Kamtec

Carbon neutral Guide for Suppliers

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Management Team	Process Quality Engineering Team

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Kamtec

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0. Term

1) RE100 : Short for Renewable Electricity 100%, a global campaign that promises to cover 100% of the electricity used by companies with renewable energy includes solar, wind, hydro, geothermal, biomass, and green hydrogen power generation.

2) PPA : The Power Purchase Agreement stands for an electricity purchase contract. This contract is made when a power generator sells the electricity generated through renewable energy generation to KEPCO, and it is possible only when a permit is issued from the KEPCO and a distribution line that can be transmitted is connected.

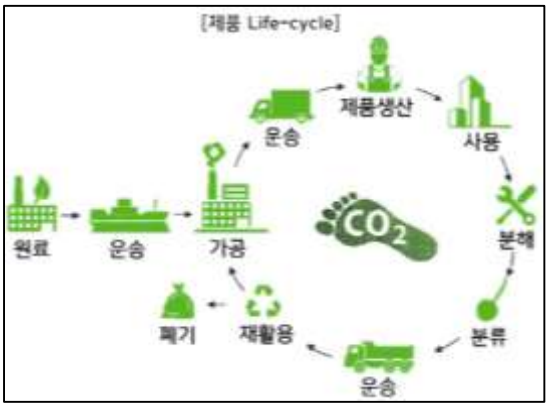
3) ISO : Short for International Organization Standardization, ISO 14001 is a certification standard related to environmental management, and ISO 14097 is emerging as a new standard with "a framework that includes principles and requirements for evaluating and reporting greenhouse gas management and related investment and financial activities."

4) CDP : An international non-profit organization that is responsible for carbon emissions information disclosure projects under the abbreviation of the Carbon Disclosure Project

5) ESG management : It is a management that reflects non-financial factors such as environment, social, and governance in corporate activities to strengthen the company's sustainability capabilities.

6) Carbon neutrality: It is a concept that increases the amount of carbon dioxide absorption as much as the amount of carbon dioxide generated by a company or individual, making the actual carbon dioxide emission zero.

7) LCA : LCA (Life Cycle Assessment) refers to the calculation of carbon emissions generated in the entire life cycle of a product, that is, from the process of production and warehousing for the first time until it is finally completed, used, and discarded. In the process, it is possible to analyze and improve carbon emissions step by step.



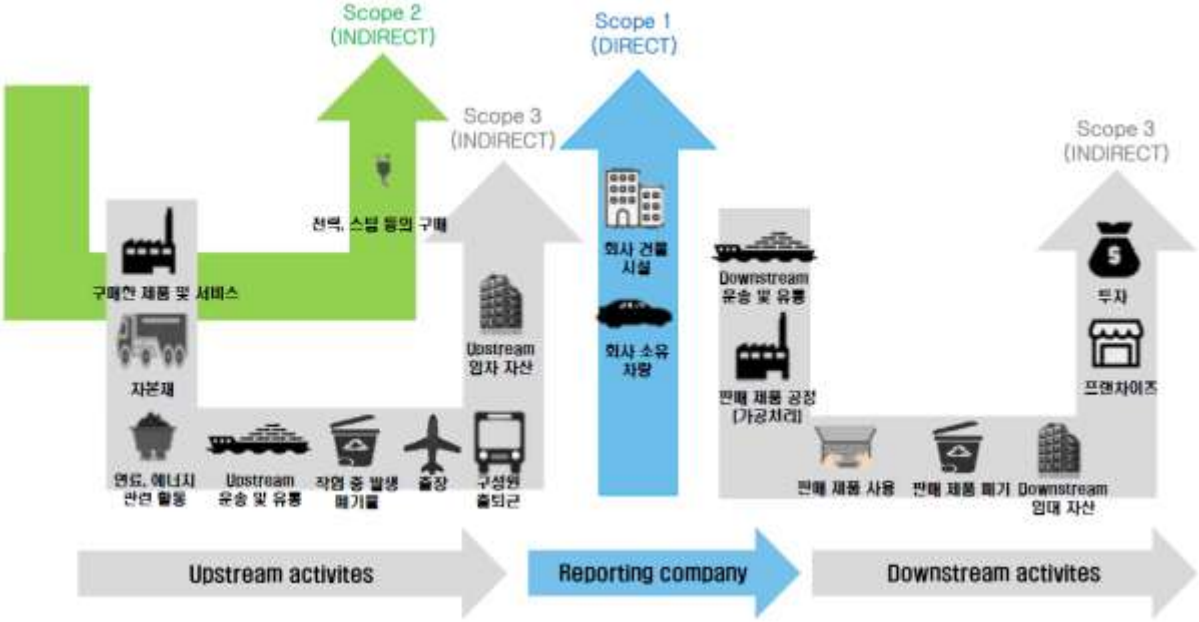
8) Scope 1 : Greenhouse gas emissions that occur directly from assets owned or controlled by a company or organization. For example, greenhouse gases generated directly from a company's factory, LNG used to operate offices or restaurants, gasoline used to operate kerosene corporations, diesel, etc. are included.

