

3 Sustainable Supply Chain

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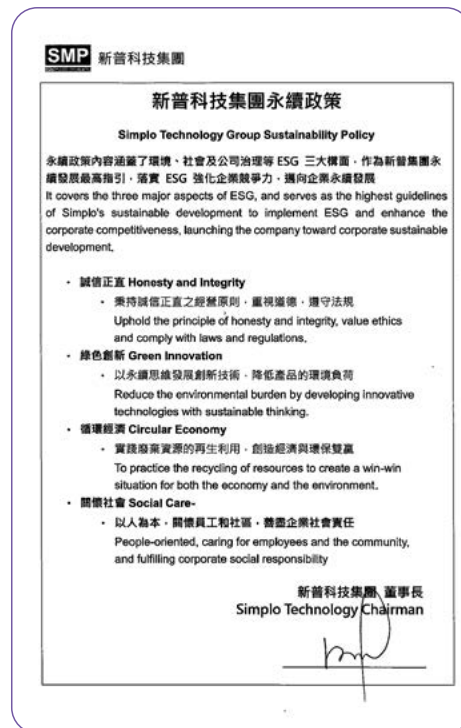
3.1 Supply Chain Management

Sustainable supply chain management

Global ESG sustainability issues continue to receive significant attention. Countries and companies are actively initiating carbon reduction actions in response to climate change, with many committing to net-zero emissions targets. The scope of carbon reduction efforts is also expanding to include supply chains. Simplo Technology promotes a sustainable supply chain policy. Suppliers are selected according to the "Supplier Management/Evaluation and Assessment Procedures". Regular audits of suppliers are conducted to ensure compliance with evaluation procedures, and ESG surveys are sent out to understand supply chain risks.

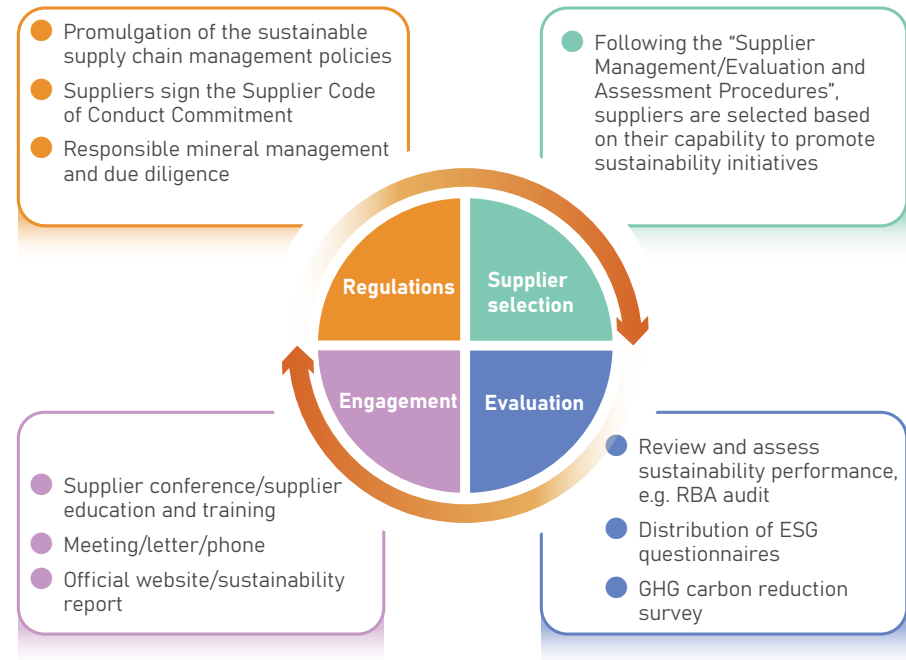
Sustainable Supply Chain Policy

The supply chain is an important partner for the sustainable development of Simplo Technology. We take quality, cost, technology, service, and delivery into account, while cooperating with supply chain partners to implement the sustainable development of ESG to protect the environment, safeguard human rights and comply with ethical codes, realize our sustainable vision, and enhance sustainable competitiveness.



◎ Implement a sustainable procurement strategy based on the ISO 20400 sustainable procurement guidelines

Simplo Technology utilizes the ISO 20400 sustainable procurement guidelines to assess sustainability risks, organizational needs, and market potential in procurement activities. This establishes a distinctive sustainable procurement strategy tailored to the Company's characteristics, serving as the initial step in promoting ESG management across the supply chain.

