

# Issue 4. Responsible Supply Chain Management

The various performance achievements of Hanmi Pharm, the established leader in the domestic pharmaceutical industry, are the result of our efforts to secure our main growth engine through investment in R&D, and the interest and support of all of our stakeholders including customers, suppliers, and local communities. We are making efforts to contribute to the positive growth of Korean society and to realize mutual growth by establishing advanced win-win management. Thus, we will fulfill our roles and responsibilities as a valued member of civil society.

## Key Achievements in 2024



Established a supply chain management system.



Conducted mentoring for partners  
**Twice** per year



Inspected supply chain partners  
**40** partners in total

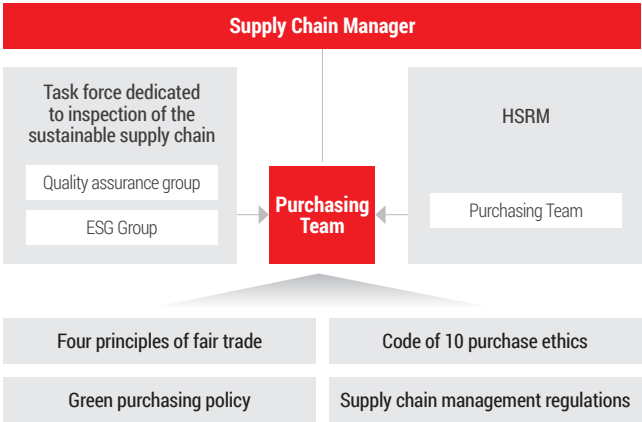
## I. Governance

### Decision-making Structure

Hanmi Pharm has enacted the four principles of fair trade and our code of ethics for purchasing with the aim of engaging in and promoting fair and ethical transactions. Notably, we are working hard to promote sustainable supply chain management by enacting supply chain management regulations and establishing a green purchasing policy.

We have operated an ESG inspection system for supply chain management since 2023 to identify and evaluate potential negative impacts on human rights and the environment. To conduct ESG inspections, we identify adverse effects on human rights and the environment within our activity chain-based partners and conduct regular inspections and monitoring. To this end, we have established the “Task force for inspections of the sustainable supply chain,” which involves collaboration across the Purchasing Team, Quality Assurance Team, and the department responsible for ESG.

HSRM serves as a communication channel between Hanmi Pharm and our partners, facilitating partner notices, supplier communication, bidding system operations, and the import/export management functions. HSRM is an independently developed supply chain management process designed by us to enhance the efficiency of supply chain operations.



To address sustainable management as a critical issue in the pharmaceutical industry, an ESG Committee under the board of directors will be established in 2025. This committee will review the plans and performance of ESG risk management in the supply chains of Hanmi’s partner companies and approve key decisions. Going forward, Hanmi Pharm plans to focus our full organizational capabilities on sustainable supply chain management.

### Roles of the Dedicated Organization

Hanmi Pharm has designated a dedicated organization to manage a sustainable supply chain.

Type	Roles and authority
Supply Chain Manager	· Overall control of responsible supply chain management.
Purchasing Team	· Establishment of the partner registration criteria. · Partner bidding, selection, contracts, etc. · Inspection and evaluation based on purchase inspection items (price, credit, quality, delivery, etc.).
Quality Assurance Group	· Inspection and evaluation of partners based on quality inspection items (quality/GMP inspection).
ESG Group	· Establishment of the supply chain ESG strategy. · Enactment/revision and management of the Code of Conduct and inspections. · Inspection and evaluation of partners, identification of improvement tasks, etc.

### Strengthening the Expertise of Executives and Dedicated Departments

Hanmi Pharm conducts twice-yearly training sessions in the form of supplier mentoring, allowing internal and external experts to help executives develop their expertise in responsible supply chain management.

Type	Target	Period	Training content
Partner mentoring	Supply chain manager and dedicated department	Twice a year	Training in all aspects of partner management, including GMP, climate change, ESG, and compliance.

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## II. Strategy\_Risk and Opportunity Management

Hanmi Pharm identifies key risks and opportunities that could have a significant impact on stakeholders and sustainability concerning sustainable supply chain management based on the results of the IRO (Impacts, Risks, and Opportunities) analysis, and strives continuously to develop effective response strategies based on the findings.

