

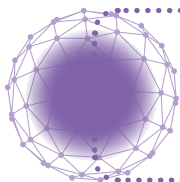
4 Business Sustainability, Beneficial Partners

Policies for Sustainable Management of Suppliers
Sustainable Supply Chain Impact
Promotion of Mutual Growth

Key stakeholders :

Clients
Suppliers/Contractors
Government agencies
NGOs
Media





Management Guidelines for Material Topics

Supplier Management, Procurement Practices and Management



Meaning to the Group

- The Group is actively engaged in implementation of supply chain management practices to develop efficient long-term collaborative relationships with suppliers, as well as environmental, social, and governance risk assessments and audit verifications which allow joint fulfillment of corporate social responsibilities by suppliers. This serves to strengthen the resilience of our supply chain, reduce operational risk, and ensure sustainable management.



Policies and Commitments

- The Group requires suppliers to comply with local laws and regulations and the Group's Supplier Social and Environmental Responsibility Code of Conduct. Furthermore, the Group fully considers social responsibilities and environmental benefits and gives priority to environmentally friendly products and services, seeking to balance both economic and environmental benefits. The Group continuously optimizes and improves green procurement standards and management systems, and works with upstream and downstream manufacturers to implement ESG actions such as environmental protection, energy conservation, and carbon reduction to create a sustainable supply chain.



Specific Actions

- Encouraged our suppliers to implement net zero actions. A total of 123 suppliers completed carbon inventories, resulting in carbon reductions of 225,500 tCO₂e from 2021 to 2022. Additionally, 12 key electronics suppliers signed a renewable energy agreement committing to use 100% renewable energies to produce Group products.
- Encouraged our suppliers to implement zero landfill actions. A total of 10 suppliers have obtained UL2799 Zero Waste to Landfill Operations certification, 39 suppliers have formulated and executed carbon reduction plans, and 75 key suppliers have been registered on our supplier green management platform and completed zero waste performance evaluations.
- Assisted 32 suppliers in improving environmental violations, and helped 148 suppliers with high environmental impacts to report and disclose Pollutant Release and Transfer Register (PRTR) data.
- Hosted two seminars promoting supplier green product management which were attended by 267 suppliers, 75 key suppliers have been registered on our supplier green management platform and completed green product management performance evaluations, and we also encouraged these suppliers to complete RoHS+HF Declarations of Conformity on the RoHS-REACH platform.
- Completed conflict minerals surveys for 2002 suppliers, achieving a response rate of 100%. No use of conflict minerals was discovered.
- Encouraged 43 suppliers to undergo CSR Code of Conduct reviews; 16 of these suppliers underwent third-party RBA VAP audits.



Evaluation Mechanisms

- We host management review meetings every year to discuss continued strengthening of supplier management performance, track target achievements, and continuously improve performance.
- We communicate with suppliers on different ESG issues and work to understand our performance through ESG audit and assessment results.

As a leading global electronics manufacturer, the Group actively works with suppliers to carry out various sustainable actions as well as guide suppliers in continuous improvement of social, environmental, and economic aspects to enhance our sustainability and competitiveness as we strive to realize sustainable development in our supply chain. The Group fully considers social responsibilities and environmental benefits and prioritizes environmentally friendly, energy-saving, low-carbon, and easy-to-reuse supply chain products to create products and services that balance both economic and environmental benefits, thereby creating virtuous cycles in our industry and supply chain. In 2022, the Institute of Public and Environmental Affairs (IPE) awarded us first place in the Greater China area in the Green Supply Chain Corporate Information Transparency Index (CITI) Evaluation and second place in the IT Industry category. We also ranked fourth in the Climate Action Transparency Index (CATI) Evaluation for the IT Industry.