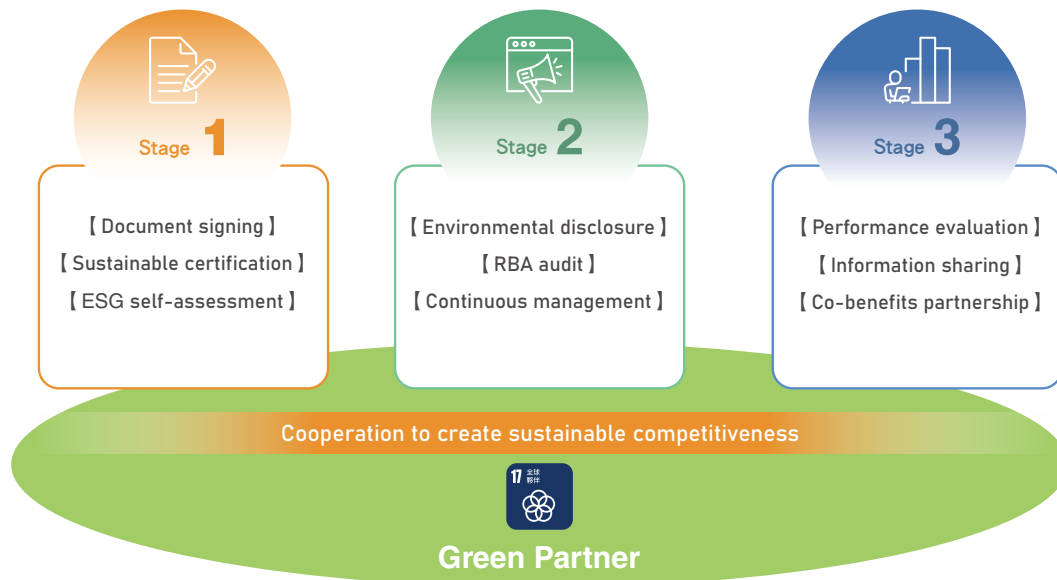


Four major strategies of supply chain management

Simple Technology aims to deepen sustainable supply chain management by developing four major management strategies tailored to industry characteristics, including: Climate action, environmental sustainability, partnership for prosperity, and risk management. Additionally, we have established a three-stage promotion goals.



Three-stage promotion goals



Supply chain overview

To ensure supply stability, Simple Technology carefully selects new suppliers and is committed to cultivating long-term partnerships. Together, we aim to establish a stable and sustainable supply chain, thus achieving the Company's sustainability goals.

◎ Procurement amount in 2023

Type	Procurement region	Percentage of procurement amount (%)
Raw materials	Local procurement in Taiwan	96%
	Local procurement in China	95%

Note:

- Simple Technology's main production locations are located in China and Taiwan. Local means suppliers in China and Taiwan, while non-local suppliers are not located in China or Taiwan.
- Procurement regions are determined based on the location of invoices for procurement.

◎ Weight of raw materials in 2023

Material item	Weight (kg)
Battery cell	19,436,003.42
IC chip	2,883.32
Plastic	664,715

Note:

- Battery cells are estimated by weight based on their average capacity conversion.
- IC chip is the weight of the total parts.
- Plastic is the total weight of the parts.

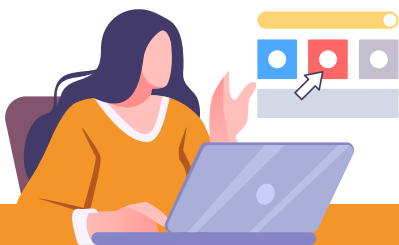
3.2 Supply Chain ESG Risk Assessment

Selection of new suppliers

Simplo Technology evaluates new suppliers based on sustainability, quality, delivery, schedule, price, engineering and technical capabilities, and other criteria. Suppliers with good market reputation and environmental management systems can be directly included as qualified suppliers. Suppliers who do not meet the criteria must make improvements within a specified period before they can be formally included as qualified suppliers. In 2023, all 23 new suppliers were selected following the "Supplier Management/Evaluation and Assessment Procedures" in their entirety.

Supplier code of conduct

Simplo Technology views suppliers as important partners and extends the principles of sustainable business into supply chain management. Specific methods and goals for sustainable supplier management have been established accordingly. Simplo Technology has adopted the RBA Code of Conduct as a reference and formulated the "Simplo Technology Supplier Code of Conduct Commitment". For suppliers who have transactions with the

