

ISU PETASYS Supply Chain Sustainability Management

Policy

1. Purpose

This procedure aims to enhance the efficiency of supplier management, promote suppliers' quality and environmental, health, and safety awareness, establish quality assurance for organizational products based on the reliability of supplied products, and minimize the environmental impact associated with the use of supplied products.

2. Scope

This procedure applies to supplier registration acceptance, preparation for supplier evaluation, initial supplier evaluation, and periodic supplier evaluation. Safety management matters for suppliers conducted internally follow the Supplier Safety Management Regulations Operation Standard (PSC-WI-I704).

3. Responsibilities and Authorities

3.1 Purchasing Department (Team) Manager

When approval is required for initial supplier selection, management, or evaluation, review relevant procedures and facilitate smooth supplier approval processes.

4. Scope of Work

4.1 Supplier Registration Application Receipt

4.1.1 Receiving Supplier Registration Requests

The supplier management officer receives supplier registration requests from the purchasing process (PSC-0701).

4.1.2 Request and Receipt of Evaluation Materials

The Supplier Management Officer requests and receives documents required for evaluation (company profile, quality certification status, financial statements, transaction records with similar companies, etc.) from the company subject to evaluation.

※ For sole proprietors and small businesses, this is replaced by a Request for Business Partner Registration in the ERP system.

4.2 Preparation for Supplier Evaluation

4.2.1 Preparation/Approval of Questionnaire/On-site Inspection Checklist

The supplier management officer prepares either a questionnaire or an inspection checklist, depending on whether an indirect survey via questionnaire or a direct on-site inspection is conducted for the target company, and obtains approval from the head of the purchasing department (team).

4.2.2 Preparation and Approval of Supplier Selection Criteria

The supplier management officer prepares the Supplier Selection Criteria Form (PSC-0702-01) and obtains approval from the head of the purchasing department (team).

4.2.3 Preparation and Approval of Supplier Evaluation Criteria

The supplier management officer shall prepare the Supplier Evaluation Criteria Form (PSC-0702-02) and obtain approval from the head of the purchasing department (team).

4.3 Initial Supplier Evaluation

4.3.1 Survey Evaluation or Supplier Audit

The supplier management officer shall determine whether to conduct an evaluation via questionnaire or a supplier on-site inspection and shall perform either a questionnaire evaluation or a supplier on-site inspection. However, for raw material suppliers that significantly impact quality, the criteria for conducting supplier audits in Section 5.6 shall be followed.

4.3.2 Initial Supplier Evaluation

The supplier management officer evaluates the supplier based on the questionnaire or supplier audit findings using the Supplier Selection Criteria (PSC-0702-01).

4.3.3 Evaluation Result Preparation/Approval

The supplier management officer shall compile the evaluation results based on the Supplier Selection Criteria (PSC-0702-01) and obtain approval from the head of the purchasing department (team).

(However, companies that achieve a 'B' grade or higher are registered as new suppliers).

4.3.4 Supplier Registration

- 1) The purchasing department (team) shall, as a principle, register and manage suppliers of raw materials and components that directly impact quality (including customer-specified suppliers).
- 2) The supplier management officer registers new suppliers on the Supplier Approval List (PSC-0702-03) and sends the Supplier Approval List to relevant departments (Materials, Quality, Production).
- 3) The purchasing department (team) shall receive and manage registration documents for approved suppliers, including a copy of the business registration certificate (for domestic suppliers), company profile or product description, major supplier transaction records, financial statements, and copies of quality certificates.
- 4) The purchasing department (team) prepares and executes supply contracts with approved suppliers.

4.4 Supplier Regular Evaluation

4.4.1 Preparation/Approval of Supplier Evaluation Plan

- 1) The supplier management officer prepares the supplier evaluation plan and obtains approval from the head of the purchasing department (team).
- 2) Regular supplier evaluations are conducted once a year as a general rule.
(However, evaluations may be conducted at any time if significant quality defects occur.)
- 3) The supplier management officer selects companies subject to regular evaluation based on the following criteria.
 - Production facilities of raw material suppliers delivering materials for mass production undergo one regular evaluation per year.
 - Subcontractors supplying materials critical to quality and registered in the Import Inspection Management Plan (P-Process-Import-01) undergo one regular evaluation per year.
(D/F, INK, PGC, B/O, Surface Treatment Chemicals)

- Suppliers of raw and auxiliary materials with annual purchase amounts exceeding 300 million won, other than those listed above, undergo a regular evaluation once every two years.
- Includes other suppliers deemed necessary for evaluation by the supplier management officer

4.4.2 Request/Receive Company Status Data

The supplier management officer requests company status data and any changes from the evaluated suppliers. They receive delivery delay freight management records from the purchasing process (PSC-0701) and supplier quality evaluation reports from the quality control department (team).

