project of onshore step-down substation of Hai Long with the onshore substation of offshore wind power further accounting for 35% of the market share, and have completed the solar self-construction of 7.1MW with a total order scale of up to 11.4MW. As for energy storage, the Company has not only accomplished the objectives of domestic PCS production and aggressively participated in Taipower's energy storage demonstration project bid, but also received orders up to 6MW in terms of the privately established energy storage. Meanwhile, many companies yearn to collaborate with us. We are engaged in the development of electric vehicle power system as well. In addition to the setup of dedicated production lines of the electric motor for vehicles and the subsequent mass production in Taiwan and Wuxi, we have completed the development and testing of 250kW vehicle power system, and took part in the "Electric Bus Demonstration Project" of the Ministry of Transportation and Communications. In the commercial vehicle market, many car manufacturers have already adopted TECO's power system for the prototype development and performance testing.



## “Implementation of Corporate Governance-Realization of Sustainable Operations”

Regarding the global economy in 2022, the impacts of Omicron virus and inflation seem to remain. The Directorate-General of Budget, Accounting, and Statistics projects a national economic growth rate of 4.42%, with the growth momentum likely to continue being better than that of most economies.

For the electromechanical system and automation business, the demand of North America market has grown strong this year because of the rising oil price. The great pressure of “carbon neutrality” has also stimulated the electrification of shale oil production and transportation equipment and waste heat recovery in the US, which is going to promote the growth of inverter and energy conservation solutions. Moreover, the Company provides carbon neutral solutions such as high-efficiency motor drive system, power generation from waste heat recovery and inspection-free equipment for the industries with processes of high power consumption, including electronics, petrochemical, steel, paper, etc., to expand the direct sales.

For the smart energy business group, a significant growth of IDC engineering business in both the domestic and foreign markets is expected due to the popularization of 5G/big data/cloud services and the outstanding technology of TECO. The orders of relevant projects in 2021 totaled more than NT\$ 3 billion; the target revenue in 2022 has increased by 30%. As for the renewable energy creation and storage business, thanks to the renewable energy policy in Taiwan, it is expected that the renewable energy will make up 20% of the power generation in 2025, which implies promising revenue growth.

For the air conditioner and smart life business group, the provision of full-area smart air conditioner and energy management continues to be the focus to contribute to a new life of ESG carbon neutrality. In addition, we also create business opportunities through innovations. Examples include launching smart refrigerator for delivery services by combining the Group’s resources and IoT technology to meet the last bit of demand for refrigeration, and accelerating the promotion of energy-saving air conditioning solutions in the new business mode of renting instead of buying.

For two consecutive years, the Company has been selected as one of the indicators under the Dow Jones Sustainability Index (DJSI) and the Sustainability Yearbook of S&P. Furthermore, the Company has received the TOP 50 Corporate Sustainability Report Platinum Award in Taiwan for eight consecutive years, won the Climate Leadership Award for the first time, and got ranked among the top 5% in the Corporate Governance Evaluation for seven consecutive years. We have put in an excellent performance in the sustainable operations and corporate governance, which is recognized by fair evaluation agencies in the nation and abroad.

In 2021, TECO has completed the missions of the first stage of “emission reduction by 20% within 10 years” early, including the carbon footprint inspection of representative products, installation of solar power facilities on the rooftops of the Chungli Plant, and acquisition of the issuance permission of self-use renewable energy certificates. This year, the Company has announced the goal of “emission reduction by 50% within 10 years” by the end of 2030 with the overseas plants also covered in the scope of implementation, thereby moving towards carbon neutrality. Based on the aforementioned strategic development plan, the Company will create and grasp different business opportunities related to energy saving even more aggressively, laying the foundation of sustainable development with sustainable products.

*Sophia Chiu,*  
Chairman of TECO

## 1.2 Key Indicators and Performance

Member of

### **Dow Jones Sustainability Indices**

Powered by the S&P Global CSA

The latest Dow Jones Sustainability Index (DJSI) appraisals and listings in 2021 reveal that TECO Electric & Machinery Co., Ltd. is ahead of its emerging market competitors and is the only newly-listed enterprise in the electromechanical industry this year.

### **Sustainability Yearbook**

Member 2022

**S&P Global**

The inclusion of TECO in this 2022 S&P Global Sustainability Yearbook indicates that the Company is ranked in the top 15% among its worldwide competitors in the field of sustainability performance.



FTSE4Good TIP Taiwan ESG Index evaluates ESG investments and performance of listed companies through the adoption of the FTSE Russell ESG rating system. The index is composed of publicly listed companies that have implemented corporate social responsibility and have adequate operational performance.



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

### 1.3 Operational Performance

TECO Electric & Machinery Co., Ltd. Bases in Taiwan as a listed company. Products and service includes machinery systems, home appliance products, and engineering services. Number of employee is 2,180 in parent company and 14,617 worldwide. Financial performance as listed as followings:

in TWD K

	2018	2019	2020	2021
<b>Operating revenues</b>				
Parent Company	20,879,719	18,873,312	19,819,029	22,940,571
<b>Net profits</b>				
Parent Company	3,150,089	3,221,717	3,511,358	5,013,134
<b>Operating revenues</b>				
TECO Group	50,104,927	47,909,358	45,823,430	52,557,027
<b>Net profits</b>				
TECO Group	3,475,969	3,518,780	3,811,648	5,502,191

- This report includes: TECO東元電機, TESEN東勝電氣, TECO-Westinghouse東元西屋, Taian Technology (Wuxi) 台科無錫, Wuxi TECO無錫東元, TECO Electro Devices東元精電, Qingdao TECO Precision青島東元, Jiangxi TECO A/C江西東成, Wuxi TECO Precision無錫精密, Jiangxi TECO江西東元, TECO Vietnam越南東元 and Motovario Corp (Italy) · which totally covers **89.5%** of total group consolidated revenue.
- Financial data and details please refer to TECO 2021 Annual Report.





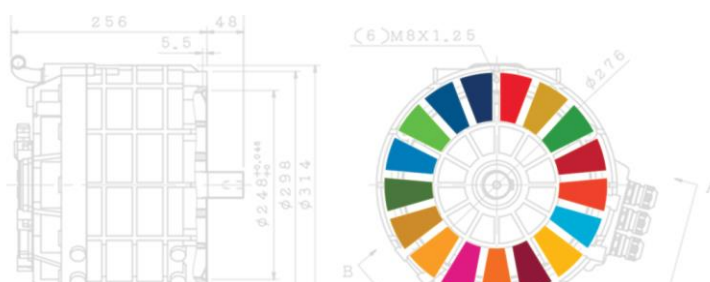
# Sustainability Issues and Communication

## 2.1 Materiality Analysis

From world mega trends, TECO identify and communicate major risks and material issues with stakeholders. In year 2022, we issue 251 questionnaires to shareholders, employee, industry thought leaders and consultants to collect feedback openly for materiality analysis as following:

### Materiality Analysis and Identification of Issues of Concern

<b>Identification</b> <b>STEP1</b>	<p>The ESG office convenes meetings with relevant units to conduct discussions and refers to the others' experience (including DJSI · CDP · MSCI · Sustainalytics · EcoVadis) and GRI Standards. Verify the mega trend in the future and identify risks and opportunities.</p>
<b>Prioritization</b> <b>STEP2</b>	<p>Conduct interviews and issue questionnaires to key stakeholders, including thought leaders in the industry, managers and employee. Complete the prioritization of material issues of concern based on feedbacks.</p>
<b>Confirm</b> <b>STEP3</b>	<p>The ESG office confirms impacts, corresponding actions, KPI and training programs from all materiality issues. Make summary and disclose in this report.</p>
<b>Review</b> <b>STEP4</b>	<p>Notice key findings to the board. Make annual ESG strategy and actions. Implement action plans to daily operation and evaluate the results.</p>



## **2.2 Identify Material Issues and ESG Goals from Mega Trends**

To further satisfy the sustainable development, TECO starts from 4 major world mega trends, develops risk and opportunities from them, and make corresponding mitigation plans. TECO defines 16 material issues that fits GRI topics and preform material analysis to rank priorities. In this report, TECO explains the approach of guiding companies to face and grow in new risks and opportunities. What education programs and key performance indicators (KPI) were given to employee and how we communicated with Stakeholders. Finally, TECO defines 14 future communication points, categorize into 3 major area “To Exist”, “To Operate” and “To Profit” as next step links with SDG goals and sustainability.



# Geopolitics Changes and relationship deteriorating

Deteriorating relationship among the US, China and Russia results in global economic decoupling and may conduct information warfare. The United States and China are competing for influence in the world. Following the US, different countries have jointly put pressure on China and Russia; it is likely that the markets and enterprises are forced to take sides.



## Impacts to TECO

- **Political impacts on the regulations regarding market access and embargo, etc.**
- **More B2B unethical conduct and bribery resulting from the unsteady political and economic situation**
- **Operation disruption caused by cyber attacks**

## Relevant Material Issues

- **Supply Chain Resilience:** Enhancement of global production flexibility and creation of regional supply chains to spread production risks
- **Code of Conduct and Legal Compliance:** Emphasis on the personal code of ethics of employees and strengthening of legal compliance audits
- **Influence of Policies:** Expression of opinions through associations, and enhancement of TECO's position and influence in the industry
- **Information Security Management:** Maintenance of the Company's information risk management, and prevention for cyber threats

# A sharp economic slowdown due to the outbreak of new virus or financial strains

As the global economic recovery in the post-pandemic era is expected to continue, the global economy in 2022 is projected to grow by 4.1%. However, the possible pandemic deterioration and pandemic prevention restrictions are going to undermine the recovery. On the other hand, the Federal Reserve System might speed up the tight monetary policy unexpectedly, increasing the risk of housing market crash in China and uncontrollable financial and material markets.



Impacts to TECO	Relevant Material Issues
<ul style="list-style-type: none"><li>● Suspension of operations due to the pandemic, or loss of labor after the pandemic</li><li>● Unstable logistics capabilities leading to postponement of delivery all over the world</li><li>● Increase in the price of materials due to the political influence and pandemic</li></ul>	<ul style="list-style-type: none"><li>● Employee Life and Occupational Safety: Maintenance of the overall productivity and Protection of the employees' safety</li><li>● Corporate Citizen Responsibilities: Increase in the community investment related to the new post-pandemic life and development of the business opportunities</li><li>● Customer Relationship Management: Optimization of the service capabilities and enhancement of the customers' satisfaction level</li><li>● Economic and Financial Performance: Building of digital management capacities, and enhancement of market response capabilities</li></ul>

# Climate crisis and international changes

At the UN Climate Change Conference (COP26), 40 small and medium-sized countries were committed to stopping the investment in new coal power and gradually eliminating coal-fired activities. However, the major coal consumption countries, including China, the US, Australia and India, didn't agree to do so.



## Impacts to TECO

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

## Relevant Material Issues

- **Climate Change Risk Management:** Exploration of new emission reduction technologies and reinforcement of sustainability management
- **Identification of Future Cost:** Includes the cost of carbon tax etc. that will be additionally included for calculation in the future
- **Renewable Energy and Green Power Generation:** Expansion into new businesses, such as increasing solar power generation and energy storage
- **Product Full Lifecycle Management:** Includes product decarbonization strategies and establishment of material circular economy
- **Corporate Governance:** Strengthening of digital management capacities and risk control mechanism
- **Smart Product and Innovation Management:** Securing of intelligent production, and future plant deployment



## Deviation of population growth and lack of productivity

This refers to the population aging in Taiwan and the extreme ratio of the elderly to children in the world. In developed countries, as human lifespan is extended while people have fewer offspring, the population aged 65 or above are going to show the highest population growth. Meanwhile, the lockdown of countries caused by the pandemic have also disrupted the flows of labor force. Enterprises need to prepare other sources for productivity.



### Impacts to TECO

- **Risks of operation disruption due to labor disputes or lower productivity due to low job satisfaction**
- **Insufficient proportion of managers of new generation for diversity**

### Relevant Material Issues

- **Human Rights Protection and Human Resource Development:** Identification of potential right infringement, establishment of human resource database, and preparation for future productivity
- **Diversity Policy:** Increase in the employment rate of female and disadvantaged employees

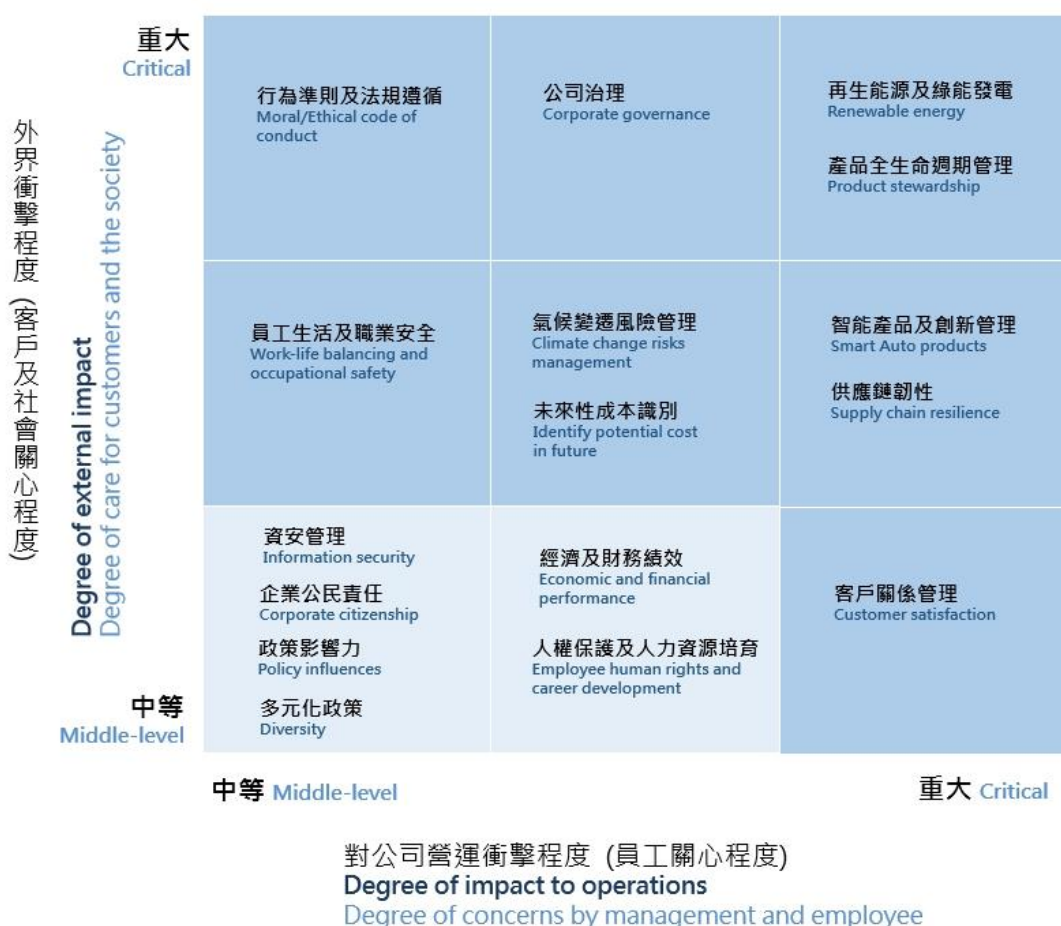
## Material issues identified are as Follows:

Reconsider material issues from last year and world mega trends. This year we reference results from 251 questionnaires, choose 10 most significant issues out of 16 and develop company strategy based on them.

1. **Renewable energy:** Includes plant site solar power and waste heat reuse etc.
2. **Product stewardship:** Includes production waste recycle and material circular economy establishment
3. **Corporate Governance:** Establish a digital management ability and sound board of directors' functions
4. **SmartAuto products:** Increase product energy efficiency and increase the energy saving product shipping ratio
5. **Supply Chain Resilience:** Increase global production flexibility. Mitigate risk from geopolitical and epidemic issues

6. **Moral/Ethical Code of Conduct:** Emphasize employees' personal code of ethics and enhance legal compliance audit
7. **Climate change risks and opportunities:** Seek new technologies for handling climate changes and enhance bio resilience. Implement sustainability KPI into management culture.
8. **Identify potential costs in the future:** Includes the calculation of costs of carbon pricing, carbon tax etc. that may be imposed in the future
9. **Customer relationship management:** Increase service and communication quality.
10. **Employee lifecare and occupational safety:** maintain overall production capability and provide safe environment to employee.

## Material Issue are prioritized in the matrix:



From the result we find the managers and employee care more about decarbonization and the adoption of renewable energy. It should be awarded that external stakeholders care more about ethical issues compare to company internally. Comparing to last year (2020) results, customer satisfaction ranks into 10 major topics and economics performance is out of the list.

## 2.3 Material Issue Management Approach

### Sustainable Existence

Issues	Boundary							Management Approach
Material Topics (GRI 103-1)	Supplier	Shareholder	Employee	Community	Customers	Civil Org	Government	Description of management approaches and index to corresponding chapters in this report (GRI 103-2)
Product Full Lifecycle Management	●	●	●	◎	●			By each of product lifecycle, give tasks and disclose performances. Please refer to <a href="#">4.3 Product Stewardship Management</a>
Climate Change Risk and Opportunity Identification	●	●	●	◎	●	◎	◎	Based on TCFD framework to disclose lasted business opportunities and risks from scenario analysis. Please refer to <a href="#">4.1 Climate Actions (TCFD)</a>
Identification of Future Cost	●	◎	●		●			Explain financial impact from TCFD scenarios, including product cost and operational costs. Please refer to <a href="#">4.1 Climate Actions (TCFD)</a>

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

### Sustainable Existence KPI and training

#### KPI items

- Achievement rate of the business groups' annual emission reduction targets
- Achievement rate of the business groups' waste reduction
- Results of product carbon footprint inspection
- Development results of IE5 permanent magnet motor

#### Education and training

A total of 16 courses totaling 25 hours, including Taiwan's General Economic Development in the Post-pandemic Era, Sustainable Development and Low Carbon Community, Information Security Technologies and Application, EU Green Policy, etc.

# Sustainable Operations

Issues		Boundary						Management Approach
Material Topics (GRI 103-1)	Supplier	Shareholder	Employee	Community	Customers	Civil Org	Government	Description of management approaches and index to corresponding chapters in this report (GRI 103-2)
Renewable Energy and Green Power Generation		●		◎		○	◎	Execute and disclose PV power generation installation plan and power generated from each site. Please refer to <a href="#">4.2 Energy consumption</a>
Supply Chain Resilience	●	○	●		◎			Build short supply chains globally, integrate and also develop new suppliers. Please refer to <a href="#">3.6 Sustainability Supply Chain</a>
Code of Conduct and Legal Compliance	●	○	●	○	○	○	○	Lead employee, subsidiaries and suppliers to follow legal requirements and become good citizens in the world. Please refer to <a href="#">3.4 Code of ethical conduct</a>
Employee Life and Occupational Safety	○		●	○		◎	◎	Establish a zero-accident working environment and ensure health in both physically and mentally for all workers. Please refer to <a href="#">5.7 Occupational Safety</a>

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

## Sustainable Operations KPI and training

### KPI items

- Construction of 3.0MW power generation capacity in overseas plants with an achievement rate up to a total generation amount of 3.78 million kWh
- Development results of the short-chain in North America and the casting supply chain in India
- Overseas product transfer for production
- Attendance and completeness during the training

### Education and training

A total of 58 courses totaling 240 hours, including Legal Practice of Solar Power Acquisition, Knowledge and Analysis of Engineering Laws, Renewable Energy Solutions for Large Power Users, Introduction to Outsourcing Management Operation, On-the-Job Training in Occupational Health and Safety, Training for On-site Supervision Personnel and Contractors' Supervision Personnel, Fire System Training, Thai Lifting Personnel Training, etc.

# Sustainable Profits

Issues	Boundary							Management Approach
Material Topics (GRI 103-1)	Supplier	Shareholder	Employee	Community	Customers	Civil Org	Government	Description of management approaches and index to corresponding chapters in this report (GRI 103-2)
Corporate Governance	○	●	●		○	◎	○	Build a company-wide risk culture, encourage diversity in working places and catch up opportunities from clean technology market new requirements. Please refer to <a href="#">3.1 Business Opportunity Action Program</a> · <a href="#">5.3 Career Development Path</a>
Smart Product and Innovation Management	◎	●	●		●			Develop low-carbon manufacture solution, help clients to make change. Enlarge the scope of product decarbonization and increase low-carbon product sales ratio. Please refer to <a href="#">3.5 R&amp;D and innovation</a> · <a href="#">4.3 Product Stewardship Management</a>
Customer Relationship Management	◎	◎	●		●			COVID-19 epidemic and geopolitics change cause the rise of material and transportation cost. Build up digital marketing and management capability is needed. Please refer to <a href="#">5.6 Customer Satisfaction</a>

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

## Sustainable Profits KPI and training

### KPI items

- Development of potential talents; ratio of female supervisors and employees
- Execution rate of supervisor rotation
- On-site equipment automation and smart production scheduling system
- Product order fill rate
- Additional transportation fees and fines due to any delays
- Hedging results of bulk raw materials

### Education and training

Mid-level executive training - A total of 40 courses totaling 165 hours, including Management and Leadership, Presentation and Logic Training, Basic Introduction to Motors, Vehicle Motor Control Structure, Development of Smart Car, Introduction to Products and Sales Tools, Big Data Supply Chain: New Mode of Smart Logistics, AI and Operation Optimization, Big Data-based Membership Marketing, etc.



