

TECO Electric & Machinery Co., Ltd.

Rules Governing Financial and Business Matters Between this Corporation and its Related Parties

(Summary Translation) This English version is a translation of the Chinese version.
If there is any inconsistency or discrepancy between the Chinese and English versions,
the Chinese version shall prevail for all intents and purposes.

Article 1 To ensure sound financial and business interactions between this Corporation and its related parties and to prevent non arm's-length transactions and improper channeling of interests with respect to the purchase and sale of goods, the acquisition and disposal of assets, the provision of endorsements and guarantees, and loans of funds between this Corporation and its related parties, these Rules are adopted pursuant to Article 17 of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Article 2 Except as otherwise provided by law and regulation or by the articles of incorporation, financial and business matters between this Corporation and any of its related parties shall be handled in accordance with the provisions of these Rules.

Article 3 The term "related party" referred herein shall be determined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "affiliated enterprise" as used herein means an enterprise that, in accordance with Article 369-1 of the Company Act, exists independently and has either of the following relationships with this Corporation:

1. A relationship of control or subordination.
2. A relationship of mutual investment.

In determining whether a relationship of control or subordination under the preceding subparagraph exists, the substance of the relationship shall be considered in addition to the legal form.

Article 4

This Corporation shall establish an effective internal control system designed for transactions with related parties (including affiliated enterprises) in regard to its overall operational activities, and shall continue to review the system in order to adapt to changes in the internal and external environment and ensure that the system's design and operation remain effective.

This Corporation shall ensure that any subsidiary develops an effective internal control system, taking into account the laws and regulations of the jurisdiction in which the subsidiary is located and the nature of its operations. For any related party that is not a public company, this Corporation shall still, in consideration of the degree of influence it has on this Corporation's business and finances, require that it develop effective systems for internal control and for managing financial, business, and accounting matters.

Article 5

In addition to implementing the adopted internal control system, this Corporation shall pay close attention to the following matters when exercising supervision over the operation and management of its affiliated enterprises:

1. A director that this Corporation assigns to an affiliated enterprise shall regularly attend the affiliate's board meetings. To effectively monitor its operation, the director, during these meetings, should request the management team of the affiliated enterprise to present reports on its corporate objectives and strategy, financial position, business performance, cash flows, and important contracts. In case of any irregularities, the director should inquire about the reasons from the management team. The minutes of the board meeting shall record the cause of the irregularity and be reported to the Chairman or President of this Corporation.
2. A supervisor assigned to an affiliated enterprise by this Corporation shall supervise the affiliate's business operations, investigate its financial and business conditions, and review its books, records and audit reports. The supervisor may also request the Board of Directors or manager of the affiliated enterprise to present a report at its board meeting. In the event of irregularity, the minutes of the board meeting shall record the cause of the irregularity and be reported to the Chairman or President of this Corporation.

3. This Corporation may, depending on the scale of operations or shareholding percentage in affiliated enterprises, communicate with such entities. To assign competent personnel to assume important positions at its affiliated enterprise, such as general manager, financial officer, or internal audit officer, in order to assume the duties and responsibilities of management, decision-making, and supervision and evaluation.
4. This Corporation, in consideration of the type of business, scale of operations, and number of personnel of a subsidiary, shall instruct the subsidiary in the procedures and methods for establishing an internal audit unit and adopting internal control system self-inspection operations.
5. In addition to reviewing the audit reports or self-inspection reports submitted by each subsidiary, the internal audit personnel of this Corporation must also carry out audits of the subsidiaries on a scheduled or unscheduled basis. After audit findings and recommendations have been presented, they shall instruct the audited subsidiaries to make any necessary corrections, and shall prepare follow-up reports on a regular basis to ensure that the subsidiaries have taken appropriate corrective measures in a timely manner.
6. Subsidiaries of this Corporation shall regularly submit monthly financial statements for the preceding month. In the event of irregularities, analysis reports shall also be submitted to allow management and control by this Corporation. Other affiliated enterprises shall also regularly submit financial statements for the preceding quarter, including balance sheets and income statements, for analysis and review by this Corporation.

Article 6

A managerial officer of this Corporation may not concurrently serve as a managerial officer of any affiliated enterprise of this Corporation, and shall not operate the same type of business as this Corporation, either on the officer's own behalf or with another party, unless otherwise approved by a resolution of the board of directors.

The division of powers and responsibilities between this Corporation and its affiliated enterprises with respect to personnel management shall be clearly identified. Where personnel support or transfer is indeed necessary, the scope of work, division of powers and responsibilities, and allocation of costs shall be specified in advance.

