

TECO

Green TECO, Green Technology

TECO CSR English Version

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CSR Report

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東元電機股份有限公司

The logo for TECO, featuring the word "TECO" in a bold, blue, sans-serif font. To the right of the text is a circular icon composed of several curved, overlapping segments in shades of blue and orange, resembling a stylized flower or a turbine.

2010

CSR Report

About the Report

The CSR Report is the 2nd non-financial performance information report of TECO. It aims to disclose TECO's approaches, achievements, relevant strategies and targets of business sustainability to the public and stakeholders. The performance figures in this Report were mainly collected from January 1st to December 31st, 2010 (partially from 2008~2009), in the aspects of environmental protection, business governance, and social participation. The scope of this report only covered the business and factories in Taiwan, but overseas business or subsidiaries. The framework of this Report based on GRI/G3 Guidelines which issued by Global Reporting Initiative (GRI).

This CSR Report were organized and issued by President Office and Safety and Health group of TECO. Last version was issued in July 2007.



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1.1 The Chairman and the President

Revolution in 2010“3 New(s)” in TECO

TECO has safely passed the severe impact of the global financial crisis from 2008 by the sound control measures of TECO operation team. In 2010, we promoted “3 News”—(1) New markets, (2) New products, and (3) New sales strategies. TECO applied new thinking with the trend of economic recovery; both in revenue and profit were finally getting good result.

In response to global climate change, and being a member of the society, it is a trend that enterprise aims to develop more environmental friendly and energy-saving products. TECO Electric & Machinery Co., Ltd. has put the efforts on R&D of new energy, green energy and energy-saving/low-carbon products in 2010. Such as inverters, wind power, motors and white house appliances were acting well in markets. As a provider of green environmental solutions, when faced with the severe and treacherous challenges of the global ecosystem, TECO simply cannot ignore the importance of environmental sustainability thinking for TECO Electric & Machinery. In embracing the vision of “Green TECO, Green Technology”, TECO should take every solid step in driving the company’s development of environmental sustainability.

This report is the 2nd business sustainability report of TECO Electric & Machinery on non-financial performance information. Besides the information on our environmental management, safety and health, and social responsibility aspects, the wind power, industrial equipment projects and energy efficient products that TECO has been developing are also included in this report to disclosure to TECO’s stakeholders. Renewable energy and energy-saving with carbon reduction are the 2 main streams of new green industry development; TECO has been fully and well prepared for it.



Chairman : 劉志群



President : 丁鎮林

2.1 Company Profile

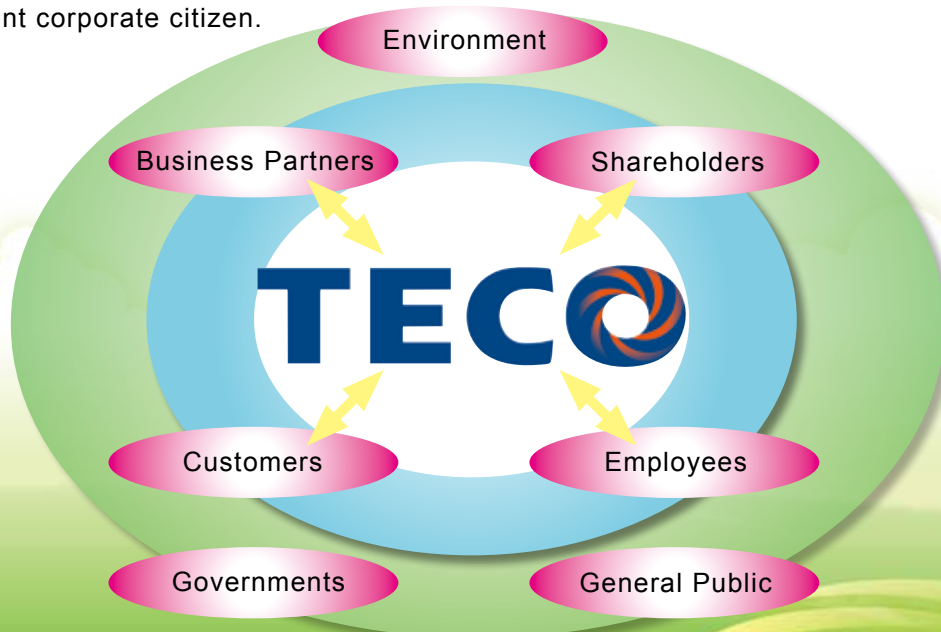
TECO Electric & Machinery was founded in 1956. Starting with motor manufacturing, TECO has been participating in diversified fields of industrial equipment, home appliances, IT system, telecommunications, electronics, key components, infrastructure construction, financial investments, and catering industry. TECO also has been actively engaging in major national constructions.

Over years, TECO has worked its way from traditional industrial appliances and home appliances industries toward a globalized high-tech enterprise. Presently its business domain spans across 30 countries in five continents and the business partners include GE of US, Yaskawa of Japan, Westinghouse of US, Ericsson of Sweden, Mitsubishi of Japan, NEC, SIM-Drive, Kodak Eastman of US and G&D of Germany.

In the future, TECO will continue to dig deeper in the field of its core business, developing in the direction of high added values like smart products. It will also endeavor to develop high-tech businesses and focus on the exploration of international new markets, to construct, by diversified operation, a macroscopic, high-quality and technologic world-class brand.

2.2 Vision and Objectives

TECO Electric & Machinery's vision for business sustainability is "Zero Pollution Environment, Zero Incident Workplace." Being a member of the earth's eco-system and human society, TECO will constantly augment the company's value with rightful business, steady with innovating spirit, and comply environmental and safety regulations. In the meantime, TECO will generate benefits for TECO's stakeholders in a wide range from shareholders, employees, customers, business partners to communities, governments, even to the whole general public while the company's business activities go on, to endeavor to be an excellent corporate citizen.





2.3 Products and Services

The company's products are mainly divided into 4 categories: (1) all types of motors, (2) electric equipment and system control, such as inverters and controllers, (3) home appliances, such as air conditioners, TV sets and refrigerators, and (4) wind turbine.

Motors, Pumps,
Compressors



Industrial Controlling Products,
Instrument Products



Small Wind Turbine
Products



Home and Business
Appliance Products



2.3.1 Operation Status

Due to the well inner control and better market prosperity, the operation has been improved in the past 2 years. The proportions of each business are: industrial appliances 68%, home appliances 29%, and others 3%. The industrial appliances business is still the main business of TECO.

The Result of 2010 Operating Plan Implementation

Unit: NT\$1000

Item	2009	2010	Growth Rate
Net Revenue	23,244,789	22,210,105	5%
Operating Profit	978,079	816,021	20%
Net Profit	2,491,686	1957,096	27%

2.3.2 Market and Marketing Analysis

2.3.2.1 Main Products Marketplace

The marketplaces of industrial appliances are mainly including America, Europe, Japan, Australia, China, Taiwan and Southeast Asia. TECO is also working on Middle East and India market actively.

2.3.2.2 Market Share

1. Industrial Appliances

TECO is the leading company in Taiwan domestic industrial motor industry and it also being very popular in overseas Chinese markets. The high voltage motors are playing a decisive role in global market, such as the TECO-WESTINGHOUSE is a leading brand.

2. Home Appliances and Air Conditioners

TECO is one of the Top 3 manufacturers of home appliances and air conditioners in Taiwan. The domestic market share of each product is estimated as follows:

Air conditioner (house): about 11%; refrigerator: about 16%; washing machine: about 11%; TV set: about 13%; LCD TV: about 8%; air conditioner products: about 30%.

2.3.2.3 Supply & Demand and Growth for the Future Market

1. Industrial Appliances

Industrial motor manufacture is the base of TECO, therefore, the industrial appliances business has been TECO's core business. TECO has been working on this business for more than 50 years, the industrial appliances can be produced and sold all over the world now. The quality, variety, production scale or the selling channels of TECO's industrial appliances have been meet the international level, TECO is one of the top 5 industrial appliance manufacturers.



TECO Electric & Machinery keeps putting efforts on technology innovation and efficiency upgrading of the core motor products. In 2010, TECO had presented the IE4 super high efficiency motor which exceeded the current international high efficiency standard. The IE4 motor had received Taiwan Excellence Award, it also been TECO's milestone of new technology innovation.

Besides motors, TECO as extend the product lines into green energy business, such as wind turbines and motors for electric vehicles. In 2010, TECO joined venture with A-tech Wind Power in Jiangxi (China) to set up A-tech TECO (wind turbine) Company. It was the business starting announcement of TECO's wind turbine business in both Taiwan and China markets.

In order to get into new energy vehicle industry supply chain, TECO has been working on several projects. For example, about the motor for electric vehicles, the first batch of hub motors will be brought into production in 2011, and working aggressively on international cooperation chances. The permanent-magnet synchronous motors have been successfully entered Japan market, while the electric traction motors are cooperating with domestic vehicle manufacturers.

High efficiency motor, wind turbine, and motors for electric vehicles are the 3-in-1 strategy of TECO. TECO Electric & Machinery follows the philosophy of business and environment sustainable development, TECO's vision is to be the top enterprise in Taiwan green energy business.



2. Home Appliances

Home appliance products are already a mature product, for which the market demand has limited growth. Apart from the existed products, the company also independently develops, or introduces from outside, new products with high added values such as big-size (52" and above) LCD TV, inverter type refrigerator, lower-freezer refrigerator, detergent-free washing machine, direct-drive inverter-type washing machine, as well as photo-catalyst air filter, DC inverter-type air conditioners in full series (1-to-1, 1-to-multiple), remote monitored SAA (Smart Appliance Alliance) air conditioner and nano-bamboo coal filter air conditioner, which all resort to health, multiplying sales channels and augmenting revenue and profits by product differentiation.

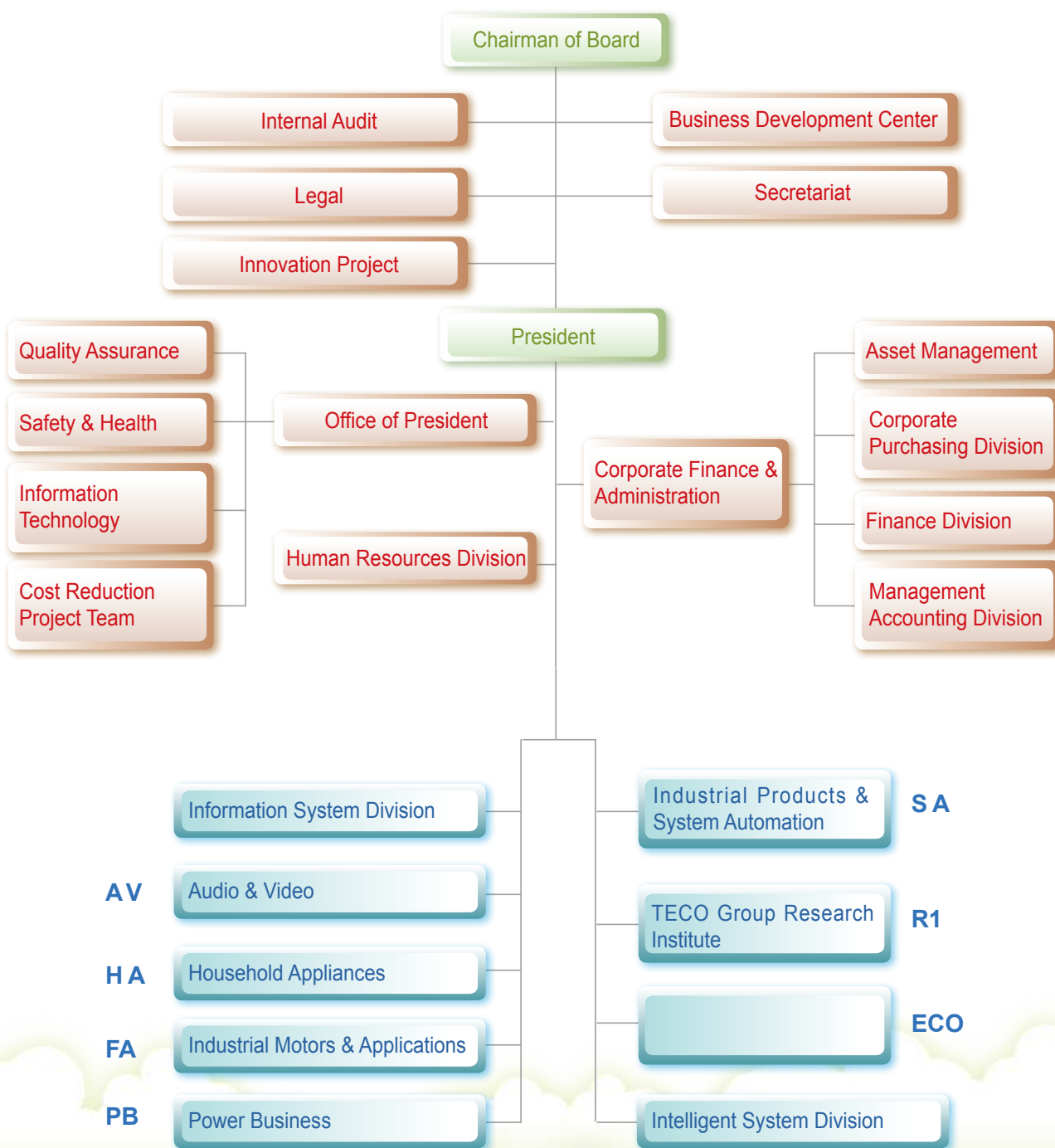
In addition, industrial-use air conditioning and refrigerating products such as box-type air conditioner, central system air conditioner flooded type chiller and air conditioners for trains are constantly re-modeled to provide industrial sectors, both in Taiwan and abroad, the best and comfortable working environment. In the field of air conditioning and refrigeration, TECO applies state-of-the-art techniques to provide various kinds of engineering services and assist the industry in upgrading.