## 2.4 Impact Management and Sustainability Goals



## Sustainable Existence

Material issues	Impact	Mitigation	2021 Overall performance
<b>Product Full Lifecycle Management</b>	Risks of products failing to satisfy the carbon reduction requirements or losing market access	Development of product decarbonization strategies; carbon reduction measures for the materials and manufacturing stage	<ul style="list-style-type: none"> <li>● Lightweight motors: The design of rolled steel frame motors is optimized, decreasing weight by 8~23%.</li> <li>● Recycled materials: Silicon steel scrap is melted and reused in the motor housing. The recycled iron ratio has reached 75%.</li> <li>● Introduction of water-based paint: Water-based paint accounts for 80~85% of the total output volume.</li> <li>● Eco-friendly refrigerants: The use of R32 in TECO's home appliance air conditioners has reached 67%.</li> </ul>
<b>Climate Change Risk and Opportunity Identification</b>	Necessity of keeping up with the international changes related to emission reduction to seize the ESG investment opportunities	Launch of the plan of "emission reduction by 50% within 10 years" and reach the goal by 2030	The overseas plants are further included in the scope of implementation so that every base of the Group simultaneously works hard for emission reduction. The expanded scope covers the energy saving and emission reduction actions of each production base, establishment of solar power facilities overseas, and the casting plant upgrade project which is still at the planning stage. We are committed to achieve "carbon neutrality" of the entire Group by 2050.
<b>Identification of Future Cost</b>	Getting or losing the advantage of government subsidies; higher costs due to carbon fee and carbon tax	Key product carbon footprint inspection; establishment of the carbon specifications of products and the sustainability management targets for key suppliers	Carbon footprint inspection: 13 products have been inspected, accounting for 27.4% of all the sale models in 2021.

### 2022 Key Communication Points

- **#Product decarbonization**: Not only increase efficiency, but carbon content must also be lower in product itself.
- **#50% emission reduction in next decade**: Carbon neutral in 2050 is a common goal for human being. More important is what we do before 2030
- **# Carbon Footprint Inventory**: Carbon footprint data from each one of the products will be needed in import and export process. How are we being capable to provide such high number of data?
- **# Carbon specification making**: Like nutrition labels on food products, will it be needed to label carbon as well?



# Sustainable Operations

Material issues	Impact	Mitigation	2021 Overall performance
<b>Renewable Energy and Green Power Generation</b>	Power supply shortage or outage; Energy transformation in each country; repeated power rationing and power outages	Successive installation and deployment of sufficient solar generation capacities in each plant one step ahead of legal requirements	The power allocation for large power users in Taiwan has been completed. TECO has set up solar and renewable energy power facilities in the Chungli Plant and received the issuance permission of renewable energy certificates, satisfying the power generation capacity of 10% in the Large Power User Terms and Contract in Taiwan early. For the plants in China and Southeast Asia, the five main establishment plans of solar power facilities have been launched.
<b>Supply Chain Resilience</b>	Political impacts on the regulations regarding market access and embargo, etc.	Establishment of four major production centers and elimination of negative impacts caused by climate and political changes	The proportion of highly efficient manufacturing in Vietnam has been increased, building of plants and supply chains in India has been stepped up, and the distribution of supply chains in Taiwan and China has been reshuffled.
<b>Code of Conduct and Legal Compliance</b>	More B2B unethical conduct and bribery resulting from the unsteady political and economic situation	Transformation of every employee worldwide into a law-abiding, good citizen	Concrete measures tailored to business divisions in line with the core values of the Company have been developed, and regular education on legal concepts and cases in conformity with the latest trends has been provided by the Legal Compliance Office.
<b>Employee Life and Occupational Safety</b>	Suspension of operations due to the pandemic, or loss of labor after the pandemic	Alignment between the departments regarding human resources and occupational health and safety through the headquarters' planning to keep track of the information about employees in a timely manner	The Company's internal pandemic information is announced every day. As the employees have been aware of the protection measures, the operation of all the production bases has been normal.

## 2022 Key Communication Points

- **#Solar power installation:** China and southeastern countries expect renewable energy as well. How are we going to fulfill this need?
- **#Supply chain configurations:** Geopolitical affects every business. We need to build short supply chains.
- **#Internalizing new norms:** ESG requirement increases year by year. We need to let every employee to catch up.
- **#Transparent internal epidemic:** The best way to reduce worry among employee is to transparent bad news.



## Sustainable Profits

Material issues	Impact	Mitigation	2021 Overall performance
<b>Corporate Governance</b>	Insufficient proportion of managers of new generation for diversity	Establishment of “ESG Promotion Office” and society of female employees	<ul style="list-style-type: none"> <li>TECO has been included in DJSI for two consecutive years.</li> <li>The MSCI rating for the Company has improved from BB to A.</li> <li>The CDP rating has improved from C to B.</li> </ul>
<b>Smart Product and Innovation Management</b>	<ul style="list-style-type: none"> <li>Changes in the demand for clean technology in the market</li> <li>Market shares of new technologies and new products</li> <li>Economic uncertainty in the petrochemical industry</li> </ul>	<ul style="list-style-type: none"> <li>Development of low-carbon products and installation of renewable energy facilities</li> <li>Development and introduction of petrochemical electrification solution for the US and Canada to help the customers reduce emission in their operations</li> </ul>	<ul style="list-style-type: none"> <li>Electric vehicle power: The large automated transport vehicle power system for ports, T Power+, has been developed.</li> <li>Offshore wind power construction: We were responsible for the turnkey project of onshore step-down substation accumulating to around 2GW. The substation accounts for 35% of the offshore wind farm, rendering us the manufacturer with the highest proportion in Taiwan.</li> <li>Smart low-carbon factory: We assist the customers in replacing the auxiliary equipment of factories (i.e. systems related to ventilation, air conditioning, water supply, air compression, etc.) with high-efficiency motors with inverters, together with the power consumption monitoring visualization system.</li> </ul>
<b>Customer Relationship Management</b>	Unstable logistics capabilities leading to postponement of delivery all over the world; increase in the price of materials due to the political influence and pandemic	<ul style="list-style-type: none"> <li>Continuous optimization of digital marketing services</li> <li>Enhancement of logistic service</li> </ul>	<ul style="list-style-type: none"> <li>By adjusting internal organization and personnel, the overseas brand promotion and product marketing activities (including optimization of websites, integration of catalogs, regular release of videos, and online exhibition) have been enhanced and our capabilities of digital marketing services have been improved.</li> <li>The time of global transport (including incoming and shipment of products) is prolonged due to the pandemic, resulting in delayed delivery and higher uncertainty. Thus, we improve the process and optimize schedule management to increase the overall delivery achievement rate.</li> </ul>

### 2022 Key Communication Points

- **#Encourage diversity**: Encourage voices from all groups and let diversity helps to growth.
- **#Clean technology opportunities**: The demand surge from public sector. How we achieve market leadership.
- **#Smart low-carbon factory solution**: The motor consumes 37% of the electricity. How do we help customers reduce carbon emissions in their operations
- **#Digital marketing and logistics**: How do we maintain customer satisfaction in post epidemic market?
- **#Hedging of bulk materials**: Tack performance and setup KPI in key processes.

Among the 17 sustainability goals of UN, TECO has focused on 8 of them as the key points for performing the corporate social responsibility.



### Talent Cultivation

In 2021, the key talents accounted for around 2.6% of the Company's workforce. 67% of this talent pool has been promoted within the last two years. 1,376 individuals have been promoted or transferred internally.

### Education in Remote Areas and for Disadvantaged Groups

In 2021, the project reached 224 schools in 11 counties and cities in Taiwan; 10,981 students and more than 1,000 teachers benefited from it.



### Indigenous Sustainable Education Plan

Popularization of indigenous folk songs, music, and dance rituals: A total of 172 instructors passed on indigenous culture and rituals to 1,754 participants; the performances totaled 9,438 hours and were viewed by 30,000 people.

### E-vehicle powertrain system

The large automated transport vehicle power system for port containers, T Power+, has been developed.



### Renewable energy installations

TECO installs solar power plants on the rooftops of its plants. The annual power generation reaches 8.81 million kWh. Dynamometer is an equipment for testing a motor's torque and power, and it also produces power regeneration during the testing process. The power regeneration amounts to 440 thousand kWh.



### Use of recyclable materials in motors

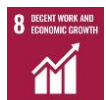
Silicon steel scrap is melted and reused in the motor housing. The recycled iron ratio has reached 75%.

### Water-Based Paint Introduction

Water-based paint accounts for 80% of the total output volume, which has generated emission reductions of 58.3%.

### Substitution of eco-friendly refrigerants

Promotion of R32 refrigerants and recycling of process refrigerants (usage ratio of 67%)



### Manufacturing center deployment and automation

To cope with regional market growth and demands for decentralized production capacities, the Company has established four main production centers (China, Taiwan, Vietnam, India).

### Supply Chain Resilience

"Supplier Letter of Commitment to Human Rights and Sustainability" signing rate of 99%



### Energy Conservation and Emission Reduction

In 2021, TECO has completed the missions of the first stage of "emission reduction by 20% within 10 years" early, including the carbon footprint inspection of representative products, installation of solar power facilities on the rooftops of the Chungli Plant, and acquisition of the issuance permission of self-use renewable energy certificates. This year, the Company has announced the goal of "emission reduction by 50% within 10 years" by the end of 2030



### Offshore wind power construction

We were responsible for the turnkey project of onshore step-down substation accumulating to around 2GW. The substation accounts for 35% of the offshore wind farm, rendering us the manufacturer with the highest proportion in Taiwan.

### High-efficiency motors

Substitution of high-efficiency motors (IE3) for traditional motors (IE1) results in annual CO<sub>2</sub> emission reductions of 9,104 kg, which is equivalent to the carbon absorption of 700 trees. During their 15-year life cycles, these motors therefore generate a carbon absorption amount equivalent to that of 10,000 trees.



### Marine life restoration

TECO has subsidized the Marine Life Restoration Program and developed an AI-based cetacean identification system to identify a total of 45 Risso's dolphins. We investigate the ecology of the cetaceans, and move towards the vision of marine carbon fixation through an increase of the number of large-sized cetaceans.

### Ship electrification

With a view to shielding marine environments from oil contamination, TECO provides main propulsion motors, side-thrust motors, generators, and auxiliary motors for ships. It was once applied to Taiwan's RV Ocean Researcher 5 propulsion system, Norwegian large-size ocean research ship, and the US army's aircraft carriers and destroyers.

## 2.5 Approach to Stakeholder Communication

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

	Issue of concern	Communication channel	Communication results
Shareholders	<ul style="list-style-type: none"> <li>Business development and operation</li> <li>Financial transparency</li> <li>Risk management</li> <li>Corporate governance</li> <li>Environmental protection</li> </ul>	<ul style="list-style-type: none"> <li>Market Observation Post System (MOPS)</li> <li>Shareholders' Meetings – Convened at least once a year</li> <li>Participation in domestic and international investment forum</li> <li>Visits by corporate investors</li> <li>Exclusive mailbox for investor relations/stock affairs – Dedicated personnel replying immediately</li> </ul>	<ul style="list-style-type: none"> <li>Nominated as "Dow Jones Sustainability Index" and "FTSE4Good TIP Taiwan ESG Index"</li> <li>In the Corporate Governance Evaluation held by TWSE in 2021, TECO earned excellent scores on all indicators and was ranked among the Top 5 % of all evaluated enterprises for 7 consecutive years.</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Business development and operation</li> <li>Labor Relations</li> <li>Employees' rights and interests</li> <li>Training and career development</li> <li>Occupational environment</li> <li>Expression of employees' opinions and communication</li> </ul>	<ul style="list-style-type: none"> <li>Labor-management meeting – Once per quarter</li> <li>Employee meeting – Once per quarter</li> <li>Discussions with top executives – Semi-annually</li> <li>Occupational Health and Safety Committee meeting – Once per quarter</li> <li>Employee Welfare Committee</li> <li>Top-Notch Bi-monthly – One issue every two months</li> <li>Employee satisfaction survey – Once per year</li> <li>Propose the motion for improvement</li> </ul>	<ul style="list-style-type: none"> <li>Labor-management conferences: 16 meetings at four plants in total in 2021</li> <li>Trade Union workshop</li> <li>Food meeting: 16 meetings at four plants in total in 2021</li> <li>Employee quarterly meeting 4 meetings in 2021 in total, provided equal opportunities to employees from all plants through communication and software tools.</li> <li>Employee satisfaction survey: Knew the opinions of employees and executives through the survey.</li> <li>Unlawful infringement/Complaint: 1 case.</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Labeling for products and services</li> <li>Customers' health and safety</li> <li>Product quality</li> <li>Marketing communication</li> <li>Survey of customers' satisfaction</li> <li>Green products</li> </ul>	<ul style="list-style-type: none"> <li>Customer service hotline-whenver it is necessary</li> <li>Discussions with dealers – 1~4 times per year, non-scheduled dealer visits</li> <li>After-sale service tracking – Follow-up phone interviews every time a service is provided</li> <li>Official website and media – Updated, if necessary</li> <li>Satisfaction questionnaire surveys – 1~4 times per year</li> </ul>	<ul style="list-style-type: none"> <li>Conduct customer satisfaction survey.</li> <li>Regularly perform external audit (Nov-Dec2021)</li> <li>Continuously promote the quality improvement teams (29 teams) and improvement proposals (e.g. 642 cases).</li> <li>Organize internal auditor training (as of May 2021, 44 trainees, 14 hours/person); five major tools training for quality management.</li> <li>Annual management review meeting (Oct 2021-Jan 2022), monthly quality meeting, monitoring the quality risk management of stakeholders on both internal and external issues.</li> <li>Five press conferences.</li> <li>Attended 4 Exhibitions</li> <li>34 news papers on the official website</li> <li>83 tweeters; 43 Youtube videos.</li> <li>65th anniversary of digital exhibition.</li> </ul>



	Issue of concern	Communication channel	Communication results
Supplier	<ul style="list-style-type: none"> <li>Green supply chain management</li> <li>Human right evaluation for suppliers</li> <li>Operational performance</li> <li>Order management</li> <li>Quality management</li> <li>Technology used in production</li> </ul>	<ul style="list-style-type: none"> <li>Supplier evaluations – 70 suppliers to be evaluated per year</li> <li>Supplier performance appraisals – Once per quarter</li> <li>Supplier guidance – whenever it is necessary</li> </ul>	<ul style="list-style-type: none"> <li>The Company conducts risk assessment and on-site evaluation on key suppliers.</li> <li>305 suppliers have signed the CSR commitments in total, 100% major suppliers have signed.</li> </ul>
Local communities	<ul style="list-style-type: none"> <li>Occupational safety and health</li> <li>Environmental management</li> <li>Social participation</li> <li>Voluntary services for social benefit</li> </ul>	<ul style="list-style-type: none"> <li>Industrial zone service center – Non-scheduled</li> <li>Industrial zone joint defense – Once per quarter</li> <li>Mailbox on the Company website – Non-scheduled</li> </ul>	<ul style="list-style-type: none"> <li>No air pollution or waste management violations that affected the communities.</li> <li>Participated in the regional joint-defense and increased inter-company disaster prevention meetings</li> <li>Educational courses for energy conservation were offered to the communities and local schools.</li> <li>373 employees participated in public activities with 495 voluntary hours.</li> </ul>
Civil Organization and NGO	<ul style="list-style-type: none"> <li>Environmental protection</li> <li>Social benefit</li> <li>Labor conditions</li> </ul>	<ul style="list-style-type: none"> <li>Disclosure of non-financial information – Issue the ESG 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).</li> <li>GHG audit passed BSI (British Standards Institution) ISO 14064-1 (GHG audit) certification and earned a "reasonable level" certificate each year.</li> </ul>	<ul style="list-style-type: none"> <li>Active participation in external organizations and forums to support goals of sustainable development and government policies.</li> <li>In December 2021, purchased 338 boxes of pineapple shakya and sent to 44 social and welfare groups.</li> <li>Greenhouse gas inventory---the company passes BSI (British Standards Institution) ISO 14064-1 verification.</li> </ul>
Government agencies	<ul style="list-style-type: none"> <li>Regulatory compliance</li> <li>Occupational safety and health</li> <li>Reduction in greenhouse gas emission</li> <li>Environmental protection</li> <li>Energy management</li> </ul>	<ul style="list-style-type: none"> <li>Participation in forums, public legal hearings, and document correspondence organized by competent authorities – Non-scheduled</li> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>4 promotional activities</li> <li>Pursuant to OHSAS (Occupational Health and Safety assessment Series) 18001 and CNS 15506 under Taiwan Occupational Safety &amp; Health Management System</li> </ul>

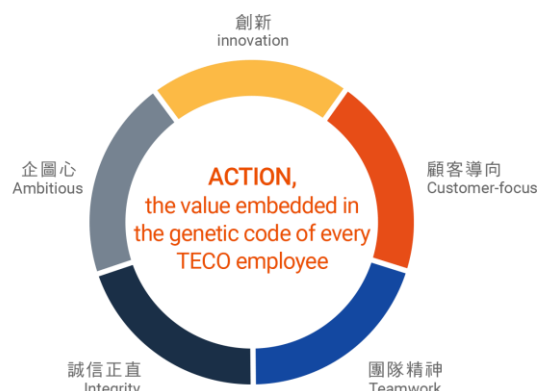
# Economy and Governance



## 3.1 Strategy and Action Program

**Action** is one of TECO's core values

With regard to business opportunities of various product lines and target markets, TECO adopts development plans and actions based on the five key principles of ambition, innovation, customer orientation, team spirit, and integrity.



Regarding the global economy, the impacts of Omicron virus and inflation seem to remain. The Directorate-General of Budget, Accounting, and Statistics projects a national economic growth rate of 4.42%, with the growth momentum likely to continue being better than that of most economies. The main operation strategies and growth plans are described below:

For the electromechanical system and automation business, the demand of North America market has grown strong this year because of the rising oil price. The great pressure of “carbon neutrality” has also stimulated the electrification of shale oil production and transportation equipment and waste heat recovery in the US, which is going to promote the growth of inverter and energy conservation solutions. Moreover, the Company provides carbon neutral solutions such as high-efficiency motor drive system, power generation from waste heat recovery and inspection-free equipment for the industries with processes of high power consumption, including electronics, petrochemical, steel, paper, etc., to expand the direct sales. For the smart energy business group, a significant growth of IDC engineering business in both the domestic and foreign markets is expected due to the popularization of 5G/big data/cloud services and the outstanding technology of TECO. The orders of relevant projects in 2021 totaled more than NT\$ 3 billion; the target revenue in 2022 has increased by 30%. As for the renewable energy creation and storage business, thanks to the renewable energy policy in Taiwan, it is expected that the renewable energy will make up 20% of the power generation in 2025, which implies TECO's promising growth. For the air conditioner and smart life business group, the provision of full-area smart air conditioner and energy management continues to be the focus to contribute to a new life of ESG carbon neutrality. In addition, we also create business opportunities through innovations. Examples include launching smart refrigerator for delivery services by combining the Group's resources and IoT technology to meet the last bit of demand for refrigeration, and accelerating the promotion of energy-saving air conditioning solution in the new business mode of renting instead of buying.

Apart from the existing businesses, the Company's strategic development will continue to be focused on electric vehicle power system, business opportunities of renewable energy, and enhancement of digital/smart production to escalate the management capabilities. In terms of the EV power system, we will keep expanding the OEM business opportunities, with a target growth of more than 60%. With the policy of 10-year subsidy of NT\$ 90 billion for the domestic production of e-bus, TECO endeavors to compete for a market share of domestic e-bus power system of more than 80%. Also, the EV motor production lines in India have been established, which can promote the orders and production due to the proximity. In response to the grid stability issue caused by renewable energy, it is expected that the global energy storage market will grow to around

70GWh in 2025 with a CAGR of 45%, and that from 2025, there will be an annual energy storage demand of 1GW in Taiwan. The Company has aggressively fought for Taipower's energy storage demonstration project so as to make the best deployment for the upcoming business opportunities of solar power and energy storage integration. As for the digital transformation, TECO has entered the "digital optimization" stage. The BI system, behavior and performance management platform, AI-based process/product inspection system, AI order prediction system, smart supply chain management platform, etc. will be implemented consecutively, and the smart production lines will be expanded as well, strengthening the global supply chain of TECO!

The main operation strategies and growth plans are described below:

<b>Development of smart automation</b>	<p>TECO endeavors to enhance the R&amp;D capabilities, and seeks strategic alliances &amp; cooperation and mergers &amp; acquisitions in the field of "powertrain" and "energy", including the deployment of vehicle powertrain system, solar power station, onshore substations for offshore wind farms, energy storage systems, and digital and smart automation systems, with the ultimate goal of increasing its revenues and profitability.</p>
<b>Manufacturing center deployment</b>	<p>To cope with the global regional market growth and production capacity distribution needs, the Company has integrated the existing low-voltage motor production line and supply chain management resources in order to construct four main production centers (China, Taiwan, Vietnam, India). Meanwhile, the smart production environment has been introduced.</p>
<b>Development of the culture of sustainability</b>	<p>In 2021, TECO has completed the missions of the first stage of "emission reduction by 20% within 10 years" early, including the carbon footprint inspection of representative products, installation of solar power facilities on the rooftops of the Chungli Plant, and acquisition of the issuance permission of self-use renewable energy certificates. In 2021, the Company has announced the goal of "emission reduction by 50% within 10 years" by the end of 2030 with the overseas plants also covered in the scope of implementation, thereby moving towards carbon neutrality. The "Sustainability KPI" has been fully implemented to thoroughly integrate the concept of sustainable operations into the daily tasks of every department and employee.</p>

In order to encourage employees achieving group goals and improve performance, TECO establishes a compensation and long-term reward mechanism for managers and linked the variable compensation with major themes of the year through Key Performance Indicators (KPIs) . From top to bottom to promote all business units to move towards the annual strategic growth goals.

