

# TECO Electric & Machinery Co., Ltd.

## **Sustainable Development Best Practice Principles**

(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.

### **Chapter one General rules**

#### **Article 1**

For fulfilling corporate social responsibility and prod the progress of economy, environment, and society, as a means of achieving sustainable development, the company formulates the practical principles for compliance by staffers.

#### **Article 2**

The principles are applicable to overall business activities of the company and other enterprises of the group.

Alongside engagement in corporate management, the company should actively fulfill sustainable development, in line with the international trend, thereby contributing, as a corporate citizen, to the nation's economic development and improvement of the life quality of staffers, community, and society, in addition to creating an edge based on sustainable development.

#### **Article 3**

In promoting sustainable development, the company should notice the interests of stakeholders and in quest of sustainable development and profits, it should keep an eye on the factors of environment, social needs, and corporate governance, incorporating them into the company's management objective and business activities.

The company shall, in accordance with the materiality principle, conduct risk assessments of environmental, social and corporate governance issues pertaining to company operations and establish the relevant risk management policy or strategy.

#### **Article 4**

In fulfilling sustainable development, the company should abide by the following principles:

1. materialization of corporate governance;
2. creating sustainable environment;
3. upholding public benefits of the society;
4. intensifying information disclosure on corporate sustainable development.

#### **Article 5**

The company should take into account relationship between development trend for sustainability issues, both abroad and on domestic front, and its core businesses, as well as the effect of the business activities of the company and the group's other enterprises on stakeholders, in formulating the policy, system, and management objects and action plan on sustainable development, which should be reported to shareholders' meeting following approval by the board of directors.

The board of directors should review proposals on sustainable development raised by shareholders and consider putting them on the agenda of shareholders' meeting.

## **Chapter two Materialization of corporate governance**

### **Article 6**

For the sake of sound corporate governance, the company should abide by "Corporate Governance Best Practice Principles", "Ethical Corporate Management Best Practice Principles", as well as "Rules of Ethical Conduct to Directors and Managers"

### **Article 7**

In line with the obligation of notice for a good manager, the company's directors should push the company in pushing the fulfillment of sustainable development and constantly review the effect of execution for continuing improvement, so as to assure materialization of the policy on sustainable development.

In fulfilling the sustainable development for the company, the board of directors should consider about stakeholder's benefits adequately, and carry out the following affairs:

1. putting forth mission or vision for sustainable development and formulating policy, system, or management objective for sustainable development;
2. incorporating sustainable development into the company's business activities and development direction, and formulating action plan on sustainable development;
3. assuring current and accurate disclosure of information on sustainable development.

The board of directors authorizes ranking management to handle the economic, environmental, and social issues arising from business activities. The management should designate specific staffers to handle the issues according to specific flow and report the results to the board of directors.

### **Article 8**

The company should regularly hold education and training on promoting sustainable development, including affairs related to item 2 of the previous article.

### **Article 9**

For sound management of sustainable development, the company should establish a governance structure to promote sustainable development, and designate unit, either on dedicated or part-time basis, for pushing sustainable development, and formulating and executing policy, system, related management objective, and action plan on sustainable development. The unit should report to the board of directors regularly.

The company should formulate reasonable compensation policy, conforming to the organization's strategic objective and the interests of stakeholders.

Performance-evaluation system for staffers should blend with Sustainability Policy and a clear and effective rewarding and penalty system should be put in place.

#### **Article 10**

To uphold the interests of stakeholders, the company should identify stakeholders and set up a section for stakeholders on its website. It should understand reasonable aspiration and demand of stakeholders via proper communications channel and properly address key issues on sustainable development which concern stakeholders.

### **Chapter three Creating a sustainable environment**

#### **Article 11**

The company should abide by related laws/regulations and international norms in properly protecting natural environment and should dedicate to upholding a sustainable environment in carrying out business activities and internal management.

#### **Article 12**

The company should dedicate to boosting the efficiency in utilizing energy, and using renewable materials to lessen impact on the environment and assure sustainable usage of the earth's resources.

#### **Article 13**

The company should establish environment-management system conforming to its industry nature, which should include the following items:

1. collecting and evaluating sufficient and current information on the effect of business activities on natural environment;
2. establishing measurable objective for sustainable environment and regularly review its continuity and relevance;
3. formulating implementation measures, including concrete plan or action plan, and regularly reviewing the effect of implementation.

#### **Article 14**

The company should install dedicated environment-management unit or staffers, in charge of formulating, pushing, and upholding environment-management system and action plan, in addition to regularly holding environmental education courses for managers and rank-and-filers.