4.4.3 Supplier Regular Evaluation

The supplier management officer conducts the regular evaluation according to the Supplier Evaluation Criteria Table (PSC-0702-02).

4.4.4 Evaluation Result Preparation/Approval

The supplier management officer calculates the evaluation grade based on the Supplier Evaluation Criteria Table (PSC-0702-02), obtains approval from the head of the purchasing department (team), and conducts a re-evaluation if approval is not granted.

4.4.5 Supplier Renewal/Distribution

The supplier management officer shall update the supplier evaluation grade and send the results to the supplier.

4.4.6 Action by Rating

- 1) Companies receiving an 'A' grade three or more times are actively procured as core suppliers.
- 2) Suppliers receiving a 'B' grade three or more times are designated as preferred suppliers, with specific areas for improvement identified to enhance their performance.
- 3) Companies receiving a 'C' grade two or more times will be issued a warning and required to improve identified issues to enhance their performance level.
- 4) Suppliers receiving a 'D' grade will be issued a warning notice. Transactions will continue while alternative suppliers are sought.

(However, exceptions are made for customer-designated suppliers and monopolistic suppliers)

4.4.7 Cancellation of Vendor Registration

In the following cases, after consulting with relevant departments regarding the impact of suspending transactions, the purchasing department (team) head may approve the cancellation of a company's registration:

- 1) Suppliers receiving a 'D' grade for two consecutive evaluations
- 2) Insufficient management capability or lack of willingness to conduct business
- 3) When continued transactions are impossible due to supplier circumstances (e.g., bankruptcy, business category change)
- 4) In cases where company-related information, secrets, etc., are disclosed or provided to third parties
- 5) If deemed insufficiently willing to improve upon requests for corrective action
- 6) Companies lacking price competitiveness

4.5 Performance Management

4.5.1 Management of Supplier Quality Evaluation Results

The supplier management officer receives the monthly quality evaluation report (PSC-1301-02) for imported inspection items from the quality management department (team) and incorporates it into the regular supplier evaluation.

The purchasing department (team) shall consult with the quality management department (team) to require the development and maintenance of a quality management system, and the supplier must submit updated supporting documentation before the expiration of the quality management system certification. (Recorded and managed in the Supplier Approval List)

Step	Current Level		Next Quality Management System Development Plan	Phase-by-Phase Schedule
	Possession of International Standards	Company Support and Requirements		
Phase 1	-	<ul style="list-style-type: none"> ■ Conducting Regular Assessments : Incorporation of ISO9001 system requirements ■ Requirements for ISO9001 Third-Party Certification 	Acquisition of ISO9001 Third-Party Certification	Doing Initial Assessment
Stage 2	-	<ul style="list-style-type: none"> ■ Conducting Regular Assessments : Implementation of ISO9001 System Requirements ■ MAQMSR Partner Training Implementation 	Achieved ISO 9001 Third-Party Certification Meets MAQMSR Requirements	Phase 1 Start -> Within 1 year
Phase 3	ISO9001 Certification	<ul style="list-style-type: none"> ■ Conduct regular evaluations : Incorporation of ISO9001 / MAQMSR requirements ■ Implementation of Supplier Training on IATF16949 Requirements 	Acquisition of ISO9001 Third-Party Certification Fulfillment of MAQMSR Requirements Fulfillment of IATF16949 Requirements	Phase 2 Start -> Within 6 months
Phase 4	ISO9001 Certification	<ul style="list-style-type: none"> ■ Conduct regular assessments : Incorporation of IATF16949 requirements ■ IATF16949 third-party certification required 	Acquisition of ISO9001 Third-Party Certification Fulfillment of MAQMSR Requirements Acquisition of IATF16949 Third-Party Certification	Phase 3 Start -> Within 2 years
Stage 5	ISO9001 Certification	<ul style="list-style-type: none"> ■ Conduct regular assessments : Incorporation of IATF16949 requirements 		

Personnel conducting assessments and guidance for supplier quality management system development must be qualified individuals (including internal auditors certified to IATF standards).

