

# CH3

## Product Innovation and Supply Chain Management

3.1 Technology R&D GRI 3-3, 201-1

3.2 Customer Service GRI 2-6

3.3 Supply Chain Management GRI 2-6, 2-23, 2-24, 3-3, 308-1, 308-2, 414-1, 414-2



### Performance Highlights

- New Product Development: 1, Quality Improvement: 1
- Overall Customer Satisfaction 98.1%
- Supplier CSR Commitment Signing Achievement Rate 100%
- Local Procurement Rate 73%
- Green Procurement Amount is NT\$ 7.57 million

### Material Topics

Technology R&D  
Supply Chain Management

### SDGs Correspondence



### Certified Management System



ISO 9001 Quality Management Systems  
Validity Period: May 3, 2025~May 3, 2028

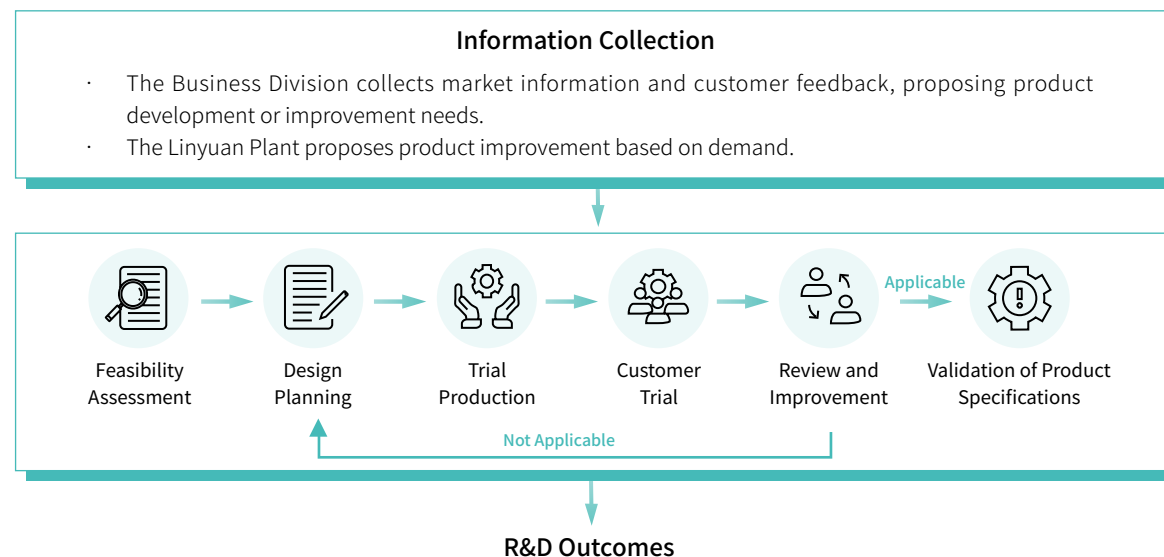
## 3.1 Technology R&D

### Material Topics: Technology R&D corresponding with Sustainability Development Principles: Innovative Technology GRI 2-25, 3-3

Management Approach and Components	Impact Management	Targets Execution and Performance of Management Approach	Evaluation of Management Approach
<p><b>The Significance to Asia Polymer</b></p> <p>Successful sustainable materials development and corporate transformation are crucial to corporate competitiveness. Therefore, continuous improvement of product quality and the development of new products are not only key to maintaining corporate profitability but also the foundation of corporate sustainable development.</p>	<p><b>Positive/Negative Impacts</b></p> <ul style="list-style-type: none"> <li>Positive potential impact - Getting rid of the industry burdens through manufacturing transformation.</li> <li>Positive potential impact - Successful sustainable materials development.</li> <li>Positive actual impact - New product development and diversification.</li> </ul>	<p><b>2024 Goals</b></p> <ul style="list-style-type: none"> <li>At least one new product development or product quality improvement per year.</li> </ul>	<p><b>Effectiveness Assessment</b></p> <ul style="list-style-type: none"> <li>Control product development progress with the "Product Research and Trial SOP"</li> <li>Review R&amp;D direction through the quality meeting.</li> <li>Exchange Technology R&amp;D through the executive meeting.</li> </ul>
<p><b>Management Practice and Objectives</b></p> <p>Fulfill customer demands by collect information regarding market development trends, set directions for product quality improvement and new product development, and enhance product quality and market competitiveness.</p>	<p><b>Processes to Remediate and Prevent Negative Impacts</b></p> <p>—</p>	<p><b>2024 Performance</b></p> <ul style="list-style-type: none"> <li>New Product Development: 1, Quality Improvement: 1 (✓)</li> </ul> <p>Analysis Reason: Hot melt adhesive V19400 trial production is a cross-year project, and the plan is currently in progress.</p> <p>2024 Progress Descriptions:</p> <ol style="list-style-type: none"> <li>Completed the V19400 trial production in March and July 2024.</li> <li>V19400 began commercial production in December 2024.</li> </ol>	<p><b>Grievance Mechanism</b></p> <ul style="list-style-type: none"> <li>Customer Management Process</li> <li>Customer Dispute Management Procedures</li> </ul>
<p><b>Strategy</b></p> <ul style="list-style-type: none"> <li>Niche product development</li> <li>High-value products</li> </ul>		<p><b>Short-Term (&lt; 3 years) Goals</b></p> <ul style="list-style-type: none"> <li>At least one new product development or product quality improvement per year.</li> <li>Trial production of new products, with a quality achievement rate <math>\geq 80\%</math>.</li> </ul>	<p><b>Adjust Management Approach</b></p> <p>The Business Division collects market information and capture the market trends of products through technical customer service.</p>
<p><b>Goals</b></p> <ul style="list-style-type: none"> <li>At least one new product development or product quality improvement per year.</li> </ul>		<p><b>Medium- Long-Term (<math>\geq 3</math> years) Goal Planning</b></p> <ul style="list-style-type: none"> <li>Development of market-leading products, at least 2.</li> </ul>	

