

04

Sustainable Supply

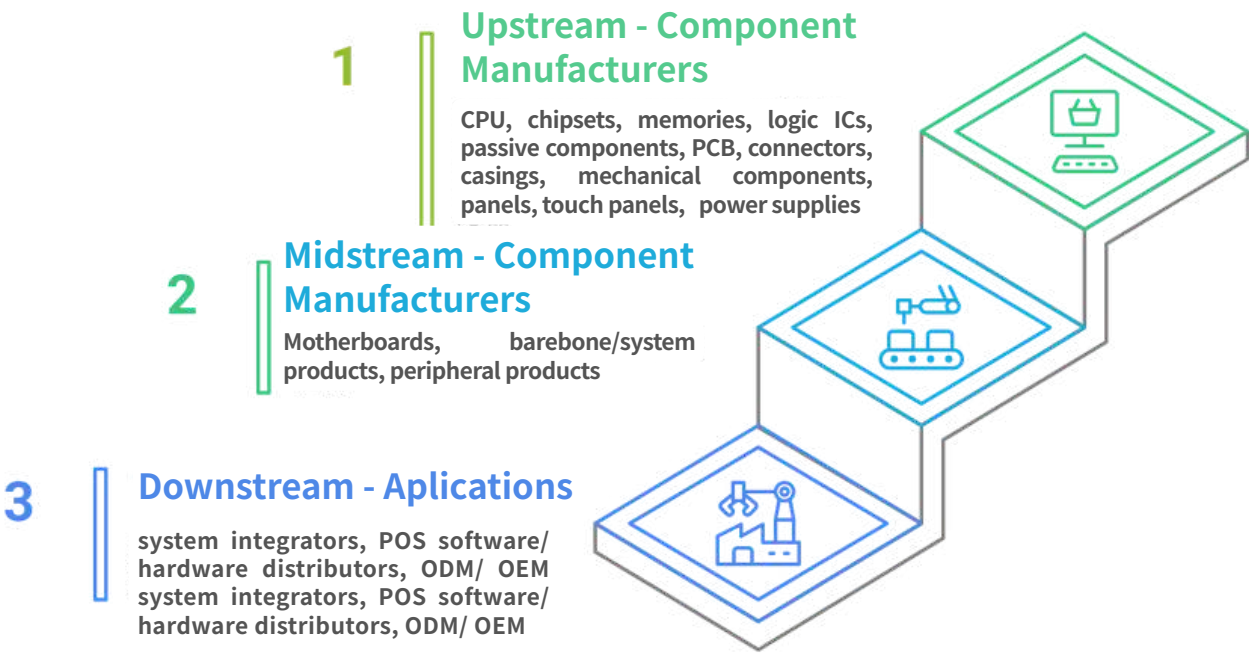


4.1 Industry Supply Chain

4.1.1 Industry Overview

Ennoconn's core business model centers on end-to-end production and manufacturing, using group-based Internet of Things solutions to build an international sustainable supply chain. Ennoconn concentrates on integrating resources from all parties to meet the diverse demands of the industrial end market, securing turnkey contracts for product design and manufacturing through localized manufacturing services. The primary process involves purchasing components from upstream component suppliers, having them assembled and manufactured by outsourced vendors or subsidiaries, and then delivering the finished products to customers. Due to the diversity of purchased products and the fact that each model contains tens of thousands of raw materials, it is crucial to ensure supplier stability and quality, understand their process capabilities, and conduct evaluations and grading in four key areas: Quality, Cost, Delivery, and Service (Q, C, D, S). Ennoconn Technology regularly evaluates suppliers and maintains ongoing communication with them. In 2024, the ISO 20400 sustainable procurement guidelines were integrated into supply chain management, aiming to enhance suppliers' sustainability awareness and foster long-term partnership with Ennoconn through supply chain management

Value Chain Overview



4.1.2 Supply Chain Structure

Ennoconn Technology's main supplier categories are divided into raw material suppliers, outsourced suppliers, transportation companies, and other vendors. Among these, raw material suppliers are further classified by nature into direct materials: raw materials, electronic components, and indirect materials such as packaging materials. Vendors supplying Ennoconn with direct and indirect materials are classified as tier-1 suppliers, totaling 251 companies. Customer-designated vendors are categorized as key suppliers, totaling 84 companies. Additionally, suppliers selected based on screening criteria including ESG risk issue levels, transaction volume, procurement amount, and strategic cooperation are called significant suppliers (including outsourced suppliers, transportation companies, and other vendors), totaling nine companies.