With the development of new technologies and the convenience of the internet, futuristic items are brought about by the marriage of information product and home appliance product: information home appliances. The company will combine its decades of experience in the home appliance industry and various cutting-edge information technologies within TECO Group and develop information home appliances, especially the green home appliances that suit the market to generate more profits for the shareholders.

Besides the domestic market, the company is also active in developing international markets for its home appliances and results in considerable fruits. Especially LCD TV and air conditioner are exported to Southeast Asia, Australia and European countries in remarkable quantity and receiving good reputation. The future prospect is that, with increasing GNP and the advent of information age, the company will continue developing various newer and friendlier products to cater to the market demands.



2.4 Organization Structure



TECO Electric & Machinery Organizational Structure and Duties		
Division	Head	Duties
Internal Audit Division	Director	<ol style="list-style-type: none"> 1. Handling the scheduling for the company's annual auditing plan 2. Executing the company's and affiliate's routine audit
Office of President	President	<ol style="list-style-type: none"> 1. Handling the company's QC system related matters 2. Handling the planning and management of the company's laborer safety and environmental protection 3. Handling the matters related to the formulation and execution of the company's information development, information security and strategy of use
Corporate Finance & Administration	Vice President	<ol style="list-style-type: none"> 1. Handling matters of the company's assets management 2. In charge of affairs related to establishment of purchase policy and system 3. Handling matters of the company's banking, accounts and taxation 4. Handling the company's cost management, planning and execution of accounting and taxation
Human Resources Division	Vice President	Handling the planning and execution of the company's human resource planning and integration, employee welfares, education and training and employee development, and coordination of employer-employee relationship
Industrial Motors & Applications	Vice President	Manufacture and sales of various types of motors and generators
Industrial Products & System Automation	Vice President	Manufacture and sales of products like magnetic switch and inverter, and the business of electricity distribution planning, design and engineering
Power Business	Vice President	<ol style="list-style-type: none"> 1. Supplying specialized electric facility and system related equipment 2. Undertaking constructions in transportation and electric fields 3. Planning, constructing and managing building electromechanical engineering
Audio & Video	Vice President	Manufacture, assembly and service of audio video instruments
Household Appliances	Vice President	Manufacture, assembly, sale and service of home appliance and air conditioner
Intelligent System Division	Director	Processing the system integration of chip business for financial, medical, national defense and transportation ticketing
Information System Division	Director	Business of development, manufacture, sale and system integration of compact-type computer and POS
TECO Group Research Institute	Director	Development of mid- and long term techniques and products; partly short-term development of new products and technical support for the plants and the Group

The address of TECO headquarter is No. 19-9, San Chong Road, Nan-Kang, Taipei 115, Taiwan.



2.5 Corporate Governance

In regard to corporate governance, the company strictly observes the “Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies”. For details of the execution, refer to the 2008 corporate annual report. Among the stakeholders of the company’s operation, TECO has many measures, in respect to the mechanism of shareholder participation, to facilitate the interaction with them, e.g., building diverse and effective communication channels to understand the investor’s thought and needs and, by effective ways, responding in real time and providing accurate information. TECO’s primary principle is the service to investors; under which TECO contemplates how to meet their demands, by the approaches of information disclosure and bilateral communication.

In information disclosure and operation update, besides sales report and financial statement receiving monthly and every quarterly, the investors can also download the company’s basic information and the published information by regulatory agencies from the TECO investors related website. Additionally, TECO provides the service of automated e-paper, whereby to transmit the corporate activities and important events by e-mails to the subscribing shareholders, keeping elevating the information transparency to update the investors at any time on latest news of TECO.

In regard to the platform for bilateral communication, besides the annual shareholders’ meeting, TECO further arranges smaller meetings, in response to the investor’s request, and attends symposiums held by investment institutions of Taiwan and from overseas, whereby to update the investors and the analyzers on the operation condition. So, investors from all over the world are able to comprehend the company’s operation in real time. Also, the issues that the shareholders concern about as well as their suggestions are provided, on regular basis, to the management team as feedback.

Apart from regular meetings and automated information disclosure, TECO makes efforts in building the ability to comprehend and respond to investor demands in real time. TECO Electric & Machinery sets up windows according to investor demands. In case of questions about shares, contacts with the share agent, Taishin International Bank, or the company’s shares matter division, also, if any doubt about overseas depositary receipts, the Bank of New York will be pleased to serve the investors. As to the questions about operation status and financial performance, information in both Chinese and English is provided to respond to the needs of investors, in Taiwan or abroad.

Overall, the communication channels provided to investing shareholders are as follows:

1. shareholders meeting held in the second quarter, every year
2. annual report released and distributed at shareholders meeting each year as stipulated
3. website of investor relationship
4. monthly/quarterly revenue report
5. e-paper
6. service windows at securities agent, the banks and inside the company
7. meeting/audio conference held at analyzer/shareholders request



8. attendance at investment institution's symposiums in Taiwan and abroad
9. relaying issues of the shareholders' concern and their suggestions to the management team on regular basis as feedback
10. Face-to-face explanation or telephone service to investor regarding TECO concern issues in headquarter

Statistic analysis of Reception from Investor Relationship Group in 2010 is shown as the table below:

Item Quarter	Domestic Investment Forum	Foreign Investment Forum	Shareholder Meeting	Foreign Legal Entity	Domestic Legal Entity	Securities Dealers	TOTAL
1st quarter	0	2	0	36	19	11	66
2nd quarter	0	0	1	5	8	9	22
3rd quarter	2	1	0	19	67	7	93
4th quarter	1	2	0	41	53	9	103

2.6 Awards and Recognition

In the aspect of product, TECO's inverter and separate-type air conditioners (1-to-4) (MS253MV*3/MS561V*1/MM1312V) and 4-door inverter-type refrigerator (R6231DTX) both received "Taiwan Excellence" of the Taiwan External Trade Development Council. In relation to corporate social responsibility, in April 2008 TECO received the Exemplary Award in traditional industry section in the "Corporate Social Responsibility" category from Global View Magazine.

In 2009, TECO was listed for the "Corporate Social Responsibility" award by Global View Magazine and the "Extraordinary Corporation as Corporate Citizen" Common Wealth Magazine at the same time.

TECO has achieved the following awards and recognition in 2010 :

- Securities and Futures Bureau: CG6005 Corporate Governance Evaluation System
- Council of Labor Affairs, Executive of Yuan: the 6th National HRD InnoPrize Awards
- Council of Labor Affairs, Executive of Yuan: 2009 Meritorious Service Unite of National Labor Safety and Health Partnership
- Bureau of Health Promotion, Department of Health, Executive of Yuan: 2010 Meritorious Healthy Workplace
- Taipei City Government: 2010 Meritorious Award of Healthy Workplace
- Public Construction Commission, Executive of Yuan: the 10th Public Construction Golden Quality Award
- Public Construction Commission, Executive of Yuan: the 12th National Golden Award for Architecture
- Ministry of Economic Affairs, Executive of Yuan: the 19th Taiwan Excellence Award—5 items in motor drivers, 1 item in DC inverter refrigerator, 2 items in air conditioners, 1 item in super high efficiency motor, and 1 item in inverter compressor.
- Intellectual Property Office, Ministry of Economic Affairs, Executive of Yuan: 12 technical patents of Republic of China





IE4 Super High
Efficiency Motor



L510 Motor Driver



V31 Motor Driver



New type
Refrigerator



台灣精品
2010

The business sustainability strategy of TECO Electric & Machinery is characterized by three dimensions: green energy, product energy efficiency and business management. TECO adopts the following three principles for responding to the pressing challenges of global environmental sustainability. First of all, the products by TECO Electric & Machinery should be environment and climate friendly. Secondly, TECO's operation should withstand the test of time and environment. The company should reinforce its global competitive edge with products and services of higher quality as well as more efficient operation mode. Lastly, TECO is bound, in whether product or operation, to corporate social responsibility. Beyond compliance, TECO should further balance the demands and expectations of various stakeholders, especially the needs for consumers. As a corporate citizen, TECO is dedicated itself to make a difference.



3.1 Development of Green Energy

3.1.1 Current Development

Wind energy is literally the world's primary target of renewable energy development and has developed very rapidly, with an average annual growth rate of 28 %. In 2007, the Strategy Review Board of Executive Yuan officially took wind energy as one of the prioritized items of promotion for renewable energy. The building of system integration technique for commercialization of wind turbine has become the primary goal in the next stage for the industry. Currently, even some Taiwan industries own the OEM technology of wind turbine parts, but most of the wind turbines are imported in Taiwan due to lacking of key technical capability. As the result, it is still impossible to supply the integrated wind power technology to both domestic and overseas markets.

The 2011 new announced rate of renewable energy wholesale purchase price of on-land wind power has been increased 9.67% compare to the wholesale purchase price last year, while offshore wind power wholesale purchase price is substantially higher than last year which has been increased 32.5%. It is expected future wind power will play a more important role in renewable energy since the Japan Fukushima nuclear power plant crisis.

With the specialized techniques already obtained, TECO combines Taiwan's leading firms to initiate the "Wind Power System Development Alliance of Taiwan". The Alliance will introduce more devotion to the wind power projects, and try to upgrade Taiwan's new green energy industry to next generation.

TECO own-brand 2MW wind turbine system has been connected to the grid in Mongolia and obtained performance data. The orders from Mainland China and south-east Asia of TECO wind turbine system are actively negotiating. It is expected that wind turbine products would be a huge contribution to TECO's revenue in the future.



3.1.2 Features of Product

The company extends its existed core technique of motors and electric control to become a supplier of wind power generators and power converter. The US TECO-Westinghouse Motor Company (TWMC) injects funds to the setup of wind turbine assembly plant to grab the OEM business opportunity in the US market and to deploy the global supply chain. This recent introduction of wind power system techniques will boost TECO's technical strength in the field of alternative energy.



(TECO own-branded large wind turbine, FC2000/2MW)



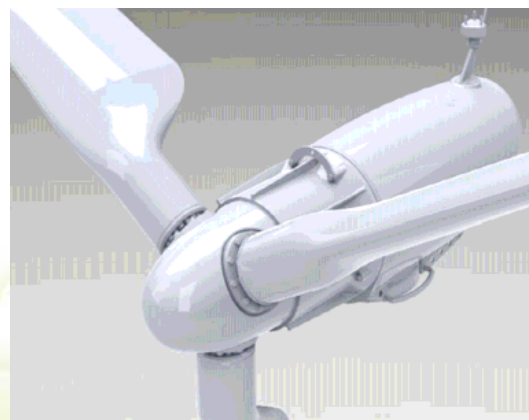
(TECO TFC 2000 wind turbine in Mongolia)

3.1.3 Results and Future Goal

About the OEM of power converter of wind power, the sales in 2010 has been grown 30%. Horizontal axis smaller wind turbine 1~3KW series were developed in 2010. TECO plans to finish the horizontal axis 10KW and 20KW models with key components' trial run in 2011. At the 4th quarter in 2011, the relevant test certifications would also be proceeded. The company expects huge growing chances in 2012.