#### **Article 15**

The company should consider the effect of corporate operation on ecological benefits, and push and promote the concept of sustainable consumption, in addition to carrying out various business activities, including R&D, procurement, production, operation, and service, according to the following principles, so as to lessen the impact of corporate operation on natural environment and humanity:

1. reducing consumption of resources and energy caused by products and services;
2. reducing discharge of pollutants, toxins, and wastes, as well as properly disposing
  1. wastes;
  2. enhancing recyclability and reusability of materials or products;
  3. attaining maximum sustainable utilization of renewable resources;
  4. increasing endurance of products; boosting the efficacy of products and services.

#### **Article 16**

In order to enhance the utilization efficiency of water resources, the company should properly utilize water resources on a sustainable basis and formulate related management measures.

The company should construct and strengthen treatment facilities for environmental protection, so as to avoid polluting water, air, and soil, and should make utmost efforts in lessening adverse effect on human health and environment by embracing optimal feasible technologies for combating and containing pollution.

#### **Article 17**

The company should assess the current and future potential risks and opportunities that climate change may present to enterprises and to adopt related measures.

The company should adopt standards or guidelines generally used in Taiwan and abroad to enforce corporate greenhouse gas inventory and to make disclosures thereof, the scope of which shall include the following:

1. Direct greenhouse gas emissions: emissions from operations that are owned or controlled by the company.
2. Indirect greenhouse gas emissions: emissions resulting from the generation of input electricity, heating, or steam.

3. Other indirect greenhouse gas emissions: emissions from company activities are not indirect emissions from energy sources, but come from sources owned or controlled by other companies.

The company should compile statistics on greenhouse gas emissions, volume of water consumption and total weight of waste and to establish policies for energy conservation, carbon and greenhouse gas reduction, reduction of water consumption or management of other wastes. The company's carbon reduction strategies should include obtaining carbon credits and be promoted accordingly to minimize the impact of their business operations on climate change.

## **Chapter four Upholding public benefits of the society**

### **Article 18**

The company should abide by related laws/regulations and international covenant on human rights, including gender equality, working right, and ban on discrimination.

In order to fulfill its responsibility in protecting human rights, the company should formulate related management policies and procedures, including:

1. putting forth corporate human-right policy or statement;
2. evaluating the effect of corporate business activities and internal management on human rights and formulating corresponding handling procedure;
3. regularly reviewing corporate human-right policy or statement;
4. disclosing handling procedure for related stakeholders, in case of infringement of human rights.

The company should uphold labor rights acknowledged internationally, including freedom for association, right of group consultation, care for underprivileged groups, ban on child labor, removal of forced labor in various forms, and removal of management-labor and employment discrimination, in addition to assuring absence of discriminatory treatment in policy of human-resources utilization, in terms of gender, ethnicity, social and economic class, age, marriage, and family, so as to achieve equality and fairness in employment conditions, compensation, fringe benefits, training, performance evaluation, and promotion. For infringement of labor rights, the company should provide effective and proper mechanism for filing complaints and assure equality and transparency in the process of petition. The petition channel should be clear, simple, convenient, and unblocked. The company should respond properly to the petitions of staffers.

### **Article 19**

The company should provide staffers information, helping them understand labor law and labor rights in the host country of their works.

## **Article 20**

The company should provide staffers a safe and healthy working environment, including the provision of necessary health and first-aid facilities, and dedicate to removing potential hazards to the safety and health of staffers, so as to prevent vocational accidents.

The company should conduct regularly safety and health education and training for staffers.

## **Article 21**

The company should create an environment conducive to the development of their employees' careers and establish effective training programs to foster career skills.

The company should establish and implement reasonable employee welfare measures (including remuneration, leave and other welfare etc.) and appropriately reflect the business performance or achievements in the employee remuneration, to ensure the recruitment, retention, and motivation of human resources, and achieve the objective of sustainable operations.

## **Article 22**

The company should set up channels for communications with staffers regularly, thereby keeping them posted on the company's management and decision making and enabling them to express opinions accordingly.

The company should respect the right of labor representatives in consultation for working conditions and provide staffers necessary information and hardware facilities, to facilitate consultation and cooperation among employers, staffers, and labor representatives.

The company should inform via reasonable manner staffers material changes in the company's operation.

## **Article 22-1**

The company should treat customers or consumers in a fair and reasonable manner, in line with the features of its products, services, and industry, in addition to formulating strategy and measures for enforcement.