2024 Ennoconn Main Supplier Types	Tier-1 Suppliers	Key Suppliers	Significant Suppliers
Raw Material Suppliers	251	84	9
Outsourcing Suppliers	-	-	4
Transportation Suppliers	-	-	1
Other Suppliers	-	-	6

Note:

- 1. The six significant suppliers in the Other Suppliers category include office administrative suppliers and IT suppliers.
- 2. "-": Indicates no statistical data available.



4.2 Supply Chain Management

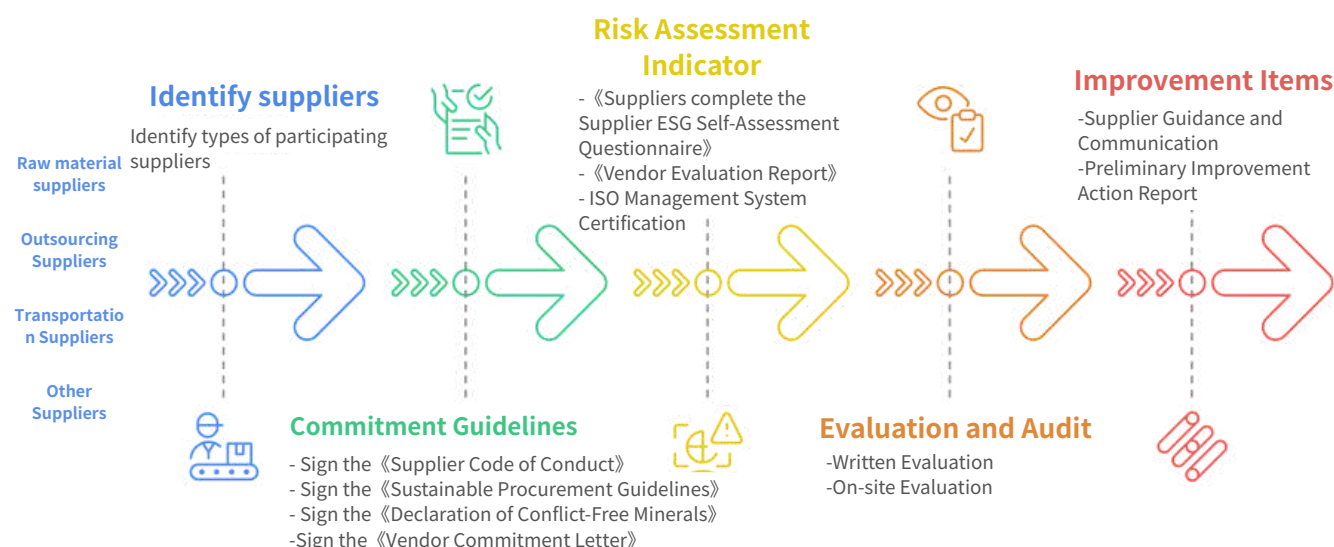
Material Issues Impact Assessment and Management Approach

Impact Assessment	Positive: Integrating sustainability thinking into supply chain management policies, strengthening relationships between upstream and downstream value chains, and partnering with suppliers to minimize impacts on economy, environment, and human rights, thereby enhancing trust and satisfaction among employees, customers, and suppliers.				
	Negative: Failure to assess the likelihood and harmful impacts of supply chain sustainability risks will result in human rights (social) and environmental impacts, affect governance and potentially lead to supply chain disruption crises, and in severe cases may even face penalties or litigation.				
Policies and commitments	To effectively implement supply chain management, Ennoconn has established the Ennoconn Corporation Sustainable Procurement Guidelines, Supplier Code of Conduct, Supplier Evaluation Management Program, Outsourcing Contractor Management Regulations, and ESG Self-Assessment Survey Form.				
Responsible unit	Outsourcing Management Division, Logistics Operation Center, Purchasing Department				
Management actions	Prevention & Mitigation: 1. Suppliers must agree to the Supplier Code of Conduct and Ennoconn Corporaytion Sustainable Procurement Guidelines and understand the standards they are required to follow. 2. Conduct quarterly supplier evaluations, requiring suppliers with failing scores to improve within a specified timeframe, with an annual target of 100% compliance rate.				
	Impact Management: The Company seeks to establish a comprehensive supplier management system (SCM) that requires suppliers to commit to reducing environmental pollution, occupational safety and health, and labor human rights impacts at the time of contract signing. This approach aims to enhance the positive ESG impact across the overall supply chain. Suppliers are also required to provide various certificates, such as: ISO 50001, ISO 14001, ISO 9001 to evaluate their compliance with the Company's supplier system.				
Action Tracking	Resources and Actions: Participate in domestic and international ESG evaluations and respond to customer ESG questionnaires, updating the Company's supply chain policy based on external consultant opinions to ensure alignment with both domestic and international regulatory and guidelines.				
	Objectives:				
	Audit Results	2022	2023	2024	Achievement Status
	SCM Audit Compliance	99.13%	100.00%	100.00%	Yes
	ESG Audit Compliance	94.32%	100.00%	100.00%	Yes
Were previous actions effective: Yes					
Lessons learned: Maintain or improve existing actions.					
Stakeholder Engagement	Stakeholders include: suppliers, contractors, and customers. 1. Annual sustainability reports publicly disclose supply chain management performance 2. Conduct supplier conference Customer complaint channels: stakeholder concern communication channels.				