9) Scope 2 : Indirect greenhouse gas emissions caused by companies or organizations using energy such as electricity, heat, and steam purchased from outside. Examples include electricity, steam, etc. used by companies.

10) Scope 3 : Other indirect greenhouse gas emissions that are not owned or managed by a company or organization but occur throughout the value chain related to the company's activities. For example, greenhouse gases generated from gasoline and diesel required for logistics, such as commuting, business trips, raw material purchases, and product shipments of employees. It consists of Upstream and Downstream and is classified into 15 categories.

Category			content
Up stream	1	Purchased goods and serices	Greenhouse gas emissions generated by suppliers to produce products and services when purchasing products/services
	2	Capital goods	Greenhouse gas emissions generated to produce capital goods when purchasing capital goods
	3	Fuel and energy related activities	Greenhouse gas emissions from energy-related activities not included in Scope 1 and 2
	4	Upstream Transportation and distribution	Greenhouse gas emissions generated during transportation and distribution related to the purchase of products and services

	5	Waste generated in operations	Third-party consignment treatment of waste generated from owned or operated business sites
	6	Business travel	Greenhouse gas emissions from a employee's business trip using transportation owned or operated by a third party
	7	Employee commuting	Greenhouse gas emissions generated by the means of transportation used by members to commute to and from work
	8	Upstream Leased assets	Greenhouse gas emissions generated during the operation of assets leased from other enterprises
Down stream	9	Downstream Transportation and distribution	Greenhouse gas emissions generated during transportation and distribution of sold products and services
	10	Processing of sold products	Greenhouse gas emissions generated in the process of processing products of third-party companies that purchased the products sold
	11	Use of sold products	Greenhouse gas emissions from the use of sold products/services
	12	End-of-life treatment of sold products	Greenhouse gas emissions from disposal of sold products
	13	Downstream Leased assets	Greenhouse gas emissions generated during the operation of assets leased to other enterprises among owned assets
	14	Franchises	Scope 1 and 2 emissions from franchisees
	15	Investments	Scope 1 and 2 emissions from investee companies



1. Overview

1.1 Kamtec carbon neutrality strategy

Kamtec will strive to achieve carbon neutrality throughout the entire process, from car parts procurement to production and operation, with the will to think about sustainable development and the global environment for future humanity.

To combat climate change, Kamtec has set a goal of reducing energy use by 20% by 2025 and 40% by 2030, while greenhouse gas emissions are set to be reduced by 30% by 2030 compared to 2022.

In 2022, we have established a factory temperature and humidity management system to maintain proper temperature and humidity in real time, prevent unnecessary energy consumption, and control energy usage by sending warnings to energy managers when peak power is expected through the factory-wide real-time power monitoring system.