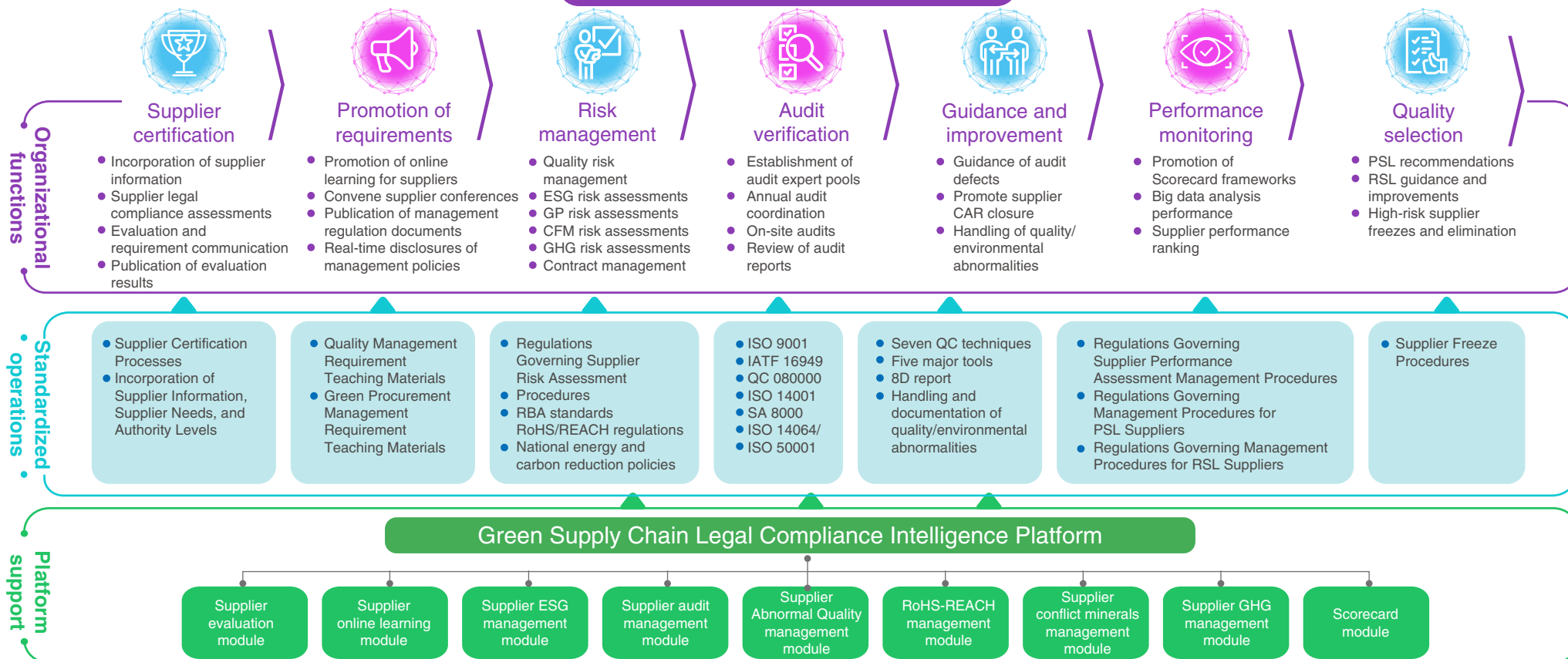


Policies for Sustainable Management of Suppliers

Our raw material suppliers are further divided into electronic materials and component suppliers, and materials are respectively classified by product into active components, passive components, circuit boards, modules, connectors, machinery parts, and packaging materials.

The Group is the largest electronics manufacturer in the world, with many brand clients and suppliers from all over the globe. The Group realizes corporate social responsibilities by shouldering heavy responsibilities and influencing sustainable developments within supply chains. The Group and its suppliers work together to enhance capabilities in sustainability issues, and a comprehensive and systematic Responsible Supply-Chain Management (RSM) system has been established to achieve digital management and internal data sharing. Each stage of supplier development, qualification assessment, performance evaluation, and elimination of under-performers is managed and controlled to ensure that suppliers meet the requirements of the Group so that we can grow alongside our suppliers.