(TECO 2KW Horizontal Axis Saller Wind Turbine)



(TECO 20KW Horizontal Axis Smaller Wind Turbine)

3.2 Product Innovation and Energy Efficiency

3.2.1 Current Development

Global warming issue is getting serious, so making good use of technology to mitigate the climate change has become a core strategy of TECO's operation. Besides green energy development, the improvement of energy efficiency by the entire society is a major direction. All advanced countries are trying to concentrate on the development and arrangement of this energy field.

The company has focused and made efforts in developing high-efficiency and energy-saving products in recent years, and has achieved certain levels in special techniques in different field. "Smart energy saving" is always the core idea in product design. The main products of recent development include the eye-catching IE4 super high-efficiency motor with performance exceeding EC standards, and the full range of energy saving home appliances.



3.2.2 Features of Product

About high-efficiency motor, most of the motors used in China now are the 11KW motors of 3rd grade in national standard. However, it is estimated that TECO-developed IE4 high-efficiency motor can save as much electricity as much as 3,700 kW-hr by 7% higher in total efficiency and 58% less in working energy loss.



About inverter, the inverter used in industrial automation and home appliances, can reduce manpower and improve the efficiency. TECO in 2010 launched the "constant pressure pump inverter", using the PI controller to control the pump so that pump speed can be started with stepless variable frequency. The noises by traditional frequent starts can be totally avoided. In addition, constant pressure pump is designed for specific parameters, such as water testing, leak detection, sleep control and other functions to be friendlier to the operators. For certain places which require higher water quality standard, such as high-tech industry, factories, motels, SPA sauna and government/school authorities, the above-mentioned pump series are also able to parallel connect several pumps to adjust the water supply volume with operating pump numbers to extend the lifetime of the whole system while ensure normal water supplying. In proper use, compared with traditional water supply system, the energy savings is up to about 30% to 50%.



About the home appliances energy saving aspect, the application combining inverter-controlled technique and the Vacuum Insulation Panel (VIP) that effectively blocks heat conduction in TECO-developed refrigerators results in inside temperature maintained at fixed cool with kf rate 0.002 and energy saving rate up to 145% above. This not only achieves the energy saving effect but also perfectly preserves the tastes inside the food ingredients. In water conservation aspect, automatic inverter-type energy-saving washing machines that utilize inverter-controlled technique have been developed. In addition, the technique of reducing clean water used during the washing cycle is employed to achieve high-efficiency washing and up to 25% (compared with conventional washing machines) effective water saving. TECO's new TVs not only comply with R.O.C (Taiwan) CNS14336 or CNS14408 standards, but also comply with EU (RoHS) and Japan (Follow) regulations. The product quality and energy efficiency are TECO's highest priority issues. For instance, the latest 32-inch models, can reach the maximum power rate of 47.2%. Currently, there are 33 air-conditions, 6 refrigerators, 13 washing machines, 11 liquid crystal displays and 5 energy-saving dehumidifiers has obtained government certification of energy labels, and 15 washing machines certified with water-conservation marks.

In consideration of home appliances and the environment, TECO incorporates the thinking of corporate social responsibility and environmental sustainability in every link to product design, manufacture, packaging and delivery. TECO rethinks about the harmony among consumer, society and Mother Nature. TECO dedicates itself to minimizing the impact to environment and carbon emission. Also in 2011, Taiwan government will implement the energy efficiency classification system of air conditioners and refrigerators, the new refrigerant in air conditions and refrigerator energy consumption on all new TECO products can meet the government regulations. Even certain air-condition models can go beyond the national standard of 2016, while the new development on 1-level refrigerator is under processing. All these efforts can show the importance for the development of energy-saving products in TECO.

3.2.3 Product Impact and Message Communication

About the product liability, from product designing, manufacturing, quality control, marketing, servicing and waste recycling, each stage has its responsible unit. Standardized operation procedures are practiced to ensure the consumers can purchase the safest and hazardous substance-free products. It is also the fundamental policy of TECO.

As for product related messages, marking on packages is provided for identifying the safety of the designed products. In addition, there are operation instructions, maintenance manuals and demonstrative presentations to offer information and measures of safe usage. Proper operative teaching is provided, methods of use are explained and consequences of improper use are reminded to consumers. TECO takes initiative in providing contact numbers and other approaches to contact with TECO.



TECO sets out company standards for banned and restricted substances in response to international environmental requirements. Any material used in products, components (accessory), packing and transport materials and consumption materials used in processes should comply with the laws and regulations and meet customer's environmental requests on the product.

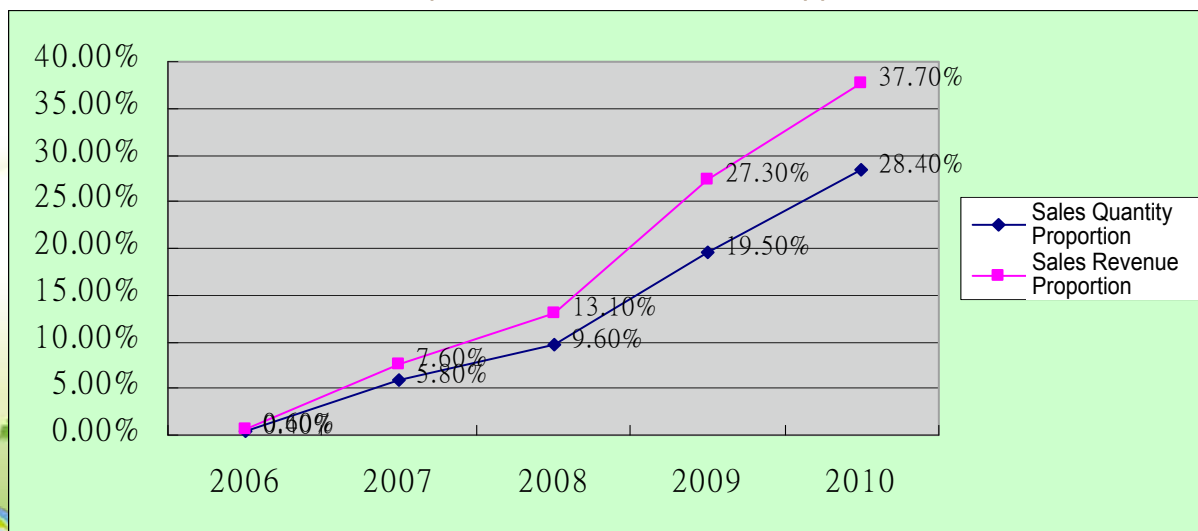
3.2.4 Results and Future Goal

TECO has accumulated 50 years of experience in motor production. The sales of high-efficiency motors have been increased significantly in recent years because of stronger capacity in R&D. TECO developed high-efficiency motors which complied with local energy efficiency standards, such as Taiwan-CNS, North America-NEMA, Australia-MEPS, EU-IEC and China-GB. December 2010, North American has implemented NEMA Premium Standard; June 2011, EU would also carry out IE2 and IE3 efficiency standards. It shows that TECO's future market potential in high-efficiency motors because of the rapid growth of new international high efficiency regulations.

TECO's inverters have passed UL and CE marking to assure their quality. Besides quality assurance, TECO introduced lead-free production of inverters to comply with RoHS Directives. The product does not contain hazardous substances. Due to the global tendency of energy saving, it is foreseeable that the market potential of inverter related products will be rising sharply. The appliances of inverter in TECO will also extend to livelihood products from original industrial products.

The sales from 2006 to 2010 of Eco-Household Appliances (based on Air-conditioning) which have obtain eco-labels, energy-efficiency levels (energy/water saving) is shown as following figure. It is obvious the sales volume and profit had been increased yearly. Especially in 2009, TECO followed the government's subsidies policy on eco-products, TECO promoted more products to consumers. It not only have shown TECO's determination on promoting eco-products, but also demonstrated that the eco-products acceptance to the public has been increasing.

The Sales Proportion of Eco-Household Appliances



3.3 Environmental, Safety and Health

3.3.1 Policy and Organization

An environmental, safety and health (ESH) team is set up under the President office, and responsible for the implementation of the company's environmental, safety and health policies. The ESH policies at present are as follows:

1. Comply with domestic and international laws and regulations and meet the expectation of stakeholders.
2. Idealize the ESH management system and realize environmental protection and pollution prevention.
3. Reinforce risk assessment and training; and carry out ESH auditing to maintain the safe, healthy and tidy working environment; and to enhance the industrial safety and environmental performance.
4. Be dedicated to energy saving, eco-efficiency and cleaner production.
5. Promote green products and motivate research and innovation to achieve win-win situation between economic growth and environmental protection.
6. Engage all the employees and subcontractors to be cooperated in ESH activities, and enhance communication and coordination, fulfilling the corporate citizenship.

3.3.2 Management System

3.3.2.1 Establishment of management system and procedures:

- Implementation and verification of environmental management system: currently all the three production bases in Taiwan, Chungli, Guanyin and Hukou, have received the ISO 14000 certification.
- Implementation of greenhouse gas inventories system: the greenhouse gas inventories of TECO Electric & Machinery at Chungli, Guanyin and Hukou plants were conducted in 2007 with the support by Taiwan Business Council for Sustainable Development (BCSD Taiwan). The inventory system has been integrated into the routine environmental management program each year. The emission data have been collected from 2005 to date. From 2010, the GHG emission data shall be established in national platform of EPA. TECO also plans to apply GHG emission verification (ISO 14064-1) on the 4th quarter in 2011.
- OHSAS 18001 and Taiwan Occupational Safety and Health Management System (TOSHMS): in pursue of higher occupational safety and health standards, the Chungli, Guanyin and Hukou plants in Taiwan received counsel for establishing the TOSHMS in 2008 and have been passed the certification. We also applies the performance recognition from Council of Labor Affairs, Guanyin plants even received the highest honor of 10-year recognition.
- Center-satellite system: in order to decrease the production waste, TECO also strongly champions the establishment and operation of center-satellite system to let the downstream suppliers work with us in reducing the waste, which also mitigates the impact to environment.



3.3.2.2 Promote green office:

While TECO reduces the environmental impact, TECO also promotes relevant environmental measures in the office area, which include:

- practicing e-document, including education system, announcement or environment and safety information.
- cancelling paper dish tray, using reusable utensils at restaurant
- conducting water and electricity conservation measures in office area; re-using production waste water.

3.3.3 Performance and Results

3.3.3.1 Energy and Climate

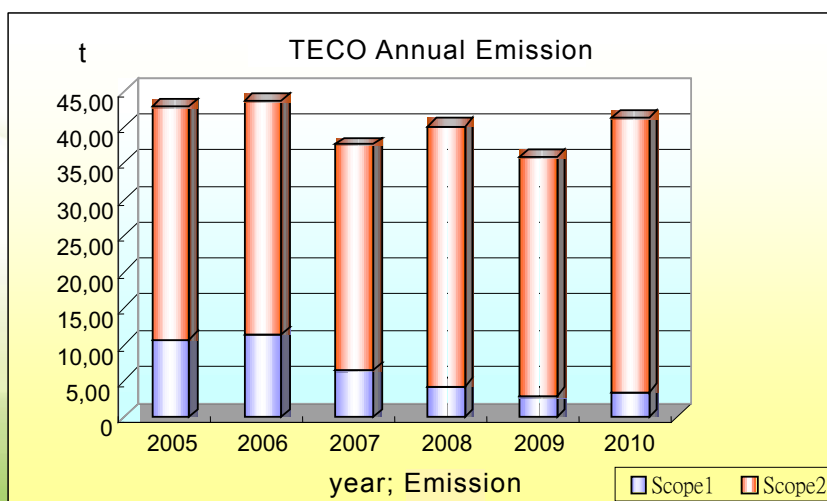
About the management related to energy and climate, TECO accepted the help from Taiwan BCSD in 2007 to conduct ISO 14064-1 GHG inventory in 3 major plants. TECO also has been promoting energy saving activities from 2007, the result has been getting better by the carbon reduction. TECO selected the GHG factors: before 2007 was EPA GHG Emission Factor V5.0; after 2008 would base on EPA GHG Emission Factor V6.0. The GHG emission data of 2010 is shown as follows:

Total GHG Emission from 2008 to 2010 was 37,164 tCO₂e, 34,090 tCO₂e and 39,639 tCO₂e. Due to the economic recovery in 2010, the production was increased in 2010, as the result the CO₂ emission was increased accordingly. But compare to the production rate in base year (2005), the GHG emission was not increased. The main reason would be the efforts on energy saving activities in the past few years.

