

Supply Chain Management

Material Topics	Supplier sustainability management
Importance to the Company	Establish a sustainable supply chain ecosystem and create a win-win business philosophy for suppliers and customers
Policy/Commitment	Suppliers are required to comply with labor standards, environmental protection, labor safety and the Company's procurement processes.
Goals	<p>Short-term: New supplier evaluation, screening, signing of corporate social responsibility commitments, supplier evaluation, supplier audit and other items have achieved 95% or higher.</p> <p>Intermediate- and long-term: Establish a comprehensive alternative supplier system, with the target ratio of alternative materials for products exceeding 70%, to prevent the occurrence of force majeure risks and geopolitical factors, and to ensure the stability of the supply of major raw materials and key materials.</p>
Resources committed and specific results during the year	<ol style="list-style-type: none"> 1. Integration of safety materials and data 2. Integration of parts and materials
Responsible department /Grievance measures	Joint Procurement Department
Evaluation measures/Outcome	<p>The achievement rate of new suppliers signing the CSR Commitment in 2023 reached 95.5% (of the 22 new trading partners, 21 have signed)</p> <p>Average score of annual supplier evaluation was 93.24</p> <p>Pass rate of suppliers audited (document review or on-site review) was 100%</p>

1. Supply Chain Overview

Our products include the power accessories and services for UPS, APF, solar inverter and ESS. The main materials are batteries, transformers, semiconductor electronic parts, plastic materials, iron shell PCB, wires and other components. We maintain a long-term, stable and good collaborative relationship with our suppliers.



Currently, the supply status of the suppliers we work with are good, and there have been no shortages or interruptions in supply. There is no overweight proportion of purchase from vendors, so there is no excessive concentration of sources. We also continue to promote localized sourcing to reduce the impact of transportation on the environment. We have transactions with more than 380 suppliers of materials in the last three years, and the region and the amount of purchase are shown in the following figure.

Proportion of procurement amount between 2021 and 2023

Procurement by region	2021	2022	2023
Purchase in China	54.6%	50.4%	49.0%
Local purchase	34.2%	39.0%	38.2%
Purchase in Americas	0.0%	0.1%	0.2%
Purchase in Europe	1.2%	0.1%	1.1%
Other regions	10.0%	9.7%	11.4%
Total	100.0%	100.0%	100.0%

2. Supplier management policy

We manage the risks and opportunities in supply chain to prevent the occurrence of force majeure disasters and geopolitics events and ensure the stability of sources of supply for main and key materials. In addition to localizing procurement and research and development of alternative materials, we actively develop response management such as maintaining contact with second and third suppliers or reserves for future transactions, further improving supply chain management.

We have formulated the Procurement Management Procedures, the Supplier Assessment Procedures and the Supplier Environmental Impact Assessment Procedures, and we assess their quality and the status of environmental impact, and verify the actual situation before transactions with suppliers. In 2015, we formulated the Supplier Social Responsibility Rules. We support and encourage high-standard CSR practices, and we notify suppliers of our standard on the management of enterprises, ethics, labors, environment, health and safety. We also request suppliers to cooperate with our policy and respect their employees' basic rights in freedom of association and collective bargaining. Per our customers' orders or regulatory requirements, we may ask suppliers to provide their Suppliers' CSR Commitment, Declaration of Minerals

Conflict-Free, HSF and other information as reference. We also evaluate whether new suppliers have a prior record of impacting the environment and society. As of 2023, we have our suppliers in ongoing transactions sign 580 copies of CSR Commitment.

3. Status of supply chain management

In order to provide customers with good and stable products and services, we also have continued to keep up with the ever-changing business environment by managing our supply chain. We screen and assess new suppliers, and conduct evaluation, audit and counseling with our existing suppliers in ongoing transactions, hoping to keep qualified excellent suppliers who can align themselves with our sustainable development philosophy in terms of environmental protection, society and corporate governance.

3.1 Supplier evaluation

Evaluation and screening processes for new suppliers: The evaluation items are divided into five aspects of quality, management technology, equipment and cooperation. For suppliers with comprehensive evaluation reaching a total score of above 70 points, they can be listed as qualified suppliers of the company upon the confirmation of review. We also request the newly qualified suppliers sign the CSR Commitment which requires them to comply with environmental regulations, reduce pollution, conserve energy and reduce carbon emissions, protect labor rights, and carry out no forced labor, no discrimination and no hiring of child labor, and improve the workplace condition, as well as other topics involving environmental protection, safety or health, so that we can all fulfill corporate social responsibility.

3.2 Supplier evaluation

For existing suppliers (raw materials/components), we conduct annual evaluation on their quality, cost, lead time, services and other aspects, and classify them based on the evaluation results in order to select the outstanding performers for more transactions. In the future, we will include ESG-related issues in the evaluation as the basis for sustainable management of suppliers.

3.3 Supplier audit survey and counseling

We have established an audit team to conduct audit from time to time. Suppliers who are graded more than 80 points are considered qualified, and those who are



graded below 80 are required to make improvements. We conduct follow-up inspections of their deficiencies or give them suggestions, experience sharing and education and training sessions, hoping to improve their quality, technology and yield.

The Joint Procurement Department conducts supply chain management based on the Company's regulations, which include the assessment and screening of new suppliers and the signing of CSR Commitment. The results of supplier evaluations and audits of current suppliers met our expected goals as shown below:

Item / Year	2021	2022	2023
Number of new suppliers developed	34	42	22
Number and percentage of new suppliers signing the CSR Commitment	32 94.1%	41 97.6%	21 95.5%
Number of suppliers (with transactions) evaluated in the year	116	130	118
Average score and pass rate of annual supplier evaluation	92 100%	92.5 100%	93.24 100%
Number of suppliers audited (document review or on-site review) and the pass rate	12 100%	12 100%	12 100%