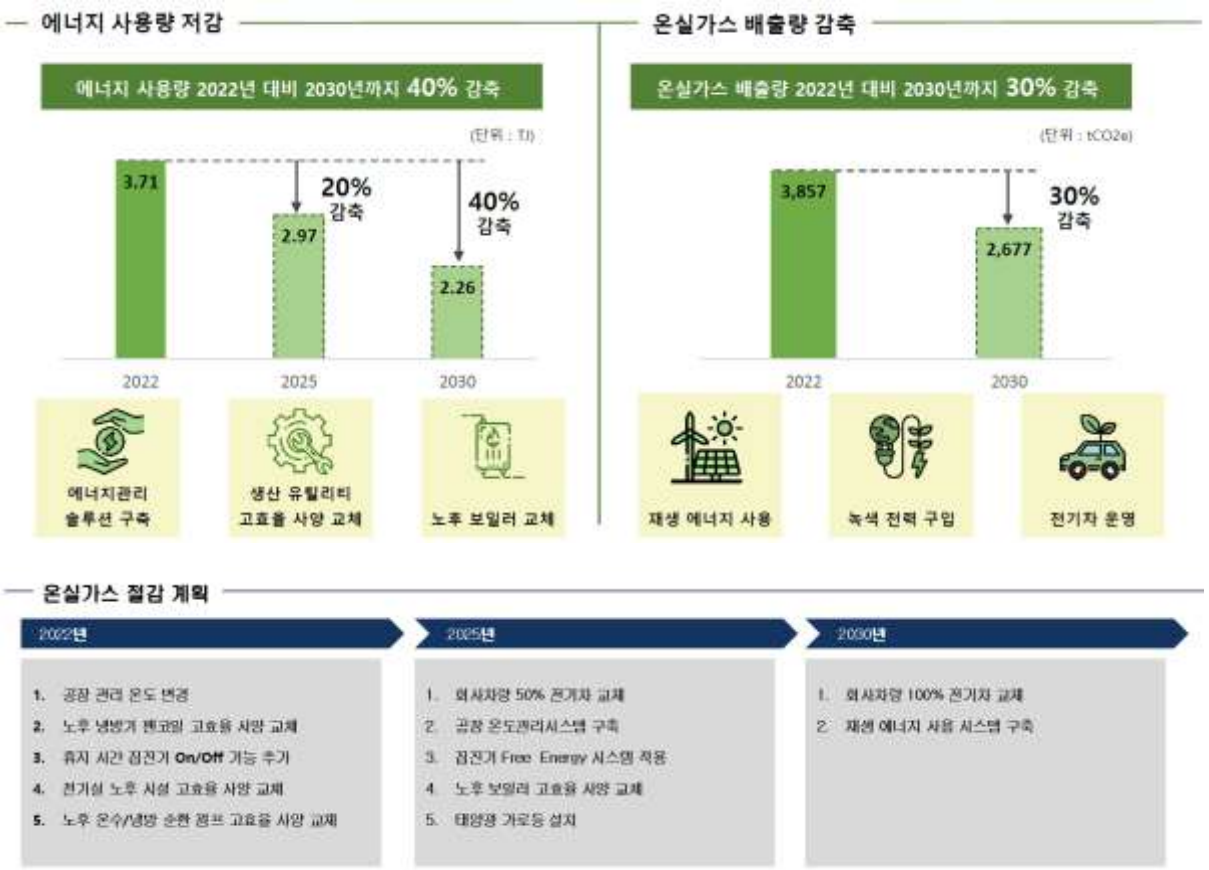
In addition, we are expanding the development of electric vehicles such as electric vehicles in addition to internal combustion engine vehicles to reduce and zero carbon in the vehicle. In order to achieve this carbon neutrality goal, we will make various efforts, such as providing carbon neutrality guidelines not only to Kamtec's workplaces but also to major partners, and demanding social practice.