4.2.1 Supply Chain Management Policy

Ennoconn, as a key partners in the global industrial computer supply chain, places great emphasis on related ESG issues. To effectively implement sustainable supply chain indicators, targets, and management mechanisms, Ennoconn has established three major policies: [Supplier Code of Conduct](#), Ennoconn Corportaion [Sustainable Procurement Guidelines](#) and [ESG Self-Assessment Survey Form](#). Through commitments, initiatives, and regular audits, we collaborate with suppliers to create shared value in environmental, social, and governance aspects. Ennoconn adopts the Sustainable Procurement Guidelines (ISO 20400) as the fundamental policy for sustainable supply chain management, evaluating suppliers' legal compliance, environmental protection, product quality, and ESG capabilities. We also reference the Responsible Business Alliance Code of Conduct (RBA) performance in labor and human rights, environmental protection, occupational health and safety, business ethics, and management systems. To enhance suppliers' sustainability awareness, we have set a goal of 100% signing of the Ennoconn Corporation Sustainable Procurement Guidelines and regularly implement an audit system to assess suppliers' sustainability risks. The organizational structure for sustainable supply chain management belongs to the Green Business Group under the Sustainable Development Committee, with the President and Chief Sustainability Officer regularly supervising sustainable supply chain performance to demonstrate the Company's strong commitment to sustainable business operations.

Supplier Management Process



Supplier Risk Identification and Management

In recent years, factors such as the pandemic, geopolitics, US-China trade war, inflation, Russia-Ukraine war, and Israel-Palestine conflict have disrupted the traditional business model that focused on efficiency and low costs. The potential risks of shortages and supply chain disruptions pose significant potential losses, highlighting the importance of supply chain risk management for sustainable business operations. Supply chain risks can be categorized into internal and external risks. External risks are primarily related to the Company's upstream and downstream partners, markets, or environment; while internal risks are related to the Company's internal operational models. Ennoconn remains committed to ensuring uninterrupted operations by developing measures through relevant departments to address supply chain risks. Internally, the Company manages demand, supply, and inventory effectively. Externally, it reviews and confirms stock status and the capabilities of logistics providers (land, sea and air), while ensuring suppliers can deliver on schedule. Furthermore, Ennoconn has implemented a geographically distributed backup production strategy, known as glocal production, aims to commit to localized production and strengthen continuous production capacity competitiveness. This approach integrates group and local resources to diversify operational risks, enhance production capacity, and establish regional manufacturing integration centers.

Supplier Risk Management Process

The supplier risk management process consists of four stages: identification, recognition, target setting, and guidance. Through these steps, Ennoconn gains clearer insight into the distribution of risk materiality and suppliers' response measures to sustainability issues. By aligning on shared sustainability goals with suppliers, Ennoconn aims to build a more comprehensive sustainable supply chain IoT network.



Risk Assessment Dimensions

Supply chain risk is one of the key factors in the successful implementation of sustainable supply chains. Ennoconn conducts risk factor assessments across economic (governance), environmental, and social aspects for selected raw material suppliers, outsourcing partners, transportation providers, and other vendors, incorporating them as key targets for evaluation and management in sustainability risk audits.

