

Document No.	Policy- 08-00- Sustainable Raw Material Procurement Policy_202409_01
Last revision date	September 2024
Department in charge	Purchasing department of each business unit, ESG Management Department
Approver	Head of Compliance Department

Sustainable Raw Material Procurement Policy

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1. Responsibility for Sustainable Raw Material Procurement

DAESANG is the leading comprehensive food company in Korea that creates a happy future with a healthy food culture, and we pledge to continuously strive to create a healthy planet beyond our customers' eating habits. In particular, we aim to contribute to the national society by supplying safe and valuable food to our customers by procuring sustainable raw materials. Sustainable raw material procurement refers to procuring materials that are produced through processes that minimize damage to the environment, save energy and natural resources, and are safe and economical for employees, local communities, and customers. Sustainable raw material procurement applies to all employees of DAESANG and the entire supply chain.

2. Sustainable Raw Material Procurement Management Process and Goals

DAESANG establishes goals for sustainable raw material procurement policy and promote activities to achieve the goals. The sustainable procurement management process, goals, and promotion activities to conserve energy and natural resources, be economically feasible, keep employees, communities, and customers safe and healthy, and provide social and creative products to all stakeholders are as follows.

1) Sustainable raw material procurement management process

In order to form an ethical, environmentally responsible, sustainable, competitive and transparent supply chain, DAESANG seeks to discover business partners and create a management environment in which they can coexist. Accordingly, we regularly conduct ESG diagnosis within a reasonable range to improve the economic growth and social and environmental standards of its partners.

ESG diagnosis, which is conducted by the purchasing department and Shared Growth Secretariat, is divided into entry evaluation and regular evaluation. An entry evaluation is conducted for all domestic partners, a regular evaluation is conducted for key partners, and the regular evaluation is going to be gradually expanded to all partners.

ESG diagnosis aims to spread the global sustainable management system to partners by diagnosing the ESG rating of partners based on internationally required codes of conduct and standards in the areas of environment (E), society (S), and governance (G), thereby creating a successful joint growth ecosystem based on transparent, fair, and sustainable procurement management.

In case the partner diagnosis results indicate that the partner has a high risk of sustainable procurement management, improvement measures will be taken to reduce the risk.

2) Sustainable raw material procurement goals

To ensure compliance with environmentally friendly and ethical operating standards, DAESANG and our partners must collaborate, share information, and share the understanding that compliance with sustainability-related regulations is essential to business operations.

To this end, the partners shall, by 2025,

- ① Strive to practically implement the 'Sustainable raw material procurement process' of DAESANG,
- ② Sign a statement confirming compliance with DAESANG's Code of Conduct for Partners,
- ③ Cooperate with DAESANG's ESG evaluation of partners,
- ④ Have a person in charge take participate in ESG training conducted by DAESANG,
- ⑤ Work together with DAESANG to share awareness of sustainable procurement and ESG management, share performance and best practices, manage costs, build a reputation for the brand together and reduce identified risks.

3. Promotion Activities to Achieve Goals

- 1) Board of Directors review of ESG-related risks of partners
- 2) Sharing and monitoring of compliance of Code of Conduct of Partners
- 3) ESG evaluation when newly registering partners
- 4) ESG diagnosis of partners and request for improvement for partners with high risk
- 5) Analysis of ESG evaluation results of partners and additional management
- 6) Development of sustainable procurement content and provision of education among ESG education contents for workplaces and partners

4. DAESANG Sustainable Procurement Principles

Sustainable raw material procurement is closely linked to the social and environmental responsibilities of companies, and all companies must deal with this. In particular, as a comprehensive food company, the procurement of customer health and nutrition, eco-friendly and low-carbon raw materials is an essential requirement for the existence and activities of the company. DAESANG establishes a Sustainable Raw Material Procurement Policy that takes into account the safety of customers and the impact on the environment of the Planet and conducts business

activities in compliance with this policy.

This Sustainable Raw Material Procurement Policy is based on the corporate philosophy of DAESANG and expresses DAESANG's responsibility for securing raw material stability, eco-friendly management, and forming a sustainable supply chain, and supplements the compliance management system, and the Code of Ethics and Practical Guideline for Ethical Management.

DAESANG's commitment to sustainable raw material procurement is as follows.