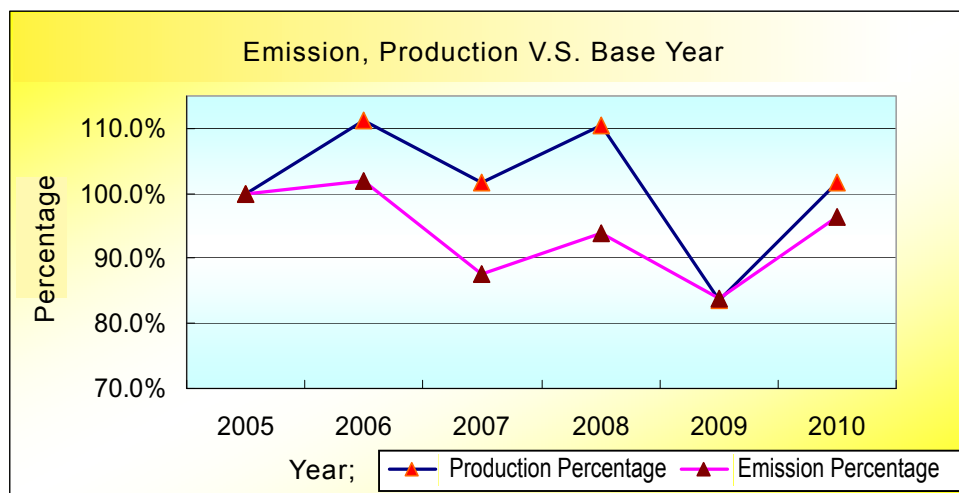
Direct emission from 2008 to 2010 was 4,098 tCO₂e, 2,875 tCO₂e and 3,206tCO₂e. This figures shows that the obvious carbon reduction by production improvement since 2007. TECO used recycle steel material and change the fuel into LNG.

The indirect emission was from electricity power, from 2008 to 2010 would be 33,066 tCO₂e, 31,215 tCO₂e and 36,443 tCO₂e. TECO used 57,430,034Kwh in 2008, 53,547,526Kwh in 2009, and 61,833,580Kwh in 2010.

GHG Emission from 2005 to 2010



Comparison to Base Year (production and emission)



TECO's major energy consumptions can be divided into five kinds:

1. Power: TECO has used 57,430,034Kwh in 2008, 53,547,526Kwh in 2009, and 61,833,580 in 2010. Scope 2 indirect emission was 88.5% of the power use in 2010, and Scope 1 direct emission was 11.5% of the total emission in 2010.
2. LPG: during 2008~2010, TECO consumed about 659, 157 and 225 tons, respectively, in Chungli and Guanyin plants. In 2008, the Chungli plant improved the process and replaced LPG with LNG to cut down cost, reduce GHG and pollutant emission and lessen the hazard to safety. The LNG consumption from 2008 to 2010 was 130 m³, 633 m³ and 669 m³.
3. Diesel: from 2008 to 2010, TECO consumed diesel 138,719 L, 102,342 L and 124,785 L respectively, in all three plants—Chungli, Guanyin and Hukou for diesel forklifts, hot water boilers and generators dormitory.
4. Petroleum: from 2008 to 2010, TECO consumed petroleum 132,425 L, 100,498 L and 99,855 L, respectively, in all three plants—Chungli, Guanyin and Hukou for corporate vehicles and for official business trip in private cars of staff.
5. Heavy oil: from TECO consumed heavy oil 190 kL, 148 kL and 192 kL, respectively, in Guanyin plant for Foaming process used in refrigerators, air-conditioning sheet metal parts coating and washed steam boiler.

To enhance energy efficiency and to realize the aim of reducing GHG emission, TECO conducted energy conservation projects in the plants in 2010, as shown in the table below. These projects resulted in 159 tons of reduction, equivalent to the carbon removal effect of planting 332 trees.

Item	Projects	Kwh	Kg/year performance
Equipment	Replacing 1 set of 100hp high-efficient air compressor inverter in Hukou	31,511	19,631
	Using timer tp control the air compressor to stop at noon in Guanyin	88,412	55,081
	Replacing A-LINE vacuum pumps in to high-efficient AEEF motors in Guanyin	3,953	2,463
	Changing the heating method in to instant heating in Guanyin	1,148	715
	Replacing old air compressors into new inverter air compressors in Chungli 1 plant.	30,600	19,064
	Replacing Varnishing dryer in Chungli 1 plant	24,000	14,952
	Adding 30hp inverter control for cranes in Chungli 2 plant	185	115
	Changing 3 high-efficient motors (5/3/2 hp)in Chungli 2 plant	1,091	680
	Improving 75hp air compressor control in Chungli 2 plant	449	280
Illumination	Changing 5 places illumination from 75w to Led 7w in Chungli 2 plant	1,161	723
	Changing 79 sets T5 lights into T8 lights in Chungli 2 plant	8,532	5,315
	Improving illumination 106 lights in C-LINE in Chungli 2 plant	10,560	6,579
	Changing 50 sets T5 lights into T8 lights in Hukou	6,072	3,783
Air conditioning	Adding inverter in 3 box air conditioners in Hukou	5,538	3,450
	Adding inverter in 9 box air conditioners in Chungli 1 plant	5,317	3,312
	Changing the layout of air conditioning from 12 sets into 9 sets in Chungli 1 plant	36,739	22,888
Sum up			159,032



3.3.3.2 Resources Usage

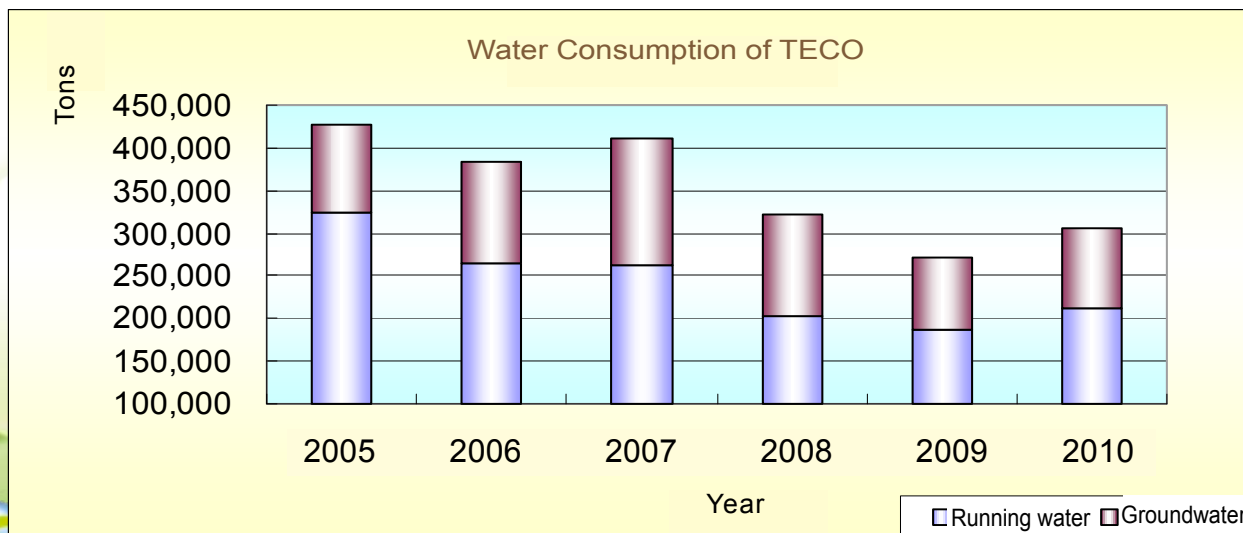
Chungli plant, where the Industrial Motors & Application Division operates with main produces of motors of various sizes, which use metal materials (ferrous alloy, magnetic sheet, round steel, pig iron, etc.), nonmetal materials (coke, enameled wire, etc.) and others (wood, plastic bag, cardboard box, etc.).

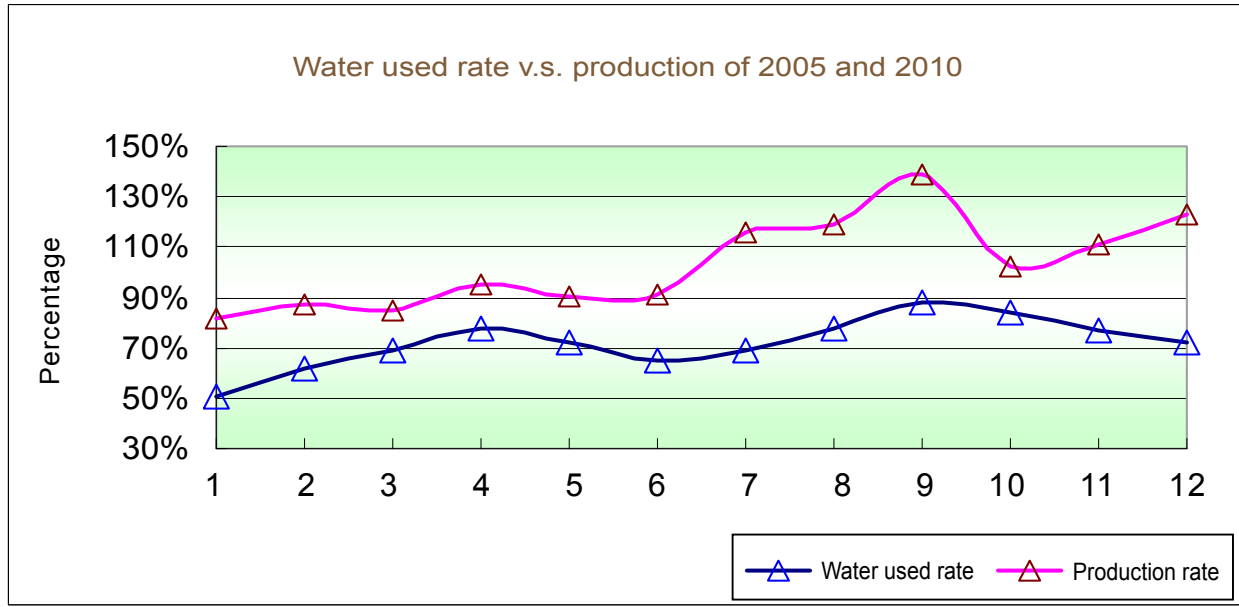
Guanyin plant, where Home Appliances Division operates, mainly produces home appliance products. The raw materials used in Guanyin plant are mostly metal materials (including sheet steel, copper pipe and aluminum plate), nonmetal materials (electro-coating paints) and others (cardboard box, Styrofoam, plastic bag, wood, etc.). The rates of metal material and nonmetal material are about 98% to 2% in Guanyin plant.

Hukou plant, where the Industrial Products & System Automation runs, produces chiefly distribution panel and inverter using mostly materials of mechanical parts, wires, insulating wires and so forth.

The water used in these three plants included 68% tap water and 32% groundwater. The total water consumption in three plants from 2008 to 2010 were 322,844 tons, 271,510 tons and 306,409 tons respectively. Guanyin plant owns lawful groundwater using authority, the manufactory process is totally using groundwater. The water consumption is associated with the economic recovery. TECO has been promoting energy saving activities since 2006, in addition to electricity consumption saving, water consumption saving has been another annual main target of these 3 plants. Comparing to the base year 2005, the water consumption in 2010 was about 71.6%, while the production output in 2010 was 101.8%, which demonstrates through the years to promote water conservation has shown results.

Taiwan EPA is planning to charge the water pollution control cost in the near future. Therefore, TECO has changed it's strategies in water using conservation and waste water reduction. About the waste water recycle and reuse, Guanyin plant recycles the waste water from waste water processing station, and saves 1,342 tons of water per year, the recycle rate is about 6.1%; in the meantime, ground water is saved 28,534 tons, water saving rate is 29.9%. Improving water using efficiency is a new standard, TECO will improve TECO's water efficiency as well.

