

Sustainable Supply Chain Policy

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2023.12.22	2025.10.31	2

1. Purpose

- 1.1 The purpose of this document is to establish the policies and procedures of Hyosung Heavy Industries (hereinafter referred to as the 'Company') for building a sustainable supply chain and to prescribe the requirements necessary for their implementation and management.
- 1.2 This Policy provides for the systematic assessment of environmental and social risks across the supply chain and, through regular due diligence and monitoring, enables the early identification and mitigation of risks, thereby contributing to a sustainable supply chain.
- 1.3 This Policy supports suppliers in strengthening their competitiveness and sustainability capabilities to prevent risks and enables the Company and its suppliers to achieve sustainable, mutual growth based on trust.

2. Definition of Terms

- 2.1 The term 'supply chain' refers to the entire scope of activities involved, from the purchase of raw materials through procurement, manufacturing, transportation, and distribution, encompassing the full lifecycle of the final product or service until it reaches the customer.
- 2.2 The term 'green procurement' refers to the practice of managing the supply chain by considering the environmental impact of products during the procurement of raw materials needed for a Company's products, production, and service activities, with the goal of promoting sustainable development.
- 2.3 The term 'employees' refers to all company executives and employees (including temporary workers).
- 2.4 The term 'stakeholders' refers to all corporations or individuals that, in connection with the Company's management activities, maintain a direct or indirect relationship with the Company, including business partners, customers, and local residents.

3. Scope of Application

- 3.1 This Policy applies to all employees and suppliers within the Company's financial consolidation scope, which includes the Company's headquarters, domestic and overseas production and sales corporations and branches, and subsidiaries.
- 3.2 Employees should also encourage adherence to this policy throughout the entire supply chain, including suppliers, subcontractors, and other entities engaged with the Company. In cases of regulatory violations or identified risks, employees should recommend corrective actions.
- 3.3 However, if the recommended actions in this Policy conflict with the laws of the relevant country, the laws of the country take precedence.

4. Sustainable Procurement Principles

The Company builds a sustainable supply chain management system based on principles and standards of responsible corporate behavior to fulfill its social responsibility and seeks mutual benefit and joint development through collaborative cooperation with suppliers.

4.1 Ethical Management

The Company pledges to establish a culture of honesty and open trade by complying with laws and to participate actively in ethical management.

- ① The Company does not offer or provide, either directly or indirectly, any form of bribes, favors, gifts, or conveniences in relation to bidding, contract execution, or any other business processes, nor does it respond to unfair demands.
- ② The Company ensures that transactions with suppliers are conducted fairly through mutual respect and equal relationships, providing equal opportunities without abusing superior positions or engaging in unfair discrimination, and does so through adequate discussion of transaction conditions and procedures.
- ③ The Company protects the physical and intellectual property rights of suppliers and does not exploit or infringe upon them to gain unfair advantages.

4.2 Human Rights and Labor

The Company strives to respect human rights and advance the rights of all employees across the entire supply chain in line with internationally recognized human rights standards, including the Universal Declaration of Human Rights adopted by the United Nations General Assembly, the Ten Principles of the United Nations Global Compact, the core conventions of the International Labour Organization (ILO), and the OECD Guidelines for Multinational Enterprises.

- ① The Company ensures that there is no unfair discrimination or disadvantage through fair procedures when dealing with businesses run by socially disadvantaged and minority groups (such as people with disabilities, women entrepreneurs, race, sexual minorities, etc.).
- ② The Company selects suppliers that fulfill social responsibilities, including compliance with ILO labour standards, provision of fair working conditions, protection of diversity, safeguarding of human rights, and adherence to ethical management.
- ③ The Company ensures that suppliers comply with the applicable labor standards laws of each country in which they operate and do not compel workers to perform forced labor (such as slavery or human trafficking) against their will or derive any business profit from such practices.
- ④ The Company specifies in its Supplier Code of Conduct that suppliers must not engage in human trafficking, child labor, or forced labor, and if a violation is discovered through evaluation and due diligence, the Company actively considers severing ties with such a supplier.

4.3 Safety and Health

The Company complies with applicable domestic and international occupational safety and health regulations and standards and maintains a safe and healthy working environment for all employees engaged in manufacturing and service delivery.

- ① The Company prioritizes the safety and health of its employees and communities and encourages the entire supply chain to comply with this safety and health policy.
- ② The Company selects suppliers that consider the safety of not only employees but also

stakeholders, including consumers.

- ③ The Company encourages suppliers to identify and control risk factors in all facilities within each workplace and to strive for continuous improvement of the occupational safety and health management system.

4.4 Environmental Protection and Climate Change Response

Through sustainable procurement (hereinafter referred to as 'green procurement'), which contributes to resource conservation and reduces environmental impact, the Company fulfills its responsibilities to its customers and society.

- ① In addition to quality and price, the Company evaluates the eco-friendliness of products and strives continually to identify and give preference to eco-friendly products, such as those with low use of hazardous materials, reduced waste, and reduced resource consumption.
- ② The Company selects suppliers who have the capability and commitment to prevent negative environmental impacts, including addressing climate change and mitigating pollution of water, soil, and air, as well as protecting biodiversity.
- ③ The Company shares its Green Procurement Policy with suppliers to encourage improvements in the environmental performance of products, supports programs to enhance the environmental management capabilities of suppliers, establishes and operates a system for managing an eco-friendly supply chain.

