

supply chain management

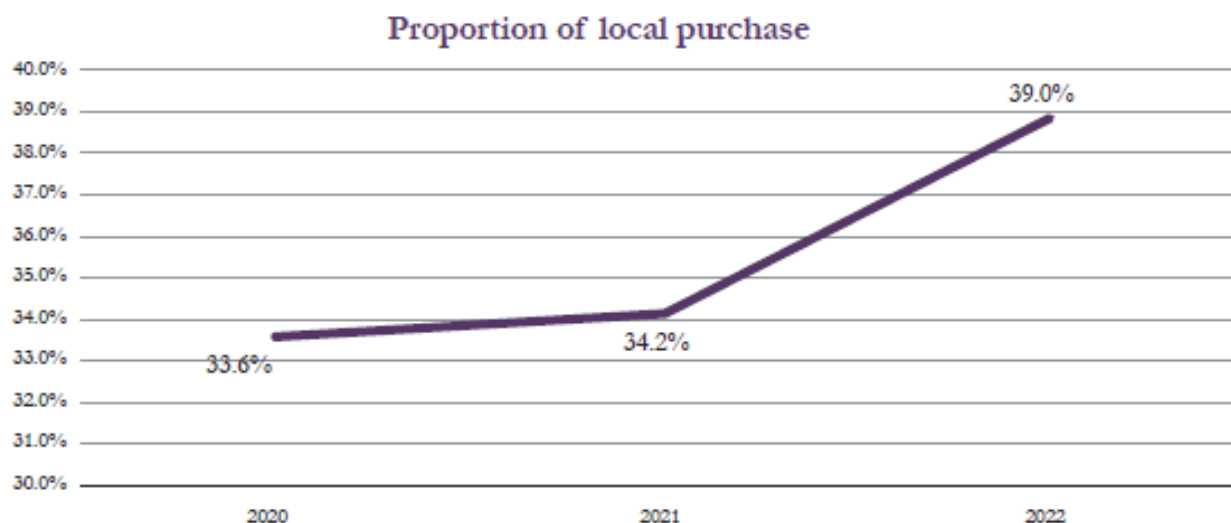
1. Supply chain overview

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. According to statistics, we have transactions with more than 390 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 2020 to 2022

Procurement by region	2020	2021	2022 years
Purchase in China	53.1%	54.6%	50.4%
Local purchase	33.6%	34.2%	39.0%
Purchase in Americas	0.0%	0.0%	0.1%
Purchase in Europe	1.1%	1.2%	0.8%
Other regions	12.1%	10.0%	9.7%
Total	100%	100%	100%

Note: The basis for calculation was changed in 2021, and suppliers of labor services not directly related to the product were not included, so the information for 2020 was updated.



We maintain a long-term, stable and good collaborative relationship with our suppliers. At present, the supply status of our partnering suppliers is considered good, and there is no shortage or interruption of supply. We also continue to promote localized sourcing to reduce the impact of transportation on the environment. There is no overweight proportion of purchase from vendors, so there is no excessive concentration of sources. We manage the risks and opportunities in supply chain to prevent the occurrence of force majeure disasters and risk events and ensure the stability of sources of supply for

main and key materials, and we also maintain contact with other suppliers in the industry as preparation for future transactions.

2. Supplier Management Policy-

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 have more than 390 suppliers of materials. 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.

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 2022, we have our suppliers in ongoing transactions sign 384 copies of CSR Commitment.

2.1 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.

2.2 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.

2.3 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.

3. Status of supply chain management

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	2020	2021	202 2
Number of new suppliers developed	38	34	42
Number and percentage of new suppliers signing the CSR Commitment	36 (94.7%)	32 (94.1%)	41 (97.6%)
Number of suppliers (with transactions) evaluated in the year	156	116	130
Average score and pass rate of annual supplier evaluation	89 (100%)	92 (100%)	92.5 (100%)
Number of suppliers audited (document review or on-site review) and the pass rate	7 (100%)	12 100%	12 100%
Number of new suppliers developed	2 (100%)	7 (100%)	12 (100%)