## Product Development and Research Plan

### R&D Process



R&D Outcomes		Primary Reasons for R&D
2022	Hot melt adhesive grade EVA product Completed trial production of (Grade V08085/V19150), the quality meets the specification.	<ul style="list-style-type: none"> <li>The production technical threshold of hot melt adhesive grade EVA is high.</li> <li>In response to the commencement of the Gulei Petrochemical, the diversification of the products is implemented.</li> </ul>
2023	Hot melt adhesive grade EVA product The trial production planning (Grade V19400) has been completed, and the additional construction of the chiller was completed in December 2023.	
2024	Research and testing of hot melt adhesive grade EVA products V19400 completed trial production in March and July 2024, with commercial production finalized in December.	

In response to the high-value product strategy and changes in market demand, APC is expanding EVA's production capacity and direction towards high-end application and high VA content product development. Apart from the fast laminating grade EVA product being APC's main product, the usage of hot-melt grade EVA product is extensive. In the future, with the expansion of production capacity, the flexibility of product portfolio can be enhanced, which is the focus of product development in recent years. GRI 201-1

## Resource Provision

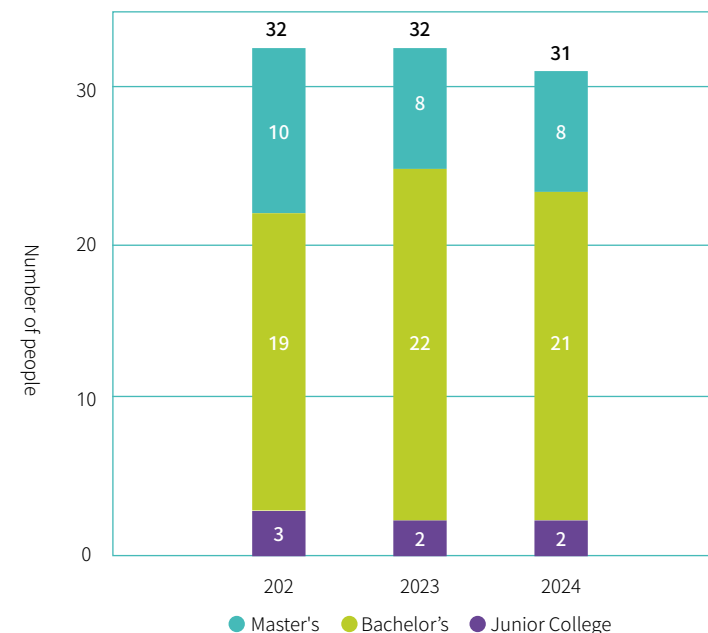
### R&D Funds

The R&D funds for 2024 were NT\$ 4.107 million. In addition to the R&D funds, the group has also established a common R&D department to provide substantial resources in terms of R&D funds and manpower, leveraging the group's power to assist in achieving the R&D goals.

### R&D Workforces

In 2024, there were 31 R&D personnel, accounting for 13.3% of all employees. Most outstanding talents R&D personnel are holding a bachelor's or master's degree. The distribution of education attainments of R&D personnel in the past three years is as follows:

Education Attainment Distribution of R&D Personal for the past three years



## Green Products

### Non-Toxic Products

GRI 403-7

SASB RT-CH-410b.2

We consider the related laws and regulatory requirements such as FDA, CNS, JIS, and EU Restrictions on Hazardous Substances (RoHS) Directive right from the feasibility assessment of product development to ensure compliance with the standards, regulations, and laws governing human health and environmental impact.

We received the SONY Green Partner certification (Green Partner Environmental Quality Approval System) in 2009, establishing our corporate image of toxic substance free and clean production. In order to meet the legal and regulatory requirements for environmental protection and quality, we request suppliers to provide raw materials that comply with the relevant environmental quality requirements to ensure no use of limited or restricted substances at the procurement stage.

Apart from engaging in energy conservation and clean production in the product manufacturing process, the Company also develop EVA products suitable for the shielding layer of electric wires and cables for producing low-smoke, halogen-free wire and cable jackets to comply with the environmental protection requirements.

