

# TECO Electric & Machinery Co., Ltd.

## Rules of Ethical Conduct to Directors and Managerial Officers

(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** Purpose and basis

The criteria are based on “Reference and Examples for the Formulation of Ethical-Behavior Criteria by Listed Firms,” so that the company’s directors and managerial officers can comply with the company’s ethical standards in executing their duties.

### **Article 2** Application objects

The criteria are applicable to the company’s directors and managerial officers.

### **Article 3** Scope

The criteria only offer guiding principles to directors and managerial officers. Questions on specific cases which may involve the criteria can be submitted to the chairperson, who can consult the opinions of the company’s legal consultant, if necessary.

### **Article 4** Prevention of conflict of interests

Directors and managerial officers should handle corporate affairs in an objective and efficient manner, and should not take advantage of their positions to bring improper benefits to themselves, spouses, parents, offspring, or relatives within two tiers of kinship. When enterprises affiliated with aforementioned persons carry out major business dealings with the company, including loan extension, provision of guarantee, major transaction of assets, or transaction of goods, the aforementioned persons should actively explain to the company whether there exists potential conflict of interests and should obtain the approval of responsible superiors, on top of reporting to the chairperson.

For elected directors who run counter to the aforementioned regulation, those gaining the support of fewer voting rights should be disqualified.

### **Article 5** Avoidance of personal benefits

To prevent opportunities for personal benefits, directors and managerial officers should avoid the following behaviors:

1. Take advantage of the company’s properties, information, or the convenience of jobs to attain opportunities for personal benefits.
2. Take advantage of the company’s properties, information, or the convenience of jobs to attain personal benefits.
3. Compete with the company.

**Article 6** Duty of confidentiality

Directors and managerial officers should keep business secrets:

1. Bear the duty of confidentiality for information on the company and clients, except information publicized via authorization or according to legal regulation. Secret information includes unpublicized information which may be utilized by rivals or inflict damage on the company or clients in case of leakage.
2. Directors and managerial officers should strictly abide by the obligation of confidentiality for secret information on the company, affiliates, or any other third party, technical information, which they obtain via the execution of their duties. Except need for the execution of their duties, they should not inquire about or utilize such information. Without written consent from the company in advance, they should not copy secret information or produce back-up copy for the secret information. In addition, they cannot leak, inform, hand over, or transfer the secret information to others or publicize the information in any form.

**Article 7** Fair trade

Directors and managerial officers should fairly treat the company's clients, competitors, and employees. They should not manipulate, hide, abuse information obtained via their positions. They should not obtain improper benefits or damage the company's interests via false statement or other unfair trading methods.

Directors and managerial officers conduct fair trade and competition with the company's clients, suppliers, and competitors and should not conduct behaviors violating fair trade, including:

1. Reach agreement with competitors on prices or other trading conditions.
2. Agree to monopolize bidding.
3. Reach agreement with competitors avoiding trade with specific client or supplier or trading with the latter on specific conditions.
4. Conduct compulsory bonded sales of different products or services.
5. Reach agreement with competitors for allocation of market or clients.

**Article 8** Protect and properly utilize company assets

The company's assets should be protected and properly utilized only for the company's legal business purpose. Directors and managerial officers have the responsibility to protect the company's assets, assure its effective and legal business utilization, and avoid stealth or waste, which will influence on the company profit-seeking ability.

**Article 9** Legal compliance

Directors and managerial officers should abide by laws, regulations, and corporate policies governing the company's activities and comply with the ban on insider trading of the Securities Transaction Law. When possessing the company's key unpublicized information, they should not engage in related securities trading. They should deliberately conduct behaviors violating any law or regulation and make untrue statement concerning the company's products or service.

**Article 10**

Encouraging report of any behavior violating law or criteria of ethical behavior Whenever discovering violation of laws/regulations or the criteria of ethical behaviors on the part of directors and managerial officers, employees can report the cases, along with evidence, to the company via proper channel. The company will handle the cases in confidentiality and will make its best to protect the safety of informants.

**Article 11 Penalties**

Managerial officers violating the criteria of ethical behaviors should be subject to the penalties stipulated in the rules for personnel management. For directors violating the criteria, the board of directors should adopt proper action. The company should establish related appeal system as a channel of remedy for those violating the ethical behavior criteria.

**Article 12 Procedure for the application of exemption**

Exemption of directors and managerial officers for complying with the criteria should be approved by the board of directors. Related information should be posted on the Market Observation Post System, including the title and name of the exemption person, the exemption period, objection or reservation made by independent directors and exemption reason, so that shareholders can evaluate the propriety of the resolution and uphold the interests of the company.

**Article 13 Disclosure method**

The company will publicize the criteria, as well as its revision, on its annual report, proxy statement, and Market Observation Post System.

**Article 14 Execution**

The criteria will be put into practice following approval by the board of directors, submitted to the auditing committee for reference, and reported to the shareholders' meeting. For revision of the criteria, the same procedure applies. The criteria were formulated on Dec. 15, 2011.

The first amendment of the criteria on 20 March 2015.