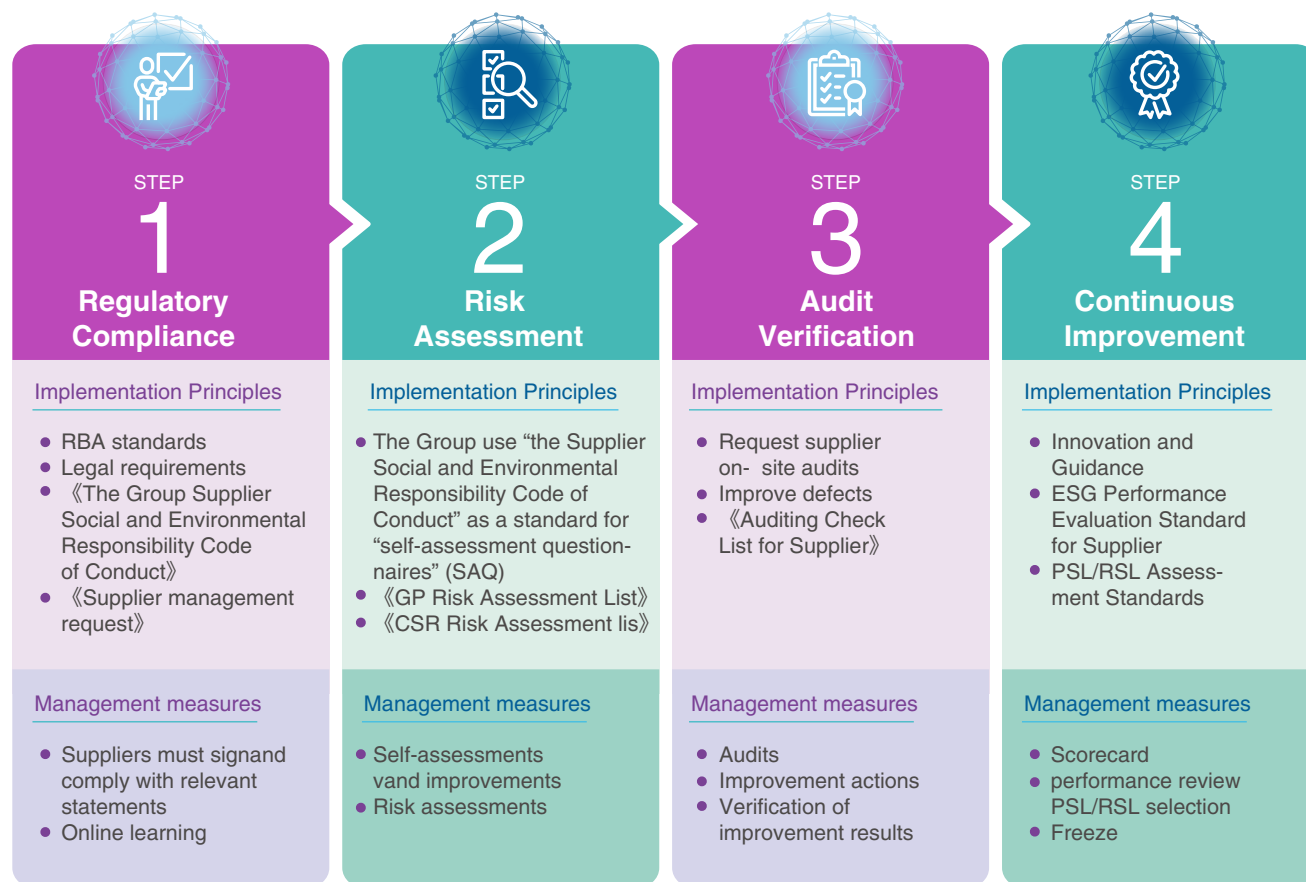
Supplier Management System Structure



Supplier Management Processes

The Group adopts a circular mechanism for supplier management processes which includes the four major stages of regulatory compliance, risk assessment, audit verification, and continued improvement. We implement social and environmentally responsible management structures in our supplier management processes and conduct data analysis of supplier compliance with social and environmental responsibilities to assist suppliers in improving vulnerabilities, thereby enhancing their social and environmental performance.

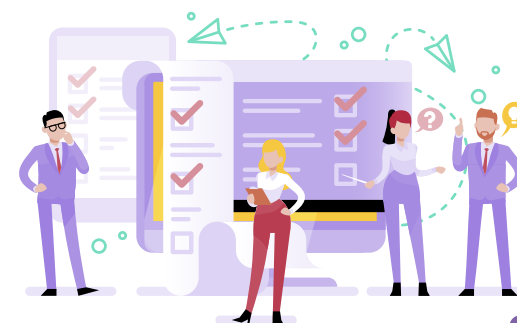
○ Circular Mechanisms of Supplier Management Policies and Processes



Regulatory Compliance

The Group has compiled the "Green Procurement Management Manual" and "Supplier Management Manual" to serve as basic guidelines for supplier management at Group units. New suppliers must pass risk assessments for social and environmental responsibilities and sign "Procurement Contracts" and "Environmental and Social Responsibility Commitments" to ensure that they comply with our "Supplier Social and Environmental Responsibility Code of Conduct" and "Supplier Management Requirements."

Additionally, all suppliers are required to sign "Vendor Commitments" and "Proactive Supplier Declarations," and pledge not to request, offer, or conduct any bribery actions or provide improper benefits to Group affiliates, related persons, and/or designated personnel. Suppliers also pledge not to directly or indirectly benefit Group employees, related persons, and/or designated personnel. Suppliers must understand and strictly abide by the Group's requirements for responsible supply chains.



Risk Assessment

New supplier evaluations are an important part of our management system. The Group collects the following information from new suppliers : basic information cards, component recognition certificates, environmental protection and social responsibility commitments, and due diligence for conflict minerals. We then use our "Supplier Evaluation System" to conduct ESG (Environmental, Social, and Governance) risk assessments of supplier quality, green products, social and environmental responsibility, and product environmental impact to determine risk levels, production capacities of new suppliers, and their enthusiasm for transactions with the Group. In 2022, all 25 of our new suppliers in the electronics procurement category passed environmental and social selection standards.

Group Supplier Risk Assessment Processes



Audit Verification

The Group conducts quality, process, social and environmental responsibilities, green products, and greenhouse gas audits for medium- and high-risk suppliers. Audit or post-audit improvement results must meet the requirements of the Group before suppliers can be included in our list of qualified suppliers. The Group also increases management oversight for our top 15 suppliers in the commodity category and suppliers that were not designated by our clients. Regular online surveys and on-site audits of suppliers are conducted through our supplier management platform. If zero-tolerance deficits are found during audits, suppliers will lose the right to be selected for new projects; for non-zero-tolerance deficits, suppliers will be allowed to provide improvement plans and measures within a stipulated deadline based on the severity of the deficit. Reviews are carried out for serious deficits. Suppliers who do not complete improvements within allotted times will be included in our list of suppliers who were restricted for poor performance.

