

HS Hyosung Advanced Materials Corp.

Sustainable Supply Chain Management Policy



Global Sourcing Procurement Team
2025. 04. 30

HS Hyosung Advanced Materials Corporation (hereinafter referred to as the “the Company”) is committed to creating a better future for all generations through eco-friendly technologies and sustainable product offerings. Going beyond our traditional quality-first procurement policy, we have established a "Sustainable Supply Chain Management Policy" to build a responsible and sustainable supply chain.

This policy applies to all employees within the Company's financial reporting scope, including the headquarters, global production and sales corporations, branches, and subsidiaries. All suppliers doing business with the Company are required to manage ESG risks in accordance with this policy.

01. STRENGTHENING SUPPLY CHAIN MANAGEMENT

To minimize the negative impacts of its business activities on the supply chain, the company strives to fulfill its economic, social, and environmental responsibilities. In particular, the company operates a supplier selection process and a regular supply chain ESG risk management system to identify and manage negative impacts within the supply chain.

Through this process, the company prevents and resolves issues related to human rights, society, environment, and ethics. It also establishes and operates consistent policies and management systems across the entire supply chain based on the supplier code of conduct.

- 1) **New Supplier Selection:** Before selecting a new supplier, an ESG risk assessment is conducted. Only qualified suppliers are required to sign a commitment to comply with the supplier code of conduct, and a contract with ESG clauses is signed.
- 2) **Annual Supply Chain ESG Risk Assessment:** The company uses the "Supply Chain ESG Risk Assessment System" to identify sustainability-related risks or opportunities in the supply chain, including environment, climate change, human rights, labor, and safety and health. These risks are assessed, mitigated, and monitored.
- 3) **Incentives for High-Performing Suppliers:** Suppliers with excellent ESG performance or significant improvement compared to the previous year are selected for awards and receive financial support such as shortened payment terms.

Education and Training: The company provides training to cultivate experts who can identify and manage ESG risks within the supply chain through on-site audits.

※ Reference Document 1: Supply Chain ESG Risk Management Guidelines

02. STRENGTHENING GREEN PURCHASING

The company fulfills its responsibilities to its customers and society by promoting green purchasing, which meets customer needs, conserves resources, and minimizes environmental impact. In addition to quality and price, the company considers the environmental friendliness of products and prioritizes eco-friendly products.

- 1) **Annual Review of Global Standards and Definitions:** The company reviews global standards and definitions related to eco-friendly products annually to establish environmental criteria for materials purchased by the company.
- 2) **Expanding Green Purchasing:** The company expands green purchasing by identifying products with low hazardous chemicals, reduced waste, reduced resource consumption, and those made from recycled or bio-based materials.
- 3) **Preventing and Mitigating Biodiversity Risks:** The company conducts activities to prevent and mitigate biodiversity risks that may arise from purchasing activities.

03. STRENGTHENING SUPPLY CHAIN CLIMATE CHANGE MANAGEMENT

To achieve our 2030 SBT Scope 3 target, we are working with our suppliers to reduce greenhouse gas emissions. To this end, we have created and distributed a "Carbon Reduction Guidelines for Supplier" and are conducting support programs to measure and manage greenhouse gas emissions within the supply chain, thereby effectively reducing emissions together with our suppliers.

- 1) **Supplier Monitoring and Management:** We require suppliers to monitor and manage their energy consumption and greenhouse gas emissions (Scope 1 and Scope 2). In particular, we require suppliers to submit product LCA (Life Cycle Assessment) data for raw materials.
- 2) **Supplier GHG Reduction Targets:** We require suppliers to set greenhouse gas reduction targets and regularly monitor their progress toward achieving these targets.
- 3) **Supplier Training:** We provide training to enable suppliers to independently measure and manage their greenhouse gas emissions. Reference Document 2: Supplier Greenhouse Gas Reduction Guideline

※ Reference Document 2: Carbon Reduction Guidelines for Supplier

04. HUMAN RIGHTS AND LABOR IN THE SUPPLY CHAIN

We do not tolerate any form of inhuman treatment within our supply chain, including human trafficking, modern slavery, forced labor, child labor, physical or psychological coercion, torture, and discrimination. We also do not permit serious human rights abuses such as sexual abuse, war crimes, crimes against humanity, including genocide.

05. COMPLIANCE WITH RESPONSIBLE MINERALS SOURCING IN THE SUPPLY CHAIN

The company does not purchase minerals from conflict regions where issues such as labor exploitation and human rights abuses are severe, and instead selects suppliers that practice responsible minerals sourcing. Through our "Supplier Code of Conduct," we require suppliers to commit to responsible minerals sourcing and conduct supply chain responsible mineral management based on the OECD Due Diligence Guidance for Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

- 1) **Supplier Reporting:** We collect information on minerals from conflict-affected and high-risk areas by having suppliers complete the Conflict Minerals Reporting Template (CMRT) and the Extended Mineral Reporting Template (EMRT).
- 2) **Monitoring Refineries:** We monitor the Responsible Mineral Assurance Process (RMAP) certification status of refineries in our supply chain.
- 3) **Third-Party Audits:** We conduct third-party audits to verify compliance with the "Supplier Code of Conduct" and the reliability of management data.

06. STRENGTHENING SUPPLY CHAIN CAPABILITIES

The company builds partnerships based on mutual trust with its suppliers to enhance the sustainability of the supply chain. To this end, we support our suppliers in various areas to enhance their cost competitiveness, quality competitiveness, and ESG capabilities, fostering mutually beneficial partnerships. We provide ESG consulting programs to key suppliers each year to strengthen ESG capabilities within the supply chain. We also support suppliers in

reducing greenhouse gas emissions through greenhouse gas reduction consulting and provide support for technological development to enhance product quality competitiveness.