RISK	OPPORTUNITY																
Unilateral Application of the Supply Price Linkage System without Considering Mutual Benefits, as well as Unilateral Demands and Cost-shifting to Partners	Maintaining Transparent and Fair Relationships with Partners																
<table><tr><td>Characteristics of impact</td><td>Actual impact</td></tr><tr><td>Affected stakeholders</td><td>Partners</td></tr><tr><td>Severity of impact on society/environment</td><td>Scale <div><div></div><div></div><div></div><div></div><div></div></div> Scope <div><div></div><div></div><div></div><div></div><div></div></div> Recoverability <div><div></div><div></div><div></div><div></div><div></div></div></td></tr><tr><td>Expected financial impact</td><td>Possibility of occurrence <div><div></div><div></div><div></div><div></div><div></div></div> Scale <div><div></div><div></div><div></div><div></div><div></div></div></td></tr></table>	Characteristics of impact	Actual impact	Affected stakeholders	Partners	Severity of impact on society/environment	Scale <div><div></div><div></div><div></div><div></div><div></div></div> Scope <div><div></div><div></div><div></div><div></div><div></div></div> Recoverability <div><div></div><div></div><div></div><div></div><div></div></div>	Expected financial impact	Possibility of occurrence <div><div></div><div></div><div></div><div></div><div></div></div> Scale <div><div></div><div></div><div></div><div></div><div></div></div>	<table><tr><td>Characteristics of impact</td><td>Potential impacts</td></tr><tr><td>Affected stakeholders</td><td>Shareholders and investors, partners</td></tr><tr><td>Severity of impact on society environment</td><td>Scale <div><div></div><div></div><div></div><div></div><div></div></div> Scope <div><div></div><div></div><div></div><div></div><div></div></div></td></tr><tr><td>Expected financial impact</td><td>Possibility of occurrence <div><div></div><div></div><div></div><div></div><div></div></div> Scale <div><div></div><div></div><div></div><div></div><div></div></div></td></tr></table>	Characteristics of impact	Potential impacts	Affected stakeholders	Shareholders and investors, partners	Severity of impact on society environment	Scale <div><div></div><div></div><div></div><div></div><div></div></div> Scope <div><div></div><div></div><div></div><div></div><div></div></div>	Expected financial impact	Possibility of occurrence <div><div></div><div></div><div></div><div></div><div></div></div> Scale <div><div></div><div></div><div></div><div></div><div></div></div>
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## II. Strategy\_Risk and Opportunity Response Achievements

### Building a Sustainable Supply Chain

#### Principles of Supply Chain Management

Hanmi Pharm has established and shared our four key fair trade principles and purchasing ethics code with our partners to preemptively prevent unfair practices and manage the supply chain fairly. We comply with the Suppliers' Code of Conduct and manage our partners in accordance with the principles of supply chain management, including ESG.

#### Our 4 Major Principles of Fair Trade

4 Major Fair Trade Principles



Signing appropriate contracts for win-win cooperation



Fair selection & operation of suppliers



Issue & file appropriate documentation



Prevent unfair trade by operating an internal nomination committee

#### 10 Purchase Ethics Code

1	Employees shall only consider the profits and interest of the company when trading with a supplier.
2	Employees shall not engage in any act of collusion that may affect decision making when engaging in purchasing activities with a supplier.
3	The selection and registration of a customer shall proceed in a rational manner and shall be based on objective and impartial evaluation standards.
4	Trading shall be based on the principle of fair competition, while the exploitation of personal connections is strictly prohibited.
5	Employees shall not accept unauthorized entertainment or personal gifts of any kind from suppliers or clients.
6	Employees shall not engage in unfair behavior in any way that takes advantage of our superior position and authority when trading with a supplier.
7	Employees shall never disclose important information about our company to a third party.
8	Employees shall not make false reports and shall always respect the principle of transparency in all purchasing activities.
9	Employees shall remind their counterparts that if a company is found to have given a personal gift to, or hosted, a member of our company, all transactions with them will be suspended immediately.
10	If any of the above principles is violated, the employee concerned shall readily accept any punishment imposed by the company.