In 2022, we conducted audits on a total of 107 major suppliers and discovered 1,833 deficits (including 662 major deficits and 1,171 minor deficits). The Group required suppliers to provide deficit improvement plans and measures within allotted times. As of year-end 2022, improvements have been implemented for a total of 1,604 deficits (including 536 major deficits and 1,068 minor deficits), achieving an improvement rate of 88%. The Group will continue to track the remaining supplier deficits until improvements have been completed.

Suppliers are strictly prohibited from conducting any of the following zero-tolerance actions :

- Use of child labor
- Use of forced labor/prison Labor
- Discharge of untreated toxic and hazardous substances or materials
- Actions and working environments that can cause immediate physical harm to employees
- Providing false information to the Group
- Retaliation against employees who provide factual information

ESG-Related Basic Requirements for New Suppliers

Management System

Passed ISO 14001, ISO 45001, ISO 14064, and QC 080000 system Certification

ESG Risk Assessment

Working hours, salary and benefits, environmental assessment approval, environmental violations, dangerous procedures, and management systems

ESG Audit

We use the RBA VAP Audit Checklist when conducting audits

Results of supplier ESG audit assessments in 2022

Aspects and Standards		Audited suppliers	Pass Rate
Supplier Audit Items	QPA & QSA & SCM (Involving ISO 9000, IATF 16949)	96	98%
	GP (Involving QC 080000, RoHS, REACH)	44	100%
	GHG (Involving ISO 14064)	5	100%
	ESG (Involving RBA, ISO 14001, ISO 45001)	43	90%

Notes :

QPA : Commodity Quality Process Assessment

QSA : Quality System Assessment

SCM : Supplier Chain Management Assessment

GP : Green Product Assessment

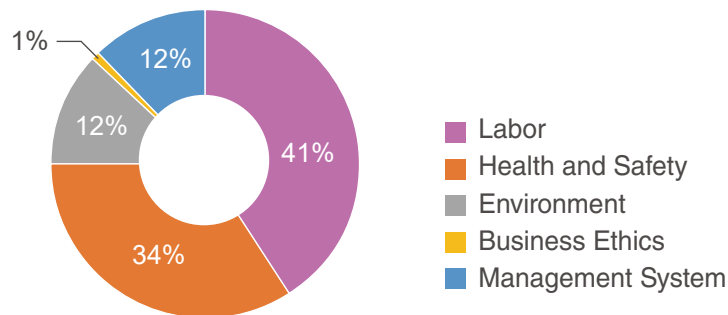
GHG : Greenhouse Gas

ESG : Environmental Social Governance

The Group's supplier ESG audits are conducted using RBA VAP tools. Dedicated supply chain management personnel in the Group's procurement department formed audit teams with experts in the Human Resources, Industrial Safety, Environmental Protection units. Audits encompass five aspects: Labor, Health and Safety, Ethics, Environment, and Management System.

The Group encourages suppliers to complete third-party RBA VAP audits; suppliers that have completed said audits within the past two years can share their audit reports with the Group to be exempt from repeated audits conducted by our audit teams. In 2022, a total of 16 suppliers in the electronics procurement category shared their RBA VAP audit reports with the Group.

④ Distribution of ESG audit deficits in 2022



Audits conducted in 2022 found no incidents relating to child labor, forced labor, or prohibitions of employee freedom of association.

Continuous Improvement

To motivate continued supplier enhancement of ESG management and performance, the Group launched ESG evaluations for key suppliers in 2022. Priority evaluation items included net zero emissions, zero waste, and green products. The Group formulated supplier ESG performance evaluation standards using international ESG evaluation indicators, relevant standards, and client requirements. In 2022, we added an ESG performance evaluation module on our online supplier green management platform, allowing suppliers to conduct self-assessments and upload verifications, thereby enabling objective evaluations of supplier ESG performance. We determine supplier ESG rankings based on annual supplier performance. Suppliers with excellent ESG performance are rewarded and we guide suppliers with poor ESG performance in making improvements. Suppliers who do not implement said improvements will be placed on the Group's Restricted Supplier List.

In 2023, the Group added "worker human rights" to supplier ESG evaluation items. We plan to gradually expand the scope of supplier evaluations.



▲ Supplier Green Management Platform



Sustainable Supply Chain Impacts

Green Product Management

Policies and Commitments

The Group has implemented comprehensive internal management of green products, adhering to the "Principle of Five Noes" ("No design, No procurement, No inflow, No manufacturing, No outflow") for green product management across our supply chain. Of these, "no procurement" is the key to green product development.