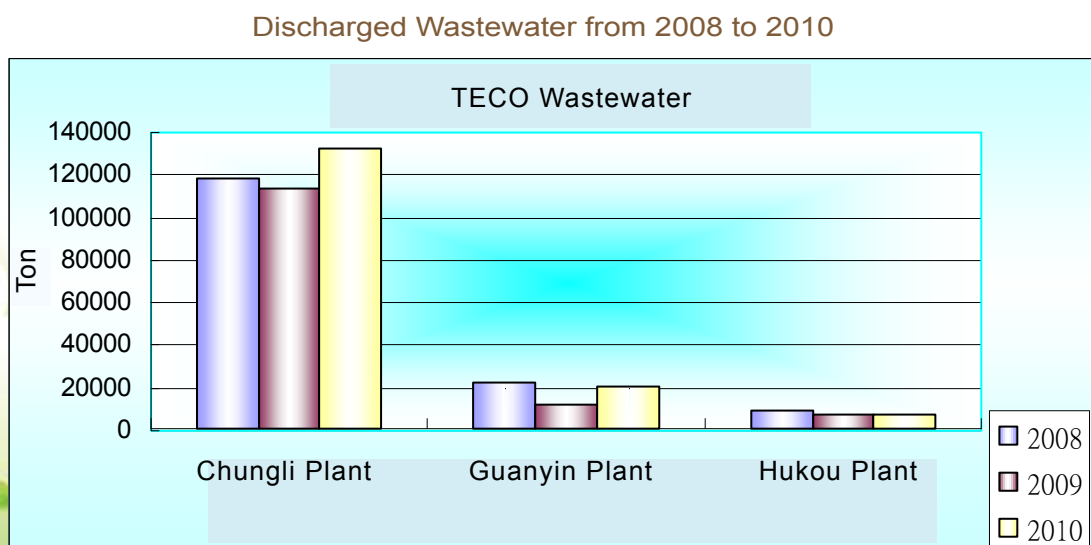




As to the resources reuse, recycling rate of the wooden carton and butterfly cage which are used for motor manufacturing in Chungli plant has been 50% and 100%, respectively. The suppliers in Guanyin plant can 100% recycle and reuse the paper cartons of parts for the refrigerators and washing machines. In order to enhance the eco-efficiency, TECO considers of increasing the reusing rate of other reusable substances continuously.

3.3.3.3 Waste treatment and pollutant management

The total amount of wastewater consumptions from 2008 to 2010 were 150,828 tons, 133,012 tons and 160,485 tons, respectively. In 2010, the wastewater discharged from Chungli plant accounted for 82.7% of total discharge, followed by 12.8% from Guanyin plant, 4.5% from Hukou plant.



In order to implement waste reduction and resource recycling, TECO has set up "Waste storage and clean management procedure" in EMS. It is regulated that all the wastes from the plants need to be put in the same storage area, the cleaning process need to be traced and recorded. Relevant records shall be kept at least for 3 years. The total amounts of TECO's industrial waste from Chungli, Guanyin and Hukou from 2008 to 2010 were 12,856 tons, 6,667 tons and 8,153 tons. TECO has been working on raising the proportion of resource waste (the waste that can be recycled and reused) to use the resources more efficiently. The resource waste can be sold as well, the ratio of sold resource waste in 2008 was 62%, 2009 was 38% and 2010 was 41%. The waste treatments are landfill, incinerating, reuse and foreign treatment. The major treatment TECO applied is reused (recycle or sell), the rest treatments are incinerating and landfill. The waste wires and cables are sent to Mainland China to carry out further treatment.

From 2008, the production process in Chungli plant has been improved, and the steel waste in production process directly reused as raw material of motor shell making. As the result, the amount sold waste has been decreasing from 2008. Some other waste minimization methods, such as improving raw material reuse rate and utilizing reusable containers are also applied.

Waste treatment classification:

1. General waste: the mixture of waste paper, the mixture of waste wood, waste cloth, normal trash, flue dust, non-hazardous dust waste or mixture, waste paint, paint slag, D-1799 oil mixture, organic sludge.
- 2, Recycling and reuse in plant: silicon steel lamination, scarp casting sand, induction furnace slag, waste paper boxes.
- 3, Waste resources for sale: scrap wire and cable, B class silicon steel scrap, scrap iron skin (silicon steel packaging), iron scarp, copper scrap, plastic shaft, scrap bearings, die-cast aluminum slag, scrap equipment and machinery.

The air polluting sites are Chungli and Guanyin plants, the pollutants are particulate, sulfur oxides, nitrogen oxides and volatile organic compounds. During 2008-2010, main air pollutants were VOC, at 103.9 ton/3 year, particulate at 46.9 ton/3 year, sulfur oxides at 6.4 ton/ 3 year and nitrogen oxides at 10.2 ton/ 3 year.

Ozone depleting substances:

TECO's Home Appliances products are produced in Guanyin plant. The products are including air conditioner, refrigerator, washing machine, clothes dryer, dehumidifier and other small home appliances. Air conditioner and refrigerator need pumping in refrigerant during the producing process. Traditional refrigerant, Chlorofluorocarbons, is the ozone depleting substance. Currently, types of canned refrigerant are R22, R134A, R407c, R410a and R141b. R410a is regarded as eco-friendly refrigerant. In order to reduce GHG emission, the company will gradually replace the traditional refrigerants with eco-friendly refrigerants, and from 2011 the products which use R22 refrigerant will be phased out.

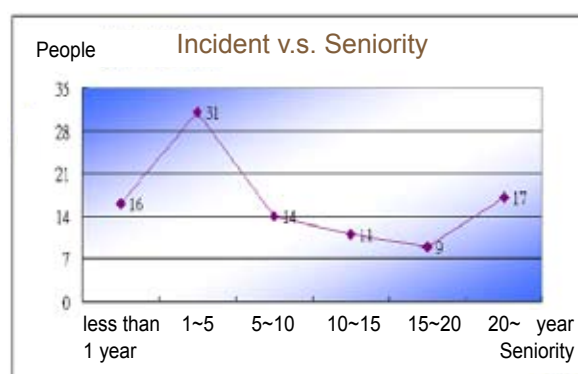
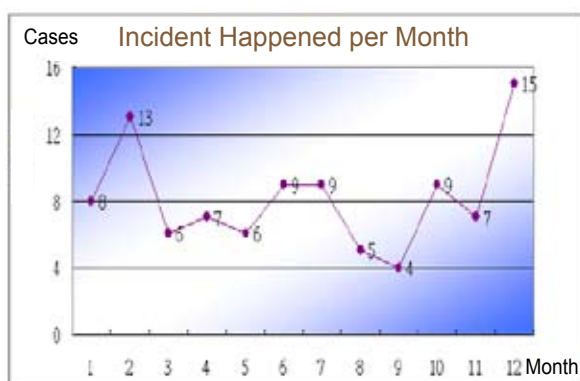
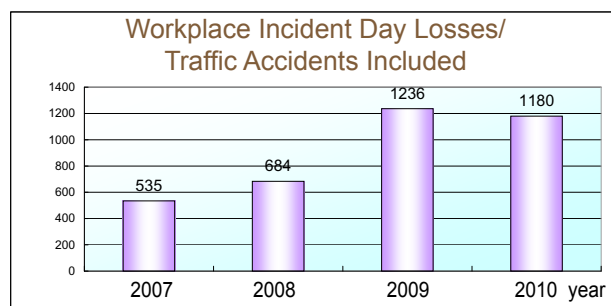


2008~2010 Annual Refrigerant Using

	Item	Content	Year	Amount(kg)	Emission (CO ₂ e/t)
Fugitive Emission	R410a Refrigerant for Production		2008	26,451	18.2
			2009	24,502	107.3
			2010	21,574	104.5
	R407c Refrigerant for Production		2008	3,131	12.1
			2009	2,923	12.1
			2010	3,162	10.3
	R22 Refrigerant for Production		2008	196,398	877.8
			2009	170,435	900.5
			2010	34,340	667.8
	R141b Refrigerant for Production		2008	920	0
			2009	0	0
			2010	0	0
	R134A Refrigerant for Production		2008	22,174	57.7
			2009	22,020	57.2
			2010	22,600	58.8

3.3.3.4 Safety and Health

TECO has established an occupational safety and health management system and has been certified with OHSAS18001 and TOSHMS of Council of Labor Affairs. TECO had no lethal accidents or occupational diseases during 2005-2008. Chungli plant had 22 incidents during 2005-2008, which resulted in the loss of a total of 843 days. Guanyin plant had 18 incidents, with 323-day loss. Hukou plant had 4 incidents, with 46-day loss. The rate of disabling injury per thousand persons tended to rise, so that a goal to decrease the occupational accident occurrences was set in the 2009 management program. Therefore, TECO implemented various managing measures such as really executing equipment checking system, graph-guided automatic checking of equipment and the integration of occupational accident into supervisor's KPI with a reward-punishment scheme. External expert on-site counsels are also used to improve the overall safety culture. The target of these measures is to achieve zero accident. There are eighteen incidents cases that happened at work in 2010, of which ten out of 18 were involved in traffic accidents, of which 55% of the total number of the incidents. To reduce the percentage of the accident at work are the main goal of TECO, TECO will try to achieve that in the future. Since 2010, TECO promote workplace incident management. In order to reduce the incident happen in the workplace, TECO will propose the management into the KPI items for each unit's supervisor. The main purpose of impose this method is not only to implement the concept of the supervisor (staff's health and safety is the first priority and responsibility to their supervisor), but also to promote the proposal to improve the system (workplace hazard detection), the unit proposal numbers can also be manage in KPI.



The full “occupational incident analysis report” has required to be submitted by the unit which has the responsibility of the incident. The causes of the incident and the corrective plans have to be fully reported in details. In addition to the causes, if the incident was caused by violate the rules, it has to be reported separately for punishment. From 2010, every department has to report on the meeting of health and safety committee regarding of the reason and solution of incidents happen at the workplace. July will be TECO’s official health and safety month. Apart from the relative activities, the workplace incident cases will be printed on the large-scale posters and will be displayed at the workplace for the employees as a reference. From July 2011, TECO will hold four special safe-driving trainings and four health and safety trainings.

3.3.3.5 Health Promotion Plan

The concept of healthy workplace is rising, TECO always attaches importance to the health of colleagues, as the result, TECO has begun to promote the concept of healthy workplace years ago. TECO actively cooperated with the government for “smoke-free workplace” and counseling “National Healthy Workplace Self-certification.” Following the Chungli and Guanyin plants were certified as healthy workplace. In 2010 TECO headquarter and Hukou plant were also certified. The winning does not only show the public recognition of TECO’s efforts on promoting healthy workplace, but also represent the implementation of TECO’s declaration on staff health caring.





Under the instruction of the company nursing unit, a series of the healthy promotion activities have been carried out in 3 plants. Those activities through four aspects: diet, exercise, psychological health and daily behavior, to draw staff attention on their own health, and to help staff have more clear information of their own health as their reference in medical or fitness plans. Therefore, TECO cooperates with local District Health Centers to provide health accelerating activities, such as, oral cancer screening, colorectal cancer screening and health talks, hiking, weight loss competition, the five elements exercise, healthy diet, etc. TECO not only enhances the corporate image, but also to achieves triple win situation on employees, employers and government, thereby enhancing industrial competitiveness.



2010.10 Awarded by Taipei City Mayor



2010.12 Awarded by NHI



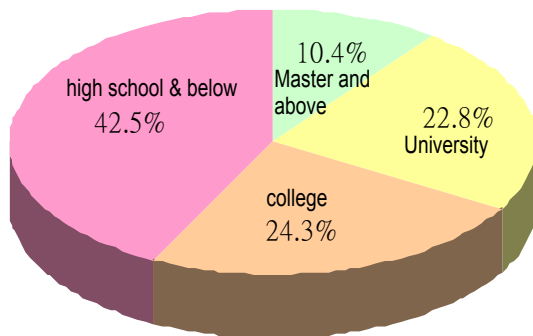
Losing Weight Course

4.1 Employee Structure and Employment

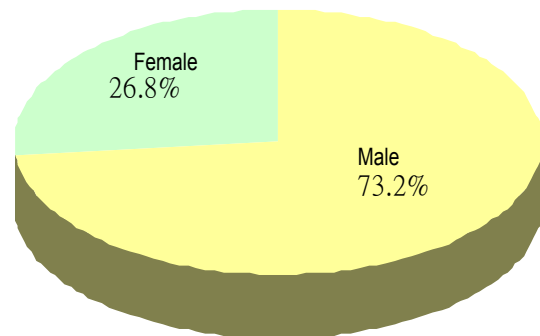
Employees are the most important asset of a company and the key for the sustainable operation. The recruitment and training of talents matter for TECO. Adhering to the principle of fairness, rightfulness and good faith, TECO follows up government laws and regulations in the recruitment, selection and engagement of any employee. No discrimination is practiced based on race, class, language, ideology, religion, political party, native, birth place, gender, sexual inclination, age, marriage, appearance, five senses, disability or past union membership. TECO recruits employee according to the job description with the specialties and conditions required.