<p><b>Senior Managerial Officer Remuneration</b></p>	<p>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.</p> <p>60% of KPIs are linked to financial indicators (such as revenue, operating profit, current profit and loss, total asset turnover, ROA, ROIC, etc.); 40% are in-depth management and strategic foresight related to short, medium and long-term planning and implementation.</p>
<p><b>Long-Term Performance Reward Mechanism</b></p>	<p>Since 2020, the company has established the “TECO Solidarity Shareholder Meeting”. The compensation paid to company’s manager level and above will be partly given in the form of shareholding trust, so that they can subscribe for shares at the company’s subsidy and preferential prices. The shares are non-transferable for a period of three years. This new system would strengthen the link between the company’s executive rewards and the company’s overall operating performance, improve the staff’s centripetal force and sense of identity, and share the company’s operating results to employees.</p>





## **3.2 Risk Management Mechanism**

### **Governance Organization**

#### **Board of Directors**

The TECO board of directors is the highest executive organ of TECO and is authorized to appoint and nominate top managers. It is also in charge of formulation of CSR, corporate citizen, and sustainable development strategies. The three functional committees, namely Audit Committee, Remuneration Committee and Corporate Governance and Sustainability Committee, were established by the Board of Directors to assist the Board in performing its duties. The organizational charters of all committees which are required to report are subject to approval by the board.

	Number
Executing director	1
Independent Director	4
Director	6
Total	11

- In 2021, the board was re-elected with 11 directors (including 4 independent directors). The ratio of independent directors was increased to 36.36%. The average term is 4.73 years. Board meeting attendance rate is 99.41% (target rate is 80%).
- 2 female directors, accounting for 18%, and 100% of directors are over 50 years old. For details please refer to TECO 2021 Annual Report or [www.teco.com.tw](http://www.teco.com.tw)

TECO is firmly committed to the establishment of a sound risk management mechanism. The Auditing Committee and Corporate Governance and Sustainability Committee are separately responsible for the management of various risks. Risk control is implemented at different levels through a clear and professional division of duties. The Company relies on a dedicated Internal Audit Division which is directly subordinate to the board of directors for the monitoring and auditing of risk management mechanism. Internal audit operations ensure the effectiveness of risk control and adequate management of potential risks. We list risk management assessment indicators as key items for internal evaluations. Top management personnel are required to report risk management indicator assessment results in meetings of the committee. Sustainability KPI related performance appraisals have a direct impact on their variable compensation portion. Rank-and-file staff are required to list sustainability KPI into their performance evaluation items up to 15% and required to comply with regulations governing risk management and occupational safety. Violations of these regulations affect their performance appraisal scores and may result in penalties based on the severity of the offense.

## Audit Committee

The independent directors of the board serve as the members of the committee which is responsible for the management of financial and internal control risks. Independent director Wei-Chi Liu served as the convener for this term.

## Corporate Governance and Sustainability Committee

Said committee consists of three directors or more, a majority of whom shall be independent directors. It is responsible for the management of sustainability, legal compliance, and information security risks. Standing independent director Li-Chen Lin serves as the convener for this term.

## Internal Audit Division

This task force 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 task force formulates annual audit plans in accordance with the five main components of COSO internal control based on past audit experiences, the budget draft for the following year, and the current organizational framework. The level of control of external environmental risks by the management level, control of operational risks by business divisions, and the effectiveness of internal control system design and operations is reviewed based on these plans. The task force delivers auditing reports upon completion of auditing operations and regularly reports to the Board and the "Audit Committee". Lead by Ruth Chang.

- 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.

## ESG Office

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

- For the climate related risks and opportunities, after information provided by all members is collected by the "ESG office," it is summarized, reported, and recommended to the management level and board of directors.

## Risk Management Culture

The sources of risk can be summarized as follows: (1) internal control risk, (2) financial risk, (3) strategic and operational risk, (4) legal compliance risk, (5) information security risk, (6) sustainability risk, and (7) quality risk. The various risk management methods are as follows:

Risk type	Management unit	Participating culture	Education and training	Control measures
<b>Internal Control Risk</b>	Audit team under the board of directors	The audit team continuously conducts auditing on each unit according to the annual plan; employees can point out potential risks during the process and report to the audit team.	Seven sessions of “Awareness of Basic Management Level and Management” for 15 hours.	The audit team conducts auditing according to the annual plan, and regularly reports to the board meeting.
<b>Financial risks</b>	Finance and Management Center	Internal assessment reports are regularly filed for the positions of items to be hedged, such as interest rates, exchange rates, credit, net assets (liabilities), etc., and employees can put forward risks that affect financial performance during the KPI assessment process.	Five sessions of “Intermediate Management Training - Financial Statement Reading, Analysis and Cost Concept” for 15 hours.	The financial unit and management provide reports, and major decisions are submitted to the Audit Committee and the board meeting for decision.
<b>Strategy and Operation Risks</b>	Business Performance Improvement Office	Annual KPI item tracking and correction guidelines are conducted on a quarterly basis; employees can put forward the rationales and discuss with their supervisors during the KPI item formulation process.	22 sessions of “New Supervisor Training” and “Digital Transformation Cultivation” for 102 hours.	The Company conducts KPI evaluation on a quarterly basis, and uses the evaluation results to link salary payments.
<b>Legal compliance risks</b>	Legal Compliance and Legal Affairs Office Under the Board of Directors	An e-newsletter is published to keep employees informed of the latest regulations that have been formulated or revised as well as practical cases; employees can review various legal compliance assessment items when signing various contracts and make suggestions.	Five sessions of “Intellectual Property Commercialization and Emerging Application Models” for 13 hours.	The Legal Compliance and Legal Affairs Office functions according to the annual plan, and regularly reports to the Corporate Governance and Sustainability Committee under the board of directors.

<b>Risk type</b>	<b>Management unit</b>	<b>Participating culture</b>	<b>Education and training</b>	<b>Control measures</b>
<b>Internal Control Risk</b>	Audit team under the board of directors	The audit team continuously conducts auditing on each unit according to the annual plan; employees can point out potential risks during the process and report to the audit team.	Seven sessions of “Awareness of Basic Management Level and Management” for 15 hours.	The audit team conducts auditing according to the annual plan, and regularly reports to the board meeting.
<b>Information security risks</b>	BI Intelligence Team	Disaster recovery drills are conducted to ensure that operations are not interrupted; employees can alert the information security unit and call for repairs when the system is abnormal.	Five sessions of “Introduction to ISO27001 Structure and Specification” for 15 hours.	The BI intelligent team monitors the security of the Company’s IT environment, and immediately handles major incidents and informs the top-level supervisors.
<b>Sustainability Risk</b>	ESG Office	Participating in materiality analysis questionnaires and responding to various ESG assessment tasks; employees can turn to ESG specialists for help when customers put forward new demands, and grasp market trends in advance.	10 sessions of “Sustainable Development and Low-Carbon Community” and “EU Green Policy” for 29 hours.	The ESG Promotion Office proactively discovers or receives new customer needs, formulates policies and reports to the Chairman regularly.
<b>Quality risks</b>	Quality task force	Introducing quality control circle and quality improvement projects, and publicly praising outstanding employees; employees can put forward improvement suggestions and avoid quality risks in the process.	10 sessions of “Education and Training Course for Internal Auditors of Automotive Quality Management System” and “Practical Application of Five Core Tools” for 71 hours.	The quality control team functions according to the annual plan, assists each factory to conduct internal and external audits and tracks improvement measures, and regularly reports to the President.

Each business unit should clearly identify the major risks faced by its business, carry out risk planning in response to variables such as internal and external environment and legal adjustments, perform necessary risk assessment and management operations, and regularly summarize and update risk management conditions. Formulating, execute and track the risk management business under their responsibility, evaluating the Company’s relevant risk-taking ability and the current status of the risks that have been taken, and proposing risk response measures. Each risk management unit of the Company shall regularly submit a risk management report to the responsible supervisor; the audit team supervises and controls the overall internal control risk, and regularly reports to the Audit Committee and the board meeting respectively to reflect the risk management implementation status and make necessary improvement suggestions.

### **3.3 Information Security Management**

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



In December 2021, an information security incident of computer virus attack took place. The Company has announced the material information as per the competent authority's regulations, and recovered the main system by the end of 2021. The loss is estimated to be around NT\$ 3 million. For the future deployment of information security safeguard system, we will reinforce the endpoint detection and response, abnormal network traffic monitoring, intrusion detection and prevention, complete system backup, information security monitoring platform, etc., increasing the depth of protection in the aspects of management and technology to minimize the information security risks.

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**Organization**

The top management unit for information security management in TECO is the Corporate Governance and Sustainability Committee, and one of the directors in the Board, Li-Chong Huang, has great expertise in information security. The unit responsible for the information security management is the Business Intelligence Task Force of the Business Performance Promotion Office, with Special Assistant Vincent Hu as the responsible person (who is also the executive secretary of the Information Security Committee and has the ISO27701 and IEC62443-2-1 lead auditor certifications).

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**System**

To strengthen the information security management, ensure the confidentiality and integrity of information, and guarantee the reliability and availability of information equipment and network systems, TECO has established the “information security policy” for information security risk management so that the Company’s information operation reaches the international information security standards. In addition, we plan for the relevant management and reporting policies, include information security in the performance evaluation, and provide information security training on an annual basis.

We implemented an information security project in 2021 and hired consultants to provide educational training for project member:

- 05.04.2021 ISO27001 Overview-3h
- 05.13.2021 ISMS Installation Overview-3h
- 05.18.2021 Identification and Assessment if Information Products-3h
- 06.15.2021 Risk Assessment-3h
- 08.19.2021 Information Dissemination Training-2h
- 09.01.2021 Training on Internal Information Security Audit-3h
- 09.01.2021 Advanced Information Security in Business Operation
- 09.08.2021 Information Security in Business Operation
- 11.14.2021 Information Security in Production and Products

2021 Internal Information Security Dissemination

- 03.31.2021 Reiteration of Lawful Use of Information Software
  - 05.17.2021 Information and Network Risk to be Noted during Working from Home
  - 06.06.2021 Information Software - Dissemination on Lawful Use of intellectual property rights
- 

**Actions**

With a view to maintaining the stability and security of IT systems, ITTS (Information Technology Total Services Co., Ltd.) was commissioned to launch an ISO system and conduct external penetration testing and vulnerability scanning on an annual basis coupled with internally organized annual business continuity planning; as our partners suggest, TECO plans at least one business continuity test every year. TECO started the implementation of ISO 27001 in 2021 to ensure and improve the information security management of the Company.

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### 3.4 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

Zero [political contributions](#) in 2021.

#### Document signing

1. Employee: All new employees are required to sign the Integrity Statement at the time of registration, and all the incumbent employees are required to sign the Integrity Statement at the end of the same year.
2. Contractors/suppliers/service providers: All 34 types of standard contracts, including distribution contracts and procurement contracts, contain human rights and environmental sustainability commitments, which are signed together at the time of contract signing.
3. Subsidiaries: All of them have signed the “TECO Electric & Machinery Co., Ltd. Related (Affiliated) Enterprise Ethical Management Commitment”.

4. Joint ventures (including companies with an investment ratio/contribution amount of more than 10%): A total of 73 related companies around the world have completed the signing of the “TECO Electric & Machinery Co., Ltd. Related (Affiliated) Enterprise Ethical Management Commitment”.

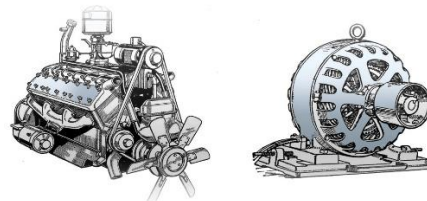
### **Education and training:**

1. Employees: All incumbent employees have completed the signing of the integrity statement. So far, the online test of integrity management for new employees has been conducted on a quarterly basis every year, integrity management courses have been comprehensively launched, and quarterly meetings have been held to promote integrity management.
2. Subsidiaries and joint ventures (including companies with an investment ratio/contribution amount of more than 10%): All related companies are invited to send staff to participate in legal compliance meetings, overseas company meetings and CFO meetings to promote ethical management.
3. In the quarterly meeting held by the company in Q2 2021, the Company conducted “Company Code of Conduct Publicity” with a total of 152 participants, and publicly reported the Company’s relevant norms through the quarterly meeting and repeatedly remind senior managers and general employees to pay attention to these details in their daily operations.



### 3.5 R&D and innovation

The industrial revolution provided humanity with two sources of mechanical power, namely engines and motors. Engines that utilize fossil fuels to convert chemical energy into kinetic energy will gradually be replaced by motors to realize the goal of emission reduction. Motors rely on electricity to convert electrical energy into kinetic energy and thereby supplies a sustainable power source for humanity.



The International Energy Agency (IEA) points out in an analysis that industrial equipment with motors as their core driving force are the main consumers of electricity. Universally used equipment such as machine tools, pumps, compressors, and fans account for 50% of global electricity consumption. The secondary sector constitutes 53% of the power consumption in Taiwan. 70% of this power is consumed by motors. The design of energy-efficient motors is therefore an effective way to achieve the goal of carbon reduction.

TECO takes “Energy Conservation, Emission Reduction, Intelligence, Automation” as the core values of our product policies and introduces innovations and new actions in the products and production processes.

<b>Electromechanical System and Automation Business Group</b>	We plan to develop following products: MW high speed inverter motor, vertical circulating pump motor for power plants, LV/HV low speed direct drive permanent magnet motor, ultra-high efficiency IE5 synchronous reluctance motor, ultra-high efficiency IE5 permanent magnet motor, rail car traction motor, compact industrial converter, electric bus motor and drive power system. Development of energy saving systems and green technologies to catch up with the industrial trend: Development of ultra-low speed high-torque direct drive motor and drive technology, offshore wind turbine technology, insulation system of new generation, two-wheeler booster motor system.
<b>Air Conditioner and Smart Life Business Group</b>	To meet the demands of the consumers for clean air, we develop a series of smart high efficiency air conditioners with the temperature, humidity and cleanness as the indicators to create comfortable and anti-epidemic smart household air quality solutions by integrating a new concealed duct fan unit, total heat exchanger, dehumidifier, and fan heater in combination with a one-to-many energy saving air conditioner and an app-controlled mode.
<b>Smart Energy Business Group</b>	Integrate multiple industrial products and maximize the synergy of the Group. Engineering is developed in line with the flagship products of the group such as niche markets in the field of renewable energy, energy storage, and special cases. The Company has also made an ongoing commitment to the development of offshore wind power, microgrid, Internet data centers (IDC), intelligent buildings, solar PV and energy storage systems with the goal of deepening its foothold and expending its domestic and overseas markets. Anticipated future projects include data center expansion, self-installed data centers of large-scale enterprises, data centers of telecommunication companies, and overseas data centers. TECO has participated in the projects of onshore substations for offshore wind farms, solar power generation systems, and energy storage and microgrid systems. We will create more track records to expand the business in this area with the existing performance as the core.

## R&D Investment in thousand NT\$

	2018	2019	2020	2021
<b>TECO</b>	568,565	574,548	555,889	567,739
<b>Group consolidate</b>	1,120,748	1,179,300	1,027,177	1,112,911

## Definition of New Product

<b>New Product</b>	<b>Motor and Dive</b> Introduced within 3 years	<b>Home Appliance</b> Introduced within 2 years
<b>Sales from new products (%)</b>	3 %	5 %
<b>Sales from Significantly improved products (%)</b>	47 %	15%


TECO has integrated the strength of the R&D units that the Company established domestically and overseas and our market experiences in recent years. We have also enhanced our core business and invested in green industries proactively through industry-university-institute collaboration. We have launched a number of important R&D projects in the fields of PMSM, EV power components, robot arm drive motor, MV converter, sensor feedback free permanent magnet motor drive, precise servo motor, high speed spindle motor, IE5 synchronous reluctance motor and drive, advanced control algorithm, household and commercial air conditioner, and IoT applications.

To cope with the med-term and long-term R&D of new technologies and products and the short-term improvement of the cost-performance ratio, TECO's R&D team searches for external resources and increases the quantity of technology through consultation, collaboration and introduction of new technology.

Starting from the design of existing rotating electrical machines and generators, motor drive and design, power electronic control and design, gateway technology, and other core technologies, TECO integrates the emerging market demands, industrial specifications, new material applications, sensor application techniques, wireless network technologies, and green industrial techniques to develop overall R&D strategies and technology plans.

As for production technology, TECO integrates existing LV motor production lines and supply chain management resources to establish four major production centers (China, Taiwan, Vietnam, India). With the support of our own IIoT technology, we introduce critical process automation and a global war room system, such that the digital management method is adopted to perform the dispatch of all production center resources and supply chain completely and to perform real-time monitoring and improvement on the comprehensive efficiency of the equipment of each factory.

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 <b>IE1</b>		High Efficiency <b>IE3</b>
3,731	Emission from Production Stage <b>kgCO<sub>2</sub>e</b>	4,145
379,144	Emission from One-Year Usage <b>kgCO<sub>2</sub>e</b>	370,040 (+700 trees)
5,687,160	Emission from Lifecycle Usage <b>kgCO<sub>2</sub>e</b>	5,550,600 (+10 thousand trees)

- Based on IE3 AEHF150hp motor specifications
- 150HP or 115kW output is Equivalent power to drive a 4-wheeler passenger car

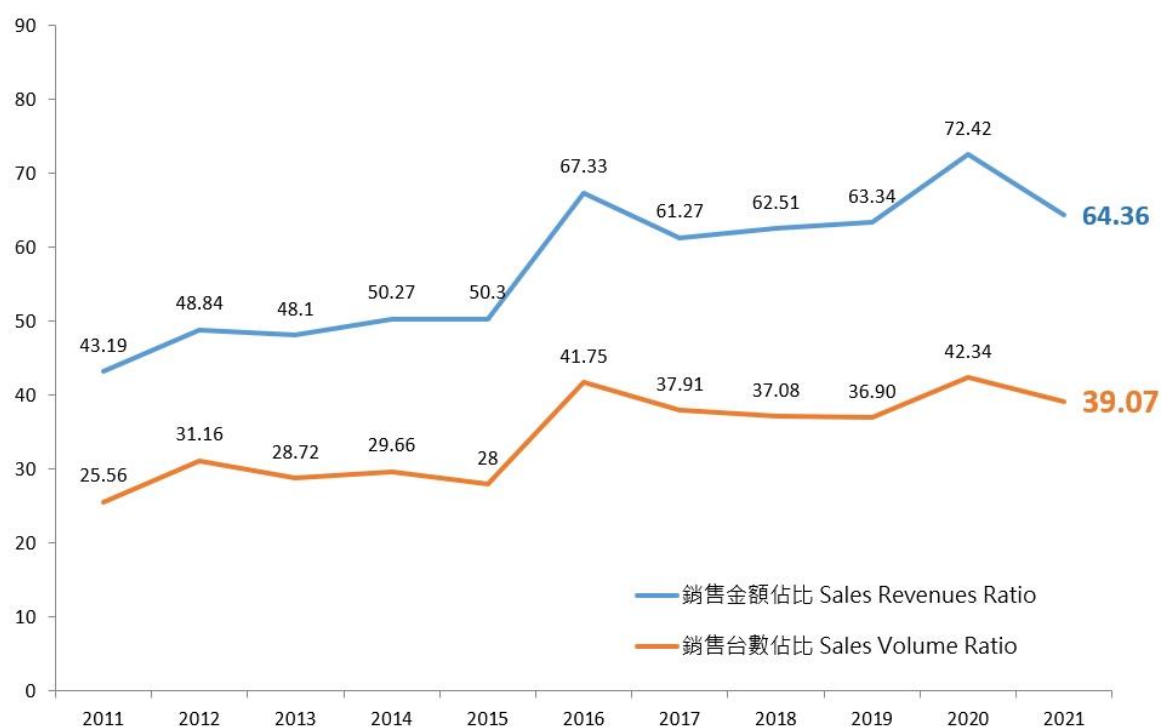
Calculated by operating 250 days per year, 20 hours per day, the high efficiency (IE3) motor can reduce emissions by 9,104 kg of CO<sub>2</sub> per year, which is equivalent to the carbon uptake of 700 trees. In the 15 years of the life cycle, it is equal to the carbon absorption of 10,000 trees.