We prohibit use of chemical substances restricted by the green product regulations of different countries and regions, reduce the amounts of hazardous substances contained within products, and fully disclose all product substances.

Targets	Results
Require 75 key electronics suppliers to fully disclose all production materials on our supplier green management platform by 2025.	In 2022, 75 of our key electronics suppliers completed green product management performance evaluations on our supplier green management platform and also completed 100% of RoHS Declarations of Conformity.

Management Mechanisms

The Group has established a dedicated unit and dedicated personnel to collect and research various environmental requirements (RoHS, REACH, and HF) from existing legislation, clients, the industry, and society. We have also formulated Supplier Environmental Protection and Social Responsibility Commitment Forms which suppliers are required to sign as part of their commitment to Group standards for environmentally friendly products. The scope of this commitment includes but is not limited to the Group's "Specification for Hazardous Substances and Materials Management ESD-A0RH-001" and the environmental protection standards of our clients. We also require our suppliers to submit the "REACH Candidate List of Substances of Very High Concern Declaration Form" and the "Environmental Management Substance Composition or Component Breakdown Form." Additionally, the EU RoHS 10 controlled substances directive requires suppliers to submit periodically updated third-party test reports for corresponding materials. We require our suppliers to establish QC 080000 Hazardous Substance Process Management System requirements and self-testing capabilities for hazardous substances, and have also extended our material declaration and

green product compliance management requirements to our upstream supply chain.

Additionally, the Group has formulated green product management guidelines and established a supplier green product management platform. We implement management mechanisms for key processes including assessments, audits, verifications, performance evaluations, and eliminations of underperformers starting from new suppliers. These mechanisms, combined with CITI, DJSI, and other internationally renowned ESG evaluation institute indicators, are used to implement management of supplier green product performance from five dimensions. We also regularly convene supplier green product management seminars to convey the latest Group requirements to our entire supply chain and track green compliance of raw materials starting with our upstream suppliers.

Digital Transformation and Management Outcomes

Our supplier green management platform was launched in September 2022 to digitalize evaluations of supplier green product management performance, enabling quantification of evaluation results as well as real-time tracking and analysis. Supplier green product performance evaluation rankings can be obtained for multiple dimensions. Suppliers with excellent ESG performance are rewarded and suppliers with poor ESG performance are placed on our Restricted Supplier List. Visualization of evaluation indicators enable continued promotion of supplier improvements and enhancement of green product management performance.

In 2022, 75 of the Group's key electronics suppliers completed green product performance evaluations, and we continue to guide 15 suppliers in increasing their green product performance rankings. Our evaluation results indicate that 64 suppliers have implemented the QC 080000 Hazardous Substances Management System and obtained third-party certification, 23 suppliers have established self-testing capabilities for ten RoHS 2.0 substances, and 32 suppliers have established green product management platforms and systemic procedures.



Responsible Mineral Procurement Management

The Group does not directly purchase raw materials from smelters or refineries, but purchases components that possibly contain conflict minerals. To fulfill our social responsibilities, we avoid minerals sourced from high-risk conflict and human rights disaster areas in the Democratic Republic of Congo and its surrounding countries to reduce supplier management risks. The Group has established management processes for supplier procurement of responsible minerals and issued the "Statement on Responsible Mineral Procurement."

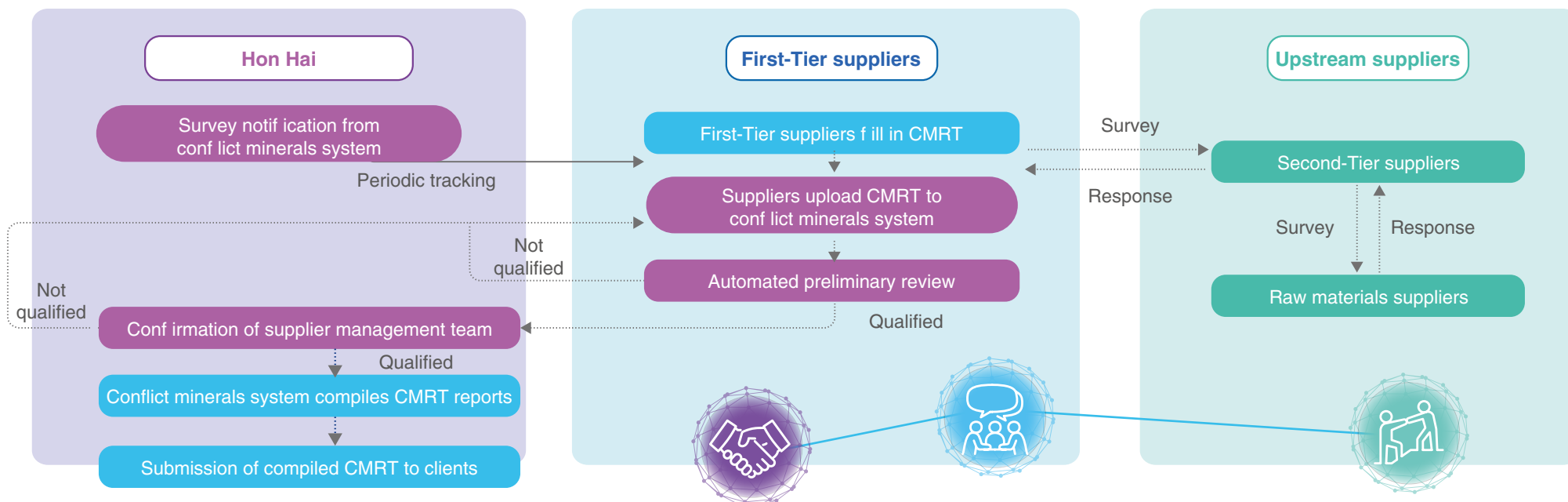
The Group does not accept or use tantalum, tin, tungsten, gold, or cobalt sourced from the Democratic Republic of Congo and its surrounding high-risk conflict areas. As part of this commitment, we hereby declare :