By the end of 2010, 2,603 employees were working in TECO, with background as

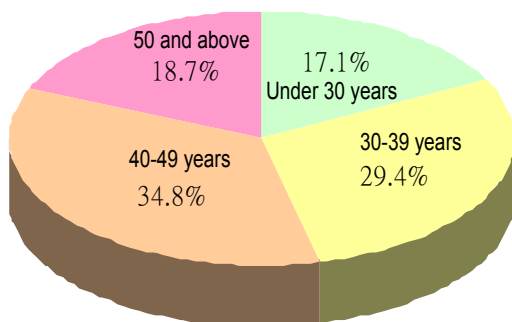
Employees' Educations Proportion



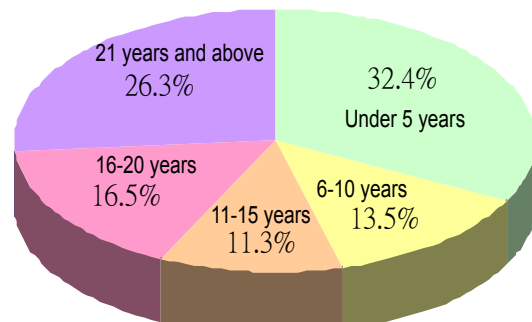
Employees' Gender Proportion



Employees' Age Proportion



Employees' Working Seniority Proportion



follows:

Following the Labor Standards Act, TECO does not hire any employee under 15 years old. For apprenticeship students who under 16 years old, TECO provides them thorough life-caring and workplace cultivation. In order to guarantee the working opportunity of local labors, the company only hires Taiwan local labors to conduct manufacturing jobs. TECO also offers suitable positions for handicapped people. There are 32 mental/physical disable people working in TECO at present.

4.2 Employee Communication



TECO has applied multiple mechanisms to build up the communication channels with employees, including TECO's quarterly employee assemblies, and morning assemblies in each plant. In those occasions, the senior manager can talk face to face to the employees and indicate the current operation performance with challenges. It is also a good chance to praise particular colleagues' working achievement or performance in this assembly occasion.

In addition, to pursue the enhancement of working efficiency and improvement of working conditions, and to facilitate the closer coordination of point of views between employers and employees, in July 1974, TECO established TECO Electric & Machinery Industrial Unions. From March 1970, the employee/employer meetings have been set up by each plant. About the employees' rights or welfare issues, under the full communication between employees and employers, the final decision could be made and shall be reported to the governmental labor authority. In order to protect the rights of both employers and employees and maintain the harmonious teamwork relationship, TECO signed a team agreement on December 28th, 1981. The representatives who attend Safe and Health Committee shall be selected by the industrial union.



In 1999, the company received the Award of "Good Business for Employer-employee Relationship" and the "Demonstration Award for Employer-employee Meeting" from the Council of Labor Affairs. TECO also received the award of "Good Business Award for Employer-employee Relationship" from Taoyuan County Government. These awards are considerable recognitions of facilitating the relationship of coexistence and co-thriving between the two parties.

2010 TECO Quarterly Meeting





4.3 Training and Development

TECO has a complete and comprehensive staff training and development system, so the colleagues can have adequate learning resources to upgrade their abilities, and also get good career development opportunities when they work in TECO. Accordingly, the company won the Taiwan Training Quality System (TTQS) Silver Award in 2010; and in 2011, won the sixth annual HRD InnoPrize. This training system have been proved TECO development system has not only received public recognition but also become a model in this industry.

Training in TECO has been developed a complete system, TECO also invests 1/1000 of the annual turnover in staff training. For all-level-employees, TECO provides professional and managerial courses on a regular basis or arrangements of external trainings. Through the various stages of career training programs, TECO cultivates excellent enthusiastic and innovative employees.

TECO training system can be divided into orientation training, senior manager orientation training, senior manager training, management staff training, professional practical training, training on general knowledge, external training, labor safety and health training, etc. Training methods are including internal training, external training, online training courses, on-job training, and self-development training, etc. Since 2007, TECO has established e-learning platform that enables the employees to obtain all the training or curriculum information without time limitation. By detailed recording of each colleague's individual development plan (IDP) and his/hers training process and learning outcomes, the platform can effectively manage the learning and development situation of each colleague. In 2010, total of 17,038 man-time participated in TECO's training courses, training hours per person on average is 25.9 hours.

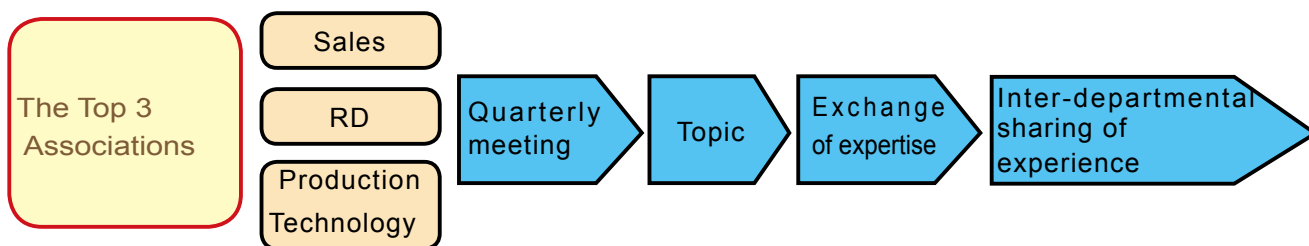


Learning Period				5 years and above						3 years			Learning Stage								
Working Level	Job Title	OJT	TECO Learning Center						Internationalized Staff Cultivation	Personal Learning				Working Level							
			Senior Manager	Senior Manager Orientation Training	Senior Manager Training	Key Staff Cultivation Plan	Internationalized Staff Training	External Profession Learning	3rd Foreign Language Learning	RD Association	Sales Association	ProductionTech Association									
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The Learning Blueprint of Each Level

In addition, several professional associations have been set up company-widely by TECO, such as production-tech association, RD association or sales association. The main purposes of those associations are to increase the experiences exchanging of professional colleagues in similar field, and to encourage colleagues to learn and grow.





RD Association



Sales Association



Production Technology Association

The Top 3 Associations in TECO

In staff development, TECO has built up a complete career development path. The employees can follow his/her needs to choose the most suitable career approach in promotion, job rotation or assignment. During the semiannual performance appraisal, when supervisors interview the staff about performance, the IDP implementation result must be reviewed, as well as set up future learning plans to ensure that every colleague can find the best position in job with his/her specialties.



Won the 6th National HRD InnoPrize

4.4 Health and Safety

Physically and mentally healthy employees can create efficient and quality work performance. To take care of their health, physically and mentally, TECO provides medical room and clinic in every plant, which are staffed with full-time nurses and stationed by professional doctors on a regular basis. In order to maintain employee health, TECO creates and makes an effort to provide a good environment and to promote the health promotion activities throughout the year, such as labor safety and health training, annual health checks, pap smears, smoke-free workplace, weight loss activities, yoga activities, health gymnastics activities, spiritual growth programs, to ease pressure course, health talks, blood donation, staff activities, hiking, ball games, fun competitions, etc., and colleagues in the regular health information to enhance knowledge of health care colleagues. In addition to assisting employees a full range of health management and health promotion, TECO also takes care of employees' family, hoping to improve the morale, improve work quality.



The workplace health promotion in TECO has been achieved a distinction performance, winning the Taipei City Government, Taoyuan County Government and the National Health Council awards in recognition of public. Hukou plant even had been recommended to be the factory representatives of Hsinchu County to participate in a national competition of best healthy workplace. From 1,969 business candidates, Hukou won the "Sociabling Health Award," with the high degree of recognition.



Won Significant Prizes/ Awards from Central and Local Governments

4.5 Rights and Welfare

TECO provides every employee with multiple insurances, including laborer insurance, health insurance and free group insurance that covers life, medical, cancer and accident insurances. Additionally, a worker's spouse and his/her children are entitled to life, medical, accident and medical group insurances. The workers' parents are entitled to accident injury and medical insurances. These measures ensure TECO's co-workers can work free of worries and feed back the company' society with their best performances. As to the retirement scheme, it is practiced according to the Labor Standards Act and related regulations.

About the reward, TECO shares its profits with entire staff by raising the salary, variable bonuses, dividends, and many other rewards approaches. The rewords of senior managers or managerial level supervisors are even adjusted quarterly with organization operation performance accordingly. The rewards are not only show the thanks of the company, but also approve the employees' contribution on working with TECO to achieve the business goal.

TECO has established the Employee welfare committee since 1964, which carries out various welfare measures entitling the employees to the corporate profits. Provided welfares are as follows:

1. Board: canteens serve lunch to employees.
2. Apparel: new recruits are given winter and summer uniform and winter jacket.
3. Dwelling: dormitories are disposed in every plant to provide dwelling to co-workers from out of town.
4. Transport: commuter buses are provided in each plant to take the co-workers to and from work.



KARAOKE Contest

5. Education and recreation: the Welfare committee sets up clubs, such as hiking club, fishing club, Dong-Hui Association and swimming club, each of which sponsors activities on regular basis. The Welfare committee also holds corporate activities each year, such as TECO family day and vacation trip, to enhance centripetal engagement of the co-workers.
6. Other subsidies: The Welfare committee provides subsidies, such as scholarships for students, funeral subsidy and hospitalization subsidy.

Because the employees are fully cared, the turnover rate of employees is far below the industry average, the staff turnover rate was only 6.6% in these 2 years. It shows that TECO's colleagues are proud of TECO, are willing to grow and work hard with the company.



Family Day

5.1 Health and Safety Impact during Product Life Cycle

TECO has been responsible for product liability in every stage from product design, manufacture, quality control, marketing, service for disposal and recycle. Manufacturing and selling the safest products which are free of hazardous substances is the company's basic policy.

TECO regards the evaluation of product safety design very seriously. It also ensures the product promotional documents all have completed safety identification.

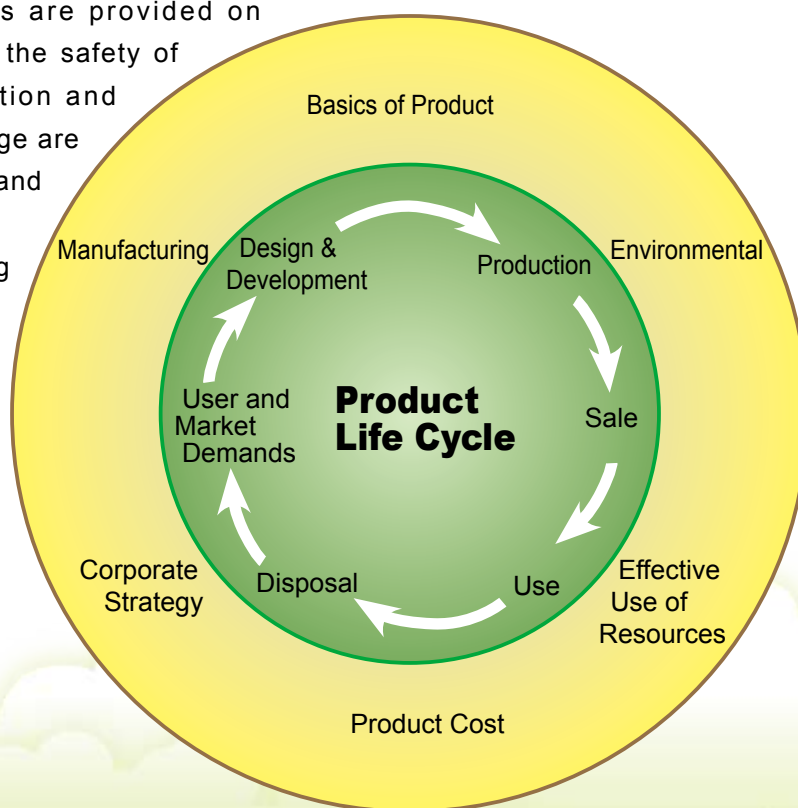
Necessary control measures are taken in stages during the production process.