What is the special threshold for manufacturing high efficiency (IE3) motors? The answer lies in the full-in rate of enameled 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 from motors

- Total power savings about **650,158,883** MWh
- Total emission reduction about **330,931** tonCO<sub>2</sub>e
- Sales record from IE3+IE4 motors with 2, 4, 6 and 8 poles.
- Calculations based on 5,000 operating hours per year, and sales record from IE3+IE4 level motor with 2, 4, 6 and 8 poles in year 2020
- Data calculated with above data and per public notice of the Bureau of Energy in 2020, the power emission coefficient is 0.502 (kgCO<sub>2</sub>e/kWh)



Sales percentage of high efficiency motors ( IE3 + IE4 )

In year 2021, the sales volume ratio for (IE3+IE4) is 39.07%, higher than world-wide average of 23%. TECO keeps upgrading motor efficiency for global clients.



## Energy-saving home appliances

We enter the market with IT and integration of the internal sources, including industrial drives, motor control, communication, and computing, and improve our technical capabilities in the products. TECO is not only a brand of home appliances, but also a home appliance technology and service provider. The provision of full-area smart air conditioner and energy management continues to be the focus to contribute to a new life of ESG carbon neutrality. In addition, we also create business opportunities through innovations. Examples include launching smart refrigerator for delivery services by combining the Group's resources and IoT technology to meet the last bit of demand for refrigeration, and accelerating the promotion of energy-saving air conditioning solution in the new business mode of renting instead of buying.



The image shows a screenshot of the TECO website's product page. At the top, there is a navigation bar with the TECO logo and various menu items in Chinese: 商用空調 (Commercial Air Conditioning), 家用空調 (Home Air Conditioning), 冰箱 (Refrigerator), 洗衣/乾衣機 (Washing/Drying Machine), 液晶顯示器 (LCD Monitor), 精緻廚電 (Refined Kitchen Appliances), 空氣與水 (Air and Water), 產品新知 (Product News), 服務資訊 (Service Information), 個人化空調 (Personalized Air Conditioning), 變頻空調介紹 (Variable Frequency Air Conditioning Introduction), and 選購空調試算 (Air Conditioning Selection Calculation). Below the navigation bar, the main content area features a large image of a modern kitchen with a white countertop, a sink, and a large refrigerator. The refrigerator is the central focus, with the text "TECO東元變頻冰箱" (TECO Easton Variable Frequency Refrigerator) overlaid on it. Below the refrigerator, there is a button that says "了解更多" (Learn More). At the bottom of the page, there are three promotional banners. The first banner on the left promotes the "ECO智慧溫控 節能再升級" (ECO Smart Temperature Control, Energy Saving Upgrade) and features the "TECO東元 iFans 14吋DC電扇" (TECO Easton iFans 14-inch DC Fan). The middle banner promotes the "TECO東元變頻冰箱" (TECO Easton Variable Frequency Refrigerator). The third banner on the right promotes the "GUI系列液晶顯示器" (GUI Series LCD Monitor) and describes it as "一場全新視覺革命" (A New Visual Revolution).

TECO東元變頻冰箱

TECO東元變頻冰箱

了解更多

ECO智慧溫控 節能再升級  
TECO東元 iFans 14吋DC電扇

TECO東元變頻冰箱  
TECO東元變頻冰箱

GUI系列液晶顯示器  
一場全新視覺革命

## Energy-efficient product emission reduction

Unit: Metric tons

Year	Home A/C	Refrigerator	Total
2018	10,520	2,327	12,847
2019	14,097	3,618	17,715
2020	18,284	4,259	22,543
2021	28,606	5,497	34,103

Emission reduction by **143,000 MWh** **72,838 Ton CO<sub>2</sub>e** cumulatively for 3 years

### Energy-saving

The sales of green energy-saving home appliances <sup>(Note)</sup> accounted for **62.9%** of the net sales attributed to Home Appliance Division in 2021.

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

- Home A/C and commercial A/C: Class-1 certification 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: Class-1 certification 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.

## 3.6 Sustainability Supply Chain

TECO's supply chain is mainly distributed in Taiwan and mainland China, and its products are mechanical and electrical and home appliances under the TECO brand. In 2021, TECO's total procurement amount was about NT\$ 8.9 billion in Taiwan and NT\$ 4.3 billion in China. Mass and commodities suppliers are defined as Critical supplier, Frequent trade suppliers from manufacture sites are defined as Tier 1 supplier. Critical supplier shares 20% of total supplier numbers, and Tier 1 shares 37%.

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

<b>Critical</b> Mass, Critical component and non-substitutable suppliers	<b>65</b> (Taiwan) <b>42</b> (China)	<b>Tier 1</b> Frequent trade suppliers	<b>200</b> (Both Taiwan and China)
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## 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." In 2022, the "Supplier Code of Conduct" was newly added, and suppliers will be required to comply with it when signing or changing contracts.



Download page of  
related document

## Supplier Management and Indicators

Supplier ESG Indicators		
<b>KPI #1</b>	<b>Greenhouse Gas Inventory</b> Listed supplier in Taiwan must conduct Greenhouse Gas Inventory Scope1 and Scope2 at least.	Target Rate:100% Target Year:2029
<b>KPI #2</b>	<b>No child labors</b> We support, follow, and comply with child labor laws across our operations and value chain.	Target Rate:100% Target Year:2023
<b>KPI #3</b>	<b>100% signing rate</b> 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. [All suppliers \(100%\) must be assessed once within three years.](#)

Definition of ESG high risk	
<b>Risk #1</b>	Wastes, water, gas emission and waste management process should comply with regulations.
<b>Risk #2</b>	Noise control and management should comply with regulations.
<b>Risk #3</b>	Are there any environmental protection related violation cases?
<b>Risk #4</b>	Are there any process to handle harmful materials (for example RoHS & REACH) and how to store and report the usage of chemical material?
<b>Risk #5</b>	Is supplier passes ISO14001 certification?
<b>Risk #6</b>	Was there any major occupational safety issues or cases?

## Supplier Audit Procedures

<b>Before trading</b>	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.
<b>Contract signing</b>	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%
<b>On-site audit</b>	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.
<b>During trading period</b>	Conduct performance appraisal on suppliers on a monthly basis and annual audit on risk identification to monitor the variance. For every tier one suppliers and key suppliers, we hold on-site audit once every three years

A two-stage evaluation is carried out for critical suppliers. The first stage is to identify whether the suppliers themselves have ESG system or ISO certification, according to the manufacturing or trading business type they belong to. If high-risk suppliers are identified in the first stage, TECO carried out the second stage. Suppliers will be evaluated on the TECO official supplier scoring scale, of which ESG accounts for 29.3% weights



## Supplier Evaluation Scoring Table

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





Evaluation	Criteria
<b>Qualify</b>	Quality Control $\geq 80$ and All other items $\geq 70$ and Critical items $\geq 80$
<b>Conditional Qualify</b>	Quality Control $\geq 70$ and All other items $\geq 60$ and Critical items $\geq 70$
<b>Disqualify</b>	Quality Control $< 70$ or Any item $< 60$ or Critical items $< 70$

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



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

ESG Goals		Management Strategy
<b>Labor Human Rights Social Responsibility</b>	Ensure that all suppliers treat employees in accordance with TECO's human rights expectations	<ol style="list-style-type: none"> <li>1. Suppliers that employ child labor (under 15 years old) will be listed as unqualified suppliers and terminate trading.</li> <li>2. Suppliers should have ISO45001</li> <li>3. List labor human rights as one of the assessment item.</li> <li>4. "Letter of Commitment to Human Rights and Environmental Sustainability" must be signed with procurement contract.</li> </ol>
<b>Environmental protection</b>	<ol style="list-style-type: none"> <li>1. Select environmental friendly suppliers</li> <li>2. Guide suppliers to improve energy saving and emission reduction</li> </ol>	<ol style="list-style-type: none"> <li>1. Suppliers should have ISO14001</li> <li>2. List environmental protection and emission status as the assessment items.</li> <li>3. "Letter of Commitment to Human Rights and Environmental Sustainability" must be signed with procurement contract.</li> </ol>

## 2021 Supplier Assessment Result

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

During the three-year period from 2019 to 2021, there were 136 suppliers evaluated based on TECO's official supplier rating scale, all critical suppliers were assessed.

## 2021 Supplier Risk Assessment Results

In 2021, one high-risk supplier who is a key material supplier was identified, accounting for 2.3% of all key suppliers. This supplier cannot provide corresponding ISO verification and necessary ESG disclosure content. In October 2021, the second-stage audit was arranged for this supplier based on TECO's official supplier rating scale, and after the evaluation, it was confirmed that the supplier has passed and registered as qualified.

## Non-use of conflict mineral commitment

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

**100%** procurement of  
non-conflict raw materials

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



# Environmental Actions



## **TECO's Environmental Protection Commitment:**

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

## **TECO's Biodiversity Commitment:**

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

## 4.1 Climate Actions (TCFD)

# 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 “ESG Office” to provide periodic reports on the execution and tracking of TECO’s corporate social responsibility goal and policy implementation status to the Chairman directly on a monthly basis. [To integrate TCFD culture into KPI evaluation and risk management processes](#), The task force consists of the administrative units of “Representatives of each business department/plant site” and “Safety and Health,” “Human Resources,” and “Financial Department” etc., and the task force is responsible for the promotion of routine affairs. The task force also summarizes TECO’s related performance, prepares, and publishes an annual corporate social responsibility report.

### Management’s Role

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

- For the climate related risks and opportunities, after information provided by all members is collected by the “ESG office,” it is summarized, reported, and recommended to the management level and board of directors.
- For the risk of TECO internal control, the “Audit team” proposes the audit plan according to the past audit centerpiece and the existing organizational structure 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

TECO places great emphasis on environmental protection issues. The Company not only actively develops highly effective green products and solutions by relying on its core technologies but also conducts inspections from the perspective of product life cycles and social responsibility to realize the vision of energy conservation and emission reduction. With a view to demonstrating the Company's determination in this area, these issues have been linked to the performance appraisals for all staff members.

## Declaration of the “emission reduction by 50% within ten years” goal

EU and 136 countries in the world declared the goal of net zero emissions to slow down the climate change and mitigate the disaster. In the meantime, reduction of carbon may change the economic logic. The country that develops new technology and establishes a new model can stand in the key position in the new global circumstances. Hence, “transformation to net zero emission by 2050 is the goal of the world and Taiwan!” When the Phase-I goal of emission reduction by 20% within ten years was achieved in 2020, five years earlier than expected, TECO Group further declared a project with the goal of emission reduction by 50% within ten years (2020~2030). The plan has been extended to overseas plants since 2021 to make full contribution to the reduction of carbon emissions within the Group. We also implement “sustainability KPI” in the hope to root sustainable management deeply in the corporate culture of TECO.

We create a favorable environment for the Company while symbolizing the core spirit of harmony and symbiosis with nature. For this, TECO Group develops the green/renewal energy related business more comprehensively (including setting up solar power facilities in Chungli in 2021, for which the Group have acquired the green power certificate for self-use power generation. We have planned to implement a project to set up solar power facilities in China and Southeast Asia in 2022. An annualized emission reduction of 3,385 tonCO<sub>2</sub>e/year is expected when the project is completed in the second half of the year.) Green refrigerant R32 is used for air conditioning products (less than 15kW) (to reduce 65% of emissions more than the air conditioning unit R410A in the same segment) and improvement of processes and energy saving and carbon reduction measures are implemented in domestic and overseas plants continuously, in the hope to achieve the final goal of “carbon neutrality” in 2050 within the Group.

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.



# Impact on Organization

The "ESG office" acts as the responsible unit of the Company to perform material issue analysis according to the Task Force on Climate-Related Financial Disclosures (TCFD) framework. Through research reports, literature review, and internal/external major stakeholder communication, the content and priority level of each issue is examined and determined and the risk lists submitted by each department are integrated, in order to perform risk assessment and propose corresponding strategies and recommendations. After the review by the Chairperson, a 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 in order to concretely achieve the vision of "Energy Conservation, Emission Reduction, Intelligence, Automation."

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

# Opportunity Management

## Smart Energy as the Core Orientation

In line with the market trend of a rising focus on low-carbon products, TECO has stepped up its investments in energy storage and conservation facilities and the development of low-carbon products with the goal of strengthening its competitiveness in the low-carbon product market, so as to successfully receive turnkey projects such as offshore wind power transformer substations, IDC data centers, and terminal electromechanical projects, as well as business opportunities for energy-saving subsidies and whole-plant energy-saving renovation. These are expected to be reflected in the consolidated revenue in 2024.



## Infocomm Projects

Strengthening the layout planning in Southeast Asia, striving for and developing turnkey projects, and developing modular computer room solutions. Smart Factory Solution: In response to the digital transformation needs of the manufacturing industry and the protection of information security, for the first time TECO provides the OT equipment layer information security solution for industrial control information security solutions and information security monitoring war room, including latent malicious behavior detection, and emergency alert and notification of information security attacks to reduce information security risks in the manufacturing industry.



## Green Energy Projects

Strengthening the layout planning of offshore wind power onshore substations, striving for and developing private and Taipower energy storage projects, and developing offshore wind power offshore substations. TECO is responsible for the turnkey project of the Hailong onshore step-down station, including the design, procurement and construction of civil and mechanical and electrical engineering, and will integrate the wind field power output of Hailong offshore wind power projects 2A (300 MW), 2B (232 MW) and No. 3 (512 MW) and connect it to the onshore step-down station, and then transmit it to the Taipower substation to join the power transmission and distribution system. It is expected to be connected to the grid in 2024. TECO has obtained the turnkey project of offshore wind power onshore substations for three consecutive years, and accumulated about 2 GW of construction capacity, accounting for about 35% of the current offshore wind farms, ranking first among domestic manufacturers.



## Striving for Energy-Saving Subsidies and Business opportunities of Whole-plant Energy-Saving Renovation

For direct customers in high energy-consuming industries such as petrochemicals, steel, cement, papermaking and electronics, we will promote energy-saving and strive for business opportunities such as replacing old products with new ones and purchasing energy-saving equipment. With the theme of “Smart Factory and Low-Carbon Industrial Solutions”, TECO helps customers replace various equipment (such as ventilation, air conditioning, water supply and air pressure) related to the process and the plant with high-efficiency motors with frequency converters. The power consumption monitoring visualization system greatly reduces the power

consumption and carbon emission in the process, and provides energy-saving optimization solutions from manufacturing to power consumption management; supplemented with the smart plant KPI situation room of Information Technology Total Services Co., Ltd. and Tecom Taiwan's full smart electromechanical health management platform, it can tailor-make smart low-carbon factories for the industry participants with high electricity consumption.








## **Permanent Magnet Motor and Electric Vehicle Power Module**

Permanent magnet motors are expanding their proportion of industrial machinery applications such as plastic calenders, grinders and sawing machines, and IE5-level motor products are introduced in North America. The electric vehicle power module carries out the development of the power system T Power+ of large-scale automatic transport vehicles for ports and the domestic manufacturing of the power system for mass produced electric buses. TECO meets the demand for smart mobility solutions ranging from small to large carrying tonnages, including large-scale port automatic trucks that use this year's new product - electric vehicle power system T Power+ as the power system, to fully realize the electrification of transport vehicles, reduce carbon emissions, and integrate automation with carbon reduction concept.

# Physical Risk Scenario Analysis

## RCP Scenario:

Representative Concentration Pathways (RCPs) which utilize the change in radiative forcing from 1750 to 2100 as the main indicator are employed for future temperature and precipitation change analysis. RCP2.6 (increase in radiative forcing by  $2.6\text{W/m}^2$ ) is the scenario of mitigated global warming, while RCP4.5-RCP6.0 and RCP8.5 (and above) are scenarios characterized by limited mitigation or no mitigation, respectively. According to the scenario simulations of Taiwan Climate Change Projection Information and Adaptation Knowledge Platform (TCCIP) and Network for Greening the Financial System (NGFS), RCP results in vastly different outcomes for global TECO manufacture sites:

RCP 2.6 CO <sub>2</sub> level 421 ppm			RCP 6.0 CO <sub>2</sub> level 670 ppm		
	Temperature	Rainfall		Temperature	Rainfall
 <b>Taiwan</b>	rise by $0.92^{\circ}\text{C}$	Increase by 4.36 mm/day. An increase by 73% on the basis of an average precipitation of 6.0mm/day.		rise by $0.93^{\circ}\text{C}$	Decrease by 2.56 mm/day. A decrease by 42% on the basis of an average precipitation of 6.0mm/day.
 <b>China</b>	rise by $1.3^{\circ}\text{C}$	Rainfall up 3.6% Compared with 1986-2006 data		rise by $1.5^{\circ}\text{C}$	Rainfall up 4.5% Compared with 1986-2006 data
 <b>USA</b>	rise by $1.4^{\circ}\text{C}$	Rainfall up 2.7% Compared with 1986-2006 data		rise by $1.6^{\circ}\text{C}$	Rainfall up 3.4% Compared with 1986-2006 data
 <b>Italy</b>	rise by $1.3^{\circ}\text{C}$	Rainfall up 3.0% Compared with 1986-2006 data		rise by $1.6^{\circ}\text{C}$	Rainfall up 2.9% Compared with 1986-2006 data
 <b>Vietnam</b>	rise by $1.0^{\circ}\text{C}$	Rainfall up 0.2% Compared with 1986-2006 data		rise by $1.2^{\circ}\text{C}$	Rainfall up 2.1% Compared with 1986-2006 data
<b>Corresponding actions</b>	Rising interior temperatures force plants to increase their investments in ventilation and cooling facilities, flooding causes damage to production facilities and delivery delays. Installation of flood boards in entrance and exit areas minimizes the impact of flooding.			Rising interior temperatures force plants to increase their investments in ventilation and cooling facilities; droughts cause a shortage of cooling water and malfunctions of teeming furnaces, baking furnaces, and air conditioning equipment.	

- Data source for Taiwan is from Taiwan Climate Change Projection Information and Adaptation Knowledge Platform (TCCIP) and is compared to current weather data.
- Data source for other countries are from Network for Greening the Financial System (NGFS) and is compared with 1986-2006 data.

## Financial impact:

- Allocation of an annual budget of around NT\$ one million for ongoing improvements to safeguard employee health.
- Suspension of operations in global plants results in daily production capacity losses of NT\$ 30.56 million.
- Reclaimed circulating water from cooling towers in the Chungli Plant amounts to 76 tons/day. Water purchased externally to compensate for scattering and evaporation accounts for around 0.3% of the total quantity of circulating water.
- Investments of NT\$ 340 million and 230 million in new manufacturing centers and supply chains in Vietnam and India, respectively, serve the purpose of supply chains decentralization.

## Water Sensitivity Analysis

TECO Motor's flagship Chongli factory is located in Taoyuan. Based on the statistical data of the annual hydrological report released by Taiwan as a reference for drought-prone areas, the water sensitivity analysis of weather phenomena and corresponding measures under RCP2.6 and 6.0 scenarios in 2021 is as follows:

Scenario	Corresponding actions
<b>RCP 2.6</b> CO <sub>2</sub> level 421 ppm  Rainfall increases 73%. What If it floods for more than 10 cm high in factory?	<ul style="list-style-type: none"><li>● Prior protection: None of the production equipment and materials of Chungli No. 1 Factory will be destroyed if flooded. If it is predicted in advance that there will be heavy rain, the factory may plan the surrounding sandbags in advance to prevent water from flooding into the factory building, and the construction cost of sandbag stacking is estimated at NT\$4 million.</li><li>● Flooded: If there is a sudden heavy rain, the water will flood into the factory on the day of the torrential rain; sand bags cannot be stacked in the factory in advance for waterproofing, and it is necessary to urgently mobilize 30 water pumps to drain the flooded area quickly. The investment amount of 30 water pumps is estimated at NT\$500,000.</li></ul>
<b>RCP 6.0</b> CO <sub>2</sub> level 670 ppm  Rainfall decreases 42%. What If water supply stops for 1 week?	<ul style="list-style-type: none"><li>● The water used in Chungli Plant is mainly used for casting, dissolving, sand treatment and dip painting (80 tons/day of shared water), and for the circulating water (10 tons/day of shared water) for air conditioning cooling by the integrated factory's electricians and cutting by the mechanics.<ul style="list-style-type: none"><li>■ Water interruption within 4 days: The water storage of the foundry factory (315 tons of capacity) and the water storage of the integrated factory (55 tons of capacity) can be used for support.</li><li>■ Water interruption for over 4 days: A 25-ton waterwheel (4 trips/day) can be employed, and the cost is NT\$80,000 for water replenishment each time.</li></ul></li></ul>



# Transformation Risk Scenario Analysis

## NDC Scenario:

### Requirement of 10% Renewable Energy Installation

The Regulations for the Management of Setting up Renewable Energy Power Generation Equipment of Power Users above a Certain Contract Capacity promulgated by the Ministry of Economic Affairs stipulate that power users with a contract capacity of 5MW or above are required to install renewable energy facilities with a capacity equivalent to 10% of their contract capacity within five years



Upon inventories, it has been determined that the power consumption of TECO plants exceeds 5MW. The Company adopted an early deployment strategy in 2020 by investing a total of NT\$ 105 million in the installation of a solar energy system with a capacity of 1.7MW in the Chungli Plant. The projected annual generation amount is 2 million kWh, which represents an early achievement of the goal of 10% green power installations. As of 2021, the system is already connected to the grid.

TECO generated 1,292,901 kwh for on-site usage and been certified with renewable energy certification.

## IEA 2DS Scenario: Cost Impact from Carbon Price

If the US and the EU determine carbon prices in accordance with the IEA 2DS carbon reduction scenario, the price will reach \$210 USD/tCO<sub>2</sub> in 2050.