1. Suppliers are required to fulfill their social and environmental responsibilities.
2. Suppliers must ensure that the components and products provided to the Group do not contain tantalum, tin, tungsten, gold, or cobalt sourced from the Democratic Republic of Congo and its surrounding high-risk conflict areas.

3. Suppliers should establish responsible mineral procurement management systems in accordance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.
4. Suppliers must trace the sources of minerals used in their supply chains and regularly use the CMRT and EMRT to fully disclose to the Group the content and sources of the tantalum, tin, tungsten, gold, and cobalt used in their products. Additionally, suppliers should ensure that they are working with smelters or refineries which adhere to the Responsible Minerals Assurance Process (RMAP) of the Responsible Mineral Initiative (RMI).
5. Suppliers should require the same of their upstream vendors.

As a member of the RMI, the Group is attentive to updates on responsible mineral sourcing released by the RMI and has adopted the CMRT (Conflict Minerals Reporting Template) and EMRT (Extended Minerals Reporting Template). We conduct due diligence on our suppliers and require new suppliers to use smelters/refineries that adhere to the RMI RMAP (Responsible Minerals Assurance Process). Suppliers also have to sign the "Environmental Protection and Social Responsibility Commitment" form, pledge to comply with the Group's responsible mineral procurement policies, and submit verified CMRT reports before they can become a qualified Group supplier.

Flowchart of Management Operations for Conflict Minerals



The Group has developed a management platform for conflict minerals. All our business units use this platform to collect, review, and compile supplier conflict minerals due diligence reports, and the data is stored and tracked over time. Platform data was used to develop a digital dashboard used for tracking supplier usage of conflict minerals and for disclosure to end customers.

In 2022, the Group completed conflict minerals investigations for 2,002 suppliers through our conflict minerals management platform. Supplier response rates were 100%. We compared supplier smelters/refineries against the list of qualified smelters released by RMI, and non-RMAP smelters/refineries discovered during the course of these investigations were required to complete RMAP compliance within a specified time limit or face elimination from our supply chain. As of 2022, the Group has not yet discovered supplier products containing tantalum, tin, tungsten, gold, or cobalt from conflict areas in the Democratic Republic of Congo and surrounding countries.

The Group worked with a total of 241 tantalum, tin, tungsten, gold smelters/refineries in 2022, all of which were included in the list of qualified smelters released by RMI. Most of these smelters were located in Asia :

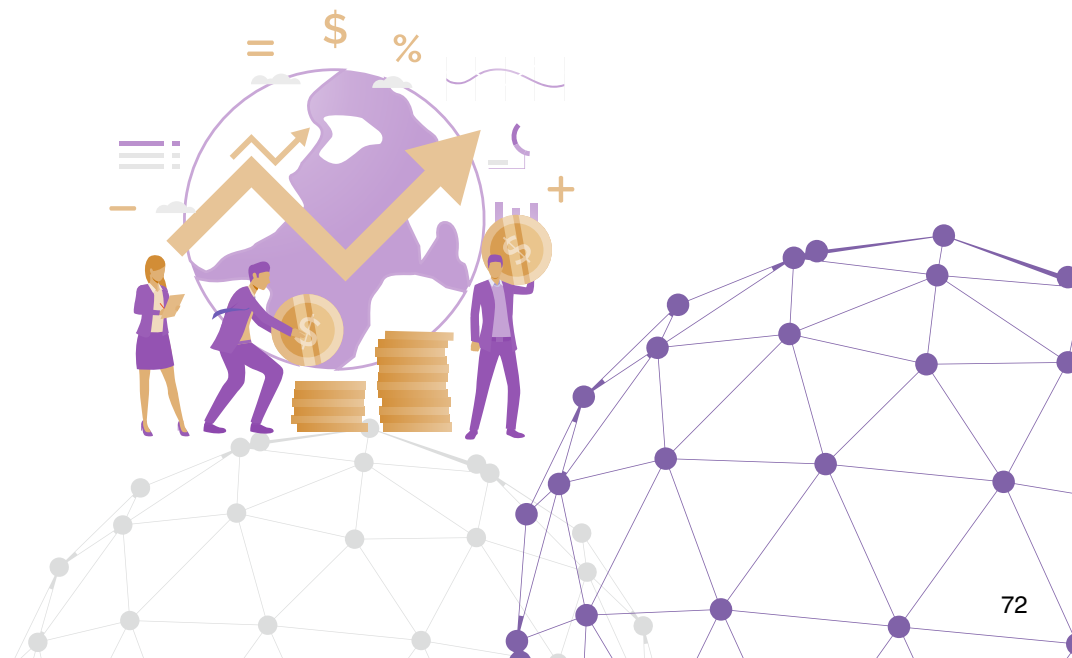
Area	Tantalum	Tin	Tungsten	Gold	Cobalt	Total
Asia	30	49	32	82	12	205
Europe	0	3	0	7	4	14
Africa	2	4	3	6	3	18
Australia	2	0	1	0	1	4
Total	34	56	36	95	20	241