- 1) Sustainable procurement for customer health and nutrition
 - Procurement of raw materials that prioritize the health and nutrition of customers
 - Continuous efforts to ensure the stability of raw materials

- 2) Eco-friendly management and climate change response for a healthy planet
 - Continuous expansion of eco-friendly raw materials
 - Low carbon raw material-oriented procurement and avoidance of excessive greenhouse gas
 - Utilization of renewable materials and energy

- 3) Formation of a sustainable supply chain with healthy companies to expand social value
 - Establishment of a close and efficient supply chain network
 - Formation of an ESG management-oriented supply chain such as social responsibility and environmental protection
 - Efforts to ensure that employees can work in a safe and humane environment
 - Close cooperation on strengthening environmental regulations

- 4) Activation of national food resources through expansion of domestic agricultural product use
 - Promoting balanced development of farmers through expansion of domestic agricultural product contract cultivation as a social contribution activity for national agricultural development and local communities
 - Contributing to activating national food resources and agricultural development by expanding the use of domestic raw materials through the launch of products using domestic raw materials

5. Fulfilling Responsibilities for Sustainable Raw Material Procurement

Based on the above pledge, DAESANG procures raw materials such as soy, oil, rice, agricultural products, livestock products, marine products, and packaging materials. Furthermore, we strive to create a healthier planet and a happier society. This standard will not only be applied to all our domestic and overseas business sites but will also gradually expand the scope to our partners to fulfill our responsibility as a social enterprise. DAESANG's purchasing department will do its best to realize sustainable procurement by complying with the basics and principles with a responsible attitude toward society and the company and establishing a supply chain management system.

1) Soy

Soy is the main raw material of DAESANG, a traditional fermentation company, and is used to produce fermented foods such as soybean paste and soy sauce using the best fermentation technology in Korea. It is also used in fresh foods such as tofu and bean sprouts. Soy is a representative raw material of vegetable protein, and the usage ratio will gradually increase in line with the expansion of the vegetable protein market.

① Direction

- Soy used in fermented condiments is mainly from the United States and is certified as US Sustainable Soy, which has low carbon emissions and is specialized in efficient water use.
- Domestic soy is procured from all over the country, including Jeolla-do, Gyeongsang-do, and Chungcheong-do, to expand the use of farmland, and efforts are also made to develop new products to expand the use of soy.

② Application scope of policy

The policy applies to all countries where DAESANG purchases soy and focuses on the following regions to ensure sustainable procurement management of soy.

- Areas where soy production may result in natural forest loss or areas of high conservation value
- Areas that constitute the company's main procurement areas

Comply with all relevant laws and regulations and, when supplying non-GM soy to markets that require non-GM corps, third-party audits can be applied if necessary.

2) Oil

The main products of the oil are soybean oil and canola oil, which are used as main ingredients in the restaurant market and as household oil products. We strive to provide a sustainable supply of healthy oils.

① Direction

- When using American soybeans for oils, we mainly use soybeans that have received the US Sustainable Soy certification, which specializes in low carbon emissions and efficient water use.
- Oil is supplied through partners with stable domestic refining facilities by importing raw oil, and we provide the best products through thorough quality control.

② Application scope of policy

The policy applies to all countries where DAESANG purchases oils and applies to all production scales (e.g., from large-scale to small-scale production). However, the specific policy implementation mechanism of DAESANG may vary to ensure equal opportunities for small-scale producers.

- Purchase from farms that operate in compliance with local laws and regulations.
- Respect the rights of indigenous people and local communities in relation to activities on land where farms are developed.
- Protect the peatlands that serve as carbon storage for the Planet.
- Protect forest areas with 'high carbon' value (defined as of February 2011: 35 tons of terrestrial carbon)

3) Rice

Rice is used to produce major products such as gochujang, rice syrup, vinegar, frozen rice, and rice cakes, and we strive to improve our customers' eating habits and health by expanding the use of rice.

① Direction

- Continue activities to increase the ratio of rice used. In particular, strive to increase the use of brown rice to help our customers' health and nutrition.
- Strive to develop new products to respond to the decrease in domestic rice consumption and to continuously increase domestic rice consumption.

4) Agricultural Products

Agricultural products are mainly used in JONGGA kimchi. DAESANG strives to maintain the tradition of kimchi, a representative food of Korea, and expand the kimchi brand globally. We contribute to coexistence with farmers by continuously using domestic agricultural products.

① Direction

- Contribute to the expansion of the kimchi market by inheriting the tradition of kimchi,

a representative food made only with domestic agricultural products, and developing new products.

- Continuously develop coexistence with farmers by directly concluding contract farming of cabbage, the raw material for kimchi, with farmers.
- Continuously expand the proportion of organic kimchi products to strive for soil conservation.

