IEQI-T-0603 Sustainable Supply Chain Policy

Type	Date	Effective Date	Approved by	Remarks
Establishment	2024.04.20.	2024.04.20.	CEO	
Revision	2026.06.29.	2026.06.29.	CEO	
Related Regulations				

Purpose

1. This Policy establishes the principles, procedures, and management framework necessary to strengthen the commitment of ILJIN Electric and its suppliers to sustainable development.

2. This Policy aims to establish a sustainable supply chain by assessing risks throughout the supply chain and identifying and mitigating such risks at an early stage through regular due diligence and monitoring.

3. This Policy supports suppliers in strengthening their competitiveness and sustainability capabilities, thereby enabling ILJIN Electric and its suppliers to create long-term corporate value based on mutual trust.

Definitions

1. Supply Chain refers to the entire life cycle of a final product, encompassing the procurement of raw materials, sourcing, manufacturing, transportation, and distribution until the final product or service is delivered to the customer.

Scope

1. This Policy applies to supply chain participants, including suppliers and distributors that maintain direct or indirect business relationships with ILJIN Electric, as well as customers, workers, and other stakeholders who may be affected by the Company's business activities.

2. Where the provisions of this Policy conflict with the applicable laws or regulations of the country in which business is conducted, the applicable local laws and regulations shall prevail.

ILJIN Electric implements the following procurement policies to build a sustainable supply chain.

1. Supplier Development

ILJIN Electric develops and strengthens the capabilities of its suppliers to enhance the Company's competitiveness while contributing to the sustainable growth and development of society.

(1) Identify and evaluate suppliers that are strategically important to the Company.

(2) Establish partnerships or strategic alliances with such suppliers.

(3) Take the lead in developing suppliers' capabilities, including management, quality, cost competitiveness, and delivery flexibility.

(4) Share the benefits and achievements resulting from supplier development and performance improvement.

(5) Support suppliers in continuously applying the knowledge and best practices acquired through collaboration with ILJIN Electric.

(6) In developing suppliers, ILJIN Electric shall not discriminate against suppliers that are owned, operated, or employ persons with disabilities, ethnic minorities, or foreign nationals.

2. Environmentally Responsible Procurement

ILJIN Electric promotes environmentally responsible procurement by establishing a sustainable supply chain that proactively prevents environmental impacts arising from production activities. Environmental considerations are incorporated as key evaluation criteria in the selection and assessment of suppliers.

(1) Environmentally Responsible Materials

- Reduce the consumption of raw and auxiliary materials.
- Minimize or eliminate the procurement of materials that have adverse environmental impacts.
- Minimize environmentally harmful packaging and transportation through recycling, reuse, material substitution, and effective material management.
- Minimize waste by using environmentally friendly biodegradable materials and materials that can be safely incinerated or disposed of without toxic impacts.

- Systematically manage surplus materials by identifying surplus inventory, analyzing the causes of surplus generation, classifying surplus materials, and establishing appropriate disposal methods.

(2) Reduce environmental impacts through efficient use of materials.

(3) Encourage supplier participation in new product development and promote collaboration by sharing environmentally responsible strategies.

(4) Operate environmentally responsible logistics and transportation systems.

(5) Give preference to suppliers that possess the capability to prevent or minimize adverse environmental impacts.

(6) Support programs that strengthen suppliers' environmental management capabilities.

(7) Encourage suppliers to measure greenhouse gas emissions and establish greenhouse gas reduction targets.

3. Compliance with Procurement-Related Laws and Business Ethics

ILJIN Electric is committed to ensuring that procurement activities are conducted in compliance with applicable laws and ethical standards and do not give rise to legal or ethical issues in pursuit of corporate interests. ILJIN Electric complies with the Fair Trade Act and the Subcontracting Act.

(1) Compliance with the Fair Trade Act

- Prohibit unfair trade practices.
- Prohibit abuse of a dominant market position.
- Prohibit unfair determination, maintenance, or modification of transaction terms.
- Prohibit unfair interference with the business activities of other companies.
- Prohibit unfair obstruction of market entry by new market participants.
- Prohibit unfair pressure or coercion against suppliers.

(2) Compliance with the Subcontracting Act

- Issue and retain written contracts and related documentation.

- Prohibit unfair determination of subcontract payments, refusal to accept deliveries, returns, reduction of payments, delayed payment, payment in kind, unfair special contractual terms, and undue interference with subcontractor management.

- Prohibit compulsory purchasing of goods.

- Fulfill obligations regarding advance payments.

- Prohibit unfair requests for economic benefits.

- Prohibit retaliatory measures.

- Issue domestic letters of credit where required.

- Prohibit delays in payment.

- Make direct payments to subcontractors where applicable.

- Pay additional costs arising from design changes.

- Prohibit improper requests for the provision of technical information.

- Prohibit circumvention of applicable laws and regulations.

- Ensure compliance by both contractors and subcontractors with their respective legal obligations.

4. Sound Financial Management of Suppliers

To ensure financial transparency and sound financial management throughout the supply chain, ILJIN Electric adheres to the following principles.

(1) The procurement department shall maintain objectivity and transparency in accounting for procurement-related expenses and record and manage all financial transactions in accordance with generally accepted accounting principles (GAAP).

