

TECO Electric & Machinery Co., Ltd.

Corporate Social Responsibility 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 corporate social responsibility, 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 corporate responsibility.

Article 3

In fulfilling corporate social responsibility, 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.

Article 4

In fulfilling corporate social responsibility, 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 social responsibility.

Article 5

The company should take into account relationship between development trend for corporate social responsibility, 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 corporate social responsibility, which should be reported to shareholders' meeting following approval by the board of directors.

The board of directors should review proposals on corporate social responsibility 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 social responsibility and constantly review the effect of execution for continuing improvement, so as to assure materialization of the policy on corporate social responsibility.

In fulfilling the corporate social responsibility 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 corporate social responsibility and formulating policy, system, or management objective for corporate social responsibility;
2. incorporating corporate social responsibility into the company's business activities and development direction, and formulating action plan on corporate social responsibility;
3. assuring current and accurate disclosure of information on corporate social responsibility;

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 fulfillment of corporate social responsibility, including affairs related to item 2 of the previous article.

Article 9

For sound management of corporate social responsibility, the company should designate unit, either on dedicated or part-time basis, for pushing corporate social responsibility, and formulating and executing policy, system, related management objective, and action plan on corporate social responsibility. 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 corporate social responsibility 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 corporate social responsibility 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 various resources 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 wastes;
3. enhancing recyclability and reusability of materials or products;
4. attaining maximum sustainable utilization of renewable resources;
5. 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 embrace universal standards or guidance, applicable both abroad and on domestic front, in carrying out and disclosing corporate greenhouse gases, with the scope covering:

1. direct emission of greenhouse gases: greenhouse-gas emission sources are owned or controlled by the company;
2. indirect emission of greenhouse gases: greenhouse gases result from energy utilization, including procured power supply, heat, or steam.

The company should notice the effect of climate change on business activities and, based on business status and check on greenhouse-gas emission, formulates strategy for energy conservation and carbon/greenhouse-gas abatement, in addition to incorporate carbon right into the company's strategic planning for carbon abatement, so as to lessen the effect of the company's business activities 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 a good environment for the career development of staffers and establish an effective plan for fostering the capabilities of staffers for career development.

The company should embrace a policy reflecting the fruits of its management in staffers' compensations, so as to facilitate the recruitment, retention, and motivation of staffers, thereby achieving the company's sustainable development.

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 abide by laws/regulations on industries in assuring the quality of products and services.

The company should abide by related laws/regulations and international criteria in the marketing and labeling of products and services and should abstain from deception, misleading, fraud, or any other behavior which betrays consumers' trust and jeopardize their rights and 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 evaluate the environmental and social effect of its procurements on the supplying communities and should cooperate with suppliers in fulfilling corporate responsibility concertedly.

Prior to business dealings, the company should ascertain whether the suppliers have record adversely affecting environment and society and should avoid dealings which run counter to its policy on corporate social responsibility.

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 corporate social responsibility

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 corporate social responsibility, so as to enhance information transparency.

The company should disclose the following information related to corporate social responsibility:

1. policy, system, or management objective and action plan related to corporate social responsibility, 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 corporate social responsibility, 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 corporate social responsibility.

Article 29

The company should embrace criteria or principles with universal acknowledgement internationally in compiling report on corporate social responsibility, so as to disclose progress in pushing corporate social responsibility, 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 corporate social responsibility;
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 corporate social responsibility, both abroad and on domestic front, and changes in business environment, for reviewing and improving the company's system on corporate social responsibility, so as to enhance the performance in fulfilling corporate social responsibility.

Article 31

Formulation and revision of the principles should be approved by the board of directors and reported to shareholders' meeting.

Article 32

The principles have been put into practice following approval by the board of directors on March 20, 2015 for implementation.

The first amendment of the principle on 23 December 2016.