APC products have passed various regulatory requirements as certified by third-party notary units, as detailed in the table below:



Item	Standards and Norms	Inspect Product Model
1	USA FDA Standards (Title21, Pt 177.1520)	LDPE
2	Halogen-free	LDPE
3	Plasticizer Test	M5100
4	EU Standards (EU 10/2011)	C7100
5	EN 71 Part 3: 2013 (19 items of migratable heavy metals)	LDPE/EVA
6	Restriction of Hazardous Substances (RoHS) Directive Standards	LDPE/EVA
7	New Balance Specifications	C7100, EV101, EV102, EV303
8	USA FDA Standards (Title21, Pt 177.1350)	EVA
9	Adidas Specifications	EVA
10	Article 4 of the Sanitary Standards for Food Utensil, Container and Packaging in Taiwan	C7100
11	Standards for Plastic Food Contact Plastic Materials in Mainland China	C7100, C4300, F2201
12	Crocs RSL Specifications	EVA
13	Nike RSL Specifications	C7100
14	Asics Specifications	EV101
15	Brooks RSL Specifications	C7100

## Product Innovation

### 1 New Product R&D Progress

Year	R&D Project	Progress	Invest in research funds (in thousand dollars)	Estimated Time of Mass Production Duration	Descriptions of R&D Outcomes
2024	Research and testing of hot melt adhesive grade EVA products	1. Completed V19400 trial production in March and July 2024. 2. Completed commercial production in Q4 2024.	200	2024	1. Add a center water jet and spring cutter seat to improve the pelletizing condition. 2. The product underwent testing and analysis, and the specifications are consistent with those of the same grade material from USI. 3. After Information collection, it met customer demand. 4. The hot melt adhesive grade will begin commercial production in December 2024.

### 2 New Product R&D Plan

Year	R&D Project	Progress	Invest in research funds (in thousand dollars)	Estimated Time of Mass Production Duration	Expected Results and Descriptions
2025	High-value EVA development.	Evaluate the development of products with high VA and low MI.	500	2026	Produce higher value-added EVA materials for electric wires and cables to enhance the differentiation and competitiveness of the materials.

### 3 Product Quality Improvement

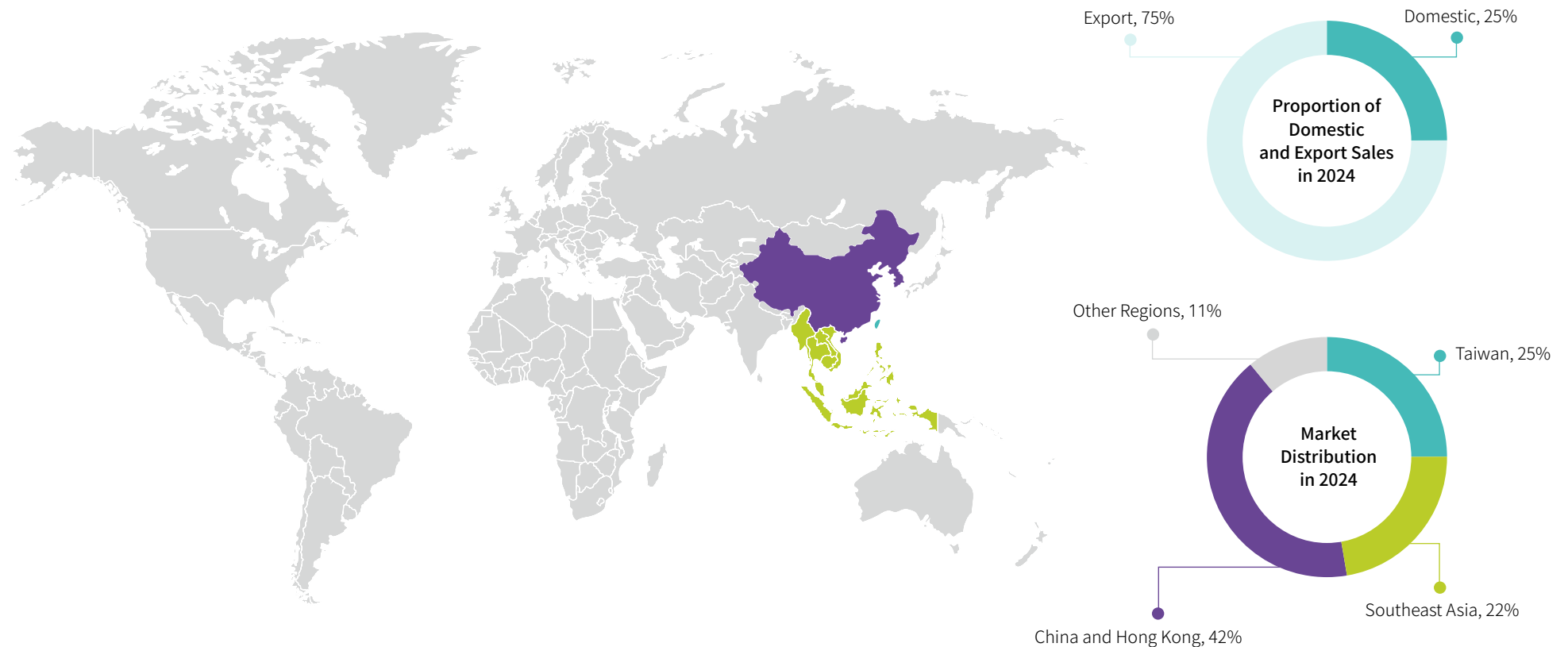
Year	Product Name	Progress	Invested Funds (in thousand dollars)	Improvement Completion Time	Expected Results and Descriptions
2024	V33122	The concentration of additive AO-1 is reduced from 600ppm to 200 ppm.	-	July 2024	Fulfill customer demands and increase market share for wires and cables.