② Application scope of policy

The policy applies to all countries where DAESANG purchases agricultural products and applies to all production scales. For this reason, DAESANG's specific policy implementation mechanisms may vary to ensure equal opportunities for small-scale producers.

The requirements for cooperative partners by agricultural raw material for continuous improvement are as follows:

- Manure management
- Product Processing
 - Water conservation
 - Control and decrease of pollutant loads including BOD(Biological Oxygen Demand) and COD(Chemical Oxygen Demand)
 - Reduction, reuse, recycling and recovery of waste, valuation of by-products

5) Livestock Products

Livestock products are the main raw materials for meat processing, sauces, and home meal replacement(HMR) products. Through livestock raw materials, we supply various food ingredients to customers' tables and contribute to expanding the value of food ingredients by adding taste and convenience.

① Direction

- Gradually expand the scope of animal welfare certification and use of antibiotic-free livestock raw materials. Focus on developing new products using plant-based meat substitutes and cultured meat technology and contribute to carbon reduction.

② Animal welfare declaration

DAESANG respects the basic spirit of animal welfare that animals should live freely in a nature-friendly space. In addition, we establish and strive to comply with the five principles in order to expand ethical consumption.

- Freedom from hunger and thirst

- Freedom from environmental or physical discomfort
- Freedom from pain, injury and disease
- Freedom to express normal behavior
- Freedom from fear and distress

③ Activities to promote animal welfare

DAESANG performs the following activities to promote animal welfare:

- Selling animal welfare eggs that do not use antibiotics, hormones, or growth promoters
- Not using products produced from genetically engineered or cloned animals
- Managing harmful factors that exceed legal standards related to animal welfare
- Preventing environmental pollution such as water quality and soil and delivering high-quality livestock products to consumers

④ Application scope of policy

The policy applies to the production of all meat, poultry, eggs, and derivative products purchased by DAESANG. DAESANG's partners must also strive to minimize harmful impacts on the environment and society and achieve sustainable cost reduction in the following areas:

- Supply chain transparency
- Feed production, animal feed production
- Livestock industry
- Slaughterhouses and processing plants
- Animal welfare along the value chain

6) Marine Products

Marine product raw materials are used to produce fish sauces using shrimp, sand lance, and anchovies, various home meal replacement (HMR) using squid and octopus, and laver, a specialty of Korea. Although the demand for marine product raw materials continues to increase, the supply and demand situation for marine product raw materials is expected to change due to climate change, improvement of marine resources, etc. Accordingly, we will secure growth momentum through stable supply and development of new products in cooperation with the marine industry.

① Direction

- Strive to expand laver manufacturing facilities and develop new products using marine products in order to achieve sustainable development goals in the marine industry
 - Cooperate with domestic and foreign marine industry groups that have completed EU approval and expand the scope for sustainable marine industry.
- ② Application scope of policy
- DAESANG secures responsible suppliers who practice continuous improvement. We purchase marine products, fish, derivative by-products, fish oil, etc. from partners who comply with the natural environment and operate at a sustainable level to preserve future marine resources. We will contribute to effectively creating positive changes in the sustainability of fisheries and aquaculture by implementing the following responsible procurement strategies for seafood raw materials with sufficient quantity and sufficient value in the supply chain:
- Legal compliance
 - Conservation of natural resources and biodiversity
 - Compliance with aquaculture certification standards and annual review of certification lists
 - Protection of the health of marine ecosystems and endangered species

7) Sugar

Sugar is a major raw material for processed food/non-food products and is an essential item for food and material business operations. We strive to secure a stable supply of raw materials through the formation of a sustainable supply chain.

- ① Direction
- We strive to procure sugar produced in major producing regions such as Thailand, Australia, Brazil, Costa Rica, and Nicaragua in a sustainable manner and gradually expand the scope.
- ② Application scope of policy
- DAESANG procures new producing regions(countries) and partners to form a stable and sustainable supply chain. The above procurement policy applies not only to raw material procurement but also to all countries in the process of producing and selling them. We mainly procure sugar produced in Thailand, and we plan to secure raw materials in a sustainable manner in the region, and gradually expand the scope.

8) Corn

DAESANG produces various starches and starch sugars using corn as a raw material. Starch is used in food, paper, textiles, and building materials, and starch sugars are used in various industries such as alcohol, beverages, confectionery, bakery, and sweeteners. DAESANG does its best to source sustainable corn from major supply chains around the world.