Economic (Governance)	Environmental	Social
1. Quality, Cost, Delivery, Service, Management Systems, and Technical Capabilities 2. Regulatory Compliance 3. Business Ethics and Integrity Management 4. Green Innovation Design 5. Production Backup Plan 6. Geopolitical Risk 7. Market and Industry Risk 8. Product-Specific Risk	1. Environmental Management System 2. Carbon Dioxide Emissions 3. Waste Management 4. Air Pollution Management 5. Water Resource Management 6. Renewable Energy Use 7. Chemical Substance Emissions	1. Human Rights 2. Occupational Health and Safety 3. Labor Working Hours 4. Forced Labor 5. Responsible Minerals

4.2.2 Supply Chain Assessment and Audit

To strengthen sustainable supply chain management, Ennoconn assigns joint responsibility for supplier evaluation and management operations to three major departments: Quality Control Section, Purchasing Department, R&D Center. New raw material suppliers are required to complete and submit the Supplier Evaluation Report, ESG Self-Assessment Survey Form, Conflict Minerals Declaration, and Supplier Commitment Letter prior to their first transaction. The three departments conduct a written evaluation of suppliers based on the Supplier Evaluation Report and Supplier ESG Self-Assessment Survey Form. Evaluation results are classified into four grades: A, B, C and D. These results are submitted to quality assurance supervisors for review to determine the need for an on-site evaluation. Suppliers provide relevant ISO certifications (including: ISO 9001, ISO 14001, ISO 14064-1, ISO 50001, ISO 45001, IATF 16949, QC 080000, RBA, ISO 20400) may be exempted from on-site evaluation. On-site evaluations are conducted by an evaluation team assigned by the Procurement, Quality Assurance, R&D, and Production departments. The team evaluates suppliers across multiple aspects, including quality assurance systems, technical standards, manufacturing capabilities, machinery and equipment, business management, environmental safety measures, and ESG issue management. Only suppliers who receive a grade of C or above, have declared non-use of conflict minerals, and have completed corrective measures may be selected as Ennoconn's new supplier list. Suppliers receiving a grade D or lower, or those using conflict minerals, will not be included in qualified supplier list and may only be eligible to join the new supplier ranks after at least one year. The evaluation grading system is detailed in the table below:

Supplier On-site Evaluation Grading	Total Score	Notes
Grade A	90 points (inclusive) and above	Excellent supplier.
Grade B	80 points (inclusive) and above	Listed as qualified supplier.
Grade C	70 points (inclusive) and above	In the Supplier Evaluation Report and ESG Self-Assessment Survey Form, any non-compliance items must be addressed by the supplier, including a declaration of no use of conflict minerals and completion of relevant corrective measures before being listed as a qualified supplier.
Grade D	69 points (inclusive) and below	Unqualified suppliers must wait one year before reapplying.

Furthermore, the evaluation of existing qualified raw material suppliers is categorized into regular and irregular audits. In the fourth quarter of each year, the Purchasing Department convenes meetings with Quality Control Section, Purchasing Department, R&D Center. To define the Annual Supplier Audit Plan and conduct regular audits once a year to ensure that suppliers maintain their supply capacity and service quality. Irregular audits of suppliers may be conducted under the following three circumstances: If main raw material suppliers fail incoming inspection for three consecutive batches; if the manufacturing process has three consecutive batches with unqualified yield rates due to supplier responsibility; if new suppliers of main raw materials have not obtained quality certification systems such as ISO; or under other necessary circumstances. The audit is conducted through on-site evaluation or document-based evaluation using the Supplier Evaluation Form and ESG Self-Assessment Survey Form. For any recommendations and non-compliance items identified during audits, Ennoconn's Quality Control Section issues corrective reports to the suppliers. Suppliers are required to submit their final response reports within ten working days. Failure to respond within the specified timeframe may result in Ennoconn terminating the cooperative relationship.