In particular, we will conduct a life-cycle environmental impact analysis (LCA) of products ranging from acquisition of raw materials to operation, disposal and recycling for true carbon neutrality practice, and will make efforts to conduct environmental improvement activities throughout the process.

1.2 Guide coverage

We recommend that all partners who provide goods and services to Kamtec or who have entered into a contract for other transactions (including sub-level partners that transact within the supply chain) comply with this guideline, and we may also recommend that compromise partners in business with them comply with this guideline.

1.3 Kamtec's greenhouse gas reduction target



2. Compliance

2.1 Establishment of a response system for carbon neutrality

To ultimately achieve carbon neutrality, partners should establish an implementation plan for achieving carbon neutrality in the mid- to long-term, including their own greenhouse gas emission reduction plan, and establish and operate a comprehensive response system.

The established response system (2.1) should enable activities such as monitoring carbon emissions (2.2) and establishing carbon neutral goals (2.3), greenhouse gas reduction activities (2.4), supply chain greenhouse gas reduction management (2.5), and disclosure

of greenhouse gas emission information (2.6).

1) Establishment and operation of a comprehensive response system to achieve carbon neutrality

① We need to establish a system to measure and manage energy use and greenhouse gas emissions and continue efforts to reduce them.

② When making new investments (expanding new factories, electric parts business, etc.), the greenhouse gas reduction system should be actively reflected.

③ Partners should operate an environmental management system consisting of organizations, plans, procedures, and performance checks to mitigate environmental impact.

④ It should actively participate in achieving mid- to long-term carbon neutrality, such as promoting RE100.

2) Reduction of GHG emissions throughout the product life cycle

① Partners should strive to reduce environmental impact at each stage of the product life cycle. Throughout the product life cycle, environmental impact should be reviewed, eco-friendly procurement policies should be implemented from the development stage, and leading actions should be taken to reduce the impact on the environment.

② Efforts should be made to build a low-carbon ecosystem throughout the product development process, including raw material partners.

2.2 Monitoring GHG emissions

Partners should measure and manage greenhouse gas emissions. Direct greenhouse gas scope1 and indirect greenhouse gas scope2 should be monitored, and carbon reduction goals and carbon reduction activities should be carried out on the results.

When monitoring and carbon reduction activities for Scope 1 and Scope 2 are carried out, efforts should be made to measure and manage Scope 3. Through the final

calculated greenhouse gas emissions, efforts should be made to establish goals for carbon neutrality and to establish an action plan to achieve the goals.

2.3 Establish carbon neutrality target

To achieve carbon neutrality, partners must establish short-term and mid- to long-term greenhouse gas reduction goals. Every year, we must establish goals for reducing greenhouse gas emissions, establish a base year and a mid- to long-term reduction goal compared to the base year, and make efforts to establish and achieve the goal for final carbon neutrality.

Kamtec monitors greenhouse gas emissions every month, and sets a goal of reducing total greenhouse gas emissions every year compared to the previous year by setting short-term goals. As a mid- to long-term goal, we disclosed it in the ESG report with the goal of reducing greenhouse gas emissions by 30% in 2030 compared to 2022, and we will strive to achieve final carbon neutrality.

Currently, many customers have declared that they will achieve carbon neutrality, and (HMC/Kia declared carbon neutrality in 2045) Global countries and companies have declared carbon neutrality in 2050.

2.4 GHG reduction activities

In order to reduce greenhouse gases generated in factories, offices, research institutes, and logistics facilities, partners must manage energy use and greenhouse gas emissions, establish and implement their own plans for greenhouse gas reduction activities, such as efficient use of energy at workplaces, optimizing production processes, and expanding renewable energy conversion. Through this, partners can achieve cost savings.

1) Establishment of a clean production system and continuous improvement of environmental management infrastructure

① Partners should establish an eco-friendly production system, such as obtaining ISO certification, an international standard for responding to climate change, for all

workplaces.