Article 7 This Corporation shall establish an effective system of communication with each affiliated enterprise with respect to financial and business matters, and to mitigate credit risks, shall regularly conduct comprehensive risk assessments of their banks, principal clients, and suppliers. With respect to an affiliated enterprise with which it has financial and business interactions, this Corporation shall especially maintain close control over material financial and business items for the purpose of risk management.

Article 8 Any loans or endorsements/guarantees between this Corporation and a related party shall be carefully assessed and carried out in compliance with the provisions of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies and with the procedures prescribed by this Corporation regarding loans to others and provision of endorsements/guarantees.

Article 9 Price terms and payment methods shall be expressly stipulated for any business interaction between this Corporation and any related party. The purpose, pricing, and terms of a transaction, and its formal and substantive nature and the related handling procedures, shall not differ markedly from those of a normal transaction with a non-related party, nor may they be obviously unreasonable.

When business needs require the purchase of finished products, semi-finished products, or materials from a related party, purchasing personnel shall thoroughly evaluate the fairness of the price quoted by the related party based on market prices and other transaction terms and conditions. Except in special circumstances, or given advantageous conditions that differ from those of ordinary suppliers, under which the granting of preferential pricing or terms of payment can be reasonably stipulated, any other prices and payment terms shall be commensurate with those offered to ordinary suppliers.

Price quotes for the sale of any finished products, semi-finished products, or materials to related party shall be made with reference to current market prices. Except in cases of long-term cooperation or other special factors that are different from ordinary clients, under which reasonable stipulations may be made to grant preferential pricing or terms of payment, any other prices and payment terms shall be commensurate with those offered to ordinary clients.

For professional or technical services provided between this Corporation and a related party, both parties shall enter into a contract stipulating the scope of the services, fees charged, time period, payment terms, and after-sales service. The contract shall be executed upon approval by the authorized personnel, in accordance with the job authorization table. All contract terms and conditions shall comply with normal business practice.

By the end of each month, the accounting personnel of both this Corporation and its related parties shall perform cross checks of the purchases and sales of goods between them for the preceding month and the related balances of accounts payable and receivable. If any discrepancies are found, accounting personnel shall identify the cause and prepare a reconciliation statement.

Article 9-1 For purchases and sales of goods, professional or technical services provided between this Corporation and a Related Party, the transaction amount of which during a whole year is expected to be ten percent of this Corporation's most recent total consolidated assets or net value of consolidated business income in the most recent year, in addition that the Regulations Governing the Acquisition and Disposal of Assets by Public Companies shall apply, or other than the transactions between this Corporation and its parent company or subsidiary or between its subsidiaries, the following information shall be submitted to the board of directors for approval before the transactions may proceed:

1. Items, purpose, necessity, and projected benefits of the transactions.
2. The reason for choosing the related party as a trading counterparty.
3. The calculation principle of the transaction price and the projected limit of annual transaction value.
4. Description of whether transaction terms are consistent with regular commercial terms and that these terms will not damage the company interest or shareholder equity.
5. Restrictions on transaction and other important terms and conditions.

The following particulars about the transactions with related parties in the preceding paragraph shall be reported at the next shareholders' meeting after the end of a year:

1. Actual transaction value and terms and conditions.
2. Whether the calculation principle of the transaction price approved by the board of directors has been followed.

3. Whether the total value is under the limit on annual transaction value approved by the board of directors. If the total amount is above the limit, describe the reason, necessity, and fairness.

Article 10 Any asset transaction, derivative trading, merger, demerger, acquisition, or share transfer between this Corporation and a related party shall be conducted in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and the procedures for acquisition and disposal of assets prescribed by this Corporation.

Article 11 With respect to any financial or business interaction between this Corporation and any related party that requires a resolution of the board of directors, full consideration shall be given to each independent director's opinion. Specific opinions by independent directors expressing assent or dissent, and the reasons for dissent, shall be included in the minutes of board meetings.

When a director him/herself or the corporation he/she represents is an interested party with respect to a particular agenda item and there is a likelihood that the company's interest may be compromised, that director shall enter into recusal and may neither participate in the discussion of nor vote on that item nor exercise voting rights as proxy for another director. Directors shall maintain self-discipline among themselves and may not enter into relationships of inappropriate mutual support with other directors.

If a director's spouse, blood relatives within the 2nd degree of relationship, or a company controlled by that director is an interested party with respect to an agenda item as mentioned in the preceding paragraph, the director him/herself will be deemed as an interested party with respect to that agenda item.

Article 12 The establishment of these Rules and all subsequent amendments thereto shall be approved by the Board of Directors of the Company.

Article 13 These Rules were approved by Board of Directors and came into force on 13th November 2023.