## 3.2 Customer Service

The Technology Department of the APC Linyuan Plant assists the Business Division by supporting customer services, product improvement, new product and new market development. It also supports the development of custom products and product characteristic improvement. In recent years, the sound collaboration of both departments has earned customer recognition.

### Product Sales and Markets GRI 2-6

The Company's product markets: LDPE is primarily for domestic sales, while EVA is for export. In addition to Taiwan, we also distribute products worldwide to Mainland China, Hong Kong, Japan, Thailand, Vietnam, Malaysia, Singapore, the USA, Indonesia, Cambodia, India, Bangladesh, Pakistan, Sri Lanka, the UAE, Israel, Egypt, South Africa, and Russia, among others. Our customers include processing plants and traders of packaging films, food packaging materials, microfibers, plastic injection molding, foamed shoe materials, sports goods, PV packaging films, pre-coating/card laminating, etc. The proportion of domestic and export sales and market distribution in 2024 are shown below by sales volume.





## Customer Privacy

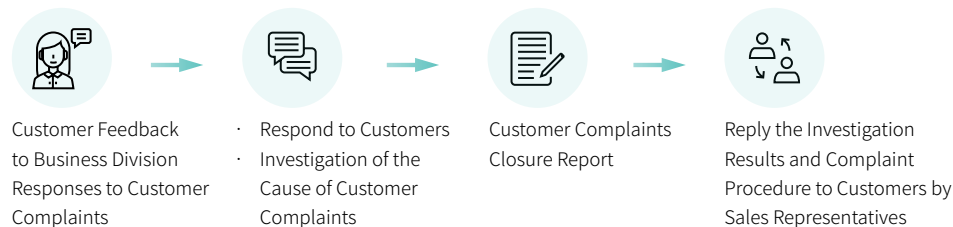
In terms of customer privacy confidentiality, the Group Credit Department establishes the Customer Personal Data Control Regulations in response to the Personal Data Protection Act to ensure customer data is controlled in compliance with the Personal Data Protection Act. The control process is as follows:

- 1 Cancel access, including system and file access privileges, to customer personal data over the Enterprise Resource Planning (ERP) system, except for the Group Credit Department personnel.
- 2 Obtain the "Personal Data Collection, Processing, and Use Notification and Agreement" in advance before collecting documents containing customer personal data.
- 3 After receiving customer personal data, the Group Credit Department should input paper data in the ERP system. Personnel should store paper documents in media files and cover text or data containing customer personal data before archiving. Except as otherwise required, destroy paper documents afterwards.

**There was no customer privacy right infringement or loss of customer personal data in 2024.**

## Customer Complaints Procedure

To optimize the customer complaints procedure, APC has established the Customer Dispute Management Platform to digitize the customer complaint process, control and analyze the causes of customer complaints, and follow up the progress of responsible units and corrective and preventive actions so as to implement quality improvement activities and improve the quality of customer service.



## Customer Satisfaction Survey

In order to understand the opinions of customers about the products and services provided by APC, besides contacting or visiting customers personally through sales representatives, an annual customer satisfaction survey is conducted through questionnaires. This ensures that customer needs are fully understood and properly addressed. Following this, improvement plans are made in light of customer feedback and presented at the "ISO Management Review Meeting", where the results are tracked to continually enhance the quality of products and services. The method of customer satisfaction surveys involved ranking the domestic and export transaction customers by the tonnage shipped to them each year. The top 25 customers from both domestic and export sales, along with 10 alternates from each category, are selected to participate in the customer satisfaction questionnaire. The survey is conducted on the four aspects of product quality, service quality, transportation quality, and overall satisfaction of APC products. The satisfaction score is calculated based on the proportion of responses marked as [highly satisfied] and [satisfied]. In 2024, a total of 54 valid customer satisfaction survey responses were collected, and the overall satisfaction was 98.1%, which is similar to the levels in 2022 and 2023. APC appreciates the vast number of customers for their recognition of our product and service quality. APC will continue to make improvements to repay the long-term support of customers. Customer satisfaction in the past three years is shown below:

**Customer Satisfaction Survey Results of Asia Polymer in Past Three Years**



Suggestions gathered from customer satisfaction survey have been transferred to the relevant units for assistance, such as "Assistance in solving customers' processing problems by the technical service unit", "Selection of shipping companies with better punctuality and more reasonable transportation cost by the customs department to meet the shipment expectation of customers", "Adding plastic steel ropes to secure the goods during shipment", and so on.

### List of Customer Feedback Analysis and Review for 2024

Item	Customer Feedback Items	Analysis and Review	Satisfaction Type
1	Expectation for stable shipping schedules, and any delays must be communicated in advance so that customers can adjust their production plans.	In 2024, multiple shipping delays were caused by natural disasters (typhoons), and efforts will be made to avoid this in the future, with prior notice given.	Transportation quality
2	Regarding the issue of price increases, it is recommended to align with other suppliers.	There is a price difference between shipping to inland ports in China and major ports, thus the price increase reflects the cost.	Transportation quality
3	It is recommended to reinforce the packaging to avoid package breakage during transportation.	Added plastic steel rope to secure the cargo when shipping V33121 in December 2024.	Transportation quality
4	The unit price is still higher than imported materials, and we hope it can be more competitive.	Product prices change with the market and are adjusted promptly at the beginning of each month.	Other Recommendations
5	It is suggested to increase product viscosity to meet demand.	The evaluation of coating products with VA = 22% has been formulated.	Other Recommendations
6	Hope for stable supply of high-pressure coating products.	The production line will periodically switch to producing LDPE to fulfill customer demands.	Other Recommendations

Remarks: The product quality and service quality in 2024 both met customer requirements, with no Customer Feedback Items.