The United States passed the "Dodd-Frank Act" in 2011 and the European Union passed the "Conflict Minerals Regulation" in 2017. Since then, regulatory supervision of conflict minerals has expanded. Apart from use of tantalum, tin, tungsten, gold, or cobalt, ESG issues such as human rights and environmental damage incurred during mining processes are also receiving attention. As lithium and nickel are important materials for battery electrodes, the Group launched a pilot plan which used the RMI Pilot Reporting Template (PRT) to conduct due diligence on lithium and nickel use at 10 battery suppliers. We discovered that these suppliers worked with 13 lithium smelters/refineries and 18 nickel smelters/refineries. The Group will continue to help suppliers in encouraging these smelters and refineries to obtain Responsible Minerals Assurance Process (RMAP) certification.

Environmental Compliance Management

The Group has always emphasized environmental management for suppliers and requires suppliers to strictly abide by local environmental protection laws and regulations, establish and maintain an effective environmental management system, and obtain ISO14001 certification. When engaging a new supplier, the Group will assess the environmental risk of its manufacturing plants and review relevant legal certification documents for supplier manufacturing environments. If the supplier is found to have incurred zero-tolerance violations relating to "discharge of untreated toxic and hazardous substances or materials," or if environmental violations are not improved upon, the supplier will lose its status as a qualified supplier. The Group conducted environmental risk assessments on 25 new suppliers in 2022. All suppliers were found to comply with Group requirements.

The Group fully understands the importance of public monitoring for environmental compliance relating to supply chains. Therefore, we actively collaborate with external parties such as the Institute of Public Environmental Affairs (IPE). We use the IPE Blue Map application to monitor supplier environmental compliance performance and provide improvement counseling for suppliers that incur environmental violations. Violation records are removed from the Blue Map website for suppliers following environmental reviews and verification of rectification effectiveness. In 2022, we assisted 32 suppliers with environmental violations in removing their records. To protect the public's right to know about their surrounding environments, the Group guided 148 suppliers in filling out PRTR (Pollutant Release and Transfer Register) data for public disclosure on the IPE website in 2022.



Supplier Energy and Carbon Reduction Management

In response to the 1.5°C carbon reduction initiative of the Paris Agreement, all countries around the world have actively formulated net zero emissions targets and taken corresponding actions. The Group actively adheres to the Paris Agreement and participates in Climate Action 100+ by committing to net zero emissions across our value chain by 2050. As an important component of our value chain, suppliers are required to take immediate action to reduce their carbon emissions. The Group has therefore formulated the following supplier net zero policies and requirements:

1. Apart from committing to achieve net zero emissions by 2050, suppliers are required to formulate long-term carbon reduction targets, take active and effective measures to ensure that said targets are met, and meet client requirements for end clients with stricter standards.
2. Suppliers are required to disclose third-party verified carbon emissions data and carbon reduction achievement on digital carbon management platforms each year.
3. Suppliers are required to implement energy and carbon reduction measures (such as installation of solar power equipment, use of renewable energies, and zero waste to landfill operations), reduce carbon emissions, and realize net zero emissions targets. The Group conducts appraisals of supplier energy and carbon reduction achievements, the results of which serve as a basis for adjusting supplier transactions and eliminating poorly performing suppliers.
4. In compliance with Group net zero policies, we have formulated a net zero pathway for suppliers as well as promoted supplier energy-saving transformations and use of green electricity to achieve net zero goals.

◎ The Group's Net Zero Pathway for Suppliers



The Group has always emphasized supplier carbon reduction actions and worked with suppliers on low-carbon pathways. We continue to build our expertise in comprehensive management mechanisms for supplier carbon management. Continued promotion of digital management and regular disclosures of supplier carbon reduction achievements help to satisfy client and stakeholder expectations.