4.6 Supplier Audit

4.6.1 Supplier Approval Audit

To approve initial transactions with all raw material suppliers and sub-material suppliers with an average monthly purchase amount exceeding 20 million won, we conduct a supplier approval audit as follows.

- 1) This audit verifies whether the supplier meets our required standards for quality, price, delivery schedule, and financial status.
- 2) The Quality Control Team and Purchasing Team shall serve as the audit oversight departments.
- 3) Purchasing and Quality Control personnel shall conduct on-site audits using the Raw Material Audit Check Sheet (PSC-0702-04) and the Sub-material Audit Check Sheet (PSC-0702-05).
- 4) The Purchasing and Quality Control personnel shall compile the audit results, calculate the evaluation grade, and obtain approval from the head of the Purchasing department (team). Approval is only possible if the evaluation grade is B or higher. If the grade is C or lower, improvement measures shall be implemented, followed by a re-approval audit.

4.6.2

Supplier Regular Audit

Regular audits shall be conducted as follows for raw material suppliers delivering materials for mass production and for component suppliers with a monthly average purchase amount exceeding 20 million won.

- 1) This aims to reduce risks that may arise from suppliers, address deficiencies in areas such as management, production, and quality that fall short of our established standards, and encourage self-improvement activities.
- 2) Audits shall be conducted once every three years per target company. However, they may be conducted at any time if significant quality or transaction-related issues arise.
- 3) The Quality Control Team and Purchasing Team shall serve as the audit oversight departments.
- 4) The Purchasing and Quality Control Manager shall conduct on-site audits using the Raw Material Audit Check Sheet (PSC-0702-04) and the Sub-material Audit Check Sheet (PSC-0702-05). However, in unavoidable circumstances, a document audit may be substituted.
- 5) The Purchasing and Quality Control personnel shall compile the results, calculate the evaluation grade, and obtain approval from the head of the purchasing department (team). If improvement is required, a corrective action request and CAR shall be issued to the supplier in accordance with PSC-1201 (Corrective and Preventive Action Procedure).

4.7 Supplier CSR (Corporate Social Responsibility) Recommendations

The Supplier Management Officer requires suppliers to comply with both the ISU PETASYS Code of Conduct and the RBA Code to establish a safe working environment and promote environmentally friendly and ethical business operations.

4.7.1

Supplier CSR Management

- 1) The Purchasing Department (Team) shall be the department responsible for managing supplier CSR and conducting CSR audits.
- 2) The Supplier Management Officer shall execute a goods supply contract incorporating relevant clauses to reinforce all suppliers' commitment to the RBA and ISU PETASYS Code of Conduct.
- 3) The Supplier Management Officer shall conduct CSR Audits on suppliers. The evaluation targets shall be selected as raw material suppliers with an average monthly purchase amount of 50 million won or more, and this may be changed considering business importance, CSR importance, etc.
- 4) The Supplier Management Officer shall require major suppliers with a monthly average purchase amount of 500 million won or more to undergo a CSR Audit by an RBA-certified audit agency (once every two years). Other evaluation targets shall undergo a self-assessment by the supplier based on the CSR Audit Check Sheet (PSC-0702-06), followed by verification through an on-site audit (once every three years, conducted during the regular audit).
- 5) In cases where significant issues arise related to CSR norms or transactions, a CSR Audit may be conducted at any time, even for non-evaluation target companies.
- 6) Only personnel with internal qualifications—having completed at least 16 hours of RBA training and possessing at least 2 years of in-house experience—may conduct supplier CSR audits.
- 7) The supplier management officer compiles the CSR audit results and obtains approval from the head of the purchasing department (team). Upon discovering non-conformities at a supplier, they notify the supplier of the CSR responsibility fulfillment clause in the contract and receive a Corrective Action Plan (CAP), thereby contributing to reducing CSR risks in the supply chain. For major non-conformities classified as Priority level under RBA standards, the corrective action plan (CAP) submission deadline is set at 30 days. If the supplier fails to implement the required improvements, alternative suppliers are sought.

. However, exceptions apply to customer-designated suppliers or suppliers in a monopoly position.

- 8) The supplier management officer continuously verifies, validates, documents, and retains records until the corrective actions in the CAP are fully resolved.