## Product Responsibility and Technical Support

APC particularly focuses on product responsibility and services. Hence, we provide the catalogs that include the specifications, performance, and application description, and Safety Data Sheet (SDS) of existing and new products in the "Product Information" section on the Company website for customers to access related product information and meet their demands in time.

To ensure the rights and interests entitled to customers for using the Company products, there are technical service and marking units established under the Business Division to develop the new application of products to help customers improve processing issues and facilitate technological cooperation and exchange.

To meet the stringent quality requirements of global customers, all APC products comply with the relevant legal and regulatory requirements and contain no Health and Environmental Hazardous Substances as categorized in the Globally Harmonized System (GHS). In 2023, EVA products passed the testing and verification by prominent sports brands such as New Balance and NIKE, etc., demonstrating the safety of APC's products. In 2024, APC's C7100 and other LDPE products passed the GB-4806.7-2023 regulations, meeting China's national food safety standards. [SASB RT-CH-410b.1](#)

**There was no legal non-compliance or fine in relation to product labeling in 2024.**





## 3.3 Supply Chain Management GRI 2-6

**Material Topics: Supply chain management; Corresponding Sustainability Development Principle: Sustainable development** GRI 2-25, 3-3

Management Approach and Components	Impact Management	Targets Execution and Performance of Management Approach	Evaluation of Management Approach
<b>The Significance to Asia Polymer</b> <p>Understanding the ESG impacts on the suppliers and implementing supplier management is crucial to the sustainable development of the Company. As an indicative business in Taiwan, APC not only pursues profit, but also has a responsibility and obligation to share the responsibility of sustainable supply chain management with our supplier partners.</p>	<b>Positive/Negative Impacts</b> <ul style="list-style-type: none"> <li>Positive Actual Impact - Successful supply chain management, quality improvement</li> <li>Positive Actual Impact - Enhance supply chain management and improve the quality of raw materials.</li> <li>Negative Potential Impact - International situations, pandemics, and the weather affecting supply.</li> </ul>	<b>2024 Goals</b> <ul style="list-style-type: none"> <li>Achieved a 100% signing rate for Supplier CSR Commitment with existing suppliers.</li> <li>Local procurement rate <math>\geq 70\%</math></li> <li>The pass rate for suppliers and contractors evaluation is <math>\geq 90\%</math>.</li> </ul>	<b>Effectiveness Assessment</b> <p>Please refer to the table for "the Performance of Supply Chain ESG Risk Management" and its implementation status.</p>
<b>Management Practice and Objectives</b> <p>Establish the mechanism for supply chain sustainability risk assessment and prevention, to develop a supply sustainability management culture.</p>	<b>Impact Boundary</b> <p>Global Raw Material and Project Contractor, Customers</p>	<b>2024 Performance</b> <ol style="list-style-type: none"> <li>Achieved a 100% signing rate for Supplier CSR Commitment with existing suppliers (✓)</li> <li>Local procurement rate 73% (✓)</li> <li>Supplier evaluation pass rate 100% (✓)</li> <li>Contractors evaluation pass rate is 100% (✓)</li> </ol>	<b>Grievance Mechanism</b> <p>APC has a Group Auditing Division grievance hotline and a suggestion email on the corporate website for filing grievances</p>
<b>Strategy</b> <ul style="list-style-type: none"> <li>Improve procurement performance and establish partnerships.</li> <li>Establish safety awareness and improve the workplace environment.</li> <li>Jointly undertake corporate social responsibility.</li> </ul>	<b>Processes to Remediate and Prevent Negative Impacts</b> <p>—</p>	<b>Short-Term (&lt; 3 years) Goals</b> <p>In conjunction with the Supplier Code of Conduct and Quality Requirements Self-Assessment Form, we have officially implemented the on-site audit system to investigate the risks of negative impacts on environmental and sociality, with the goal of examining two suppliers per year.</p>	<b>Adjust Management Approach</b> <p>Internally, conduct supplier evaluation and project construction evaluation periodically, discuss the results, and make adjustments; externally, hold irregular supplier opinion exchange conferences to discuss and share opinions on unspecific topics.</p>
<b>Goals</b> <p>We are committed to developing communication channels with suppliers to increase the opportunities for opinion exchange so as to achieve environmental protection, industrial safety, and human rights for sustainable operations together.</p>		<b>Medium- Long-Term (<math>\geq 3</math> years) Goal Planning</b> <ul style="list-style-type: none"> <li>Conduct on-site audits at suppliers' plants, increasing to 4 suppliers each year.</li> <li>Based on the on-site audit results, build an opinion exchange platform with suppliers and ask related the Company professionals to make recommendations for their inadequacies and help them make corrective planning.</li> <li>Local procurement ratio: <math>\geq 70\%</math></li> <li>Supplier and contractor evaluation pass rate: <math>\geq 90\%</math></li> </ul>	

## Supplier Classification and Procurement Proportion

With the rise in the awareness of issues related to sustainable development and supply chain risk management, apart from proactively performing social responsibilities and contributing to society, APC has realized the need to understand the ESG impacts on our suppliers in order to implement supplier management.