The technique of safety designing is employed right from the design stage to analyze the potential factors of product safety. Based on the analysis results, the precaution measures are taken to assure product safety. TECO has also integrated energy conservation and carbon reduction into the product design.

Rigorous control and safety test of components are conducted during the stage of manufacturing. The hazardous substance-free products produced are inspected scrupulously for assurance. Product manufacturing and use of material are dominated by the principle of minimized pollution, recyclability, resource conservation and low toxicity.

In product marketing, marks are provided on packaging material for identifying the safety of the designed products. Information and measures of safety for product usage are provided in the operational safety and maintenance manuals.

Product disposal and recycling should be complied with WEEE related regulations.

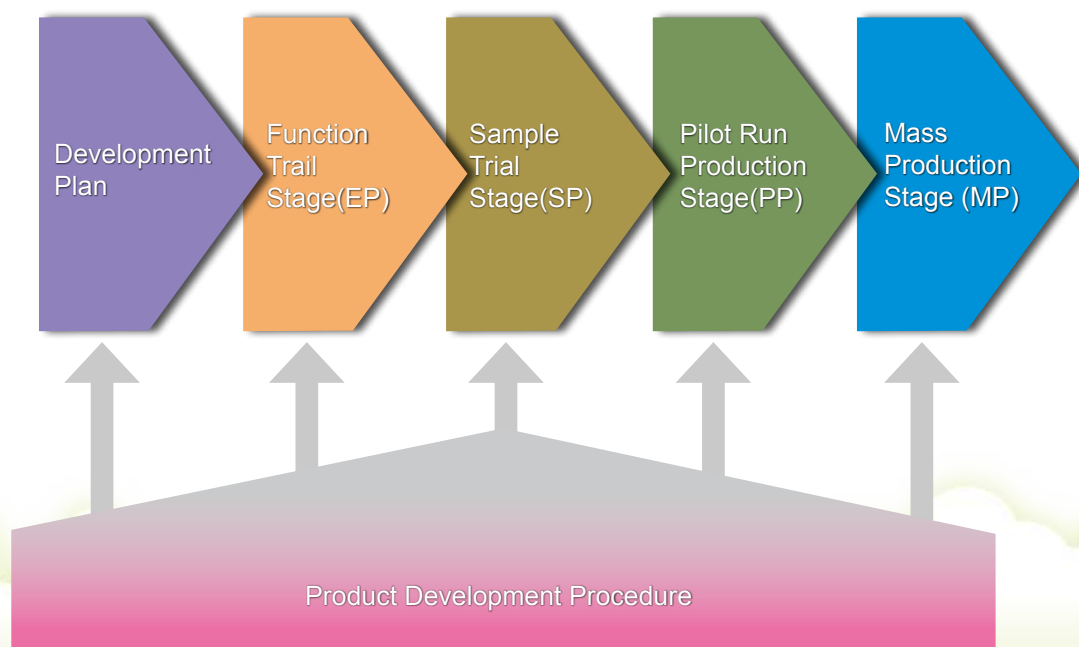


5.2 Product Information

In response to the requirements of international environmental regulations, a plan for phasing out the restricted and banned substances was made by TECO. Materials, components (accessories), packaging and transport materials used for products and the consumption materials used in the process should all meet the legal requirements and satisfy customer's requirements for environmental friendly products.

To comply with international environmental protection related regulations, and base on QC 080000 Standard, TECO established restricted substances management procedures (102E-II-R-CB-085) with "Non-hazardous Substances Management Organization" which led by President. The organization members are including key managers of each plants, such as directors, RD Directors and Purchase Directors. The main goal of this organization is to ensure the products are hazardous substances free (HSF), and comply with the Directives and requirements (WEEE, RoHS, EPA, EMS, REACH, EuP, etc.) and the HSF requirement of customers.

From the design stage, the material, parts, packaging or any other materials that TECO selected has to comply with HSF requirements. TECO has to ensure that the products have complied with relevant regulations and customers' requirements. Some products even have to comply with REACH Directive (Registration, Evaluation, Authorization and Restriction of Chemical) to control the SVHC (Substances of Very High Concern) in products.



5.3 Custom Satisfaction

Each business unit of TECO engages professional institutions to conduct customer satisfaction survey at least once in six months. Reviews and improvements are carried out at quality review meetings and business meetings in respect to the survey findings and customer complaints. The feedback opinions in customer satisfaction survey are taken as the key element of consideration in the stages of marketing planning, after-service and measurement, analysis as well as improvement in quality management system. By doing these, attempts are made to reduce design costs and time taken and to fix the design decision as early as possible during the cycle of product development. It is also possible to improve communication and converged strength within the product development and improvement team.

Such attitude of “making it more perfect” is recognized by the majority of the customers, allowing the company to maintain a considerably high percentage of satisfaction each year. In TECO’s TQM program, TECO engages the suppliers to upgrade their quality management system. TECO works together with suppliers in pursue of products with higher quality and without hazardous substances. TECO’s suppliers should comply with RoHS Directives. Suppliers that provide parts containing HSF are further evaluated for grading. A supplier auditing program is conducted regularly to assure and assist TECO’s suppliers to maintain the high and stable quality level.



5.4 Supply Chain Management

TECO's supply chain management handles the interactions with supplier, freighter, customer, retailer and those who deal with the used product disposal. An organization may affect the supply chain; accordingly, interactions between these up- and down-streams are subject to change. Effective communication throughout the supply chain would facilitate cooperation, minimize misunderstanding and enhance synergy of the actions taken within the supply chain.

In order to complete the goal of producing green products, TECO considers environmental relevant regulations in product development, design and producing stages. In addition, the company also takes the suppliers as one manufacture stage in the whole production line. It is one of TECO's TQM plans and objectives that TECO should work with suppliers to enhance the quality and management standards, to achieve the goal high quality and HSF products. TECO's suppliers should follow the regulations and make sure the parts that they provided comply with RoHS Directive. The company evaluates certain HSF material suppliers with qualify levels. To maintain suppliers' stable quality, TECO not only checks the suppliers by the requirements of quality/environmental protection/safety & health, but also regularly audits suppliers to ensure the product meet the green management and control.



TECO requires suppliers to provide basic information about themselves, and require them to pass the certifications such as ISO quality management system (ISO9001, ISO/TS 16949), ISO environment management system (ISO14001), occupational health and safety information system (OHSAS 18000, TOSHMS). During the audit process, TECO focus on suppliers' internal control effectiveness of project management, product design, material sourcing, business development, material inspection, transportation, after sale service and manufacturing processes.

TECO claims all the suppliers shall follow RoHS, REACH and any new environmental protection related Directives or regulations in suppliers' quality assurance agreement which signed by both sides of supplier and TECO.

Supply chain management: due to the globalization and out-sourcing trend, the supply chain management is getting more important nowadays. Supply chain management means the interaction and handling process among suppliers, distributors, customers, retailers and waste dealers. Base on the possibilities of affections from organization to the entire supply chain, the interaction between upstream and downstream can be changed. Effective communication can enhance cooperation, reduce misunderstandings and affect the action from organization to the supply chain. The related tasks to supply chain management are described as follows:

1. raise the environmental awareness of suppliers and customers;
2. specify and discuss environmental requirements for the supply chain managements;
3. improve suppliers' environmental performance;
4. set up programs related to the reuse and recycling of packaging material, raw materials, components/parts or the entire product;
5. engage the suppliers in the environmental programs.



5.5 Quality Control System

The internationalized TECO provides local service with international vision. TECO sets up corporate quality policy as “Best staff—working value add; Best product—zero complain” to cultivate best workers and create best products. The highest operation principle is “technique, quality & service.” TECO follows the principle to operate the core business and develop diversified businesses. By continuous improving products and service quality, TECO satisfies customer’s need. Through constant enhancement and creative culture, TECO goes beyond consumer’s expectation. Uplifting corporate constitution can create competitive strength, and enhance the international brand image of TECO.

About the product quality, the company actively approaches to be a globalized, high-tech, and green producer business. Insisting on sustainable operation, and creating competitive strength, TECO improves service quality, cultivate excellent employees and creates best products. TECO assures all the products in the life cycle from design, procure, manufacture, sale, scrap to recycle stage can comply with related laws, regulations and customers’ requirements.

In the meantime, the TECO’s quality management system certified by ISO quality management system—ISO 9001:2008 standard. Continuous improvement and quality enhancement are the key factors to create TECO’s competitive strength and increasing the consumers’ satisfaction.



5.6 Service System

“Quality first, technology-based, service-oriented” is always the idealism that TECO insists. Only good product with service can reach the highest customer satisfaction. TECO's service points scatter all over the world, including Europe, Asia, America, Oceanic and Africa. It is always easy to connect to TECO's global design & research centers, production bases, marketing and service network, and strategic planning. TECO is providing high-quality and fast-delivery excellent products through TECO's globally logistic service of production and sale.

TECO is dedicated to the provision of global service and steady operation of the core business in the supreme principle of “technique, quality, service” for operation.

The consistent 5S of business ideas about customer service are:

Smile— to give the merriest heart and the greatest enthusiasm for service to serve our customers.

Smart— to accurately comprehend customers' demands, to offer the service they need.

Speed— to serve fast, satisfying customer demand in shortest time.

Skill— to provide professional technical service.

Safety— to make customer assured and worry-free with the firmest and most sincere attitude of service.

TECO's service has been certified for both ISO and GSP systems, which result fully displays TECO's ambition in service industry.



Independent research and development and possession of techniques are TECO's unrelenting persistence. Providing products that cater for customer demands is TECO's impulse to innovate. The market oriented product designing and planning are the means to reinforce the brand marketing, to refine the channel layout and to provide quality service and logistic support management. There have been and will still be highly matured consumer markets facing TECO. Based on its idea, TECO has always pumped massive resources into every step of its operation to best satisfy the consumers demand for service. Any of these steps can be product R&D, designing, production, manufacture or back-end sales and service, or even in the service industry like logistics and restaurant. As “Quality first, technique basic, service No. 1” has been the concept TECO firmly embraces, only with good products and services can it obtain customer satisfaction. Over time, “Reform to create and innovate to move forward” has steered TECO along the way taking challenges. Now it leads TECO toward a new future.



6 Society Caring

TECO Technology Foundation and Dong-hui club are the 2 channels of TECO's social caring. The purpose of Dong-hui club is to promote normal activities, foster a harmonious and warm situations, and promote healthy active life, to enhance colleagues exchange of feelings, develop love in need of caring places.



Half a century ago, the "motor" rotated out TECO's vitality. At the hardest era of Taiwan's economy, the motor also rotated out the hope of the society. At the 38th anniversary (1993), the Board of Directors and Supervisors initiated the idea to establish "TECO Technology Foundation" by setting up the goal of "cultivating technicians, promoting forward thinking and accelerating social progress." The TECO Technology Foundation has been set up for 18 years. TECO's original goal is "taken from the community, giving back to society" which support the Foundation to develop gradually through 4 stages, every 5 year is one stage.

First Stage:

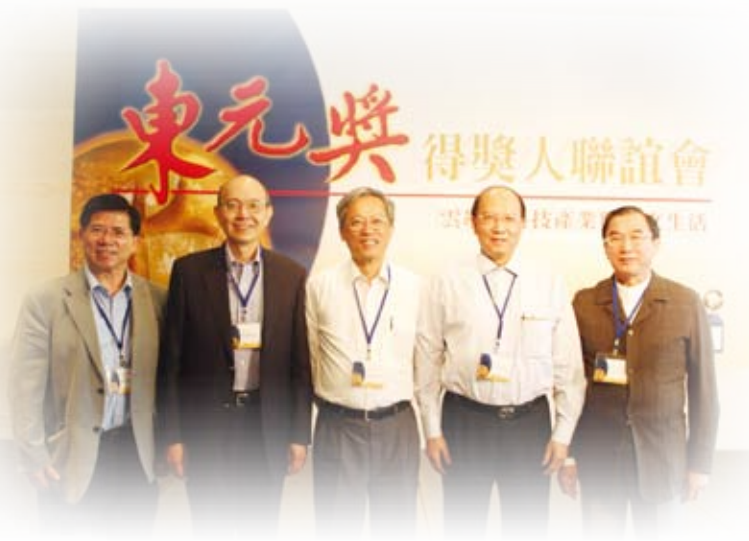
The beginning of foundation, the foundation focused on the original purpose of setting, caring the R&D of domestic technology. Arranging "TECO Technology Award," TECO had been the leader of encouraging technology development and initiating new social development concepts 18 years ago.