Supplier CSR Management Grade	Management Approach	Company Criteria
Grade 1	Third-Party Audit	TC and PP manufacturers with monthly average purchase amounts of 500 million KRW or more
Grade 2	Two-Party Audit	Major suppliers with an average monthly purchase amount of 50 million won or more
Grade 3	CSR clause contract	Other Suppliers

4.7.2

Conflict Minerals Management

- 1) The department responsible for operating the Conflict Minerals Management Policy shall be the purchasing department (team).
- 2) Standards for managing conflict minerals comply with international laws and regulations, and management policies are established in accordance with the OECD Guidelines and the Responsible Minerals Initiative (RMI) guidelines. The supplier management officer reviews changes to the RMI and OECD Guidelines annually and improves procedures as necessary.
- 3) The supplier management officer uses the Conflict Minerals Reporting Template and Extended Mineral Reporting Template provided by the Responsible Minerals Initiative (RMI) to conduct reasonable due diligence on the origin of tin, tantalum, tungsten, gold, mica, and cobalt used in their products, and request certificates of origin when necessary to assess the supplier's risk of using conflict minerals.
- 4) The Supplier Management Officer shall request suppliers to sign and submit a Conflict Minerals Non-Use Pledge, and shall receive and retain it.
- 5) The conflict minerals management process follows Appendix 1.
- 6) The Supplier Management Officer shall conclude a goods supply contract incorporating clauses prohibiting the use of conflict minerals to reinforce the supplier's commitment to the policy prohibiting the use of conflict minerals.
- 7) Risk Response Procedure
 - (1) Risk Level Identification Procedure

Based on the conflict minerals usage inquiry form investigated from suppliers, risks are identified into three levels: High / Low / No Risk, and the risks of suppliers and smelters are reviewed.

Category	Risk Level	Details
Level 1	No Risk	Conflict minerals not used or supplied through 100% certified smelters, Receipt of non-use commitment letter
Stage 2	Low Risk	Conflict minerals not used or supplied through 100% certified smelters, Non-receipt of non-use commitment letter
Stage 3	High Risk	Use of non-certified smelters

- (2) Risk Hedge Plan

Establish a Risk Hedge Plan for suppliers identified as High Risk and implement improvement activities.
The risk mitigation options available to suppliers are as follows:

- a. Switch from uncertified smelters to certified smelters
- b. Remove non-certified smelters from the supply chain
- c. Change subcontractors using non-certified smelters

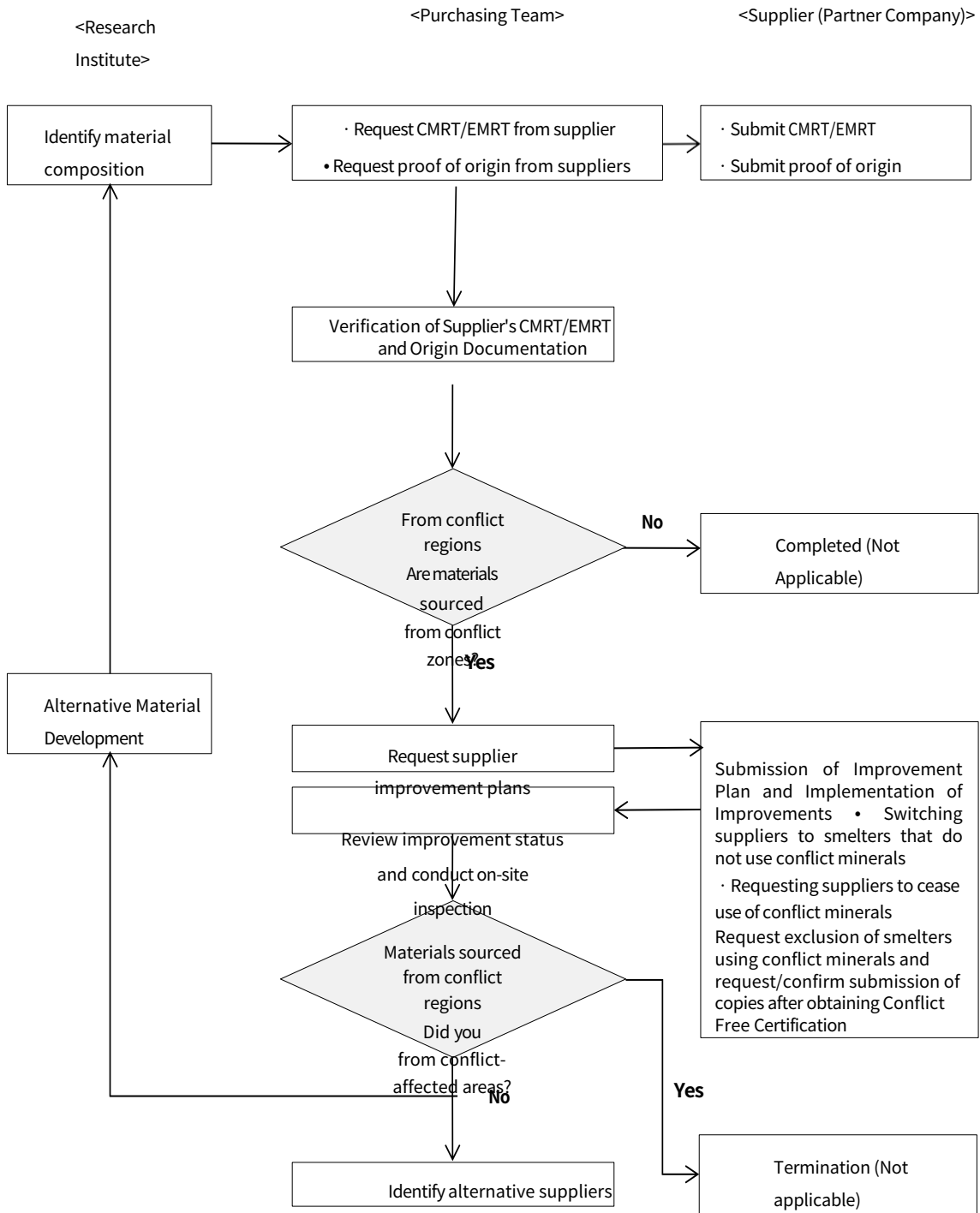
(3) Due Diligence Selection and Procedure