APC's major suppliers include materials suppliers, equipment suppliers, and project contractors. Additionally, the procurement from information hardware and software suppliers and office equipment suppliers were omitted as the proportion was statistically insignificant. To effectively integrate group resources, the Company implements procurement in collaboration with the Group Procurement & Logistics Division. Through utilizing the internal e-procurement system, we ensure the transparency and impartiality of the procurement process, uphold business integrity and ethics, and develop a steady partnership with suppliers.

**APC Supplier Category and Proportion of Transaction Amount in 2024**

Supplier Type	Materials Supplier	Equipment Supplier	Project Contractor
Definition	Suppliers supplying raw materials for product manufacturing.	Suppliers supplying equipment or parts for product manufacturing.	Suppliers to which projects are outsourced.
Proportion of procurement amount (%)	92.7	5.3	2

## Supply Chain Sustainable Development Policy GRI 2-23

Apart from requesting suppliers to provide high-quality products and high-efficiency services of raw materials and services, we are also committed to expanding communication channels with suppliers to increase the opportunities for exchange so as to achieve the goals of environmental protection, labor safety, and human rights.

**Optimize partnership and share sustainable business opportunities**

**Enhance workplace safety and strengthen environmental protection**

**Take social responsibility and boost competitiveness**



## Supply Chain Risk Management GRI 308-2, 414-2

Risk Assessment	Prevention measures	Impact Response	Future Planning
<p>In addition to the supply chain safety requirements, the identification of the special conditions for the chemicals supplier are as follows:</p> <ul style="list-style-type: none"> <li>· Risk of leakage and contamination in the chemical manufacturing process</li> <li>· Occupational safety and environmental pollution risks in dusty, high-temperature, noisy, and humid operating premises.</li> <li>· Work at height risk.</li> <li>· Industrial safety risk of cutting or welding.</li> <li>· Risk of fugitive emissions of VOCs (Volatile Organic Compounds).</li> <li>· Labor-intensive industries.</li> <li>· Supply chain and project disruption/delay in delivery and completion risk.</li> <li>· Raw materials and construction quality risk.</li> </ul>	<ul style="list-style-type: none"> <li>· Implement the supplier sustainability self assessment questionnaire to provide information for initial risk assessment.</li> <li>· Establish long-term cooperation with suppliers; cultivate a second source or multiple sources and maintain cooperation to coordinate long-term material preparation.</li> <li>· Develop an internal safety stock mechanism and set a purchase base point according to the supply schedule to prevent the risk of supply disruption.</li> <li>· Purchasers implement educational training for the sustainable supply chain.</li> <li>· Environmental, safety and health educational training for contractors.</li> </ul>	<ul style="list-style-type: none"> <li>· Adjust the supply proportion of suppliers, timely supplement or dispatch from other suppliers.</li> <li>· For construction projects, the ESH unit immediately investigates personnel safety, equipment damage, and environmental impact. After consolidation, the ESH unit will hand over the results to related units to address and understand the situations.</li> </ul>	<ul style="list-style-type: none"> <li>· Apart from setting chemical suppliers as the focus, a risk assessment mechanism will also be established based on the procurement amount, project outsourcing amount, or project importance, and the on-site audit results of the said sustainable development strategy.</li> <li>· Statistical analysis and subsequent disposal methods are planned according to the above risk assessment and identification mechanism as well as the respective risk levels.</li> </ul>

## Performance of Supply Chain ESG Risk Management GRI 2-24

Risk and Attribute	Supplier (Chemicals)	Project Contractor
	Environmental (E), Social (S), and Governance (G) aspects of evaluation	
<b>Potential Risk</b>	a. Chemical Manufacturing Process (E) b. Dusty, High-temperature, Noisy, and Humid Operating Premises (E) c. Risk of Fugitive Emissions of Volatile Organic Compounds (VOCs) (E) d. Labor-intensive Industries (S) e. Supply Chain Disruption/Delay Risk (G) f. Quality Risk (G)	a. Dusty, High-temperature, Noisy, and Humid Operating Premises (E) b. Work at height risk. (E, S) c. Labor-intensive (S) d. Industrial Safety Risk of Cutting or Welding (S) e. Project Disruption/Delay Risk (G) f. Project Quality Risk (G)
<b>Number of audited and visited suppliers</b>	On-site trial audits were conducted on 2 companies in 2024, with a 100% pass rate.	
<b>Audit Details</b>	Environmental (E): Regulatory compliance of the manufacturing and storage of environmentally controlled substances Governance (G): Management of quality, production, and orders; customer feedback and satisfaction follow-up; Employee educational training and management of outsourced processing.	Implemented alongside the project construction evaluation of contractors.

## Promotion of Supplier's Code of Conduct (Supplier CSR Commitment) GRI 308-1, 403-7, 414-1

In recent years, sustainable development indicators—such as environmental, labor, human rights, and social impacts—have been getting increasing public attention. In addition to APC, we will also review the completeness of the code of conduct of suppliers. In 2022, APC already completed the revision of internal SOPs to include the Supplier CSR Commitment as a required document for new supplier evaluation.

