TECO Electric & Machinery

Conflict Minerals and Responsible Sourcing Management Mechanism

TECO supports the procurement of responsible minerals. Through strengthening supply chain management, it effectively identifies and traces the sources of raw materials to ensure that the minerals used in the Company's products, including Gold (Au), Tantalum (Ta), Tungsten (W), Cobalt (Co), Tin (Sn), and Mica, are not sourced from illegal mining in the Democratic Republic of the Congo or its neighboring countries.

1. Management Structure

(1) ESG Office serves as the "Advisor." In accordance with regulations, international trends, or the requirements of key stakeholders (such as customers and investors), the Advisor will, upon assessment of necessity, revise and comprehensively plan the management and due diligence framework for the procurement of conflict minerals and responsibly sourced minerals. The Advisor will also provide information and advisory resources on international assessment standards (such as RMI/RMAP), offer standard guidelines and reference templates, and conduct training for procurement personnel as appropriate.

(2) Centralized Procurement and Procurement Units of Business Groups serve as the "Executor." The "Executor" is responsible for working with R&D and Quality Assurance departments to determine the scope of controlled materials for procurement items; routinely distributing and collecting CMRT/EMRT questionnaires from suppliers of high-risk controlled materials (while collecting self-declaration forms from low-risk suppliers once every 3 years); performing preliminary data comparison and verification; initiating and tracking Corrective Action Plans (CAPs) for high-risk suppliers; and ensuring effective procurement management.

(3) Quality Assurance and R&D Departments serve as the "Technical Supporter." The Technical Supporter provides technical support, assist in reviewing product and component contents (BOM review), review the reasonableness of metal and mineral flows, and determine supplier metal risk levels.

2. Controlled Materials and Scope of Precise Investigation:

Suppliers that provide products/components to the Company that actually contain key controlled materials including Gold (Au), Tantalum (Ta), Tungsten (W), Cobalt (Co), Tin (Sn), and Mica. Suppliers identified by the R&D and Materials units as not using the above controlled materials are exempt from the scope of routine due diligence investigations. The Company is committed to ensuring that the mining, smelting, or trading of the above materials does not involve illegal conflicts or any human rights violations such as forced labor, child labor exploitation, or environmental destruction.

3. Supplier Risk-Based Due Diligence and Traceability Requirements

To improve management effectiveness and comply with practical operations, risk-based due diligence shall be implemented for suppliers:

(1) **High-risk suppliers** must annually sign and submit the latest version of the Conflict-Free Mineral Commitment. They are also required to complete and submit the latest Responsible Minerals Initiative (RMI) reporting templates, namely the CMRT or EMRT, based on the materials actually used. The reporting templates must be completed with 100% disclosure of all upstream smelter/refiner (SOR) names, countries of geographic distribution, and corresponding smelter identification numbers (CID).

(2) **Low-risk suppliers** in conjunction with the routine "Supplier Survey and Evaluation" conducted every 3 years, sign a "Conflict-Free Metal Commitment" or cite the annual conflict minerals compliance reports published on the websites of major international manufacturers.

(3) When using new materials, changing material sources, or adding key controlled metals, suppliers shall proactively resubmit CMRT/EMRT forms to the procurement unit and follow-up tracking shall be carried out according to the risk classification.

4. Data Verification and Dual Verification Mechanism

The Company conducts rigorous dual verification of collected survey data (CMRT/EMRT) and supply chain information. The verification process consists of an initial review through international certification comparison, followed by a secondary review through data logic verification.

Based on the mineral sources, related smelters, and refiners identified through supply chain due diligence investigations, the Company will gradually establish a review mechanism for the third-party

verification status of smelters and refiners, and give priority to smelters and refiners verified by credible independent third parties or industry-recognized mechanisms, in order to continuously reduce responsible minerals supply chain risks.

5. Risk Classification Improvement and Elimination Mechanism (CAP & Mitigation):

According to the investigation and verification results, suppliers shall be managed through conflict minerals risk classification control:

(1) **Class A (Excellent)**：The smelters used are 100% RMAP certified and complete supporting evidence is provided.

(2) **Class B (Qualified)**：More than 80% of the smelters used are RMAP certified, and the remainder are undergoing certification (Active status), with an improvement commitment letter provided.

(3) **Class C (Non-conforming / High Risk)**：Contains uncertified smelters, smelters refusing review, or smelters originating from Conflict-Affected and High-Risk Areas (CAHRAs) with untraceable sources. The procurement unit shall issue a Corrective Action Plan (CAP), requiring the supplier within 3 to 6 months to assist the smelter in obtaining certification or gradually remove it from the Company's product supply chain. Those who fail to complete improvement within the specified period, provide false information, or refuse to cooperate may have their quarterly ESG evaluation scores downgraded, be subject to transaction restrictions and reduced transaction volume, suspension of new project development, or termination of business transactions, and alternative sources shall be sought.