Conduct due diligence on suppliers identified as High Risk through risk identification.

a. Risk Assessment Criteria (Due Diligence Selection Criteria)

- a. Possession of a conflict minerals policy
 - b. Supplier importance (purchase share)
 - c. Percentage of Supplier Materials from Conflict Mineral Regions
 - d. Country where the supplier/smelter is located
- b. For suppliers deemed high risk, conduct supplier due diligence and review the conflict minerals usage report questionnaire of sub-suppliers. Verify policies and internal processes to enable improvement.
- c. If a supplier fails to implement improvement requirements within one year, alternative suppliers shall be sought. However, exceptions apply to suppliers designated by customers or suppliers in a monopoly or oligopoly.

Conflict Minerals Management Process



4.8 Counterfeit Product Management

- 1) The supplier management officer must register, maintain, and manage the supplier list to minimize the risk of purchasing counterfeit goods.
- 2) Select and manage suppliers who maintain effective processes to mitigate the risk of purchasing counterfeit goods.
- 3) The Quality Control Department (Team) must conduct counterfeit product inspections and prevention in accordance with P-Business-Import-01 (Material Import Inspection Standard). Should counterfeit products occur, corrective actions and recurrence prevention measures must be demanded from the supplier.
- 4) Require suppliers to meet quality requirements that mandate counterfeit prevention and management processes.

4.9 Hazardous/Chemical Substance Management

- 1) The Supplier Management Officer manages suppliers based on the Hazardous Substance Management Regulations (PSC-1418) and Chemical Substance Management Regulations (PSC-1509), established in accordance with domestic and international environmental regulations and the customer's hazardous chemical substance management requirements.
- 2) The Supplier Management Officer enters into a Goods Supply Contract incorporating clauses prohibiting the use of hazardous chemicals to reinforce the supplier's commitment to the policy prohibiting the use of hazardous chemicals.
- 3) The supplier representative receives the non-use guarantee and analysis results for hazardous substances in raw/sub-materials upon request, in accordance with the Hazardous Substance Management Regulations (PSC-1418). However, this applies only to raw/sub-materials contained in products at the time of shipment.
- 4) The supplier representative receives Material Safety Data Sheets (MSDS) for chemicals from the supplier upon request, in accordance with the Chemical Substance Management Regulations (PSC-1509), and prepares and maintains a Hazardous Chemical Substance Management Register.
- 5) If non-conformities are identified with a supplier, a Corrective Action Plan (CAP) is requested. If the supplier fails to implement the required improvements, penalties are applied during the regular evaluation or alternative suppliers are sought. However, exceptions are made for customer-designated suppliers or suppliers in a monopoly or oligopoly situation.
- 6) The supplier management officer continuously verifies and documents the improvement actions outlined in the CAP until they are fully resolved and maintains the documentation.