Sales in the European and US markets account for 20% of TECO's total sales volume. If carbon prices in these two markets rise in accordance with the IEA 2DS scenario, TECO's operating costs are bound to rise with each passing year. In response to these impacts, TECO has fully implemented Sustainability KPI starting this year including the three indicators of internal carbon pricing, ratio of recycled materials and waste recycling, and climate impact management with the ultimate goal of strengthening carbon reduction performance and thereby minimize the future impact of rising carbon prices. By the sales volume in 2021, the total impact for this scenario is upto NTD 3.8 B.

# Metrics and Targets

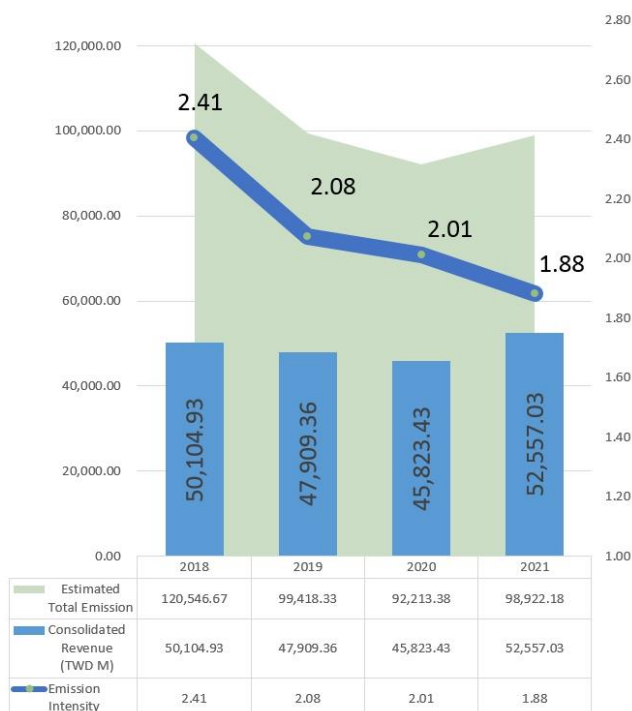
## GHG Emissions in SCOPE 1 and 2

TECO conducts GHG emission assessment for sites in Taiwan, China, Vietnam and US with ISO 14064-1. In year 2021 the coverage rate reached 89.5%, 49.7% (by group revenue ratio) 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.



Scope2 total	32,260.35	54,987.61	54,085.43	64,086.68
Scope1 total	23,432.21	22,161.01	19,505.16	24,448.66
Data coverage	46.2%	77.6%	79.7%	89.5%

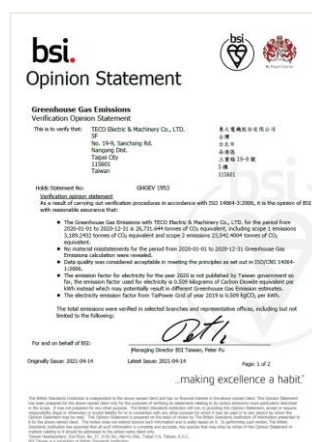
GHG Emission Quantity (tonCO<sub>2</sub>e)



GHG Emission Intensity (tonCO<sub>2</sub>e/TWD M)

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

2021 target Scope1:24,006 tonCO<sub>2</sub>e; Scope2: 63,176 onCO<sub>2</sub>e



## 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, Upstream Transportation, used of motor products and end of life treatment. In 2021, TECO obtained SO 14064-1:2018 certification through third-party verification for Taiwan sites.

### Purchased goods and services + Fuel-and-energy-related activities

**577,283.26** tonCO<sub>2</sub>e

Factory in Taiwan	Purchase quantity (ton)	Energy	Emission (tCO <sub>2</sub> e)
HQ in Taipei	24,144	Electricity	80,002.05
Chungli Site	19,537.48	Electricity and Fuel	53,379.43
Guanyin Site1	4,123.53	Electricity and Fuel	264,012.52
Guanyin Site2	20.32	Electricity and Fuel	106.02
Hukou Site	1413.40	Electricity and Fuel	23,641.24

Data certified by BSI. Coefficient source: Government Data and Ecoinvent 3.0

- Only cover domestic land transportation, and it can only be traced back to the previous transportation location.
- The materials covering the top 60% of the total annual purchase amount of the plant are selected for statistics; if there are multiple suppliers for the same material only the largest supplier is used for calculation
- If the same supplier supplies multiple materials at the same time, the material with the largest quantity is used for calculation.
- [Taiwan Data] Category 1 = 415,711.318; Category 3 = 5,429.927

Raw material in China	Purchase quantity (ton)	Emission (tCO <sub>2</sub> e)
Silicon steel plates	43,984	100,401
Thick steel plates	3,124	7,560
Steel rods	3,000	8,100
Enameled Wire	1,850	7,918
Copper wire	1,519	6,501
Castings	14,100	25,662

- Coefficient source: Government Data and Ecoinvent 3.0
- [China Data] Category 1 = 156,142

### Upstream Transportation and distribution (Category 4)

**1,688.26** tonCO<sub>2</sub>e

Factory in Taiwan	Ton Kilometers	Emission (tCO <sub>2</sub> e)
HQ in Taipei	6,773,233.11	1,136.74
Chungli Site	7,522	313.42
Guanyin Site1	283,333.7	183.32
Guanyin Site2	4,254	0.50
Hukou Site	4,006	54.28

Data certified by BSI. Coefficient source: Government Data and Ecoinvent 3.0

## Use of said products (Category 11)

**22,156,062** tonCO<sub>2</sub>e

Type	Sales(unit)	Power Consumption (kWh)	Emission (tCO <sub>2</sub> e)
Standard motors	889,517	26,451,383,513	13,278,594
Customized motors	5,025	17,684,199,392	8,877,468

- According to the actual motor sale volume 2022 and its energy efficiency, the carbon emission associated with the annual power consumption is estimated.
- Carbon emission coefficient source: The 2020 electricity emission coefficient of 0.502 kg/CO<sub>2</sub>e 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)

**261.49** tonCO<sub>2</sub>e

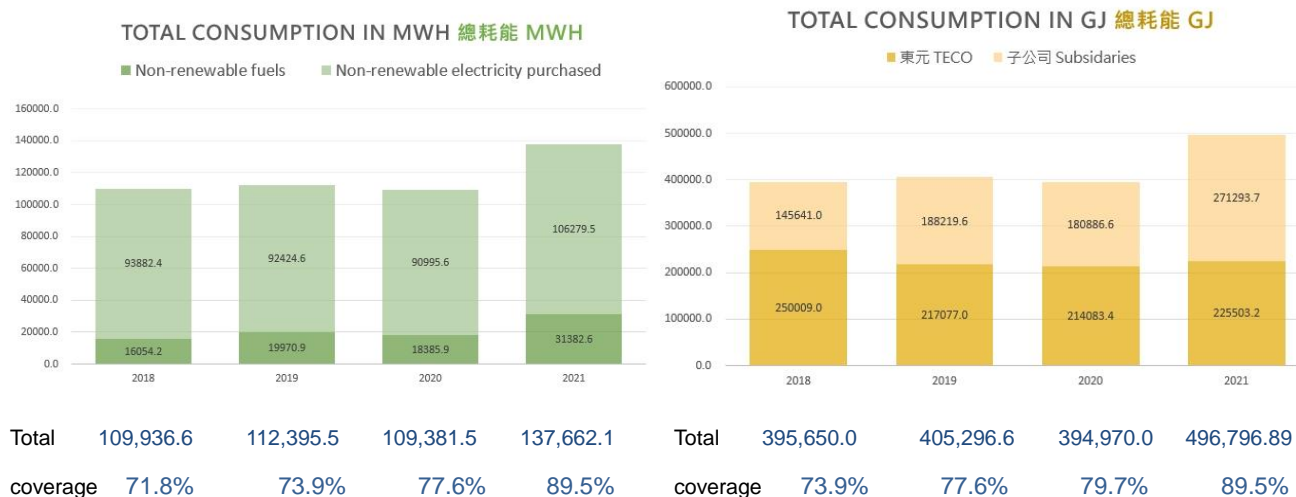
Factory in Taiwan	Waste Type	Emission (tCO <sub>2</sub> e)
Chungli Site	General, Recycled and Water Waste	203.62
Guanyin Site1	General, Recycled and Water Waste	31.03
Guanyin Site2	General, Recycled and Water Waste	1.23
Hukou Site	General, Recycled and Water Waste	25.61

Data certified by BSI. Coefficient source: Government Data, Waste handling coefficient 340 kgCO<sub>2</sub>e/ton, and waste water handling coefficient 0.553kgCO<sub>2</sub>/m<sup>3</sup>

## 4.2 Energy consumption



In 2021, the Group's energy consumption data management scope covered all of sites in Taiwan, the U.S., China, Vietnam and Italy. Data coverage rate is **89.5%**



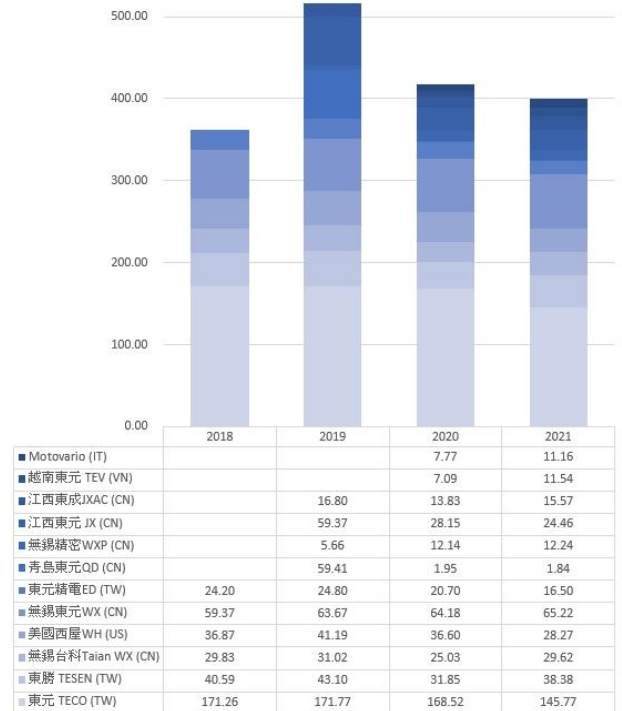
2021 Target for non-renewable consumption: **140,472 MWh**

用電 Electricity (千度 MWh)



total	93,865.53	92,407.92	90,979.25	106,260.39
coverage	73.9%	77.6%	79.7%	89.5%

用水量 Water (仟公噸 k ton)



total	362.12	516.79	407.12	400.55
coverage	73.9%	77.6%	79.7%	89.5%

2021 Target: 407 million m<sup>3</sup>

Note : The water source in TESEN (TW) is groundwater and the others is tap water



## Water Recycle performance

In 2021, the recycled water consumption quantity accounted for **18%** 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.



## Natural Gas Usage Management

天然氣 Nature Gas (千度 1000m<sup>3</sup>)



total 1,189.98 1,075.24 1,050.17 2,550.54  
coverage 73.9% 77.6% 79.7% 89.5%

Natural gas is the main source of non-renewable energy use in the plant. TECO tracks and manages natural gas consumption of the Taiwan plant, TECO-Westinghouse, Wuxi TECO, Qingdao TECO Precision, Wuxi TECO Precision and Motovario in Italy. From natural gas fee receipts to track and manage the use of energy and corresponding carbon emissions.

## 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

揮發性有機物 (VOCs)



Total 184.20 179.53 200.77 179.71  
Coverage 46.2% 77.6% 78.5% 89.5%

2021Target: 184 tom

Plant locations that generate air pollutants include TECO Chungli and TESEN in Taiwan. 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<sub>x</sub>, NO<sub>x</sub>, PM and VOCs

unit: ton

Sulfur oxide (SO <sub>x</sub> ) 硫氧化物	1.77
Nitrogen oxide (NO <sub>x</sub> ) 氮氧化物	1.53
Volatile organic compounds (VOC <sub>s</sub> ) 揮發性有機物	179.71

## Waste management



Generated in total	3360.41	2557.41	12526.55	15340.87	Total	14.83	59.22	731.55	872.41
Recycled in total	225.63	745.72	1000.24	724.22	Coverage	46.2%	46.2%	79.2%	89.5
Coverage	61.4%	61.8%	79.7%	89.5%					

2021 Recycle Target : 736 ton

2021 Target: 881 ton

From 2021, the scope of statistics was expanded; the Motovario factory in Italy was added, and the target setting method was readjusted. The Taiwan factory will be reduced by 5% annually, and the overseas factory will be managed with an annual reduction of 1%. The data coverage rate reached 89.5%, covering the head office and 11 affiliated companies in total.

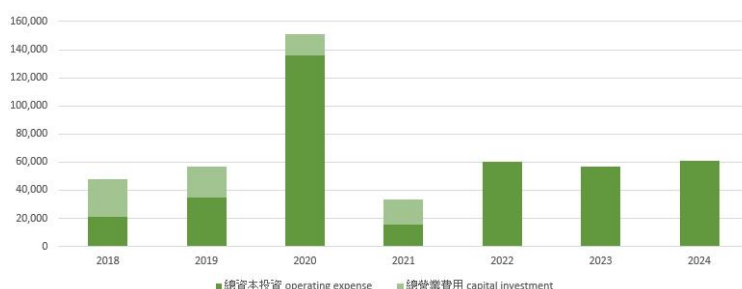
Due to the different definitions of hazardous waste in different countries, from 2021 onwards, when expanding the recognition of the Italian factory, the calculation will be based on EU standards, and the data was traced back to 2020 retroactively. This resulted in an increase in the group-wide hazardous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

Total waste disposed	General Waste	Hazardous Waste
Recycle	15340.87	11.38
Incinerated	468.68	280.07
Landfill	215.34	3.37
Otherwise	40.20	535.26

Unit: ton

## 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. The solar power generation facilities in Chungli Plant were a major investment in 2020. Funds were budgeted for the implementation of the “emission reduction by 50% within ten years” after 2022, including reduction of the process SF6 escape and complete prohibition of R410A refrigerant in small-sized air conditioners. We use our own control and motor technologies to provide consumers with green energy-saving products and upgrade the energy-saving equipment of the plants. TECO Group implements the ISO 14001 Environmental Management Systems and GHG inventories on an ongoing basis, and commissions external institutions to check greenhouse gases every year (ISO 14064-1); These implements will be extended to overseas operating bases in 2022. In addition, we mobilize all the employees to implement energy saving and carbon reduction projects. A project team has been formed to provide and implement actionable proposals. Chungli Plant received the green power certificate in March 2022.



Operating Expenses	27,018	21,930	15,143	18,424	-	-	-
Capital Investments	20,720	34,660	135,979	15,240	60,053 (budget)	56,762 (budget)	61,127 (budget)
Data Coverage	74.05%	72.95%	77.74%	89.5%	-	-	-

Unit: NT\$ k

Data covers all of sites in Taiwan, the U.S., China, Vietnam and Italy. Data coverage rate is **89.5%**

- **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.

## Renewable Energy

TECO has installed a solar power generation facility on the roof of the plant site. along with the application of the cloud monitoring management system to achieve the preventive maintenance by virtue of the real-time monitoring.

- Taiwan Guanyin (Site A, 2.1 MW) Power generated: 2,169,763 kWh
- Taiwan Guanyin (Site B, 4.4 MW) Power generated: 4,597,432 kWh
- Taiwan Chungli (1.7MW) Power generated: 2,042,390 kWh (Use onsite: 1,292,901 kWh)
- 2022 to invest 3.0MW power generation capacity in Wuxi China, Malaysia and Singapore with a total budget of NTD 34 million



2021 power generation

**8,810 thousand kWh**

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.

- 1500kW dynamometer power regeneration : 264,480 kWh
- 5000kW dynamometer power regeneration : 173,280 kWh



2021 power generation

**440 thousand kWh**

## 4.3 Product Stewardship Management

Raw Material and Component Selection Stage	<p><b>Motor weight reducing:</b> Applied the cast housing lightweight technique to general-purpose motors with optimized design. The <b>AFHCED</b> Rolled Steel Frame Motor series, which was developed in 2021, is characterized by optimized, lightweight design (<b>8~23% lighter</b> than original design)</p>
	<p>Use recycled materials for motors: Use silicon steel scrap for melting and reuse in the motor housing. At the end of 2021, the <b>regenerated iron ratio had reached 75%</b></p>
	<p><b>Water-based paint introduction ratio has reached 80-85%</b> of the total production quantity and has reduced the total emission of volatile organic compound (VOC) of <b>349,365kg</b>, and the <b>emission reduction has reached 47.3%</b>.</p>
	<p>Environmental friendly coolant replacement: In 2021, R410A becomes prohibited for small size home AC. <b>R32 adoption ratio increased from 39.2% (2020) to 67% (2021)</b>, and <b>reduced emissions by 2801.7 tonCO<sub>2</sub>e</b> (estimated based on the same shipment volume in 2020, the fugitive rate is set to 5%)</p>
	<p>TECO Group pledges that all its motors and home appliance products comply 100% with the regulatory requirements of RoHS and REACH.</p>
Direct Operation and Manufacturing Stage	<p>Through process and equipment optimization, in 2021, the <b>overall energy saving of TECO Group for the plant sites in Taiwan reached 1,510 thousand kWh</b>, including <b>PV power generation</b>, and relevant achievements included the promotion of smart automatic production, equipment energy conservation plan etc.</p>
	<p>Through waste resource recycling and silicon steel scrap melting technology, in 2020, the <b>silicon steel scrap production was reduced by 75%</b></p>
	<p>Optimization of varnish impregnation operations during production processes through replacement of manual impregnation operations with automated continuous impregnation operation equipment - Vacuum impregnation has been adopted to increase the adhesion of the varnish. Due to manpower savings and increased operational efficiency, process costs have <b>dropped by 27.88%</b> compared to 2020.</p>
	<p>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. <b>SF6 Emission rate reduced from 9.45% to 1.70%. Target for 2022 is 1.4%</b></p>
Transportation Stage	<p>Promotion of direct delivery via Taiwan Pelican Express to streamline transportation processes and spare dealers the trouble of dispatching vehicles for pickup. This resulted in an increase of delivery <b>service revenues by NT\$ 746,000</b> in 2021.</p>
	<p>Use durable and reusable packing material such as pallet for motor transportation. <b>Saving from packing material is NTD 4.77 M per year</b></p>

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 2021, <a href="#">IE3 &amp; IE4 motors accounted for 64.36% of all motor product sales revenue</a> .
	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 <a href="#">62.9% of the home appliance products have obtained the energy efficiency or water efficiency label certificates in Taiwan</a> .
	TECO has developed <a href="#">T-Power electric vehicle motor products</a> which allow clear positioning of TECO vehicle-mounted motors and electric control systems. These products can be installed in electric cars and 3.5T electric trucks to provide consumers with more eco-friendly traffic experiences and reduce environmental damage caused by fossil fuel-powered vehicles.
Product/Service End-of-Life Stage	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, <a href="#">the recyclable material reaches 88%</a> .
	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 2021, <a href="#">the home appliance products complying with the Waste Four Machine Recycle Policy accounted for 62.9% of the annual sales revenue</a> .
	TECO and other home appliance manufacturers have engaged in a <a href="#">joint venture to establish the E&amp;E Recycling company</a> and assigned directors for TECO in order to provide waste electrical and electronic equipment recycling and processing services. <a href="#">Revenue from recycle business is NTD 1164.6B in 2021</a> .
	Percentage of products sold last year that can be reused or recycled: <a href="#">76.85%</a> Percentage of products and materials that were actually reused or recycled: <a href="#">69.01%</a>



## End of Life Cycle Responsibility

Consolidate recycle scenario from motor and home appliance products:

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

- Calculation of recyclable ratios for sold products:
  - Estimated total weight of recyclable products (motors + household appliances) sold per year \* recyclable material ratio of different product categories (motors 88%, household appliances 51.9%)/Estimated total weight of all products sold per year
  - Calculation of estimated total weight of products sold: Due to the large number of sold motor and household product models it is very difficult to create individual weight statistics. Shipped quantity of different product quantities (number of items)\*Weight of most frequently sold models is therefore used as the calculation formula for estimated total weight of products sold.
- Calculation of actual recyclable ratios:
  - Denominator: Weight of products sold is substituted for weights in the production process which are impossible to trace due to the large number of products.
  - Numerator: Due to different product characteristics, it is difficult to perform actual statistical analysis of recycled quantities. Consequently, the actual recyclable ratio is estimated according to the following scenario, and it is assumed that the products purchased by customers in the respective year are replacements for existing products of the same brand. Assumed recyclable ratios are 100% and 50% for motors and household appliances, respectively.
- TECO and other home appliance manufacturers have engaged in a joint venture to establish the E&E Recycling Company, and assigned directors for the company in order to provide waste electrical and electronic equipment recycling and processing services. Calculation of benefits derived from recycling: Illustrated by the example of E&E Recycling company revenue in 2020 (NTD 705,169,000)\*TECO shareholding ratio (13.42%)
- Motor product life cycles range from 10-15 years,. Since motors are mainly made of metal, the recyclable metal material of one single motor can reach 88%. Consequently, scrapped products are disposed of by customers autonomously through the sale and purchase of valuable metals. As of 2020, TECO has not yet received requests for motor recycling service from customers.
- Environmental Protection Administration in Taiwan has established the Waste Four Machine Recycle Policy (refrigerator, air conditioner/heater, washing machine, television), and the distribution units that consumers make their purchase from provide the transportation service to the qualified operator for processing; therefore, product manufacturers have a relatively greater difficulty in the actual statistics of the annual recycle amount.
- In 2021, [TECO enlarge the inventory of the shipment and recycling of all household appliances, and retrospectively revise the 2018-2020 data](#)



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 75% 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.