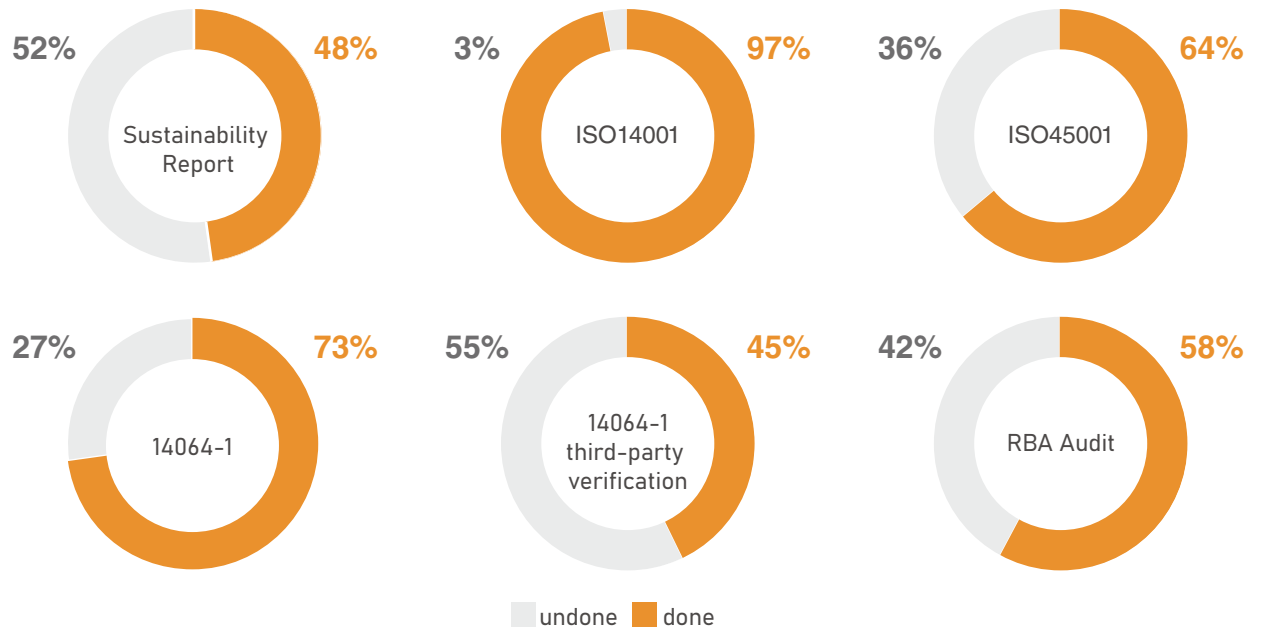


Company, they must sign the Code of Conduct Commitment, declaring their commitment to business integrity and compliance with environmental, economic, and human rights standards. Since 2022, suppliers have been required to sign the "Supplier Code of Conduct Commitment". As of 2023, a total suppliers have signed this commitment, achieving a signing rate of 95%.

Supplier sustainability management survey

In 2023, questionnaires were distributed to suppliers accounting for 85% or more of the procurement amount, totaling 33 suppliers. These include 5 battery cell suppliers, 20 electronics manufacturers, and 8 institutions, respectively.

According to the results of this questionnaire survey, 16 suppliers (48%) have issued sustainability reports, 32 suppliers (97%) have obtained ISO 14001 certification, and 21 suppliers (64%) have obtained ISO 45001 certification; they have implemented carbon A total of 24 suppliers (73%) were inspected, of which 13 (45%) had undergone external verification; 19 suppliers (58%) had undergone RBA audits.



Supplier RBA management

Simplo Technology has become a member of the Responsible Business Alliance (RBA) since 2021. In addition to its own compliance with the RBA Code of Conduct, it also promotes the sustainable management of the supply chain. It has promoted the RBA requirement at the 2023 Sustainable Supply Chain Communication Conference.

2023 RBA audit results

Simplo Technology conducts annual audits for the top 70% of suppliers by procurement amount. The audit team is composed of departments such as management, EHS, and sustainability. Audit methods include on-site inspections or remote document reviews. The RBA audit implementation principle prioritizes on-site audits for suppliers with manufacturing plants located in China. For suppliers located outside China and IC design firms not directly involved in production, remote audits are conducted.

Simplo Technology conducted a total of 27 supplier audits in 2023. According to the audit results, they were divided into three levels of red, yellow, and green, and they were managed according to different levels. In the 2023 audit results, there were no red-light disqualified manufacturers. There were a total of 205 non-compliant issues identified, with the highest proportions found in the "labor" and "health and safety" aspects. These issues included overtime work violations, incorrect calculation or deduction of wages, emergency drill plans not covering all employees, and blocked emergency exits or evacuation routes. Regarding the non-compliant issues, suppliers

