

Governance and Oversight

Avary Holding has established a thorough supply chain management system under the direct supervision of the Board of Directors, ensuring top-level accountability for our supplier ESG programs. We utilize the Supplier (Contractor) Management System to systematically manage the quality, delivery, technical service, pricing of supplied goods, and ESG. This comprehensive approach allows us to maintain high standards across our supply chain. To extend our social responsibility ideals throughout our supply chain, we have developed several key regulatory documents, including the Supplier Social Responsibility Management Regulations and the Supplier Conflict Minerals Management Regulations. These documents ensure that suppliers commit to adhering to applicable environmental laws, labor laws, and international corporate social responsibility standards.

Purchasing Practices and Supplier Selection

We continuously evaluate our purchasing practices to ensure alignment with our Supplier Code of Conduct, thereby avoiding any potential conflicts with ESG requirements. Our selection process favors suppliers with exemplary ESG performance by incorporating ESG criteria into our supplier evaluation and contract awarding processes. We have requested suppliers to provide a “Letter of Commitment” or sign the “Special Clauses of Procurement Orders,” formulated according to international standards such as those set by the Responsible Business Alliance (RBA). The documents cover ethical conduct (ethical management, no improper gains, etc.), human rights (prohibition of child labor, free choice of employment, etc.), and environmental protection (biodiversity, no deforestation, land protection, etc.), with provisions for terminating agreements if suppliers significantly violate our corporate social responsibility policies. We also conduct annual social and environmental responsibilities (SER) audits on suppliers. Suppliers are expected to meet minimum ESG requirements within a year; those failing to do so will be excluded from contracting. We provide regular training for our internal procurement staff on integrity, honesty, and supplier social responsibility management. This ensures that our staff is well-equipped to uphold our high standards and effectively manage supplier relationships.

Significant Supplier Screening Mechanism

To enhance supply chain risk management, Avary has established a significant supplier screening mechanism. This process systematically evaluates suppliers based on multiple dimensions - including procurement value, involvement in specialized applications, business relevance, ESG risk performance, and regional risks - to identify suppliers with higher risk profiles. These suppliers are designated as priority targets for subsequent management and audit efforts.

Evaluation Dimensions and Criteria:

A. Business Relevance:

1. Top 10 suppliers by industry ranking
2. Top 3 suppliers by procurement value for specific material categories
3. Suppliers involved in joint development or collaboration projects
4. Suppliers with significant development potential

5. Suppliers in specialized application sectors, such as automotive electronics

B. Environmental, Social, and Governance (ESG) Risk:

Avary conducts SER (Social and Environmental Responsibility) audits in accordance with the RBA framework, covering five key dimensions: Labor, Health and Safety, Environment, Ethics, and Management Systems.

1. Suppliers that have experienced SER incidents (including media exposure) in the past 12 months, or incidents within the past three years that remain unremedied
2. Suppliers currently under disqualification review or already disqualified due to SER-related issues
3. Suppliers that fail to close SER non-conformities found during on-site audits within the specified time frame
4. Suppliers rated “Red” in the previous year’s SER audit

C. Country/Regional Risk:

Use of conflict minerals originating from the Democratic Republic of the Congo and adjoining countries

As of 2024, Avary has a total of 1,144 Tier-1 suppliers, of which 60 have been identified as significant suppliers, accounting for 23% of total procurement value. In addition, 3 significant suppliers were identified beyond Tier-1.

Supplier Assessment & Audit Procedures



questionnaires and on-site evaluations conducted by internal personnel.

1. Supplier Desk Assessments:

All suppliers are required to complete a self-assessment questionnaire. The questionnaire covers company information, management systems (e.g., ISO certifications, standard operating procedures, and quality assurance), risk management, customer service (including quotation processes, delivery schedules, and standard workflows), supplier management, quality management, process control, packaging, logistics and warehousing, environmental health and safety, green product management, and trade security management. Avary employees review and verify the questionnaire responses to evaluate each supplier’s commitment, performance, and potential risks in terms of quality, hazardous substances, and environmental and social responsibility.

2. On-site Assessments:

Avary employees conduct annual on-site visits and evaluations of selected suppliers. In 2024, a total of 170 suppliers were selected for annual audits on quality and hazardous substances, including 62 significant suppliers. Additionally, based on the RBA audit framework, Avary completed environmental and social responsibility (SER) audits for 53 suppliers, of which 5 were significant suppliers.

Supplier Corrective and Improvement Action Plan

In the areas of quality and hazardous substances, three suppliers were identified as non-compliant following audits in 2024. Of these, 1 supplier was disqualified and had its business relationship terminated, while the remaining 2 completed all required corrective actions within the year. In terms of social and environmental responsibility, 29 suppliers were classified as “yellow” ratings, of which 3 were significant suppliers. All identified issues were fully corrected within the same year, resulting in a 100% completion rate.

In total, we facilitated the correction of 1,651 quality and hazardous substance-related non-conformities in 2024. The main issues included non-compliance with documented procedures during on-site operations, unclear segregation of material storage areas, and inadequate supply chain management mechanisms. In response to the material segregation issues, we revised internal procedures and supported suppliers in clearly defining storage guidelines and enforcing proper management practices. Regarding environmental and social responsibility, we supported suppliers in resolving 387 findings, primarily related to occupational health and safety and excessive working hours. For suppliers that failed to comply with labor hour regulations, we required them to optimize production scheduling to ensure working hours align with legal requirements.

Training and Compliance

- **Supplier Compliance:** In 2024, 100% of suppliers completed the signing of all required compliance documents, ensuring full adherence to our standards. No human rights violations such as child labor, forced labor, or compulsory labor were reported among our production suppliers during the year.
- **ESG Training :** To enhance the effectiveness of ESG implementation across our supply chain, Avary develops annual training plans at the beginning of each year, covering topics such as the Supplier Code of Conduct, environmental policies, and commonly used quality management tools. In 2024, we conducted five ESG-related training sessions, with participation from 382 suppliers and a total of 1,003 attendees.
- **ESG Benchmarking and Best Practice Sharing:** To promote transparency and continuous improvement, Avary facilitates ESG knowledge exchange among suppliers through supplier conferences and forums. During these events, we invite industry-leading suppliers to share best practices and success stories related to ESG implementation. This enables peer benchmarking,

allowing suppliers to assess their own ESG performance relative to industry standards and peer achievements.

Supplier Capacity Building Programs

- To fulfill our environmental responsibilities and advance sustainability across the value chain, Avary launched a survey in 2024 covering the carbon emissions and renewable energy usage of 112 suppliers, including 55 significant suppliers. We also held two virtual briefings for suppliers and conducted on-site visits to 10 suppliers for further engagement and dialogue.
- Green Supply Chain Environmental Initiatives: As part of our Green Supply Chain Environmental Initiative, we provide hands-on technical assistance to help suppliers improve environmental performance at the operational level. This includes support for factory-level environmental risk assessments, implementation and certification of ISO 14001 management systems, and execution of targeted sustainability projects such as energy-saving retrofits, water efficiency upgrades, waste minimization, and carbon footprint reduction.
- Supplier Carbon Reduction Program: We introduced a Supplier Carbon Reduction Program to offer comprehensive assistance in conducting greenhouse gas inventories and developing carbon reduction plans. Suppliers are encouraged to present their progress and results during our annual supplier sustainability forums.