(2) ILJIN Electric shall not engage in practices that undermine the financial stability of suppliers in connection with procurement-related financial matters, nor shall it involve suppliers in inappropriate financial practices for the benefit of the Company.

(3) Procurement personnel shall receive training on and comply with applicable laws and regulations relating to corporate accounting transparency, including the Sarbanes-Oxley Act.

5. Safe Working Environment for Suppliers

To protect occupational health and safety and uphold human rights throughout the supply chain, ILJIN Electric adheres to the following principles.

(1) Ensure that suppliers are not exposed to hazardous working conditions.

(2) Provide advance notification and appropriate handling instructions when supplying or transporting hazardous materials.

(3) Comply with applicable occupational health and safety laws and regulations and apply the same standards to supplier management.

(4) When transporting or handling environmentally hazardous materials, provide relevant hazard information, take appropriate precautionary measures, and submit Material Safety Data Sheets (MSDS).

(5) Prohibit transactions with suppliers that employ minors or engage in labor exploitation, and ensure compliance with internationally recognized standards for labor rights and occupational safety.

(6) Prohibit the use of key raw materials (minerals) sourced from prohibited regions.

(7) Require high-risk suppliers to disclose the use of conflict minerals by submitting the Conflict Minerals Reporting Template (CMRT).

(8) Comply with internationally recognized human rights standards and principles, including the Universal Declaration of Human Rights (UDHR), the Ten Principles of the United Nations Global Compact (UNGC), the ILO Core Conventions, and the OECD Guidelines for Multinational Enterprises.

6. Supply Chain Risk Management

ILJIN Electric identifies, assesses, and manages various risks that may arise throughout the supply chain to ensure stable supply chain operations and minimize disruptions caused by unforeseen events or changes in the business environment.

(1) Supply Chain Due Diligence and ESG Risk Identification

- Prioritize key suppliers when selecting suppliers for supply chain due diligence and include high-risk suppliers within the scope of due diligence.

- Conduct annual ESG risk assessments through ESG due diligence to evaluate suppliers' ESG management performance.

- Where suppliers are identified as high-risk or where additional verification is required based on the results of the ESG risk assessment, classify them as priority suppliers and conduct on-site assessments.

- Where necessary, information submitted through the due diligence process may be verified by an independent third-party organization to ensure transparency and objectivity.

- Implement corrective actions by prioritizing the most significant risks based on their potential impact and severity.

- Continuously monitor identified ESG risks and the implementation of corrective actions, and regularly improve the due diligence process based on the monitoring results.

(2) Types of Supply Chain Risks

- Natural Disaster Risk: Earthquakes, typhoons, floods, and other natural disasters that may disrupt logistics, production, or transportation.

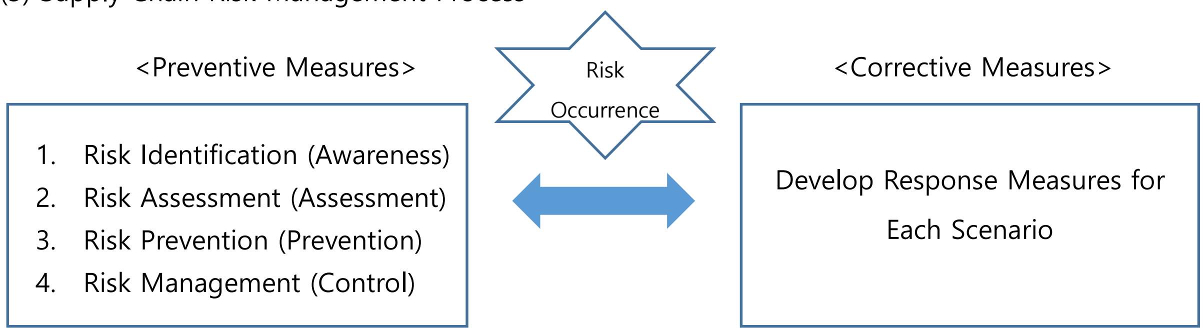
- Political Risk: Political factors that may threaten the supply chain, including tariff increases, import/export restrictions, and political instability.

- Economic Risk: Exchange rate fluctuations, economic downturns, and increases in raw material prices.

- Technological Risk: System failures, cyberattacks, and technological changes that may affect supply chain operations.

- Supplier Risk: Production disruptions, bankruptcy, quality issues, or other supplier-related factors that may directly impact the supply chain.

(3) Supply Chain Risk Management Process



(4) Supply Chain Risk Mitigation Strategies and Measures

- Secure Safety Stock: Maintain adequate safety stock for critical materials and products.

- Establish Alternative Logistics Routes: Review alternative transportation options in collaboration with the logistics team.

- Review Contract Terms: Clearly define contractual provisions that allocate and manage risks between ILJIN Electric and suppliers.

- Hedging: Mitigate risks associated with specific raw materials through appropriate hedging strategies.

- Secure Alternative Products: Develop and secure alternative products or materials where feasible.

- Diversify Supplier Base: Reduce dependence on specific suppliers by securing and diversifying sources of supply, thereby strengthening the global value chain.

- Termination of Contracts: Where supply chain risks arising from a supplier cannot be effectively prevented or mitigated, ILJIN Electric may terminate the contract and discontinue business transactions in accordance with Article 17 of the Basic Materials Supply Agreement.