Currently, apart from including labor and human rights, environmental, and social impacts sustainable development indicators as part of the criteria for new supplier selection and evaluation, we also request new suppliers to sign related undertakings to comply with the following:

### Indicators for Screening New Suppliers

#### Labors and Human Rights



No forced labor, prohibition of employing child labor, provision of due remuneration and benefits, protection of labor working hours and resting time, elimination of workplace sexual harassment, bullying, and workplace discrimination, and not using conflict minerals, etc.

#### Health and Safety



Including necessary measures to provide occupational safety, emergency response, industrial hygiene, machine protection, public health housing accommodations, as well as health and safety information.

#### Environmental



Including environmental operation permits, pollution prevention and resource conservation, hazardous substances, sewage, harmless solid waste, noise, exhaust emissions, product and service restrictions, as well as energy/resource consumption and GHG emissions.

#### Ethics and Integrity



Includes Ethical Corporate Management, respect for IP rights, compliance with relevant confidentiality agreements, privacy protection, and avoidance of conflicts of interest.

Apart from setting the existing Supplier CSR Commitment as an incentive, APC has also requested suppliers to sign and comply with the commitment. Revised internal SOPs to include the signing of the Commitment as one of the required documents for new suppliers. Currently, the signing of the Commitment is being introduced for major bulk materials and the top five materials suppliers. After the completion of the supplier commitment signing process, unannounced on-site audits will be planned to check for compliance with the commitment. By 2024, the signing of existing Supplier Commitment was completed, achieving a 100% signing rate.

Currently, major feedstock suppliers and contractors such as Taiwan CPC, Dairen Chemical Corporation, and our partner CTCI have all obtained relevant certifications of ISO 14001 and 45001, which meet the Company's requirements for suppliers in terms of environmental management and occupational health and safety management, making them our excellent partners in sustainable development.

APC adopts the "Active Risk Management" policy to investigate suppliers with potential negative impacts, including irregular visits of THAU BING to check for the offenses or news regarding suppliers' violation of the said terms and assess if such offenses or news will bring negative or potential impacts to the Company (such as punishment or suspension order of competent authorities). In addition, we will take related risk controls and countermeasures for the potential raw materials' supply crisis based on their offenses.



## SCM Mechanism GRI 403-7

With quality, ability, and environmental policy as conditions, APC performs corporate social responsibility in collaboration with outperforming suppliers on a long-term basis. We also communicate with contractors and transporters our environmental policy, comply with the EU's RoHS directive, enhance environmental educational training, and care about the safety of contractors working in our plants in order to ensure the safety of all operations, protect the life, safety, and health of personnel, and optimize risk management.

Establish long-term strategy partnerships with major raw material suppliers and set up a safety stock according to the material preparation schedule to ensure a smooth supply chain. Additionally, the Group Procurement & Logistics Division evaluates suppliers periodically in terms of quality, delivery performance, environmental protection, industrial safety (ISO 14001 & 45001 verifications), packaging, quality certification (ISO 9001 verification), and service.

Apart from conducting annual supplier evaluations to ensure that all Company suppliers comply with our commitment to environmental sustainability and sustainable operations, we also hold supplier conferences from time to time to communicate with suppliers, so as to maintain long-term cooperation and opinion exchange. In addition to new product promotion, new technology and market intelligence exchange are also included in the conferences to ensure the steady supply of major materials.

Additionally, during the project construction of contractors, the supervision and management of plant on-site personnel are key to construction quality control, and the quality monitoring of the engineering and industrial safety units is crucial to ensure environmental safety, occupational safety, human rights, and labor practices. Results are reported to HQ periodically to keep up with the latest conditions.



### Selection

#### Selection of New Suppliers and Contractors

- New raw materials suppliers must comply with:
  1. Obtained CNS, UL, JIS, ISO certificates.
  2. Direct agents or distributors with technical capabilities and confirmed to meet the requirements.
  3. Quality validation of raw materials by the technology department.
  4. Agreement to comply with the Company's environmental protection requirements.
- Submission of raw material samples by new suppliers to the manufacturing section and the related units for examination, assessment, or trial use.
- Delivery of the "Project Contractor Investigation Form" to contractors for them to fill out the form and submit relevant certifications to facilitate and evaluation and grading of the procurement unit.



### File Creation

#### File Creation for Qualified Suppliers and Contractors

- After sample validation, the procurement unit reports new materials suppliers to the chief of the engineering department, plant director, and president for approval, includes them in the qualified vendor list (QVL), and timely reviews and updates the QVL.
- After filling out the "Project Contractor Investigation Classified Catalog", the procurement unit will grade the contractors, create a file for each of them, and maintain a record alongside their certifications for the reference of project outsourcing and price inquiries. The procurement unit also updates the investigation contents from time to time.



### Evaluation

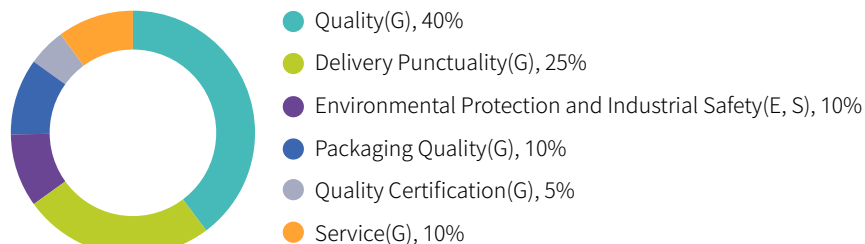
#### Annual Evaluation of Qualified Suppliers and Contractors

- Rate the quality, delivery, and industrial safety performance of raw materials suppliers in terms of four grades for the reference of procurement management.
- Supervise the construction process of contractors and perform inspection and acceptance of projects for the reference of project outsourcing management.