Second Stage:

By adding “Humanities Award” and “Eco-tech Award,” the foundation supported the combination of technology and humanity. The original “TECO Technology Award” renamed as “TECO Award” because of new items had been set up. Due to the “creativity” and “tech-innovation” are critical, the foundation promoted more activities to encourage teachers and students.

Even the indigenous people supporting program were also based on this stage.



Third Stage:

After 10 years development, the foundation accumulated experience, human resource with quality, and external resources to make the programs and affections more successfully. TECO Technology Creativity Competition had been held for 3 years, the competition topic “Green Tech” was also meaningful to pursue earth sustainable social responsibility and follow the tendency of industrial development under the resource lacking. The “Exclamation mark—Remote Tribe Sustainable Education Program” was also recognized and supported by government, NPOs, NGOs, enterprises and individuals under the management of professional manpower.

Fourth Stage:

In order to match the Taiwan society current status, the field setting of TECO Humanities Awards had been modified into “art and culture,” “new residents education,” “special education,” “environmental sustainability” and so on. Through the setting of the award, the foundation has tried to encourage the citizens or teacher to value the abovementioned aspects. To support the traditional art from indigenous tribes, the foundation allied with domestic foundations to assist and develop “tradition learning,” “education” and “humanities” learning programs. The foundation has been enhancing and extending the service scope to expend the social concept of “enriching science and humanities” with practice. TECO Technology Foundation has been established for 18 years. Now, the foundation is planning on it’s 4th “the 5-year-stage,” and continues work on the 3 foundations of “creativities,” “education supporting,” and “humanities caring.”



6.1 TECO Award Set up the Model of Technology Humanities

The TECO Technology Award was set when the foundation was established. This award was to reward the individuals who contribute to Taiwan science and technology, and to stimulate scientific and technological research and innovation culture. From 1998, the Humanities Award was added. On the 18th Award ceremony, several awards were integrated into 4 major fields in Technology Awards and the prize was rising to NTD 1 million per item. Humanities Awards would base on the decision of selection committee to set up the field each year. Since technology and humanities were included in TECO Technology Awards, the foundation renamed the award as "TECO Award." In the past 17 years, 84 excellent individuals has been rewarded and the total prize has been exceeded NTD 40 millions.

The "TECO Award" is orientated as a "Lifetime Achievement Award" to reward young scientists. Since 2006, to reward scientific and technological creativity, the foundation set up a competition-- "TECO Technology Creativity Contest."

The contest theme was robot for the first 2 years. From 2008, in response to the plight of the global energy shortage and industry developing trends, the foundation set the theme as "Green Tech." Since 2010, the best universities competitors of Mainland China have been invited to participate in this contest. The TECO Award has become a thorough interaction platform of technology and creativity for the young scientists from both sides of the Taiwan Strait. From 2011, the number of competitor teams has been increased multiply. The competitors exchanged experience and idea after the contest enthusiastically. As the result, this competition has become a popular program which affects young scientists deeply.



6.2 Accumulating Social Innovation Power

In view of "creativity" is one of the human quality indicators. Policy objectives, technology development, art creation, industrial management, and instructional design all need creativity to improve efficiency. Therefore, the "creative education" is considered as one national basis. In 2002, the Ministry of Education published "White Paper on Creativity Education," "TECO" then set the promotion of the "creative education" as one of TECO's missions. This action has opened a new page of TECO on promoting creativity education across the province. As the concept that initiated from Dr. Hong-lan in Central University

that the brain is a busy net, the effective connection of the net is the key of our wisdom. Creativity is associated with the net connection. The more effective and active connection would be able to support more creativity. People can facilitate the connection by past experiences, learning or reading. Dr. Hong's concept has been the basis of promoting creativity education in Taiwan.

6.3 Cultivating Creative Teachers for Remote Counties

To upgrade then teachers' creativity education ability of domestic elementary and junior high schools, the foundation has held 2 to 3 days "Creativity Teaching Experiencing Workshop" in 10 counties since 2005. The total counties which the foundation have been held this workshop is 14, 63 workshops and 12,640 teachers has been benefited. To cultivated creativities needs to be trained since children stage. The teachers in elementary school have to know the methods and skills of teaching creativity. This is the key to make Taiwan to be a creative country. The teachers learn principles and practices in the workshop, even experience the close connection between brain and learning, this activity has been welcomed by those teachers. Since 2011, the foundation extended this workshop to isolated islands such as Penghu, Kinmen, Matsu, and remote counties such as Taitong, Pingtung and Hualien. To instruct the teachers about the teaching skills of science, mathematics, and art appreciation is another target besides creativity teaching. The vision of this workshop is to reduce the education distance between urban and rural.

In addition, to cultivate youth creativity thinking and science intelligence, the foundation holds TECO Baby Science Camp and TECO Creative Youth Camp annually. This camp promotes creativity education by systematic and interesting easy-learning science courses. From 2000, the camp recruits 120 people per camp yearly. Because of the low price, high security, excellent quality factors, the camp is so popular that the on-line registration has been fully booked within 10 minutes on the registry date April 1st every year. The camp is known as one of the most popular summer camps in Taiwan. Because of the urge demand of more vacancy, from 2011 the number of students extends to 200 people per camp. The camp base is Central Police University. The foundation even invites the students from CPU to serve as camp staff to create a better quality summer camp which possessed creative education programs features.

6.4 Sustainable Supporting to Indigenous Tribes—"Exclamation Mark"

According to the Council of Indigenous Peoples, Executive Yuan, there are 14 indigenous tribes, 500,000 people in Taiwan currently. About 32% of the indigenous people live in mountain area, the poor transportation and information, weaker economy and education are the reasons for making the tradition culture/art/languages to fail to be handed down to the next generations. About 40~85% of the indigenous families in mountain area have family function problems. The education supporting seriously insufficient is common too. All these problems are the drivers of the necessity of setting a platform which is able



to merge the tribes' educational needs with society resources to support the minority tribes' sustainable education.

The foundation bases on multiple education concepts and respects/treasures the indigenous traditional culture and art spirit. It integrated social resources from about 26 organizations—NPOs, social communities, 16 enterprises, hundreds individuals. By funding and providing education resources, the foundation adopts indigenous children teams for songs, dances, drums, percussion, wood carving, tap dancing, judo, sports, etc. Up to date, the foundation has provided long-term supports and services to 31 tribal units in 9 tribes and 2,500 children. In addition, the foundation holds several activities which facilitate urban and rural interaction with demonstrating learning performance annually. Those activities are including "Indigenous Children's Night" and "Life and Art Creativity Experiencing Activity." These activities are not only to help tribal children to develop self-confidence through the program, but also actively expend the learning perspective of the youth. "Indigenous Children's Night" is held at National Dr. Sun Yat-sen Memorial Hall in May each year, for more than 2,500 public present to appreciate the beauty of traditional indigenous culture and art. "Life and Art Creativity Experiencing Activity" is held at local County Culture Centers. Over 3,000 teenagers can join this activity to experience or learn more about art within the one-day event before Christmas yearly.

From 2010, the foundation has received the requests from National Palace Museum to plan and execute the "Art Learning and Appreciation in NPM Program." The foundation can acquire more than thousands opportunities for economically disadvantaged rural students to go to National Palace Museum to learn more about arts annually. Through this activity that let arts and Chinese heritage enhance children's humanities quality; while promoting the National Palace Museum's art education into the rural students' life, to expand the thinking of appreciation of arts and humanities.

6.5 2010 Live and Art Creativity Experiencing Remote County Learning Program

In remote tribal units, fish villages or economically disadvantaged rural areas, certain factors make the education in straitened circumstances. The factors are including "single parent," "lost parents", "dependant relative," "economically disadvantaged," "family functions insufficient," "low level of knowledge of the parents" and "high teacher turnover rate." Because of the humanities life and education development is one of the foundation's service target, the foundation holds "Life and Art Creativity Experiencing Activity" annually before Christmas since 2005. In the past 6 years, this activity has been held 15 times in Hualien, Taitung, Pingtung, Nantou and Miaoli counties. The total participated children are about 13,022 people. It is such as popular activity that a lot of children are expecting it enthusiastically every year.





Gathering the forces from all directions—assure the principle of high quality and quantity

In 2010, this program started a new model which was different from past years that the program accumulating 7 NPOs--Institute of Cognitive Neuroscience of National Central University, Dafangguang Charter Foundation, Taiwan Family Care Association, Advantech Foundation, Kuangchuan Culture and Education Foundation, Yonghan Culture Foundation and Ritek Culture and Education foundation—to provide funds or activities with their specialties or resources. The First Lady, Chou Mei-ching, personally-oriented this activity and designed 30 questions to be answered with prizes. The interaction with the children was so enthusiastically and successfully, the children answered in a warm wave even shook the Pingtung County Cultural Center.

Gathering the forces from all directions—Insist on the multiple and rich Idealism

The exciting contents of each activities were including high-quality film appreciation, concerts, drama play creativity appreciation (children's drama, Chinese opera and Taiwan traditional custom activity—Bajiajiang and Guanjiangshou), Indigenous song and dance performances. Through a wonderful day learning experience, the foundation successfully improved young people's understanding of the meaning of life and reflection of life. With the move of art aesthetics, children have increased their creative imagination and emotional management wisdom. This activity is actively welcomed by cities and counties' education offices and schools that wish to participate in.

Gathering the forces from all directions—Accumulate the Forces which Affect Deeply

This activity has been held 3 times in 2010: Taitung—12/8; Pingtung—12/15 and Hualien—12/22. The total participants were 2,874 people. Each activity has required 20~30 shuttle buses to handle the transportation issue. Fortunately, the enormous work loading and expenditures (total cost over NTD 2 million) were helped by the Ministry of Education, Ministry of the Interior, National Science Council, and the County Education Departments, Cultural Office, and the full support of all partners. The feedback from those participated children and teachers have shown their drama inspiration, concert appreciation with obtaining the knowledge. The traditional indigenous songs and dance have created more self-confidence and ethnic recognition. These seemingly minor nutrients, but perhaps they can be the tremendous life force to “change” the life of a child. Should we let this force continued working?

2010 Activities of TECO Technology Foundation

Awards

- TECO Awards
- TECO Awards Association
- TECO Technology Creativities Competition (Green Tech)

Creativity Education

- Teaching Creativity Workshop (4 times)
- Creativities Education Camp (2 times)
 1. TECO Baby Science Camp
 2. TECO Creative Youth Camp
- Live and Art Creativity Experiencing Plan (3 times)
- Tribe Children Science Creativity Experiencing Plan (37 tribes)
- Creativity Express E-letter



Indigenous Tribes Sustainable Education-- Exclamation Mark

- Tradition Learning Plan
 1. Traditional Song Team—developing traditional songs (11 teams)
 2. Traditional Dance Team—developing traditional dances (12 teams)
 3. Traditional Techniques Team—developing traditional techniques (2 teams)
 4. Fitness Athletics Team—developing personal athletic skills (2 teams)
 5. Art Learning Team—developing potential gifts (4 teams)
 6. Providing youth learning project, developing science and art creativities
- Performances
 1. Indigenous Children's Night (National Dr. Sun Yat-sun Memorial Hall)
 2. 3 performances in County Culture Center (Christmas activities)
 3. TECO Awards Ceremony
- Art Activities
 - Plaza Museum Art Appreciation Tour (800 people)
 - Children Dramas
 - High-graded Movie Shows Appreciation





TECO Award was established in 1993, it covers technology and humanities fields. It has been held for 16 times, 80 people have been awarded. The Tech-Inno contest is set up for supporting young scientists to conduct research and innovation. It was the 4th year, the popular award items including “Robots” and “Green Tech.”





Teaching Creativities Workshop and Creative Education Camp



Establishing "Adoption" platform and holding "The Night of Indigenous Children" to perform the exquisite and commendable of Taiwan Indigenous culture and art



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