#### Status of Our Supply Chain Management

Hanmi Pharm, as a company that produces pharmaceuticals directly related to human life, is dedicated to supplying high-quality pharmaceuticals by carefully identifying and selecting suppliers that meet strict standards. Every year, we categorize and manage new partner companies among all of our suppliers. Furthermore, as part of our efforts to ensure that consumers receive high-quality, certified pharmaceutical products, we operate the Hanmi Pharm Supply Chain Management Portal (HSRM) in order to thoroughly manage and evaluate all suppliers that provide active ingredients, semi-finished products, finished products, or services.

Hanmi Pharm	Unit	2022	2023	2024
All partners	EA	1,005	1,040	1,149
New partners	EA	128	124	67
Existing partners		877	916	1,082
Direct partners(significant)	EA	-	286	343
Direct partners(Other)		-	754	739
Total purchase amount	KRW 100 M	2,074	2,255	2,166

Beijing Hanmi Pharm	Unit	2022	2023	2024
All partners	EA	147	168	169
New partners		11	22	12
Total purchase amount	CNY 1,000	361,059	485,675	428,801

Hanmi Fine Chemical	Unit	2022	2023	2024
All partners	EA	1,983	2,070	2,161
New partners		0	87	91
Total purchase amount	KRW 100 M	755	743	615

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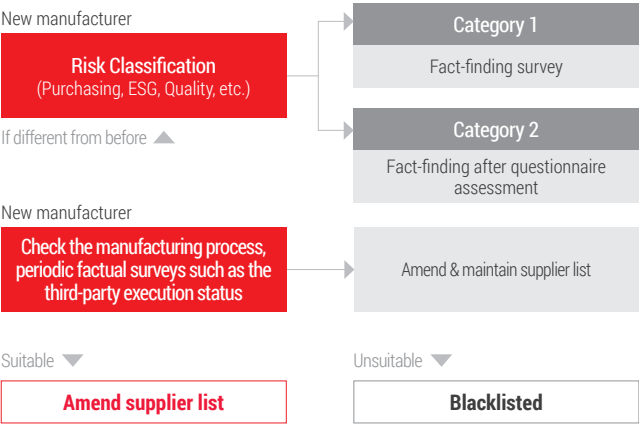
## II. Strategy\_Risk and Opportunity Response Achievements

### Responsible Supply Chain Management

Supply chain management regulations

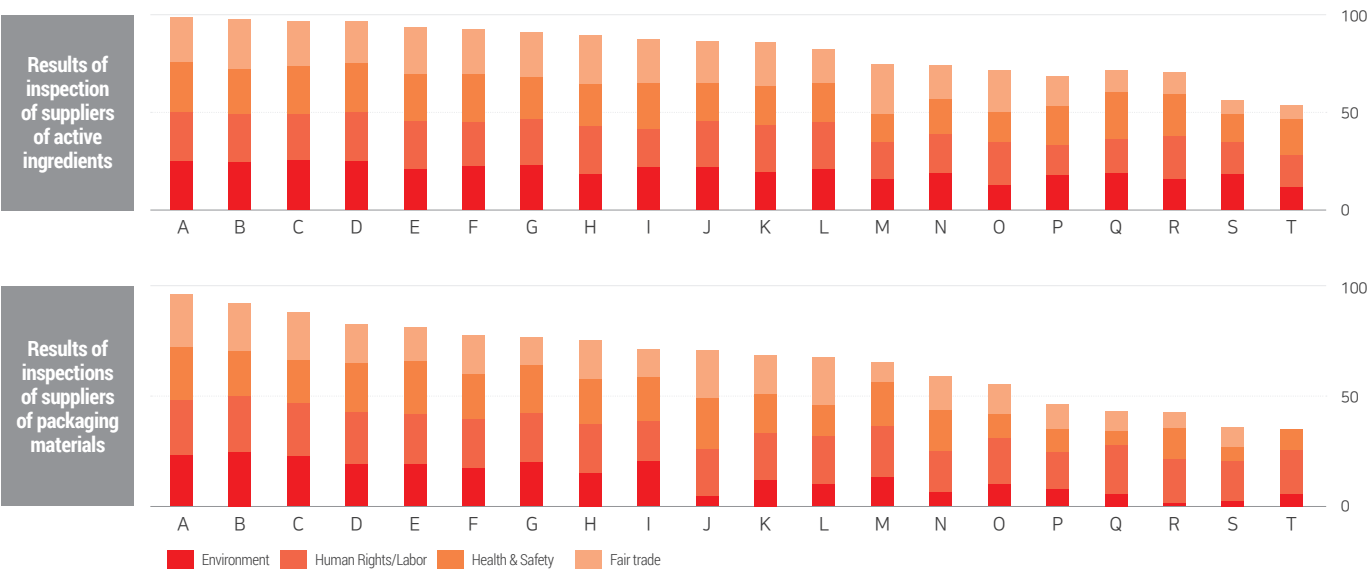
Hanmi Pharm conducts ESG self-assessments of our partners in order to identify and improve potential ESG risks within the supply chain. Accordingly, we have developed thirty indicators across four areas - human rights/labor, health and safety, environment, and ethics/fair trade -based on our Suppliers' Code of Conduct, while referencing the global Pharmaceutical Supply Chain Initiative (PSCI) and the K-ESG guidelines. Each year, we plan to update our evaluation criteria and indicators in alignment with domestic and international supply chain ESG guidelines and updated regulations. We will continuously enhance our sustainable supply chain management through ongoing assessments, inspections, and improvements.