② It is necessary to establish an education system to raise awareness of employees related to environmental issues such as carbon neutrality and actively supplement environmental facilities.

③ A company-wide greenhouse gas response consultative body should be formed to do its best to improve energy efficiency, expand the use of renewable energy, and improve the working environment.

④ When making new investments, we should actively review the use of high-efficiency facilities to improve energy efficiency at workplaces, the use of renewable energy in production processes (such as solar power generation), and PPA to continue innovation activities to achieve carbon neutrality.

2) Continuous efforts to minimize environmental impact

① We need to continue to seek ideas for reducing the use of natural resources when putting energy into production of parts to reduce our dependence on them and minimize the negative impacts of mining and drilling.

② It is necessary to minimize waste generated at the manufacturing site, establish management standards for waste generated, and strictly manage it to properly dispose of it, and continue to seek efficiency of input resources such as reducing packaging materials.

3) Reduction of GHG in the logistics process

① Partners should make efforts to reduce energy consumption and greenhouse gas emissions generated in the overall process of packaging/logistics/vehicle transportation.

② The overall logistics process should be checked, including efficient logistics operation management, inventory optimization, packaging reduction in delivery, and reuse after recovery.

4) GHG emission information management and eco-friendly logistics conversion

① Data on greenhouse gas emissions generated throughout the logistics process must

be collected and managed.

② It is necessary to actively participate in recycling packaging materials (carrying boxes, pallets, buffers, etc.) used in the delivery process, and conduct greenhouse gas reduction activities such as converting transport vehicles into eco-friendly vehicles in the long run.

2.5 Supply chain GHG reduction management

Partners should actively reduce greenhouse gas emissions throughout the entire process from procurement of raw materials to product development, production, and delivery, and make efforts to build a low-carbon ecosystem across the supply chain by allowing compromise partners (including raw material companies) in the parts supply chain to participate in these activities.

1) Implementation of eco-friendly procurement policy
(purchase of raw materials and parts development)

① Partners should promote the transition to low-carbon emission materials and actively promote transactions with raw materials and parts partners who actively implement eco-friendly/low-carbon policies.

② In order to reduce the use of natural resources and raw materials, preemptive measures such as lightweight design and weight reduction proposals should be implemented from the component development stage.

2) Reduction of GHG emissions at supply chain business sites

① It should actively recommend and support the use of high-efficiency facilities and the expansion of renewable energy in production processes to improve energy efficiency of trading partners.

② It shall actively recommend and support the transaction partner's delivery vehicles and business vehicles to be converted into eco-friendly vehicles.

3) Establishment of a carbon-neutral response system in the supply chain

① It is necessary to support the management of energy consumption and greenhouse

gas emission data of trading partners and conduct periodic monitoring.

② Voluntary participation in comprehensive greenhouse gas response should be urged, including environmental management campaigns (CDP, RE100, etc.), natural ecosystem/forest protection activities, and participation in eco-friendly parts projects.

2.6 Disclosure of information on GHG emissions

The partner company shall calculate and provide information on the use of energy and greenhouse gas emissions as accurately as possible within the requested date through the method determined by Kamtec.

If the supplier is a government-designated "management target company" or "quota assigned company" of greenhouse gas emissions, it must provide certified actual emissions. Also, if some of their business sites are not included, the supplier must provide actual emissions of those sites not included as well.

1) Provide transparent and accurate information (energy usage and GHG emissions)

① At the request of Kamtec, the partner company shall actively provide information such as energy use and greenhouse gas emissions within the due date.

② The business place requesting information may correspond to all facilities, such as factories, R&D facilities, offices, sales offices, and logistics facilities, and must be calculated and actively provided in an accurate manner based on the criteria specified at the time of request.

2) Key indicators related to energy consumption and GHG emissions

① Indirect greenhouse gas emissions from electricity/steam use: electricity/steam use in the workplace

② Greenhouse gas emissions from fixed combustion facilities: Amount of fuel used in combustion facilities (LNG, gasoline, diesel, kerosene, etc.)