5. Supply Chain Management Principles

The Company proactively identifies potential ESG risks throughout the supply chain, prevents and mitigates potential or actual adverse impacts, and minimizes risks through corrective actions.

- 5.1 The Company uses standard contracts including ESG-related provisions when entering into agreements and, in principle, transacts with suppliers that agree to comply with the Supplier Code of Conduct.
- 5.2 The Company conducts ESG risk assessments and due diligence when registering new suppliers and during regular evaluations and incorporates the results into the evaluation process.
- 5.3 The Purchasing Department identifies risks of major suppliers through ESG risk assessments, implements measures to eliminate risk factors, and continuously monitors the implementation of such measures. If the monitoring results indicate that risks are not mitigated or the likelihood of improvement is low, the Company considers suspension or termination of business relationships.
- 5.4 The Company operates various support programs to strengthen suppliers' ESG capabilities, prevent and manage risks, and thereby enhance the sustainability and resilience of the supply chain.

6. Supply Chain Management Procedures

6.1 Supply Chain Due Diligence and ESG Risk Identification

- ① The scope of supply chain due diligence prioritizes key suppliers based on a comprehensive assessment of purchase volume, purchase value, and strategic importance. Independently, high-risk suppliers are also included in the due diligence scope.
- ② The Company regularly reviews and updates its supply chain ESG risk management indicators and uses these indicators to conduct an annual written ESG risk assessment of key suppliers.
- ③ If a supplier is identified as high-risk during the written ESG assessment, or if additional verification is required based on the assessment results, the supplier is classified as a priority management supplier and becomes subject to on-site due diligence.
- ④ On-site due diligence is conducted in collaboration with external ESG consulting and auditing experts, assessing compliance with the Company's Supplier Code of Conduct and applicable laws and regulations within legally permissible boundaries.
- ⑤ The Company determines the priority of identified risks by comprehensively considering their severity (quantified in terms of scale, impact, and irreversibility) and likelihood of occurrence and implements corrective actions starting with the most significant risks.

6.2 Supply Chain Risk Prevention and Mitigation Measures

- ① The Company identifies the parties responsible for prioritized supply chain ESG risks and takes appropriate measures to mitigate or eliminate such risks.
- ② As part of risk mitigation or elimination measures, the Company may require suppliers to develop and implement corrective action plans, and continuously monitors progress, including both quantitative and qualitative elements.
- ③ The Company assesses the effectiveness of implemented measures, and if ESG risks are not eliminated or the likelihood of improvement is deemed low despite corrective actions, the Company considers suspension or termination of business relationships in accordance with Section 5.3.
- ④ As a basis for corrective measures, the Company may enter contracts that include ESG-related provisions in accordance with Section 5.1 and may require suppliers to comply with the Supplier Code of Conduct, while encouraging them to apply the same contractual terms to their sub-suppliers.

6.3 Monitoring

The Company monitors the adequacy and effectiveness of supply chain ESG risk identification, prevention, mitigation, and corrective actions, and regularly improves the due diligence process based on the monitoring results.

6.4 Stakeholder Communication

The Company manages the communication and implementation performance of this policy and discloses such information transparently to stakeholders through channels such as the corporate website and sustainability reports.

7. Grievance Mechanism

7.1 The Company operates multiple grievance channels to allow suppliers and other stakeholders to

report complaints related to this policy, including environmental, labor, unfair trade, and anti-competitive risks.

7.2 The Company ensures strict anonymity of whistleblowers and takes measures to prevent any form of retaliation or disadvantage.

7.3 Received stakeholder complaints are addressed with appropriate corrective action, and whistleblowers are informed of the outcome of grievance handling.

8. Sustainable Procurement Management System

8.1 The Company designates the Purchasing Department as the responsible department (hereinafter referred to as the 'Responsible Department') to oversee the smooth implementation of sustainable procurement.

8.2 The Responsible Department identifies and manages supply chain risks and reports significant issues to the Supply Chain Management Committee. After conducting a materiality assessment of the identified key issues, the findings are reported to the ESG Management Promotion Committee under the CEO for final reporting and deliberation. The ESG Management Committee under the Board of Directors serves as the ultimate decision-making body, approving major agenda items and overseeing strategies, goals, and performance.

Responsible Department	Interim Reporting	Final Reporting and Deliberation	Ultimate Decision-Making Body
Purchasing Department	Supply Chain Management Committee	ESG Management Promotion Committee	ESG Management Committee

9. Implementation Plans and Goals

9.1 Employees should encourage suppliers to comply with the 「Supplier Code of Conduct」 and, in case of violations, recommend improvements. If there is no willingness to improve, the Company considers discontinuing business with the supplier.

9.2 The Responsible Department conducts regular training for procurement personnel on fulfilling social and environmental responsibilities.

9.3 The Company incorporates evaluation criteria such as human rights, labor, safety and health, and environmental considerations from the onboarding stage of suppliers to determine their eligibility for sustainable supply chain management. Additionally, the Company conducts evaluations of suppliers twice a year to encourage effective risk management and continuous improvement.

9.4 The Company aims for 50% of its major suppliers to conduct social and environmental impact assessments by 2025.