Examples for the aforementioned fair and reasonable treatment follow:

1. Enter into contracts on the principles of mutual benefit, fairness, and integrity.
2. Fulfill the commission of customers carefully and faithfully.
3. Avoid exaggerated and false ads.
4. Assure provision of merchandises or services which are suited to customers or consumers.
5. Fully explain major contents, as well as potential risks, of the merchandises or services provided.

6. Consider in balance the interests of customers or consumers and the achievement of business goal when formulating commission system for salespersons.
7. Offer customers or consumers unobstructed channel for complaints and make substantive responses.
8. Professional businesses should be undertaken by staffers with professional qualifications or professional certificates.

#### **Article 23**

The company should be accountable for its products and services and have ethical consideration in marketing. In the flow of R&D, procurement, production, operation, and service, it should assure the transparency and safety of information on products and services, to prevent products and services from jeopardizing the interests, health, and safety of consumers.

#### **Article 24**

The company should ensure the quality of their products and services by following the laws and regulations of the government and relevant standards of their industries.

The company should follow relevant laws, regulations and international guidelines in regard to customer health and safety and customer privacy involved in, and marketing and labeling of, their products and services and shall not deceive, mislead, commit fraud or engage in any other acts which would betray consumers' trust or damage consumers' rights or interests.

#### **Article 25**

The company should evaluate and manage various risks which could disrupt its operation and lessen the latter's effect on consumers and the society, should it happen.

The company should set up transparent and effective channel for consumers to file complaints on products and services and address such complaints instantly in a fair manner, in addition to upholding consumers' privacy by protecting the secrecy of their personal data, according to law for production of personal data and other related laws/regulations.

#### **Article 26**

The company should assess the impact their procurement has on society as well as the environment of the community that they are procuring from, and shall cooperate with their suppliers to jointly implement the corporate social responsibility initiative.

The company should establish supplier management policies and request suppliers to comply with rules governing issues such as environmental protection, occupational safety

and health or labor rights. Prior to engaging in commercial dealings, the company should assess whether there is any record of a supplier's impact on the environment and society, and avoid conducting transactions with those against corporate social responsibility policy. When the company enters into a contract with any of their major suppliers, the content should include terms stipulating mutual compliance with corporate social responsibility policy, and that the contract may be terminated or rescinded any time if the supplier has violated such policy and has caused significant negative impact on the environment and society of the community of the supply source.

#### **Article 27**

The company should take part in the activities of civil organizations, charities, and municipal governments in communal development and education, via stock investment, business activities, physical donations, corporate voluntary services, or other professional services for public benefits, invest resources in organizations which employ business model in solving social or environmental issues, so as to bolster communal development.

### **Chapter five Strengthen information disclosure on sustainable development**

#### **Article 28**

The company should publicize information according to related laws/regulations and practical principles on corporate governance, in addition to fully disclosing critical and reliable information on sustainable development, so as to enhance information transparency.

The company should disclose the following information related to sustainable development:

1. policy, system, or management objective and action plan related to sustainable development, approved by the board of directors;
2. risk and effect on the company's operation and finance caused by materializing corporate governance, creating sustainable environment, and upholding public benefits of the society.
3. objective and measures formulated by the company for fulfilling sustainable development, as well as the result of performance;
4. major stakeholders and issues of their concern;
5. management and performance of major suppliers on environment and key social issues;
6. other information related to sustainable development.

#### **Article 29**



The company should embrace criteria or principles with universal acknowledgement internationally in compiling Sustainability Report, so as to disclose progress in promoting sustainable development, and should attain confirmation or guarantee from third party, to enhance information reliability. The report should contain:

1. policy, system, or related management objective and action plan on sustainable development;
2. major stakeholders and issues of their concern;
3. result and review of the company's performance in materializing corporate governance, developing sustainable environment, upholding public benefits of society, and boosting economic development.
4. improvement direction and objective.

## **Chapter six Supplements**

### **Article 30**

The company should constantly notice development in related principles on sustainable development, both abroad and on domestic front, and changes in business environment, for reviewing and improving the company's system on sustainable development, so as to enhance the performance in promoting sustainable development.

### **Article 31**

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

### **Article 32**

The principles were approved by Board of Directors and came into force on 20 March, 2015.

The first amendment of the principles on 23 December 2016.

The second amendment of the principles on 17 March 2020.

The third amendment of the principles on 16 March 2022, and were renamed "Sustainable Development Best Practice Principles".