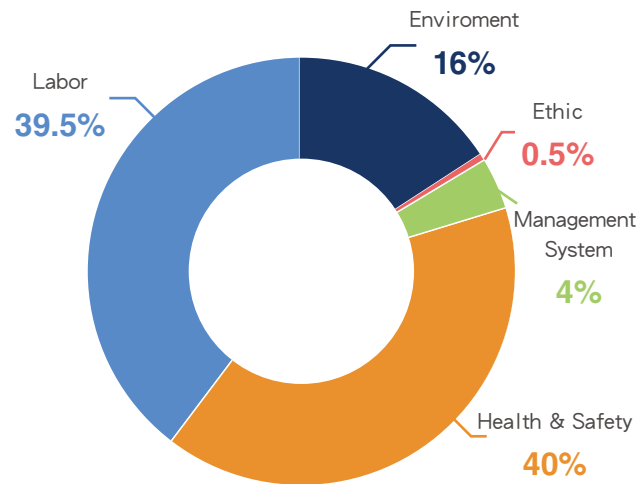
have been requested to provide improvement plans and their implementation is being monitored to ensure all deficiencies are effectively addressed. In response to common deficiencies among suppliers, we have planned to conduct relevant courses to provide guidance and assistance for their improvement. This initiative aims to foster shared resources and mutual growth.

Supplier classification assessment

(green light - compliant, yellow light - observational, red light - non-compliant)

Supplier audit findings in 2023

Category	Items	%
Labor	81	39.5
Health & Safety	82	40
Enviroment	33	16
Ethic	1	0.5
Management System	8	4



Responsible mineral management and due diligence

Simplo Technology implemented the Responsible Business Alliance (RBA) Responsible Minerals Initiative (RMI) program to conduct RCOI to identify smelters/refiners. All records were maintained in the system database. Long-term relationships with most suppliers are established for leverage and compliance. The Company has not purchased virgin refined ore from the Democratic Republic of the Congo (DRC), Covered Countries (CC), or any other country/area.

Suppliers are required to sign the "Conflict Minerals Declaration". The Company declares and requires suppliers that all 3TGs, cobalt and mica contained in products must be conflict-free minerals that have been reviewed and certified by the approved RMI (Responsible Minerals Initiative, former Conflict-Free Sourcing Initiative) recognized by specific third-party



international organizations such as the Responsible Business Alliance (RBA). This requirement has been incorporated into the Regulations of Hazardous Substances Management. As of 2023, the signing rate of the Conflict Minerals Declaration by key suppliers was 92.39%.

Simplo Technology adopts guidelines from the Organization for Economic Co-operation and Development (OECD) and implements measures including establishing management systems, identifying and assessing risks, and designing/implementing response strategies. In accordance with the OECD guidelines, due diligence is conducted on the procurement of all conflict minerals including Tantalum, Tin, Tungsten, Gold (collectively known as 3TGs), as well as Cobalt, and Mica. This process applies to all minerals present in the Company's products sourced from the supply chain. In 2023, due diligence was conducted on 184 direct suppliers, achieving a 100% response rate. The management and due diligence results of conflict minerals in the supply chain have identified 223 3TGs smelters, 50 cobalt mines, and 2 mica smelters. The smelter/refinery list announced by the RMI is subject to change, with entities sometimes being removed from the qualified list. Therefore, we have introduced RPA automation to regularly monitor the latest smelter information published on the RMI's official website. This ensures that our system maintains the most complete and up-to-date first-hand information. We also employ rolling automation management to restart the supplier survey for those that no longer meet the criteria, ensuring that the submitted data from vendors complies with the latest regulations and customer requirements. Together, we uphold corporate responsibility to prevent inhumane and human rights-violating incidents, thereby creating a sustainable enterprise.



3.3 Supplier Engagement

Sustainable Supply Chain Conference

In June 2023, Simplo Technology held a Sustainable Supply Chain Communication Conference, themed "sustainability core, partners co-prosperity". The conference unveiled Simplo Technology's Sustainable Supply Chain Management Policy and conducted a signing ceremony to kick off the sustainable supply chain initiatives, witnessed by supplier partners. A total of 83 suppliers and nearly 200 participants attended the event online. This conference also provides RBA education and training for suppliers to explain the relevant requirements of five major aspects: labor, health and safety, environment, ethics, and supply chain management.



Definition of Key Suppliers

Based on 1. procurement volume, 2. key components, and 3. irreplaceability, the selection criteria for key suppliers define three main categories: battery cells, electronics, and mechanical components.

Key supplier management

According to the definition of key suppliers, 4 battery cell suppliers, 5 electronics suppliers, and 1 mechanical components supplier were selected, making a total of 10 suppliers. The CPO sent "Simplo Technology's expectations for suppliers on ESG to key suppliers", outlining sustainability goals for 2024 to 2026.

Simplo Technology will continue conducting sustainability surveys of its suppliers, implementing selection, evaluation, and engagement process. We following the ISO 20400 sustainable procurement principles, conducting regular audits to promptly assess supply chain risk conditions. Through communication, guidance, and training, we aim to collaborate with supply chain partners to enhance operational resilience together.