Suppliers	Classification	2024	
		Number of suppliers	Proportion
New suppliers	Grade A	0	0%
	Grade B	13	93%
	Grade C	1	7%
	Grade D	0	0%
Subtotal		14	100%
Existing qualified suppliers	Grade A	73	31%
	Grade B	161	68.20%
	Grade C	2	0.80%
	Grade D	0	0%
Subtotal		236	100%

Note:

1. New suppliers: Suppliers newly added in 2024.

2. Existing qualified suppliers: Suppliers who maintained transactions and qualifications before 2024.

Finally, quarterly delivery assessments are conducted for qualified suppliers. The Purchasing Department initiates the assessment process, with Quality Control Section, Purchasing Department, R&D Center, scoring suppliers using the supplier evaluation system (SCM) assessment criteria (quality, delivery, cost, technology). The results are then submitted to the Purchasing Department for consolidation to assess each supplier's score and grade. Suppliers who receive a Grade A (90 points and above) are eligible for increased procurement volume. Suppliers who receive a Grade B (80-89 points) are considered qualified. A Grade C (70-79 points and below) is deemed unqualified and requires the submission of corrective action plans. A Grade D (69 points and below) results in cancellation of qualified supplier status. The historical overview of SCM assessments is as follows:

Suppliers	SCM Assessment Content	Item	2021	2022	2023	2024
Existing qualified suppliers	Quality (35%) Delivery (20%) Cost (25%) Technology (20%)	Number of suppliers	250	229	227	250
		Number of qualified suppliers	245	227	227	247
		Qualification Ratio	95.52%	99.13%	100.00%	99%

4.2.3 Supplier Environmental and Social Assessment

Ennoconn's supplier requirements extend beyond general management principles. In addition to basic standards in quality, delivery, cost and technology, suppliers are required to complete a supplier ESG self-assessment questionnaire (self-assessment questionnaire) prior to the cooperation. This questionnaire assesses whether suppliers have implemented actions related to human rights, social responsibility, and environmental protection, while also allowing them to understand Ennoconn's requirements across various ESG aspects. Three major departments review the self-assessment survey form and ESG risks. Suppliers fail to comply with the indicators must make improvements within the specified timeframe and meet the established standards. Failure to make corrections by the deadline will result in terminating the cooperation. Ennoconn requires suppliers not to procure and use conflict minerals, and to comply with RBA Code requirements to ensure that gold, cobalt, tin, tantalum, tungsten and other minerals used in products are not from minerals mined under armed conflict and human rights violations. This policy is a mandatory requirement for both supplier procurement and product design. In 2024, Ennoconn surveyed nine key raw material suppliers, all of whom confirmed that they do not use conflict minerals, achieving a 100% response rate. Additionally, social impact assessments were conducted on nine raw material suppliers, all of whom have obtained ISO 45001 occupational health and safety management system certification, achieving 100% coverage rate, reflecting suppliers' commitment to and support for providing products or components with lower human rights impact. To further enhance the environmental sustainability performance across the entire supply chain, in 2024, Ennoconn conducted self-assessment questionnaire surveys on nine key raw material suppliers regarding their environmental policies and impact actions, such as suppliers' ISO 14064-1, ISO 50001, ISO 14001 and other indicators, achieving a 100% certification rate, reflecting the supply chain's management awareness of climate change issues.

4.2.4 Implementation of Sustainable Procurement

In 2024, through the establishment of the Ennoconn Corporation Sustainable Procurement Guidelines, Ennoconn committed to prioritizing the procurement of products and services with low environmental impact. This includes, but is not limited to, those with low energy consumption, low pollution, use of recycled raw materials, and recyclability. The definition is also adapted to align with regulations of the location of business operations, such as the 51 items recognized by Taiwan's Ministry of Environment that meet environmental label standards. To ensure timely and continuous supply of raw material, while reducing environmental burden, Ennoconn minimizes raw material transportation costs, risks, and environmental pollution caused by raw materials during transportation. Therefore, Ennoconn promotes and implements local procurement principles, aiming to gradually increase the amount and proportion of local procurement suppliers each year to achieve responsible green procurement. In 2024, Ennoconn joined the Ministry of Environment's Green Office initiative to strengthen advocacy efforts and encourage employees to prioritize products with environmental labels, with the goal of gradually increasing the ratio of green procurement each year and promoting green lifestyle practices. In 2024, Ennoconn invested NT\$1,935,606 in the procurement of OA office supplies, home appliances, and information products, with local procurement amount growing 208% compared to 2023.