## TECO GO ECO

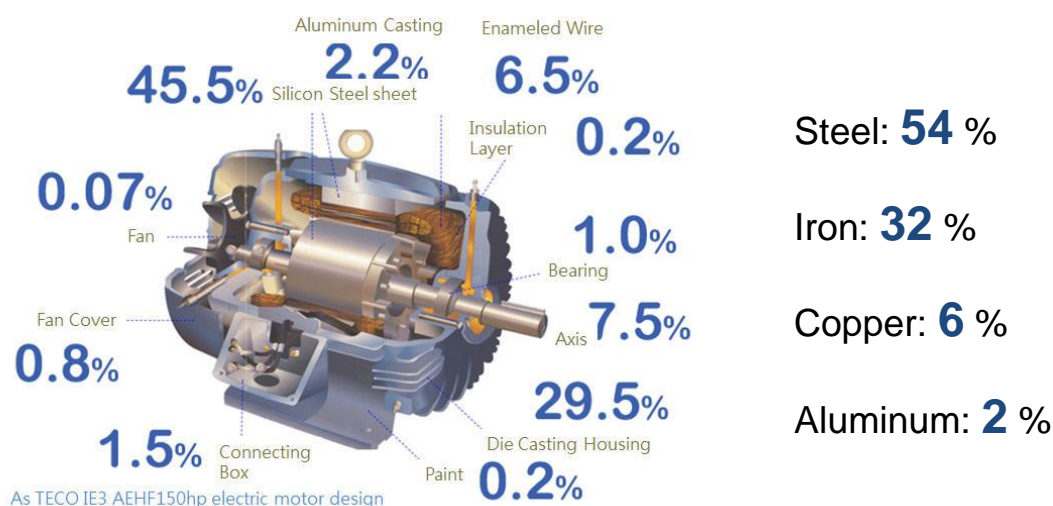
TECO renew "TECO GO ECO" logo to represent low-carbon products and services. Following ISO 14020 standard, and with the definition of Type I, II and III. TECO categorizes motor and home appliance product in following rules:

In 2021, low-carbon products accounted for **69.5%** of total sales.

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

## Motor Carbon Footprint Analysis

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 <b>kgCO<sub>2</sub>e</b>	Emission from Manufacture <b>kgCO<sub>2</sub>e</b>	Total Emission <b>kgCO<sub>2</sub>e</b>
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 **27.4%** of the overall volume

TECO conducted a carbon footprint assessment of the AEHF, AEHH, and AFHH three-model series motors, accounting for 27.4% of all models sold in 2021. The calculation method is the proportion of the total sales volume of the model in 2021 to the motor sales volume

## 4.4 Marine Life Diversity



### Restoration of Cetacean Population

TECO will continue its search for concrete carbon removal methods on the foundation of the joint international goal of carbon neutrality by 2050. Generally speaking, afforestation is the most direct method of carbon removal. However, it is not easy to find a large-scale site for afforestation in Taiwan due to the shortage of land and high population density. In view of the fact that Taiwan is surrounded by oceans, the identification of a marine carbon sink method is more meaningful. TECO has initiated discussions and planning with NGOs and academic organizations regarding restoration of cetacean populations. An IMF research report reveals that each whale sequesters 33 tons of CO<sub>2</sub> on average. Overall, whale populations are now less than one-fourth what they once were. The restoration of whale population is therefore of paramount importance to the implementation of “carbon removal”, and protection of “marine life diversity”. Our actions start from identification of individual cetaceans and recording of their movement: Identification of individual cetaceans helps us understand the social structure of cetacean populations. TECO sponsors the AI identification system for Risso's dolphins, or “Photo ID”, to identify them and their movement tracks automatically from numerous photos of the observers according to the scar analysis and individual features. 45 Risso's dolphins and 10 sperm whales are identified currently. These two commonly recorded populations will be used as a core for future extension to improve the effectiveness of the AI identification as quickly as possible.

We investigate the ecology of the cetaceans scientifically:

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

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

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





# Social Engagement



## ***TECO's Occupational Safety and Health Commitment:***

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

## TECO Declaration of Human Rights Policy

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

TECO's declarations on its human rights policy includes:

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

### TECO 's Declaration of Human Rights

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



### Letter of Commitment to Human Rights and Environmental Sustainability

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





## 5.1 Human Resource

TECO Parent Company Employee **2,180** (FTEs) **116** (contractors)

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.

Diversity Indicators	
Female share of total workforce 2022 Target 32%	31.47 %
Females share in all management positions 2022 Target 23%	21.59 %
Females share in junior management positions	23.61 %
Females share in top management positions	9.73 %
Females share in management positions (in revenue-generating functions)	29.33 %
Females share in STEM-related positions	24.48%

- Data coverage: 100%

In 2021, the proportion of women in management increases slightly from 20.9% to 21.59%. The proportion of female supervisors in revenue-related positions increased from 19.4% to 29.33%

- Management level: Supervisors above the rank of officer (including the ranks of Officer, Manager, Director, Assistant Vice President and Business Group President)
- Junior management level: Supervisors of the rank of officer, supervisors of the rank of manager
- Top management level: Supervisors of the rank of director, supervisors, Assistant Vice President and Business Group President

Gender Pay Indicators by gender	
Mean gender pay gap	15.01%
Median gender pay gap	18.58%
bonus gap	0

- Bonuses are gender neutral and are awarded based on performance appraisal results
- Male's average pay is higher than female's, but female's pay in high positions are higher than male's
- Data covers 100% of the group

Gender Pay Indicators by position	
Supervisor	2.7%
Managers	7.6%
Top management	-2.9%
Non-manager	33.9%

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

Workforce by Nationality		
Region	Share in total workforce	Manager share in all positions
Taiwan ROC	49.6%	50.7%
Other Nationality	50.4%	49.3%

- Data covers 100% of the group

Workforce by Age	
Age range	Share
<30	12.9%
30-50	55.8%
>50	31.3%

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

## 5.2 Human Rights Due Diligence and Mitigation

According to UN “Universal Declaration of Human Rights” and “United Nations Global Compact” TECO develops “Declaration of Human Rights” to manage internal HR policies. Human right issues cover parent company, subsidiaries, and suppliers. TECO has established human rights due diligence procedures. It evaluates and reviews human rights risk issues every year, identifies affected objects and risk sources, and plans actions. Health, safety, and human rights risks includes "Working Environment Monitoring" and "Overload Hazard Prevention", and reveal and formulate improvement plans. In 2021, there were 3 employees who exceeded the standard and later improved. The non-compliance rate is  $3/183 \times 100\% = 1.64\%$ . Other programs as listed in following table:

Issues of Concern	Target topics	Risk assessment	Stakeholders	Mitigation measures	Implementation results
Safe and healthy work environment	Formulation of health care plans for maternal employees	Assessments are carried out based on work environment and operating hazard evaluation charts	Female employees	Task adjustment based on risk communication and consensus, provision of breastfeeding facilities and exclusive parking spaces	In 2021, 3 people was protected, and in 2022, 3 people is under protection. In the past three years, the proportion of women in the company has increased from 27.7% to 31.44%
	Unlawful Infringement Prevention	Employee self-appeal	Employee	After HR unit receives the case, the general manager should designate a project leader to investigate and implement countermeasures.	In 2021, 2 cases were issued and closed.
Prohibition of forced labor	Overtime work is not encouraged; rest times of employees are respected	HR and Occupational Safety track overtime statistics on a monthly basis	Employees	It is announced in labor-management meetings and quarterly meetings that overtime work is not encouraged	Overtime rates are maintained between 3%-11% and controlled adequately during on- and off-seasons.
	Overload hazard risk assessment (every three years)	Ratio of employees at overload risk levels 3 and 4: 1.24%	Employees	Establish overload hazard preventive plan, perform consulting health education, operation adjustment according to the assessment result and track improvement.	2021 Employee overload risk level 3 and 4 are 27 persons (1.15%). A new cycle of assessment has been kicked off in 2021.

Issues of Concern	Target topics	Risk assessment	Stakeholders	Mitigation measures	Implementation results
Prohibition of child labor	Supplier Code of Conduct: Signing of a Pledge to Human Rights and Environmental Sustainability	Compilation and audits in the context of supplier evaluation standards	Employees Supplier	Audits of employees aged 15 and above in accordance with relevant laws starting from recruitment	Controlled adequately without risks
Elimination of discrimination	Focus on the spirit and future development of the Modern Slavery Act	Examination of the living and work conditions of foreign workers to rule out unequal treatment	Migrant workers	All foreign workers have official employee status	Controlled adequately without risks
Freedom of association and right to collective bargaining	Guarantee of the right to form labor unions and convene labor-management meetings	Guarantee that employee grievance channels are secure and unobstructed, regular employee satisfaction surveys	Employees	Monthly Director and Supervisor meetings are convened to discuss various employee-related issues. Company representatives attend these meetings to communicate with the labor representatives.	Percentage of union-protected employees: 100%

- Data covers only Taiwan sites, with coverage rate of 49.7%
- Estimated number of people under overload hazardous risk assessment: 1.15% (27 / 2332)
- Employees include indigenous people and new immigrants.
- No Discrimination and Harassment Incidents in 2021

	TECO Internally	Supply Chain
Human Rights Risk Mitigation Process	Conduct health status investigation -> risk assessment of overwork hazards -> consultation and guidance -> follow-up treatment and tracking -> evaluation and improvement of implementation effectiveness. All the prevention plans are recorded for future reference.	The audit process includes risk mitigation measures. Suppliers are audit once every three years.
Mitigation Process Implementation Location and Data	It is implemented once a year in Taiwan. In 2021, 3,935 hazard and risk identifications and 2,110 environmental considerations were identified. Carry out a risk assessment of overload hazards in Taiwan every three years, and 27 people are listed for observation of overload hazards Investigation on Prevention of Unlawful Infringement in Taiwan's for 2 cases.	Implement supply chain risk mitigation measures through the evaluation and audit process during the evaluation of third-party factories. In the past three years, a total of 136 mitigation measures have been implemented for suppliers.

**Human Rights Related Training:**

Human rights-related training in 2021 included 26 courses for 89.5 hours, covering “Management for Avoidance of the Risk of Bullying in the Workplace”, “Concept Analysis and Practical Response to Personal Data Protection Act”, and “On-the-job Training of Labor Safety and Health”. The employee training completion rate was 43.3%.

**Human Rights Related Agreements and Contracts:**

TECO protects the human rights of employees through the labor union and labor-management conference system. The employee protection ratio of the labor union is 100%, and the suppliers of TECO are bound by the “Human Rights and Environmental Sustainability Commitment”. There are about 550 suppliers for all factories, all of whom have signed this commitment in the purchase contract.



## 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 3 Supervisors by all members in attendance. Monthly Director and Supervisor meetings are convened to discuss various employee-related issues. Company representatives attend these meetings to communicate with the labor representatives. Labor union offices have been set up in plant areas to give employees a chance to communicate and exchange opinions with union representatives during working hours. TECO also organizes semi-annual conferences that serve the purpose of direct communication between union Directors and Supervisors and the president. In addition, model workers (one for every 100 employees) are selected and recognized on an annual basis. A total of 20 model workers were selected in 2019. All business activities of TECO strictly conform to the Labor Standards Act. Employees are notified of major operational changes by law in advance.

### Labor union

- Established in 1974
- Collective agreement signed in 1981 and accepted by all TECO staff members.
- 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:**

**100%**

- There are total of 2,936 people qualified to join the unions. 2,936 **(100%)** people joined 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.



## 5.3 Career Development

### Training and Development Input

Average hours per FTE of training and development	10.21
Average amount spent per FTE on training and development.	2,431.94
Internal promotion	1,376

Data coverage: 100%

### Training hours by position

Position	Hours
Junior Supervisor	18.24
Managers	19.59
Top management	9.97
Non-manager	7.1

### Training hours by gender

Gender	Hours
Male	11.37
Female	8.23

### Training hours by type

Type	Hours
Physical course	5.47
Online course	2.43
On job training	0.83
External training	1.48

In 2021, the total number of education and training hours was 44,864 hours, and the average number of training hours accepted was 10.21 hours ( $=44864/4394$ ). The total education and training investment total expense was NTD 10,685,949.25 (Average amount spent per FTE on training and development= NTD 2431.94). The overall training hours decreased by 48.8% compared with 2020, mainly due to the impact of covid-19. Most routine physical courses have been canceled. Digital learning started Q4 of 2021. The effect of online learning has not yet been completed. As a result, the average training hours per person has dropped from the previous year.

TECO Group provides diverse internal development opportunities. According to the core value, organization development and strategic goal of the Company, for outstanding employees with great performance, elites are systematically cultivated and reserved for all levels according to their interests, expertise and future career planning, and opportunities for promotion or transfer for development are provided timely. To continuously cultivate supervisor successors, the internal of the Company has established the "key talent" system for Job Grades 5~8. In 2021, the ratio of key talents accounted for approximately 2.6%. In the recent two years, the number of key talents receiving "job grade promotion," "assignment to be supervisor," "job position transfer" or "external assignment" accounts for 66.6% (38/57) of the key talents. The number of employees receiving internal promotion or transfer was 1,376 employees in 2021



Development plan	Description of benefits	Quantified benefits	Participation Ratio
<b>Digital transformation training</b> Train key talents for their digital transformation capability and leading the Company to implement digital project properly	Key talents are the potential management personnel of the Company. To help them acquire the capabilities and cross-department experiences needed for managers or higher management executives and develop stably for more contributions to the Company, we work with NCC College of Commerce to provide training for these capabilities in line with our 2021 digital transformation strategies in the hope to arrange key talents as the leaders for the implementation of our digital projects. The training covered 4 topics, Digital Transformation Capability, AI and Operational Optimization, Utilization of MarTech for Big Data-based Membership Marketing, and Big Data Supply Chains: New Smart Logistics Models, with a total of 48 hours. To help key personnel become aware of the importance of promoting digital transformation and implement digital projects, several issues, ranging from the definition of digital transformation and methodologies to the case studies for each phase of supply chain management, were discussed in the training.	Trainees completed 11 digital projects (29 proposals) in 2021, and the remaining projects will continue to be promoted in 2022. The total revenue increased by NTD 18,324k, the production cost was reduced by NTD 322k per month. Other benefits include quality improvement in order, delivery, and products. 2 product development projects and 1 knowledge management platform were also completed during this period.	<b>2.07%</b>
<b>Diversity in online learning - Introduction of Hahow</b> Creating a self-learning culture among employees in today's digital transformation era	Due to the impact of digital transformation and the COVID-19 pandemic, digital learning has become a trend in training among companies in recent years. To meet employees' diverse training needs and create a self-learning culture, the Company introduced Hahow, an online learning platform, during the second half of 2021. Unlike the online learning platform adopted for promoting digital skills in 2020, Hahow features more user-friendly operations and a wider range of courses in subjects that include business management, digital marketing, data analysis, programming languages, workplace skills, visual design, foreign languages for business, and diverse life. The employees are able to not only learn professional skills, but also take soft subjects to develop personal interests. The training hours on the platform reached 2,857 as of the end of 2021 and rated satisfying by 94% users.	By the end of the year, a total of 2,857 hours of digital course has been completed, with an average of 5.9 hours per person. Trainee turnover rate is 1.81% in 2021 lower than average employee turnover rate.	<b>22.27%</b>

Data disclosure only in Taiwan (parent company) accounts for 44% of the Group

## 5.4 Compensation and Benefits

Hiring	2018	2019	2020	2021
Total number of new employee hires	261	201	219	304
Percentage of internal hirings	43.1%	81.2%	54.6%	36.8%

- Data coverage 49.71% (Taiwan Sites)
- Over 50% of internally filled vacancies from 2018 to 2021 were production operation positions. The male-female ratio was maintained at around 80:20. Around 50% of the employees who filled vacancies were in the 30-50 age group.
- Due to the nature of the industry, most new hires who joined TECO between 2018 and 2021 are male. The male-female ratio is maintained at around 80:20. Young adults represent the mainstay of our labor force (the 30-50 age group accounts for around 50%).
- TECO changes the analysis method in 2021, excludes non-FTE hires, to reflect the real trends. And also update all data from 2018-2021.

### Long-term compensation plan



Average Pay in 2 years

**7.1%** of non-management  
employee joins

- The "Special Bonus Issuance Operation Standard" coupled with a cash incentive method applicable to supervisors above the rank of manager. According to the reward approved for the personal performance, the reward is to be issued at three time points in a period of two years, and the actual amount of bonus collected at the time of issuance is linked to the KPI score in the last quarter. In 2020, the Company continued to issue special bonuses in accordance with this standard.
- For TECO's performance evaluation KPI, as the setting of the natural of the project execution involves the sustainability project related personnel, the KPI is also linked to relevant sustainability indicator.
- In 2020, a "Solidarity Shareholder Meeting" was formed. TECO will continue to optimize the long-term reward guideline and to increase the ratio of the sustainability indicator incorporated into the employee evaluation. The Solidarity Shareholder Meeting held a total of 2,677,395 shares (which was not equal to the number of shares purchased originally since there were employees who withdrew from the meeting after they resigned). Out of the shares, 962,172 were held cumulatively by top management, and 1,715,223 were held cumulatively by non-top management employees.

## Employee Support Policy Superior to Regulatory Requirements

Support Type	Notes
<i>Execution of Special Leaves</i>	In addition to the vacations that employees are entitled to in accordance with relevant laws and regulations, the Company checks the utilization rate of special leaves of each unit and includes them in the supervisor's annual performance appraisal index
<i>Birthday leaves:</i>	In view of the fact that the birthday is a once-a-year special occasion, the Company has decided to create a special birthday leave to allow employees to arrange activities in the month of their birthdays in a flexible manner, give them a chance to fully experience the joy of birthday, and offer our blessings to our employees on their special day.
<i>Volunteer leaves:</i>	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.
<i>Employees' Physical and Mental Health</i>	There are full-time nurses working in each factory, as well as a medical offices where professional doctors are regularly invited to take care of the safety and health of employees. We organize several health promotions activates, form various recreational and sports clubs and offer healthcare and spiritual growth courses as well as stress relief massage services.
<i>Flexible Employee Working Hours</i>	In order to allow employees to handle family affairs, take care of their families, achieve a work-life balance, avoid traffic jams during peak hours, and work according to the pace of personal life, employees may choose to work between 07:50 and 09:00 depending on their personal situation.
<i>Part-time working options</i>	on a case-by-case basis and adjust flexibly.
<i>Babysitting Measures and Subsidies</i>	To be considerate to employees who need to take care of young children, the Company provides paid family-care leave, and has signed special contracts with nearby kindergartens, so that employees can pay attention to both their families and their work with peace of mind.
<i>Breastfeeding Facilities or Benefits</i>	For pregnant employees, they may enjoy exclusive parking spaces and maternal health protection consultation after application; a breastfeeding room was set up which obtained the certification of excellence in Taipei's 2019 assessment.
<i>Paid family or care leave beyond parental leave</i>	For the convenience to balance the needs of personal and family care.

In accordance with the “[Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies](#)”, the Company discloses the number of full-time employees who are not in supervisory positions, and the average and median salaries of full-time employees who are not in supervisory positions in Taiwan, and the difference from those in the previous year.