◎ The Group's Supplier GHG Management Mechanisms



Our suppliers are required to attend our annual seminars. We have established a self-developed supplier carbon management system and require our suppliers to upload carbon emission volumes and relevant data each year, including annual carbon emission volumes (categorized by Scope 1 and Scope 2 emissions), carbon emissions per unit of output, achievements of annual carbon reduction targets, and updated data from net zero evaluations. Compilation and analysis of this data allows for a clearer understanding of annual supplier carbon emissions while enhancing supplier management efficiency and serving as a reference for decision-making.

◎ Annual carbon emissions, carbon reduction, and estimated future carbon emission volumes of key supplier



Annual carbon emissions, carbon reduction, and estimated future carbon emission volumes of key suppliers

The Group plans to assist 175 suppliers in conducting energy and carbon reduction tasks by 2025. In 2022, the Group assisted 123 suppliers in completing carbon inventories and 59 suppliers also completed ISO 14064-1 verification. From 2021 to 2022, our suppliers implemented carbon reduction plans, installed photovoltaic equipment, and purchased green electricity, lowering total carbon emissions by 225,500 tCO₂e.

Additionally, we predict that clean energies will become a major trend in the future and a critical advantage for suppliers seeking to achieve net zero emissions. Therefore, the Group will actively work with suppliers to promote use of renewable energies within our supply chain, set an example for our suppliers, encourage our suppliers to commit to use of renewable energies when producing Group products, significantly decrease carbon emissions generated during production processes, and work with our end clients to build a zero emissions supply chain. Our long-term aim is to have more than 45 key electronics suppliers pledge to use 100% renewable energies to produce Hon Hai products by 2025. We formulated the supplier "Commitment to Renewable Energies" in 2022 which was signed by 12 of our key electronics suppliers.



We extended net zero management items to our supply chain by formulating supplier net zero performance evaluation mechanisms in 2022, using our supplier green management platform to conduct monthly net zero management performance evaluations on 75 key suppliers, and continuing to enhance supplier net zero management.

Supplier Net Zero Evaluation Indicators



In 2022, the Group launched a pilot supplier carbon reduction program which included preliminary carbon inventory analysis and on-site energy conservation guidance. Our consultants and experts provided feasibility plans for five electronics suppliers; total carbon reductions are expected to reach 27,500 tCO₂e if suppliers execute all energy conservation and transformation plans.

Snapshot of Group's Carbon Reduction Coaching Team's On-site Communication with Suppliers

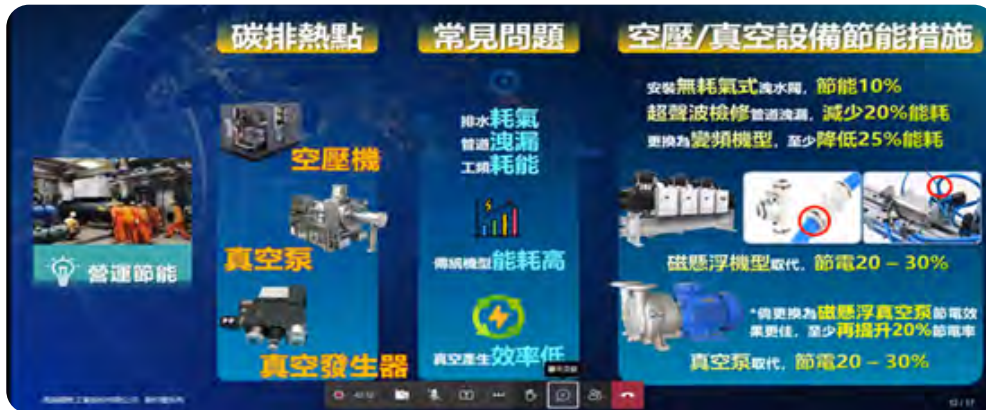




Promotion of Mutual Growth

Net Zero and Zero Waste Management Training Seminar for Electronics Suppliers

The Group hosted the online "Net Zero and Zero Waste Management Training Seminar for Electronics Suppliers" on July 21, 2022, sharing outstanding Group energy-saving transformations and zero waste management experiences in "Zero Waste Factories." We also announced our green supplier management policies and requirements, and invited a third party (UL) to introduce zero landfill knowledge to our suppliers. A total of 61 electronics suppliers attended the seminar.



Supplier Carbon Reduction Achievement Conference

The Group hosted the online "Supplier Carbon Reduction Achievement Conference" on December 14, 2022. At the conference, we introduced common carbon emission hotspots and recommended solutions. We also invited three suppliers with novel carbon reduction techniques that had achieved significant results to share their specific practices and case studies. The aim of the conference was to facilitate technical exchanges and help suppliers brainstorm optimal solutions. A total of 146 suppliers attended the conference.