Green Procurement (Unit: NT\$)	2023	2024
Green Procurement Amount	628,461	1,935,606

4.2.5 Supplier Response to ESG Initiatives

In March 2024, Ennoconn received a customer request to implement the ISO 20400 Sustainable Procurement Guidelines and obtained third-party verification by the end of December of the same year. To comply with the standards of the sustainable procurement guidelines, Ennoconn formulated the Ennoconn Corporation Sustainable Procurement Guidelines and optimized the ESG Self-Assessment Survey Form, incorporating ESG risk assessment into the Supplier Evaluation Management Program to meet customer expectations. Additionally, based on the Supplier Responsibility Report first published by Foxconn Group in 2024, Ennoconn's ESG unit benchmarked Foxconn's best practices in supply chain management and produced ESG initiative promotional videos. On October 23, 2024, Ennoconn held an online supplier conference, inviting suppliers and procurement colleagues to view the promotional videos. This not only enhanced suppliers' understanding of Ennoconn's ESG supply chain management but also promoted three key joint initiatives through questionnaires: energy conservation and carbon reduction, waste reduction, and safety design. Ultimately, eight suppliers provided feedback, with 75% supporting energy conservation and carbon reduction actions, 75% endorsing waste reduction actions, and 62.5% responding to safety design actions, all exceeding the 50% target goal. Additionally, 75% of suppliers (referring to invited suppliers, not core suppliers) proactively obtained ISO 14001 environmental management system certification and implemented waste reduction measures in their daily operations or production processes. This reflects suppliers' commitment to Ennoconn's sustainable procurement principles and cooperation with ESG supply chain management policies to achieve sustainable, mutual prosperity throughout the supply chain.

In 2025, to maintain or improve sustainable procurement performance goals, the Administration Department and ESG unit will collaborate to enhance the sustainable procurement efforts through a top-down approach, encouraging more employees to participate in this initiative. To this end, Ennoconn will align with the three major initiatives for suppliers (energy conservation and carbon reduction, waste reduction, and safety design) and reinforce compliance with international sustainability issues and initiatives, such as carbon emission management, biodiversity, and no-deforestation commitments. These serve as core pillars for first-level management across the five major execution units to develop detailed work plans and allocate corresponding performance incentive mechanisms, fostering a strong sustainable procurement culture within Ennoconn. Therefore, in 2025, Ennoconn will continue to promote the sustainable KPI performance across the five major execution departments, adjusting quantitative targets and linking them with core pillars. The summary table is as follows:

2024 Target	2025 Target	Execution Unit	Corresponding Core Pillar
Hold at least two sustainable development training sessions and seminars annually (with unlimited themes)	At least two sustainable development training sessions and seminars annually (ESG targets & ESG achievements)	ESG Promotion Office	Enhance employee awareness of sustainability issues
Select eight major suppliers and jointly advocate for sustainable procurement	Select ten major suppliers and jointly advocate for sustainable procurement	Purchasing Department	Three Major Joint Action Initiatives
Develop two new products per year with green design principles consideration	Develop two new products per year with green design principles consideration	R&D Center	Three Major Joint Action Initiatives
Creative sustainability outsourcing projects: two projects/year	Creative sustainability outsourcing projects: three projects/year	Outsourcing Management Division	Three Major Joint Action Initiatives
Increase procurement of green office supplies, purchase three items per year	Increase procurement of green office supplies, purchase three items per year	General Affairs Section	Three Major Joint Action Initiatives Biodiversity No Deforestation Commitment

In addition, supplier engagement plays a important role in the sustainable supply chain. In 2025, Ennoconn plans to hold a physical supplier conference grounded in the spirit of mutual benefit and inclusion to facilitate two-way communication. ESG high-performing suppliers will be invited to share their sustainable actions and practices, promoting awareness of the value chain, inspire suppliers to support and join Ennoconn's ranks, collectively advancing corporate social responsibility and environmental sustainability.

4.3 Responsible Minerals Management

4.3.1 Responsible Minerals Procurement Policy

Ennoconn requires its production and manufacturing partners, as well as suppliers, to fulfill social and environmental responsibilities and adhere to principles of practice international justice. By continuously improving its ethical, environmental, and social performance, Ennoconn demonstrates a strong commitment to good governance to its stakeholders. Through annual due diligence via the Conflict Minerals Reporting Template (CMRT), we require suppliers to avoid purchasing or using conflict minerals that directly or indirectly contribute to human rights violations or breaches of national or international law. Ennoconn is committed to rejecting conflict minerals originating from the Democratic Republic of Congo and its neighboring countries and regions, as well as products manufactured using such minerals.