	2021	2020	Differerence
<b>Number of full-time employees who are not in management positions</b>	2,177	2,233	-56
<b>Average salary of full-time employees who are not in management positions</b>	877k	815k	62k
<b>Median salary of full-time employees who are not in management positions</b>	717k	670k	47k

Scope of statistics: Taiwan parent company (by Taiwanese regulations)

## Human Resource Analysis

Item	Actions
<b>Performance measurement</b>	<p>Performance appraisals for the whole company are carried out every six months (in June and December). Assesses of very business unit are evaluated at every level by immediate supervisors. After performance interviews are conducted by supervisors at all levels, staff members at the manager level and above carry out self-evaluations in a synchronized manner. Performance appraisals consist of the following key elements:</p> <ul style="list-style-type: none"> <li>● Rank and file: Key objectives 70%, competence 15%, attitude 15%</li> <li>● Management: Key objectives 80%, competence 10%, attitude 10%</li> <li>● Factory director/department director and above: Key objectives 100% (key objectives for personnel at grade 9 or above are determined based on the KPI target management card scores for the previous two quarters)</li> </ul>

<p><b>Human Resource Strategy</b></p>	<p>The key talent strategy of maximizing performance has become an accelerator for TECO's growth, and core employees are the promoters of digital talent transformation to create the greatest value for the Company. The digital talent strategy is realized mainly through the blueprint for talent cultivation, talent and system KPIs, the establishment of a communication culture, and the building of a HR friend circle. The respective description is as follows:</p> <ul style="list-style-type: none"> <li>● Talent cultivation blueprint: For basic/middle/senior executives, key talents and the whole group, digital skill cultivation training is planned for Q1 to Q4 respectively, and the Company cooperates with the Business School of National Chengchi University on courses related to digital transformation projects to cultivate the digital ability of employees.</li> <li>● Talent and system KPI: It mainly promotes the progress review of projects, and is linked with the KPI of the Human Resources Center to thoroughly implement various projects and progress tracking, including the retention of key talents, the execution of digital projects, the execution of supervisor rotation, and female employee/supervisor promotion rate indicator.</li> <li>● Establishment of a communication culture: Make supervisors and key talents the communication channel between the Company and employees, and achieve the effect of corporate culture publicity through quarterly meetings and the Company's official Line@community (Gather up! Happy TECO people).</li> <li>● Building a HR friend circle: It is expected to collect and contact potential candidates in the market for key positions, and increase access to potential talents through channels such as government agencies, schools, HR banks, external training centers and industrial HR.</li> <li>● Skills inventory and training planning: Identify whether there is a manpower gap. Manpower gaps can be bridged by recruitment from the external market or skill training from within.</li> </ul>
<p><b>Recruitment strategy</b></p>	<p>Based on the government survey on the supply and demand of talents in key industries by the National Development Commission of Taiwan, TECO's "machinery" reported that 100% of the company lacked talents and had difficulty in recruiting. TECO not only learns how to strengthen the capabilities of internal employees through interviews, but also evaluates the recruitment of high-quality talents with corresponding functions from the external market.</p> <p>According to the needs from the business unit, it is planned to recruit talents through different types of channels; in addition, when the business department make budgets, it is necessary to provide a labor planning form (workforce planning) for interviewers to search for the correct interviewee.</p>

## HR strategy planning

Item	Actions
<b>Motivation</b>	According to the company strategy, changes from the internal and external environment, in order to face impact and needs in the future, TECO adjusts human resources policies, so that the talent strategy and organizational operation strategy can be more closely linked.
<b>Action</b>	<p>By annual interviews, Project-based task inventories, performance and headcount gaps to develop human resource strategy and actions:</p> <ul style="list-style-type: none"> <li>● Annual interviews: To gain a clear understanding of the demands and limitations of each unit through interviews with BU supervisors and facilitate the planning of training courses through an analysis of employee skill inventories.</li> <li>● Project-based task inventories: Work contents, required working hours, and division of authorities and responsibilities for all BU personnel are surveyed through Corporate Manpower Planning (CMP). The goal is to gain a deeper understanding of current manpower allocation conditions and determine whether job contents conform to development goals and how to plan job rotation training.</li> <li>● Make the annual budget according to headcounts and review productivity from each department to determine human resource demand and hire through management authority.</li> <li>● The annual headcounts are calculated with actual gap against the number of FTEs, turnover rate and number of retirees.</li> </ul>
<b>Results</b>	<ul style="list-style-type: none"> <li>● Based on the annual training plan, 41 employees participated in the training. 29 digital projects were produced of which 11 projects achieved results by the end of 2021, including the establishment of 8 internal business and production management systems, increased revenue by NTD 18,324K, and reduced monthly production costs NTD 322K.</li> <li>● 352 people were recruited in 2021, including 111 gaps reported from business units, 181 resigns and 60 to be retired.</li> <li>● In 2021, 158 people were promoted in the company, of which the average score of 84.9 and the average score of the technical course test is 86.8. (Passing criteria is 80)</li> </ul>



## Employee Turnover Rate

	2018	2019	2020	2021
<b>Total employee turnover rate</b>	16.11%	14.67%	15.73%	14.82%
<b>Voluntary employee turnover rate</b>	13.67%	12.54%	12.79%	13.25%
<b>Data coverage</b>	100%	100%	100%	100%

Data covers 100% of reporting scope.

In 2021, the number of departing employees reached **651**, which represents a turnover rate of **14.82%**. The voluntary separation rate was **13.25%**. The Company also conducted a statistical analysis of the turnover conditions in the management level (entry- to top-level). The number of departing managers reached **44**, which represents a turnover rate of **4.88%**. Broken down by age groups, the turnover rates reached **12.1%**, **8.25%**, and **6.8%** in the “below 30”, “30-50”, and “above 50” age groups, respectively.



## 5.5 Employee Engagement

The scope of the survey in 2021 was all TECO employees. The questionnaire was conducted with a Google online form (anonymously). The survey lasted for 3 weeks, and the results were analyzed according to the employees' attributes (workplace, age, seniority, affiliation, job level, etc.).

The aspects of this opinion survey were divided into seven major items, including supervisory leadership, getting along with colleagues, work/system arrangement, employee benefits, career development, quality of life and dedication. There were eleven sub-dimensions, including supervisory leadership, getting along with colleagues, innovation, digital cognition, work/system arrangement, employee benefits, performance appraisal system, career development, training, quality of life and employee dedication, with a total of 45 questions in the questionnaire.

The aspect of employee engagement included the following three questions:

1. I will not leave the company easily.
2. The company inspires me to do my best every day.
3. Company employees are generally enthusiastic about their work.

The questions of this questionnaire were the same as those last year, so as to make a differentiated analysis. The question semantics was fine-tuned and the content made appropriate according to the question books of Aon and 104.

According to the analysis, among the above-mentioned seven aspects, getting along with colleagues, supervisory leadership and work/system arrangement are the top three with highest scores; while career development opportunities, dedication and quality of life are the bottom three with lower scores.

	2018	2019	2020	2021	Target
Score	Supervisor 82.4	Supervisor 83.8	Supervisor 75.2	Supervisor 73.6	80
	Employee 82.0	Employee 79.4	Employee 69.6	Employee 71.3	
	Average: 82.2	Average: 81.6	Average: 72.4	Average: 72.4	
Participation Ratio (%)	38%	32%	39.7%	51.0%	2021: 40% 2022: 55%

A total of 4,281 respondents were surveyed, and 2,187 valid questionnaires were collected. The overall response rate increased to 51.0% compared with that in 2020. In this employee opinion survey, career development opportunities, dedication and quality of life are the three items with lower scores. After analysis, employees' feedback on these aspects was obtained. The description is as follows:

Career development opportunities: The employees of all unit have doubts about the performance appraisal, salary adjustment, promotion, and bonus system; their willingness for internal training is not high (as there is no immediate material impact on the salary), and they have doubts about the Company's future development direction and system.

- Dedication: After analyzing the feedback of employees, it is found that employees attach great importance to whether the communication channel is smooth, and this is an aspect that needs to be improved.
- Quality of life: Most of the employees mentioned that the Company may offer housing allowances and flexible office hours, and the rest of the employees believe that the related benefits of affiliated companies need to be maintained.
- Overall satisfaction rate: The average conversion percentage of the overall satisfaction rate of the seven aspects is 74.8%, and there is still room for improvement, with priority given to career development opportunities, dedication and quality of life.

Feedback is expected to be improved by:

- Adjusting and reviewing the salary structure of existing employees.
- Adjusting the internal training mechanism for employees; in addition to providing training subsidies and certificate subsidies, if the highest education level changes, the salary can be linked in time (the adjustment range is to be discussed).
- Maintaining the quarterly meeting of the head office, planning, and handling the symposium for presidents of business groups, and announcing the operation status and goals of each business unit.

## 5.6 Customer Satisfaction

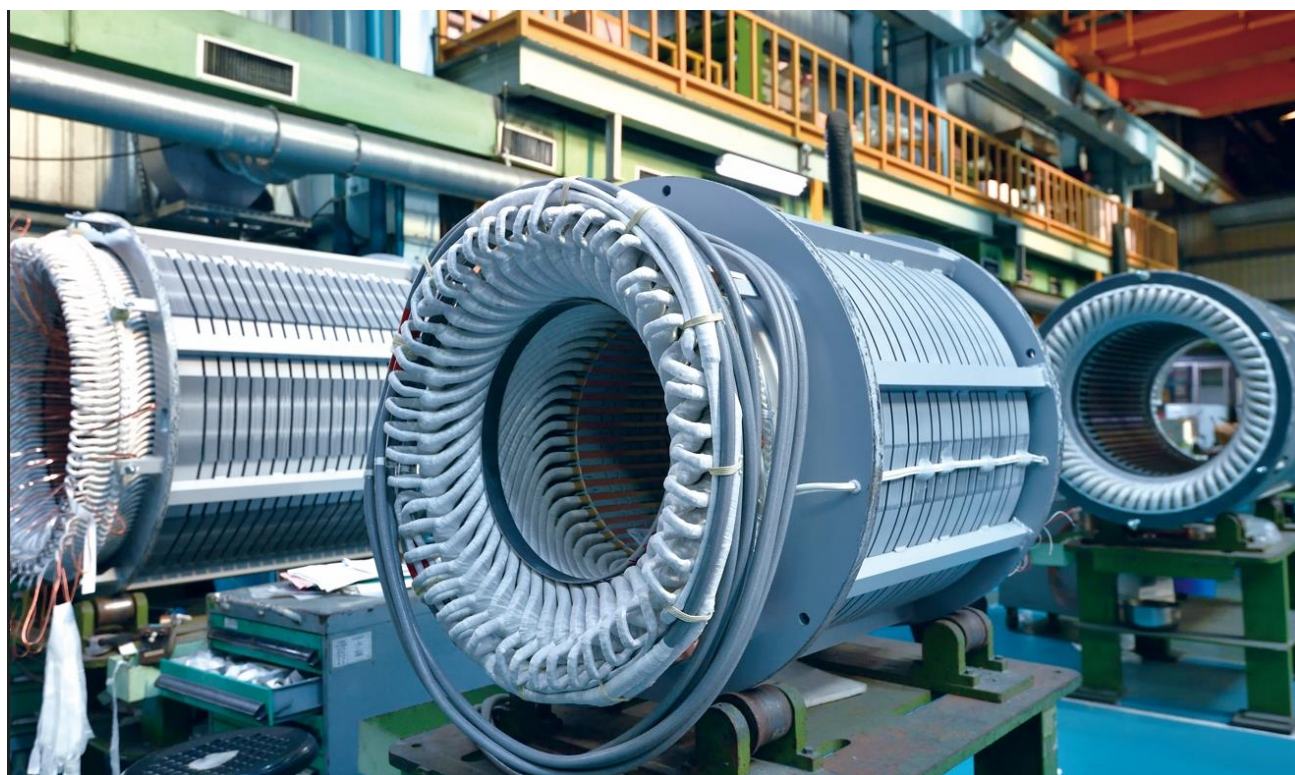
TECO identifies its electromechanical business as the subject and sends the customer satisfaction survey questionnaire to its global customers twice per year to collect the feedback served as the goals of critical improvement. Home appliance business department mainly uses the method of telephone interview as the key method to collect customer feedback. The regional subsidiaries of TECO are the main sales channel for the industrial customers. In 2021, the online customer sales revenue accounted for 13.1%, and the sales volume accounted for 15.1%. The overall customer satisfaction evaluation result is published as follows:

Customer satisfaction	2018	2019	2020	2021	Target
<b>Overall</b>	<b>90.0%</b>	<b>71.4%</b>	<b>74.2%</b>	<b>81.1%</b>	<b>81.5%</b>
<b>Data coverage</b>	<b>83.6%</b>	<b>80.0%</b>	<b>86.3%</b>	<b>85.1%</b>	
<b>Electromechanical systems</b>	90.8%	69.2%	72.5%	78.1%	80%
<b>Data coverage</b>	95.0%	90.4%	100%	100%	
<b>Home appliance</b>	84.86%	83.79%	82.62%	84.45%	85%
<b>Data coverage</b>	20%	19%	21%	57%	
<b>Engineering</b>				86.1%	85%
<b>Data coverage</b>				84%	

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

The satisfaction survey is conducted for the improvement of our “product marketing” and “logistic service”.  
Corrective action methods were as follows:

<b>Product marketing</b>	Although the satisfaction score of product marketing rises, more improvement is needed by adjusting internal organization and personnel to enhance overseas brand promotion and product marketing activities (including optimization of websites, integration of catalogs, regular release of videos, and online exhibition) and improve our capabilities of digital marketing services.
<b>Logistic service</b>	The time of global transport (including incoming and shipment of products) is prolonged due to the external epidemic, resulting in delayed delivery and higher uncertainty. In these circumstances, however, we will still enhance our internal management, improve the process, and optimize schedule management to increase the overall delivery achievement rate.



## **5.7 Occupational Safety**

### **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 100%. TECO has been conducting ISO 14064-1 GHG inventories since 2013. °

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

- **Regulations and stakeholder requirements:** To grasp the latest changes and information of environmental safety and health laws and regulations and stakeholder requirements to make that the operation of the plant meet the requirements, the collection, identification, update and compliance evaluation of various regulations and requirements are clarified. **122 regulations apply, with 14 changes and revisions issued in 2021.** (monthly audit and annual compliance assessment)
- **Identification of hazards and risks and environmental considerations:** Hazardous operations, activities or services and facilities that cause direct or indirect hazards or are expected to affect the safety and health of the operating site. **There were totally 3935 hazard and risk cases identified; according to the risk matrix, there were 3 high risk cases, 1541 medium risk cases, and 2391 low risk cases. There were totally 2110 environmental consideration cases identified; according to the risk matrix, there were 13 high risk cases, 188 medium risk cases, and 1909 low risk cases.** (identified once a year, tracked quarterly, and reviewed annually)
- **Quantitative target management:** To implement the environment, safety and health performance efforts and the commitment to the environmental safety and health policy, and plan and implement the annual target management plan. **There are 9 safety and health management plans and 11 environmental management plans.** (tracked quarterly and reviewed annually)
- **Standard operating procedures:** The relevant documents and information of the environmental safety and health management system are used as the basis for management. **There are 74 standard operating procedures in total, and 11 are revised and updated after the review in 2021. (irregularly revised)**
- **Environmental safety and health training and information dissemination:** To ensure that the internal personnel who may be affected by the implementation of environmental safety and health work are controlled, and the training and information dissemination are implemented effectively. **48 employees have passed the ISO 14001 and ISO 45001 management systems' internal auditor training to strengthen their professional abilities for internal audit and effectively implement the management system; 113 messages on environmental safety information were communicated.**
- **Regular inspections, key inspections and security inspections:** To prevent occupational accidents and ensure the safety and health of workers; the unsafe environment and unsafe behavior in the workplace are raised through the audit, recommendations for improvement are made through the audit of various machinery, equipment or environmental sanitation, and on-site assistance is provided for improvement. **In 2021, there were 519 missing items in statistical inspections, and another 186**



items were proposed for improvement through deficiency inspections. (monthly statistics and quarterly reports)

- **Investigation and statistics of occupational accidents and false alarms:** To effectively and quickly report, handle and complete the accident investigation when an accident occurs, and take improvement measures to avoid similar accidents from happening. Emergency situations are identified for preparation and response according to the requirements of the “Environmental Aspect Identification Procedures”, “Hazard Identification and Risk Assessment Procedures” and “Regulations Identification Procedures” formulated by each factory. The content of the emergency response plan is regularly reviewed for appropriateness, and tests and drills are carried out on a regular or irregular basis in accordance with the requirements of the “Emergency Preparedness and Response Procedures”. **In 2021, the number of cumulative working hours without disasters reached 2.33 million; there were a total of 14 test drills.**
- **Purchasing, contracting and change management:** In accordance with ISO 45001 management system requirements, the organization shall establish, implement and maintain processes to control relevant purchasing activities, and the Company is in line with the spirit. Therefore, the requirements of occupational safety and health standards are added to the relevant contract review process and contract content.
- **Health check management:** In 2021, there was 0 cases identified by occupational disease doctors. Conduct relevant health promotion courses, including hypertension and cerebrovascular disease, workplace bullying risk management knowledge (unlawful infringement), and other health education publicity, training hours are 28 hours; a total of 367 participants; participants include employees, factories Internal and external personnel.



ISO 45001  
Certification



ISO 14001  
Certification

# Occupational Injury Statistical Data

## Frequency Rate (FR)

TECO Group's Disabling Injury Frequency Rate (FR) (excluding traffic accidents) is **1.17** ·  
FR for other workers and contractors (excluding traffic accidents) is **0** °

(note) Formula:  $FR = (\text{disability injury counts} / \text{total working hours} \times 10^6)$ , under the definition of Labor Inspection Law Enforcement Rules 6. The disability injury counts are limited to incidents that occurred in 2021 and applied also to US, China and Vietnam subsidiaries.

## Severity Rate (SR)

TECO Group's Disabling Injury Severity Rate (SR) (excluding traffic accidents) is **20**  
SR for other workers and contractors (excluding traffic accidents) is **0**

(note) Formula:  $SR = (\text{Number of total lost workdays} / \text{total working hours} \times 10^6)$ , under the definition of Labor Inspection Law Enforcement Rules 6. The number of total workdays is limited to incidents that occurred in 2020 and applied also to US, China and Vietnam subsidiaries.

## Lost-Time Injury Frequency Rate (LTIFR)

n/million work hours worked

	2018	2019	2020	2021
<b>Employee LTIFR</b>	2.07	1.16	1.77	1.17
<b>Data coverage</b>	79.2%	77.6%	86.3%	89.5%

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

Level	Case	Type
mild	3	<ul style="list-style-type: none"> <li>2 full down in working environment</li> <li>1 Contact with hazardous material</li> </ul>
moderate	8	<ul style="list-style-type: none"> <li>3 Clamping, jamming injures</li> <li>3 pressing injuries</li> <li>1 full down in working environment</li> <li>1 impact in working environment</li> </ul>

Scope of survey: TECO, TESEN, TECO-Westinghouse, Taian Technology (Wuxi), Wuxi TECO, TECO Electro Devices, Qingdao TECO Precision, Jiangxi TECO A/C, Wuxi TECO Precision, Jiangxi TECO, TECO Vietnam, Motovario Corp. Total accounts for 89.5% of the Group

## Description of Environmental Safety and Health Violations

### Notes regarding violations of occupational health and safety laws July 9, 2021 Mainland China area

**Laws and regulations violated:** “National Standard of the People’s Republic of China - Standard for pollution control on hazardous waste storage.

GB18597-2001 (revised in 2013) Jinyi assembly paint slags and waste paint buckets are stacked in the open air; some paint slags and waste paint buckets are temporarily stacked in the assembly warehouse.

**Amount of fine:** RMB 298,000 (NT\$1,341,000, converted at the exchange rate of 4.5)

**Countermeasures:**

- Carry out hazardous waste storage training for all waste generating units in the plant, and implement the hazardous waste responsibility system.
- Cancel the assembly warehouse as temporary storage, and store wastes in the hazardous waste warehouse.

### Notes regarding violations of occupational health and safety laws June 30, 2021 Taiwan

**Laws and regulations violated:** Paragraph 1, Article 28 of the Waste Disposal Act.

No qualified private or public waste disposal agency was entrusted for the removal, transportation and disposal of wastes.

**Amount of fine:** NT\$12,000; the fine of more than NT\$10,000 was not paid, but based on the principle of maintaining consistency with public information, it is still listed for explanation. (Note: TECO signed a transportation and disposal contract with a waste removal and transportation vendor, and entrusted the transportation vendor to find a qualified waste treatment plant, and the trial operation contract was confirmed to be correct before the transportation. However, the transportation vendor did not confirm the list of acceptable treatment plants for the trial operation plan, and the fine is paid by the transportation vendor.)

**Countermeasures:**

- The final disposal of waste treatment must be done during the contract signing process, and trial operation vendors should be excluded.
- The business undertaker should participate in this environmental protection seminar to avoid similar cases from recurring.
- Before the waste is removed and transported, the private or public waste removal and treatment license shall be checked again to ensure the validity of the treatment plant’s license.

### Description of violations of safety and health laws May 13, 2021 Taiwan

Violation of laws and regulations: Paragraph 1, Article 225 of the Regulations on Occupational Safety and Health Facilities, Article 11-1 of the Standards for Construction Safety and Health Facilities, and Paragraph 1, Article 6 of the Occupational Safety and Health Act.

For the wire-pulling operation at a height of 3.35 meters, no working platform was set up by erecting scaffolding or other facilities; for those who entered the worksite of the construction project, no proper safety helmets were provided and properly worn.

Amount of fine: NT\$70,000

**Countermeasures:**

- Immediate improvement: Erection of 2 sets of scaffolding for the construction personnel to operate on.
- Strengthen the publicity of the regulations for the use of A-shaped ladders, aerial work vehicles and scaffolding.
- Require on-site supervisors (engineers) to immediately ask the contractor to improve if they find unsafe behaviors or non-compliant matters when conducting on-site inspections.

#### Description of violations of safety and health laws November 2, 2021 Taiwan

Violation of laws and regulations: Paragraph 5, Article 58 of the Regulations on Occupational Safety and Health Facilities, and Paragraph 1, Article 6 of the Occupational Safety and Health Act.

The dispatched employee XX Cheng wanted to remove the material fell from the welding ring machine, but was accidentally pinched by the machine, and the little finger of his right hand had an open fracture. At 08:15, he was sent by an ambulance to Linkou Chang Gung Hospital for emergency treatment; after the doctor's diagnosis, it was determined that surgery and hospitalization were required.

Amount of fine: NT\$60,000

Countermeasures:

- A safety door with interlocking function has been added.
- The safety operation standard of welding ring machine was revised to include the standard operation procedures for fault and abnormal handling.
- Hazard identification and assessment of risks and opportunities were redone.
- The operator's training, including teaching materials, sign-in and photos and other records were redone.