① Direction

In order to procure sustainable corn, we recognize the social and environmental risks that may arise during the production and distribution of corn and strive to reduce risks that may arise in the supply chain and build close cooperative relationships with suppliers. In addition, we strive to discover new sources of raw materials that are sustainable and suppliers with stable supply, and gradually expand the scope.

② Application scope of policy

We apply this policy to all corn we procure, comply with all relevant laws and regulations and, when supplying non-GM corn to markets that require non-GM corps, third-party audits can be applied if necessary.

9) Packaging

Plastic is one of the most widely used packaging materials for product packaging, and is used for packaging of fermented condiments, seasoning sauce, vinegar, kimchi products, etc. In order to procure packaging materials that are in line with the direction of the eco-friendly policy, we will expand the purchase of packaging materials that have received eco-friendly certification and gradually replace product packaging materials with eco-friendly raw materials.

① Direction

- Strive to minimize waste generation by reducing plastic through material weight reduction, using bioplastics, and developing label-free containers/caps.
- Expand the procurement and use of packaging materials that have received eco-friendly certification such as the Forest Certification System(FSC).
- Improve the recycling rate through the development and application of paper material packaging. We will lay the foundation for expanding the proportion of eco-friendly packaging by stabilizing the quality of eco-friendly gift set packages.

② Application scope of policy

We apply this policy to all countries where DAESANG purchases packaging materials and applies to all production scales. For this reason, the specific policy implementation mechanism of DAESANG may vary to ensure equal opportunities for small-scale producers.

Packaging raw material suppliers shall increase recycling rates and reduce greenhouse gases, waste, and other pollutant emissions. DAESANG shall comply with the domestic laws and regulations of each country in which we operate.

DAESANG shall incorporate this policy into its purchasing activities and provide appropriate training and capacity development to ensure that this policy is effectively implemented.

In addition, DAESANG shall review the potential and actual impacts of the sustainable raw material procurement policy at least once a year and consult with external stakeholders on any necessary actions.

6. Sustainability Management Assessment of DAESANG's partners

The selection of partners must go through a thorough review process of financial/non-financial matters by referring to self-evaluation and external credit rating agency evaluations. While referring to the assessment of the price competitiveness, quality, and delivery of the supply chain, safety and health information such as safety and hazards related to purchased goods are reviewed and assessed in cooperation with relevant departments. After selecting partners, key partners are monitored by ESG indicators every three years to identify and continuously manage risks from a sustainable management perspective for major supply chains.

The ESG Management Department comprehensively assesses sustainable management of partners in the areas of corporate operation, corporate ethics, labor/human rights, safety and environment health, materials and purchasing, quality management, and production management based on DAESANG's Partner Code of Conduct.

Based on the results of the supply chain sustainable management assessment, the status of sustainable management of the supply chain is inspected and incentives are provided to excellent partners. Through these inspection and improvement efforts for the supply chain, the soundness of the supply chain ecosystem is enhanced.

7. DAESANG Purchasing Ethics

DAESANG practices fair trade for mutual cooperation based on the four principles of 'desirable contract conclusion, fair selection of partners, operation of internal review committee, issuance and preservation of documents' and adheres to the following activities for transparent and reasonable trade.

- 1) Provide fair opportunities for all partners to participate in bidding in accordance with the

- standards and procedures specified in internal regulations during bidding transactions.
- 2) Consult sufficiently with all partners on equal footing regarding transaction conditions and procedures.
 - 3) Do not engage in unfair trade practices prohibited by various laws and regulations. In particular, maintain a zero-tolerance policy that prohibits all forms of bribery, corruption, unfair profits, and embezzlement.
 - 4) Do not receive unfair demands or unfair compensation by taking advantage of a superior position.
 - 5) Provide reasonable and fair compensation in case of damages in a transaction relationship.
 - 6) Do not leak or utilize the technology or important information of partners without consent.
 - 7) Do not use conflict minerals (tin, tantalum, tungsten, gold, etc.) produced in conflict areas. When purchasing raw materials containing conflict minerals, obtain and manage a certificate proving that they are not produced in conflict areas.
 - 8) Sign the 'DAESANG's Partner Code of Conduct' agreement with all partners and encourage them to share the sustainable direction and strategy that we pursue and practice it together.

[Appendix]

Document Summary

Document No.	Policy- 08-00- Sustainable Raw Material Procurement Policy_202409_01		
Date of enactment	October 2022		
Revision history	Version	Revision date	Major revisions
	2	Sept. 2024	Addition of animal welfare declaration and activities to promote animal welfare
Department in charge	Purchasing department of each business unit, ESG Management Department		