Source: Qualified Supplier Selection and Withdrawal Regulations, Supplier Evaluation Regulations, Capital Expenditure Requests (CER) Project Outsourcing Management Regulations

## Raw Materials Supplier Evaluation and Contractors Project Evaluation

### Evaluation Items and Proportions for Raw Material Suppliers Annually



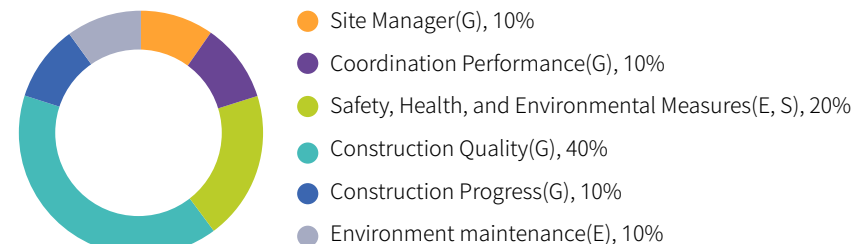
E, S and G represent respectively environmental, social, and governance aspect of evaluation

### Results of Annual Raw Materials Supplier Evaluation in Past Three Years

Item	2022	2023	2024
Suppliers Evaluated	33	20	23
Pass Rate	100%	100%	100%

- Source: APC Supplier Evaluation
- Overall Rating Standard: A Grade: 85-100 points, B Grade: 75-84 points, C Grade: 60-74 points, D Grade: below 59 points; B Grade and above are qualified suppliers.
- For A Grade Suppliers - Priority in obtaining trading opportunities or increasing their procurement volumes.
- For C Grade Suppliers - Suggestions for improvement are proposed, and business transactions with them are reduced or suspended until reassessment confirms their improvement has been accomplished.
- For D Grade Supplier - Stop transactions and revoke from the qualified vendor list.
- Suppliers rated Grade A for three consecutive years are exempted from evaluation for three years.

### Contractor Project Acceptance Evaluation Items and Proportions



E, S and G represent respectively environmental, social, and governance aspect of evaluation

### Results of Contractor Project Evaluation in Past Three Years

Item	2022	2023	2024
Suppliers Evaluated	6	20	16
Pass Rate	100%	100%	100%

- Source: APC contractor construction evaluation
- Contractors receiving 70 or above are qualified contractors.
- Contractors receiving 60~69 are suspended from price inquiry for 6 months.
- Contractors receiving 50~59 points are suspended from price inquiry for 1 year.
- Contractors receiving 49 or lower will be disqualified from tendering and transaction.



## Support for Local Procurement

The proportion of the purchasing amount of major materials in 2024 accounted for 93% of the total purchasing amount for the year. To ensure a sustainable supply of raw materials and stimulate market vitality, we are actively developing new suppliers. There are a total of 12 main material suppliers, among which 2 are from Taiwan and 10 from overseas.

Materials procurement will be prioritized for local suppliers with reliable and stable supply. Due to the reduced annual repair days of domestic ethylene suppliers in 2024, the supply increased, resulting in an approximate 10% rise in the domestic procurement ratio compared to that of 2023. Due to a reduction in the number of domestic suppliers, production line anomalies, and increased annual repair days, the supply of VAM decreased, resulting in a lower domestic procurement volume compared to that of 2023.

### Amount and Proportion of Local Procurement of Major Materials in Past 3 Years (%)

Year	2022		2023		2024	
Locations/Materials	VAM	Ethylene	VAM	Ethylene	VAM	Ethylene
Taiwan	84	65	100	51	84	61
Foreign	16	35	0	49	16	39
Source of Supply	3 in Taiwan, 13 from overseas		3 in Taiwan, 13 from overseas		2 in Taiwan, 10 from overseas	

Source: APC amount statistics 2024

### Proportion of Local Procurement Amount of Raw Materials, Equipment, and Project Outsourcing in the Past 3 Years (%)

Location	Proportion of Procurement Amounts		
	2022	2023	2024
Taiwan	83	70	73
Foreign	17	30	27

Source: APC amount statistics 2024

## Procurement of Energy-Saving and Emission-Reduction Equipment

APC has been continuously promoting energy saving and carbon reduction program in recent years, and the procurement unit has also prioritized support for eco-friendly materials by establishing SOPs to prioritize price inquiries to products certified for using the Green Mark by the Environmental Protection Administration; or products complying with Environmental Protection Administration of the Ministry of Economic Affairs' requirements for recycled materials, recyclable products, low pollution, or energy saving; or products recognized by relevant authorities that increase social benefits or reduce social costs.

APC declared a total Green Procurement amount of NT\$7.57 million in 2024. The procurement items included lamps and equipment carrying the Green Mark and Energy Label, as well as the energy-efficient equipment replacement projects of the Linyuan Plant, which can reduce energy consumption to achieve energy conservation and carbon reduction effects. The total green procurement amount accounts for about 1% of the total equipment project cost. We will continue to implement energy-saving improvements in equipment to achieve environmental sustainability and advance towards corporate Sustainable Development Goals (SDGs).