#### Description of violations of safety and health laws November 5, 2021 Taiwan

Violation of laws and regulations: Subparagraphs 2 and 3, Paragraph 1, Article 27 of the Occupational Safety and Health Act.

For the outer wall scaffolding and work platform with a height of 2 meters or more (about 5.1 meters in height), no guardrails (inside cross tie rods and pull-down rods) was set up on the opening (about 3.8 meters in height) between the roof of the booster station's ladder-A machine room (about 3.5 meters in height) and the edge of the REF water tank roof (about 2.3 meters in height), and there is no equipment for workers to get on and off safely the roof of the REF water tank (about 2.3 meters in height) when engaged in the tying of steel bars.

Amount of fine: NT\$60,000

Countermeasures:

- For operations with a height of two meters, a safety mother cable is added to hook the operator when wearing a knapsack seat belt.
- When assessing the working environment, the stable upper and lower equipment should be added for the operator to use.

#### Description of violations of labor laws July 8 2001 Taiwan

Violation of laws and regulations: Article 22, Paragraph 2 of the Labor Standards Act

Wages shall be paid directly to the workers in full. However, if it is otherwise stipulated by law or otherwise agreed by the employer and the employee, this limitation shall not apply. The violation of the regulations is that wages are not paid in full.

Amount of fine: NT\$20,000

Countermeasures:

- Immediate improvement: This case is due to misunderstanding of salary payment by employees, and communication will be strengthened afterward.

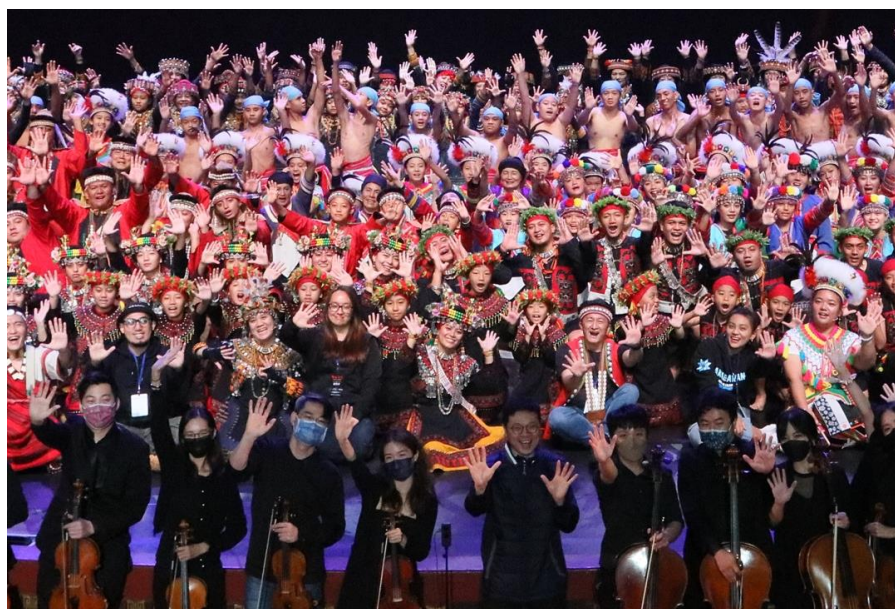
## 5.8 Corporate Citizen Public Welfare Events

### 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 established a ten-year goal, and emissions reduction will reach 50% by 2030. 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.



category	percentage
Charitable Donations	34.0%
Community Investments	56.86%
Commercial Initiatives	9.13%





### Energy Conservation and Emission Reduction



### Education in Remote Areas and for Disadvantaged Groups



### Indigenous Sustainable Education Plan

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 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 The 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

TECO has developed and promoted energy-efficient products to customers and rewards outstanding performances with TECO Awards. In 2021, our high-efficiency motors saved 418 million kWh of electricity for customers around the world. In the past three years, a total of 143 million kWh of electricity were saved cumulatively per year thanks to our energy-saving home appliances.

495 hours were invested in volunteer activities in 2021, including supply donation, appliance health check, etc. to improve cohesion and bond among employees. The employees who participated in these activities received an hourly wage of NT\$186.

In 2021, to expose our brand to more people, 91 posts were put out on social media with impressions cumulatively totaling 140,481, and the cumulative views of our Youtube videos reached 108,077. The number of people served in the programs amounted to 43,401.

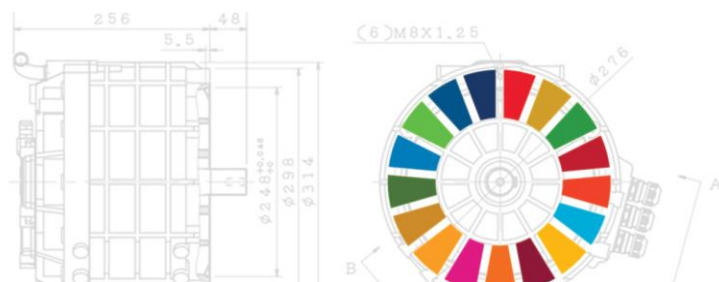


## Social Benefits

There were six winners in the 2021 TECO Award. Since the award's inception, 162 social role models have been rewarded. Including green recycling energy system, carbon recycling and reuse demonstration, and the use of carbon capture to produce hydrogen technology, production of green chemicals and methane gas. Since its establishment, 162 social benchmarks have been awarded accumulatively.

Innovative science teaching cultivation project for remote areas: In 2021, the project reached 224 schools in 11 counties and cities; 10,981 students and over 1,000 teachers benefited from it.  
Art appreciation activities for teenagers in remote areas: One activity was organized in 2021. Over the last 17 years, 51 activities were held, benefiting more than 40,000 students and teachers in remote areas.

In 2021, TECO supported a total of 43 music & dance transmission and creativity/workmanship/sports teams spanning 6 counties and cities. 46 companies and over a hundred individuals acted as sponsors for the cultural transmission program. 1,754 people participated in the cultural transmission program with more than 172 instructors involved in its implementation. The performances totaled 9,438 hours, including 438 folk songs and 56 dance performances. The total funds raised amounted to NT\$4,635,283. The teams performed in Taiwan in 2021, attracting over 30,000 people.



# TECO Award

Unlike previous years where most of the Technology award winners were research university professors, three out of this year's six first-time winners have one-of-a-kind journeys to scholarship success at non-research universities and are dedicated to innovations that lead the way in relevant sectors in Taiwan and abroad, best demonstrating that "times do make the man". The Humanities award was given to Chien-Chi Chang, who is known as the "Poet of Photography" and a full member of Magnum Photos, in recognition of his humane care and unique esthetics presented through his camera lenses as well as his border-crossing contribution to breaking new ground in Taiwan's documentary photography field.



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.



**郭斯彥 Dr.Sy-Yen Kuo**

Prof. Kuo is a world-renowned researcher in the area of dependable computing. He has made pioneering contributions to research, education and industry. He also actively participated in the international professional community and served as the IEEE Fellow Committee Judge and Computer Society Vice President. These efforts have contributed significantly to Taiwan's visibility and impact on the related fields.



**覺文郁 Dr.Wen-Yuh Chueh**

Deeply cultivating research in the field of machine tools and precision measurement, integrating and leading a cross-field team of industry, academia and research with outstanding R&D results and technical talent cultivation, promoting industrial transformation and upgrading, and making outstanding contributions to the development of Taiwan's machinery and manufacturing industry.



**陳維新 Dr.Wei-Hsin Chen**

He devotes himself to green energy and fuel research, leads international biomass torrefaction research and development, actively promotes the development of clean energy and energy-saving innovation in the industry, and makes outstanding contributions to the cultivation of domestic energy and environmental talents and the development and application of sustainable technologies.



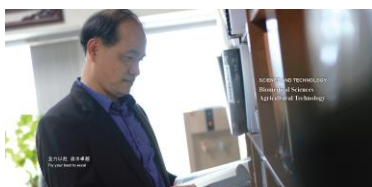
**陳志勇 Dr.Chih-Yung Chen**

Professor Chen is a pioneer and doer in circular economy technology, developed the world's leading supercritical recyclable foam material, and built Taiwan's first carbon capture and utilization pilot plant; established two start-up company to provide innovation energy to the industry. He has made remarkable contributions to environmental sustainability field.



**童國倫 Dr.Kuo-Lun Tung**

Dr. Tung has been dedicated to the R & D of high-efficiency separation technology for two decades, the world's first destructive innovative inorganic membrane is obtained. Thus earning internationally recognized academic reputation, and also successfully commercialized the established start-up companies. With the significant industrial performance, this technology made outstanding contributions to the sustainability of water resources and the environment.



**李國賓 Dr.Gwo-Bin Lee**

Prof. Lee invented nano- and micro-fluidic biochip techniques for fast diagnoses of seasonal and epidemic infectious diseases and automatic screening of artificial antibodies (aptamers and peptides). He also developed a new electromagnetic thermos-therapeutic device using electromagnetically heated stainless-steel needle arrays to treat tumors. His works on these subjects have been transferred to several companies and contributed significantly to local biotech industry.



**張乾琦 Mr.Chien-Chi Chang**

Chien-chi Chang is an internationally-renowned reportage photographer with a career spanning over three decades. About ten years ago, Chang began to explore photography inspired video recording and acoustic possibilities. His works are richly characterized by a profound human touch and a unique aesthetic, lending an extraordinary vision to the art of story-telling.

# 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.



In 2021, 1,754 individuals participated in the cultural transmission program, more than 172 teachers participated in the program. A total of 438 folk songs and 56 dance numbers, and a total amount of NT\$ 4,635,283 was raised. Long-term supports have been provided to 30,000 children in ten groups.

TECO and corporate partners have continued to promote the project of “Exclamation mark” for 19 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.





# Summary and Appendix

## Let the World See Taiwan

TECO is once again included in the Dow Jones Sustainability Index (DJSI) and in The Sustainability Yearbook by S&P Global. TECO is Taiwan's largest industrial motor manufacturer, leading supply chain members to promote Taiwan's industrial wisdom to the world. Last year, we helped global customers save 650 million kWh of electricity. Every kWh of electricity saved is the contribution of Taiwanese industry to the world.

When the Phase-I goal of emission reduction by 20 within ten years was achieved in 2020, five years earlier than expected, TECO Group further declared a project with the goal of emission reduction by 50% within ten years (2020~2030). The plan has been extended to overseas plants since 2021 to make full contribution to the reduction of carbon emissions within the Group. We also implement “sustainability KPI” in the hope to root sustainable management deeply in the corporate culture of TECO. We create a favorable environment for the Company while symbolizing the core spirit of harmony and symbiosis with nature. For this, TECO Group develops the green/renewal energy related business more comprehensively (including setting up solar power facilities in Chungli in 2021, for which the Group have acquired the green power certificate for self-use power generation. We have planned to implement a project to set up solar power facilities in China and Southeast Asia in 2022. An annualized emission reduction of 3,385 tonCO<sub>2</sub>e/year is expected when the project is completed in the second half of the year.) Green refrigerant R32 is used for air conditioning products (less than 15kW) (to reduce 65% of emissions more than the air conditioning unit R410A in the same segment) and improvement of processes and energy saving and carbon reduction measures are implemented in domestic and overseas plants continuously, in the hope to achieve the final goal of “carbon neutrality” in 2050 within the Group.

The 2021 TECO Sustainability Report is the 12th report by TECO since 2010.

## 6.1 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.

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

- 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.
- Total sponsorship in 2021 is NTD 4,770,242



## 2021 TECO' roles in external organizations

Organization name	Role	Issue of concern	Fee NTD
Epoch Foundation (Epoch)	Director	Digital transformation	300,000
Taiwan Electrical and Electronic Manufacturers' Association (TEEMA)	Director	Industrial transformation, upgrading and development	42,000
Electric-Electronic and Environmental Technology Development Association of R.O.C. (CED)	Chairman		141,000
Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	Honorary Chairman		55,000
Chung-Hwa Railway Industry Development Association (CRIDA)	Director		40,000
Taiwan Excellent Brand Association (TEBA)	Director		40,000
Taiwan Power Electronics Association (TaiPEA)	Director		30,000
Taiwan Electrical Appliance Association (TEPA)	Director		20,000
Taiwan Automation Intelligence and Robotics Association (TAIROA)	Director		25,000
Center for Corporate Sustainability (TAISE)	Director	Enterprise Sustainable development	280,000
Business Council for Sustainable Development of Taiwan (BCSD Taiwan)	Honorary Chairman		120,000
Taiwan Wind Industry Association (TWIA)	Director	Clean energy	20,000
Association of Atmosphere Protection in Taiwan (AAPT)	Director		5,000
Chinese International Economic Cooperation Association (CIECA)	Director	International commerce	50,000
Taiwan-Turkey Business Association (TTBA)	Honorary Chairman		10,000
Taiwan India Business Association (TIBA)	Honorary Chairman		5,000
R.O.C. East Asian Economic Association (EAEA)	Honorary Chairman		10,000

## 6.2 GRI Indicators Index

This report refers to the Global Reporting Initiative (GRI) "GRI Sustainability Reporting Standards (2016)", (GRI Standards, GRI Standards), GRI 303 (2018) and GRI 403 (2018) °

Disclosure items		Page number
<b>GRI 102: General Disclosures</b>		
102-1	102-1: Name of the organization	8
102-2	102-2 Activities, brands, products and services	8
102-3	102-3 Location of headquarters	8
102-4	102-4 Location of operations	8
102-5	102-5 Ownership and legal form	8
102-6	102-6 Market served	8
102-7	102-7 Size of the organization	8
102-8	102-8 Information on employees and other workers	77
102-9	102-9 Supply chain	42
102-10	102-10 Significant changes to the organization and its supply chain	42
102-11	102-11 Pre-cautionary principles or approaches	30
102-12	102-12 External initiatives	106
102-13	102-13 Membership of associations	107
102-14	102-14 Statement from senior decision-maker	4
102-15	102-15 Key impacts, risks, and opportunities	4
102-16	102-16 Values, principles, standards and norms of behavior	34
102-18	102-18 Governance structure	28
102-40	102-40 Stakeholder engagement	22
102-41	102-41 Collective bargaining agreements	34
102-42	102-42 Identifying and selecting stakeholders	17
102-43	102-43 Approach to stakeholder communication	22
102-44	102-44 Key topics and concerns raised	9
102-45	102-45 Entities included in the consolidated financial statements	7
102-46	102-46 Defining report content and topic boundaries	1
102-47	102-47 List of material topics	13
102-48	102-48 Restatements of information	104
102-49	102-49 Changes in reporting	1
102-50	102-50 Reporting period	1
102-51	102-51 Date of most recent report	104
102-52	102-52 Reporting cycle	1
102-53	102-53 Contact point for questions regarding the report	2
102-54	102-54 Claims of reporting in accordance with the GRI standards	2
102-55	102-55 GRI Content Index	107

102-56	102-56 External assurance	111
<b>GRI 103 Management Approach</b>		
103-1	103-1 Explanation of the material topic and its Boundary	15
103-2	103-2 The management approach and its components	18
103-3	103-3 Evaluation of the management approach	18
<b>GRI 201: Economic Performance</b>		
201-1	201-1 Direct economic value generated and distributed by the organization	7
201-2	201-2 Financial implications and other risks and opportunities due to climate changes	28
<b>GRI 203: Indirect Economic Impact</b>		
203-2	203-2 Significant Indirect Economic Impact	25
<b>GRI 204: Procurement Practices</b>		
204-1	204-1 Proportion of spending on local suppliers	42
<b>GRI 205: Anti-corruption</b>		
205-2	205-2 Communication and training on anti-corruption policies and procedures	34
<b>GRI 206: Anti-Competition</b>		
206-1	206-1 Legal actions against anti-competition, anti-trust and monopoly practices	34
<b>GRI 301: Materials</b>		
301-1	301-1 Materials used by weight or volume	68
301-2	301-2 Applicable renewable materials	68
<b>GRI 302: Energy</b>		
302-1	302-1 Energy consumption within the organization	62
302-2	302-2 Energy consumption outside the organization	62
302-4	302-4 Reduction of energy consumption	63
302-5	302-5 Reductions in energy requirements of products and services	68
<b>GRI 305: Emissions</b>		
305-1	305-1 Direct (Scope 1) GHG emissions	59
305-2	305-2 Energy Indirect (Scope 2) GHG emissions	59
305-4	305-4 GHG emissions intensity	59
305-5	305-5 GHG emission chart	59
305-7	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	65
<b>GRI 306: Effluents and Waste</b>		
306-1	306-1 Water discharge by quality and destination	64
306-2	306-2 Waste by type and disposal method	66
<b>GRI 307: Environmental Compliance</b>		
307-1	307-1 Violation of environmental laws and regulations	97
<b>GRI 308: Supplier Environmental Assessment</b>		
308-1	308-1 New suppliers that were screened using environmental criteria	45
<b>GRI 401: Employment</b>		
401-1	401-1 New employee hires and employee turnover	84
401-2	401-2 Benefits provided to full-time employees (excluding temporary or part-time employees)	85
<b>GRI 403: Occupational Health and Safety</b>		

403-1	403-1 Occupational Health and Safety Management System	95
403-2	403-2 Identification of hazards, risk assessment, and investigation on incidents	95
403-3	403-3 Occupational health service	94
403-4	403-4 Worker participation, consultation, and communication on occupational health and safety	94
403-5	403-5 Worker training on occupational health and safety	94
403-6	403-6 Promotion of worker health	94
403-7	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	94
<b>GRI 404: Training and Education</b>		
404-1	404-1 Average hours of training per year per employee	82
404-2	404-2 Programs for upgrading employee skills and transition assistance programs	83
404-3	404-3 Percentage of employees receiving regular performance and career development reviews	83
<b>GRI 405: Diversity and Equal Opportunity</b>		
405-1	405-1 Diversity of governance bodies and employees	77
405-2	405-2 Ratio of basic salary and remuneration of women to men	77
<b>GRI 412: Human rights evaluation</b>		
412-2	412-2 Employees' training about human rights policy or procedures	78
412-3	412-3 Important investment agreements or contracts containing human rights clauses or on which the human rights review was already conducted	78
<b>GRI 414: Supplier Social Assessment</b>		
414-1	414-1 New suppliers that were screened using social criteria	43
<b>GRI 415 Public Policy</b>		
415-1	415-1 Political contributions	34
<b>GRI 416: Customer Health and Safety</b>		
416-2	416-2 Incidents of non-compliance concerning the health and safety impacts or products and services	Zero incident
<b>GRI 419: Socioeconomic Compliance</b>		
419-1	419-1 Non-compliance with laws and regulations in the social and economic area	98

## 6.3 TCFD Index

Item	Contents and page number	
<b>Governance</b>	Describe the board's oversight of climate related risks and opportunities	50
	Describe management's role in assessing and managing climate-related risks and opportunities.	50
<b>Strategy</b>	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	52
	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	53
	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	56
<b>Risk Management</b>	Describe the organization's processes for identifying and assessing climate-related risks	32
	Describe the organization's processes for managing climate-related risks	29
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	56
<b>Metrics &amp; Targets</b>	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	59
	Disclose Scope 1, Scope 2, and if appropriate Scope 3 greenhouse gas (GHG) emissions, and the related risks.	59
	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	59

## 6.4 Third Party Certification and Assurance



Reference link for 3<sup>rd</sup> party assurance report and certificates, including ISO14001, ISO14064, ISO14066, ISO14067, ISO45001 and AA1000 assurance letter for this report.





## INDEPENDENT ASSURANCE OPINION STATEMENT

### TECO Electric & Machinery Co., Ltd. 2021 Sustainability Report

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

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

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

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

#### Scope

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

1. The assurance scope is consistent with the description of TECO Electric & Machinery Co., Ltd. 2021 Sustainability Report.
2. The evaluation of the nature and extent of the TECO's adherence to AA1000 AccountAbility Principles (2018) in this report as conducted in accordance with type 1 of AA1000AS v3 sustainability assurance engagement and therefore, the information/data disclosed in the report is not verified through the verification process.

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

#### Opinion Statement

We conclude that the TECO Electric & Machinery Co., Ltd. 2021 Sustainability Report provides a fair view of the TECO sustainability programmes and performances during 2021. The sustainability report subject to assurance is free from material misstatement based upon testing within the limitations of the scope of the assurance, the information and data provided by the TECO and the sample taken. We believe that the performance information of Environment, Social and Governance (ESG) are fairly represented. The sustainability performance information disclosed in the report demonstrate TECO's efforts recognized by its stakeholders.

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

#### Methodology

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

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

## Conclusions

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

### Inclusivity

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

### Materiality

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

### Responsiveness

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

### Impact

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

### GRI Sustainability Reporting Standards (GRI Standards)

TECO provided us with their self-declaration of in accordance with GRI Standards: Core option (For each material topic covered by a topic-specific GRI Standard, comply with all reporting requirements for at least one topic-specific disclosure). Based on our review, we confirm that sustainable development disclosures with reference to GRI Standards' disclosures are reported, partially reported or omitted. In our professional opinion the self-declaration covers the TECO's sustainability topics.

### Assurance level

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

### Responsibility

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

### Competency and Independence

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

For and on behalf of BSI:



Peter Pu, Managing Director BSI Taiwan



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2022-06-27

Taiwan Headquarters: 2nd Floor, No. 37, Ji-Hu Rd., Nei-Hu Dist., Taipei 114, Taiwan, R.O.C.

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