③ Greenhouse gas emissions in the process of mobile combustion: The amount of fuel generated when moving into the workplace required for the entire production process

and the amount of fuel generated during the process of delivery from the partner to the Company

④ Others: Information on renewable energy usage, CDP and RE100 participation, reduction activities, etc

2.7 Supply chain due diligence (ESG assessment)

Partners should make efforts to conduct due diligence on the supply chain to prevent and mitigate negative impacts from their own, subsidiaries, and supply chain relationships. Negative impacts include potential impacts as well as actual impacts, and ESG risk management across the supply chain, including suppliers, is required.

Currently, international organizations such as the United Nations, the OECD, and the EU and several countries, including the United States, France, Germany, the United Kingdom, and the Netherlands, have established and are operating legal systems that mandate inspections of human rights and the environment.

From an ESG perspective, Kamtec has also been conducting ESG evaluations on major suppliers' supply chain due diligence since 2021, with contents related to the environment, labor rights, safety and health, and ethics to manage potential supply chain risks. ESG evaluation consists of three stages: self-evaluation and review of suppliers, on-site evaluation and guidance on improvement, and receipt of effectiveness evaluation and improvement measures.

Kamtec also plans to continue to develop ways to substantially improve the level of ESG in its partners through ESG education cooperation and circular evaluation.

〈공급망 실사 프로세스(OECD, 2018)〉

[그림] OECD(2018), 기업 책임경영을 위한 OECD 기업 실사지침

2.8 Participation in environmental management activities

1) Active interest in and participation in environmental management activities

① For the development and distribution of environmentally friendly vehicles, we must fulfill our social responsibilities as a company specializing in the auto parts industry.

② We should actively participate in various awareness-raising education programs related to ESG management and carbon neutrality, and actively strive to raise environmental awareness of executives and employees.

③ We must comply with environmental laws and agreements and disclose our efforts and achievements for environmental management.

④ We need to actively cooperate in ESG evaluation and on-site inspection of partner companies to support ESG management.

⑤ Environmental management systems (Climate Change International Standard ISO Certification) verified by external agencies must be established and maintained continuously.

2) Establishment of governance and system improvement for systematic and efficient carbon neutrality promotion

① It is necessary to establish policies to achieve mid- to long-term carbon neutrality, such as managing energy consumption and greenhouse gas emissions, and to form an organization (such as a company-wide greenhouse gas council).

② Carbon neutrality goals should be reflected in the partner's sustainability management strategy to complement in-house norms/policies based on them and to establish/supplement code of conduct/guidelines that can be presented to compromise partners in the transaction.

③ By reflecting greenhouse gas reduction at workplaces, identifying partners with climate risks, and managing ESG evaluation and management in performance indicators (KPIs), efforts should be made to achieve carbon neutrality goals.

④ We need to actively cooperate with external platform activities related to carbon neutrality such as CDP and RE100, ESG evaluation, etc.

3) Strengthen cooperation with partners

① It is necessary to prepare its own ESG education program for trading partners or actively strive to raise awareness of carbon neutrality of compromise partners, such as taking online training.

② ESG cooperation between partners should be activated, such as exchange activities such as greenhouse gas knowledge sharing associations, environmental performance evaluation and awards, and joint research on low-carbon parts development.

3. Responsibilities and roles of partners

All Kamtec partners must comply with the guidelines in the management decision-making and business operations process.

Kamtec and a third party entrusted by Kamtec may inspect and inspect the compliance of these guidelines by its partners to the extent permitted by law, which may recommend

improvements to the identified risks. In this case, the partner shall actively endeavor to establish and implement improvements to the identified risks.

These guidelines may be regularly supplemented and revised to build a sustainable supply chain.

4. History of enactment and revision

No	Date	Contents	Remark
0	Oct 27, 2023	The first enactment	-