

Sustainable Supply Chain Management Guidelines



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Chapter 1. General

Article 1. Purpose

The purpose of this guideline is to create a new future by seeking mutual growth with our suppliers through win-win cooperation activities and voluntary compliance with fair trade, based on the ideas of trust and communication, change and innovation, and shared growth as common destiny. In addition, we select strategic issues to realize shared growth with unwavering trust and contribute to the implementation of support activities that are practically helpful to the management activities of our suppliers.

Article 2. Fair and Transparent Trading

① Fair and transparent transactions

We shall ensure fairness and transparency in company selection and transactions through the electronic purchase bidding system and strive to establish a fair and transparent transaction environment.

Article 3. Expanding ESG Purchasing

① Expansion of Green Purchasing

Yuhan Chemical will expand the purchase of products aimed at environmental compliance and comply with the purchasing policy.

*We prioritize purchasing from sustainable suppliers when using palm oil or palm-based products

② Strengthening conflict minerals management - conflict minerals

(Conflict minerals: tin, tantalum, tungsten, and gold)

To ensure that conflict minerals associated with armed groups in conflict zones are not included in the supply chain for the manufacturing of our products, we encourage our suppliers and vendors to purchase from smelters that are free of conflict minerals, and follow practices such as requiring them to establish conflict minerals policies and procedures, conduct surveys on the use of conflict minerals, and develop risk response plans. In particular, as a principle, Yuhan Chemical prioritizes purchasing from companies that comply with these requirements.

Together with our suppliers and customers, we will participate actively in international efforts to ban the use of conflict minerals and strive to protect human rights in neighboring countries.

③ Promoting supplier diversity

When selecting suppliers and business partners, Yuhan Chemical gives preference to companies that adhere to our ethics policy and human rights policy (socially responsible enterprises), disadvantaged small businesses, and minority and women-owned businesses. We are dedicated to building a diverse and inclusive supply chain.

④ Labor practices and the protection of human rights

We do not tolerate the use of child or forced labor, slavery, or human trafficking in the manufacturing of any items supplied to us and may terminate our business relationship if we find that these policies have been violated and not corrected. In addition, suppliers are prohibited from threatening or physically punishing employees, humiliating or harassing employees in any other form, including physical, sexual, psychological or verbal assault, and are not permitted to withhold taxes from payment of employment fees, passports, wages or personal property, or force employees to work overtime.

Article 4. Strengthening Purchase Competitiveness and Win-Win Growth

Yuhan Chemical's partners are classified as suppliers of raw materials and contractors of

materials and facilities necessary for overall operations. Yuhan Chemical works closely with suppliers and partners in manufacturing-related tasks such as raw material procurement, production, quality control, and process improvement to promote shared growth.

① Technical collaboration

Yuhan Chemical strives ensure that the quality of raw materials or products is uniformly controlled through periodic audits on raw material suppliers.

② Training and consulting support

We strive to achieve win-win growth by providing education and consulting support for shared growth, communication, and the creation of shared value when requested by suppliers and partners.

Organizations related to Yuhan Chemical partners shall periodically complete ESG training (on-site training, e-learning training, etc.).

③ Continuous communication with partners

We hold regular meetings with major suppliers once or twice a year to ensure smooth communication with suppliers and partners and to listen to their grievances and suggestions (Grievances from suppliers can be submitted on the website of Yuhan Chemical).

Article 5. Sustainable Supplier Management Procedures

① Pre-business phase

When selecting suppliers, Yuhan Chemical shares the "Yuhan Chemical Supplier Code of Conduct" and requires that the prospective supplier signs a pledge to it.

② Business phase

Among the suppliers with whom we do business, the person in charge of each team selects evaluation targets based on the size of the transaction and potential risks, and conducts ESG evaluations periodically to identify areas requiring improvement and implement improvement measures.

If there is a violation of law/policy or the supplier is determined to be a high-risk partner as defined by global rating organizations and initiatives, partnership with Yuhan Chemical may be restricted.

The process for managing partners is as follows

- Select suppliers to be assessed → Guide to assessment → Self-check → Identify high-risk suppliers → On-site inspection (if necessary) → Identify tasks for improvement and implement improvements → Verify results → Implement further improvements (if necessary)

- Selecting a partner subject to evaluation:

Partners are selected based on business importance and continuity for each team.

- Evaluation Guide :

Notify the selected partners of the evaluation in writing or by email.

- Self-check :

After receiving the evaluation guide, the supplier conducts a self-check based on the evaluation questionnaire and returns it to Yuhan Chemical.

- Identify high-risk suppliers :

The suppliers are categorized based on self-checks, with reference to compliance with laws, regulations, and requirements of global rating agencies and initiatives.

- Identify and implement improvements:

The Supplier is required to submit an improvement plan (including a timeframe for required action) for any nonconformities or deficiencies as a result of Yuhan Chemical's review.

- Check the results:

The supplier shall inspect improvements (on-site inspections if necessary) and share results within the deadline for action set by Yuhan Chemical.

Vice

1. (Enactment) These Sustainable Supply Chain Management Guidelines came into force on November 1, 2022.
2. (Revision) These Sustainable Supply Chain Management Guidelines were revised and took effect as of September 18, 2023.