Appendix. Supply Chain ESG Risk Management Guidelines

HS Hyosung Advanced Materials Corporation and its subsidiaries and affiliates (hereinafter referred to as the “the Company” or “We”) operates a "Supply Chain ESG Risk Management Guideline" to identify potential social, environmental, and governance (ESG) risks within the supply chain early on and enable the improvement of any identified issues.

1. Supply Chain ESG Risk Management System

The company diagnoses ESG risks within its supply chain using a "Supply Chain ESG Risk Management Indicator" that is established by comprehensively reviewing international standards required by the International Labor Organization (ILO), OECD Guidelines, and the company's Supplier Code of Conduct. To systematically manage ESG risks within the supply chain, we conduct a pre-assessment when selecting new suppliers and an annual ESG risk assessment. If a supplier violates the "Sustainable Supply Chain Management Policy" or "Supply Chain ESG Risk Management Guideline," or if a serious violation is not rectified within the requested timeframe, the company may restrict its business dealings with HS Hyosung Advanced Materials Co., Ltd., including the suspension of business.

2. New Supplier Registration Process

When registering a new supplier, the company requires the following: The supplier must sign a commitment to comply with the company's Supplier Code of Conduct and enter into a contract that includes ESG provisions, after passing an assessment to ensure they meet the company's standards.

- 1) Suppliers must either submit an evaluation from an external ESG rating agency (such as EcoVadis, MSCI, or KCGS) or undergo a pre-assessment using the company's "Supply Chain ESG Risk Management Indicator." If necessary, the company's dedicated team will conduct an on-site audit. If any ESG-related risks are identified during the pre-assessment or on-site audit, the supplier will be given a deadline to rectify the issues. Failure to rectify the issues within the given timeframe will result in the supplier being ineligible for registration.
- 2) We require new suppliers to sign a commitment to comply with our Supplier Code of Conduct and enter into a contract with us that includes ESG provisions.

- 3) New suppliers are required to submit the Life Cycle Assessment (LCA) results for the products they supply to our company.

3. Regular Supply Chain ESG Risk Management

1) Selection of Suppliers for Pre-Assessment and On-Site Audits

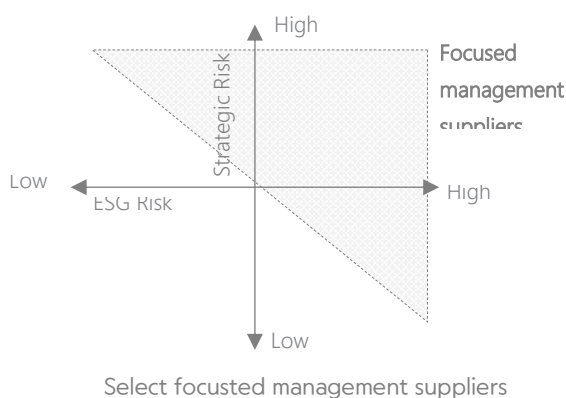
The company conducts an annual supply chain ESG risk assessment to identify and manage ESG risks within the supply chain, including compliance with the Supplier Code of Conduct.

① Target

Key suppliers selected based on purchasing amount, material purchase ratio, and whether they are the sole vendor.

② Select 'High-risk' suppliers for on-site audits

To select 'high-risk' suppliers for on-site audits, we conduct screening and online assessments of key suppliers. Suppliers scoring below 65 points are classified as 'high-risk'.



- Screening

In addition to strategic risks such as purchasing volume and dependency, we conduct assessments based on factors like the supplier's location, working conditions, and the results of the previous year's performance evaluation.

- On-line assessment

We conduct online assessments of suppliers using ESG risk assessment index in the environmental, social, and governance areas.

[ESG Risk assessment index]

Item	Index
Climate change response	Emission management, reduction target & plans
Eco-friendly management	Product environmental impact, energy management, Eco-friendly investments
Pollution prevention & waste management	Waste management, air pollution control, material management, water resource protection, Soil/Noise/Odor management
Human rights, Labor	Human rights, forced labor & child labor, diversity & inclusion
Occupational health & Safety	Workplace safety, industrial accidents, employee health & wellness
Supply chain management	Supply chain ESG management, conflict minerals, Eco-friendly procurement
Local community	CSR, communication with local community
Corporate conduct	Ethical management, information disclosure, information security, audit
Fair trade	Fair trade & anti-corruption

2) On-site audit

① Target

Suppliers identified as high-risk through screening and online assessments, or those flagged as high-risk in the previous year's on-site audits.

② On-site audit(Due diligence) process

The company sends a notification and questionnaire to suppliers selected for on-site audits. The ESG risk on-site audit team identifies ESG risks by checking compliance with laws and regulations and international guidelines.



Due Diligence Process

3) Post-management

Risks identified during the on-site audit are categorized into high, medium, and low levels based on their likelihood and impact. The assessment results are communicated to the relevant suppliers. Suppliers are required to submit a corrective action plan within one month and complete the necessary actions within

three months for high-risk issues, six months for medium-risk issues, and nine months for low-risk issues.

4) Monitoring

Suppliers that have undergone on-site audits are required to implement corrective actions according to their submitted plans and submit reports on the results and effectiveness of these actions. For suppliers identified as high-risk in the previous year's on-site audits, the company will conduct follow-up on-site audits during the next annual ESG risk assessment to verify the implementation of corrective action plans. Suppliers that fail to take appropriate corrective actions may face termination of their business relationship with HS Hyosung Advanced Materials Co., Ltd. However, a reasonable amount of time will be given to suppliers to rectify the situation, and existing orders will not be affected. Additionally, suppliers that demonstrate significant improvement in ESG risk management compared to the previous year will be recognized as preferred suppliers