### Supplier Evaluation & Management Procedure



### Results of Reviewing Supply Chain ESG in 2024

Hanmi Pharm identifies key active ingredient suppliers by considering the business impact and the number of available suppliers, focusing on items that are closely related to our operations, such as active ingredients and packaging. In 2024, we identified 343 key suppliers, of which it selected forty (20 for active ingredients, 20 for packaging) for ESG assessments. The evaluation found that fourteen suppliers had achieved excellent results, while sixteen required closer monitoring. Additionally, among the four ESG areas, the environment and fair trade sectors were found to require further management and support. We plan to continuously monitor our suppliers in order to ensure that risk mitigation measures are fully implemented and to enhance our support where necessary.



Type	Full marks in each section	Active ingredient suppliers (20)			Packaging material suppliers (20)		
		Average	Highest score	Lowest score	Average	Highest score	Lowest score
Total score	100	81.6	98.1	53.1	66.1	95.4	34.7
Environment	25	19.8	25	11.3	12.7	23.1	1.3
Human Rights/ Labor	25	21.8	25	16.4	21.6	25	17.2
Health & Safety	25	20.9	25	14.1	17.2	24.2	6.3
Fair trade	25	19.1	25	6.6	14.5	21.3	0

\* Consent for improvements will be obtained when actually inspecting the supply chain at a later date. No partner contract has been terminated based on the evaluation results for 2024.

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## II. Strategy\_Risk and Opportunity Response Achievements

### Strengthening the Mutual Prosperity Cooperative System within the Supply Chain

Hanmi Pharm pursues mutual growth with our suppliers by implementing various support policies. We provide various kinds of training support through the Mentorship program for suppliers, such as purchasing based on GMP and ethical management, ESG and supply chain audits, as well as introducing improvements to our payment conditions, securing reliable supplies, signing long-term contracts, signing contracts that prioritize new products, and operating the supplier suggestion system. Furthermore, we have established various communication channels and are communicating with our suppliers in order to promote effective and substantive mutual growth.

#### 2024 Hanmi Pharm Partner Mentorship Program

Since 2022, Hanmi Pharm has been leading sustainable and mutually beneficial management efforts by operating a mentorship program for our partner companies each year. During the program implemented in May 2024, we shared information on our ESG management policies, the status of supply chain inspection laws at home and abroad, and case studies of corporate responses worldwide. Additionally, to assist our partner companies in establishing their own ESG management frameworks, we provided a Self-Assessment ESG Guidebook as a go-to reference.

At the event held in November 2024, discussions focused on practical strategies that could be applied in the operations of partner companies, such as “greenhouse gas reduction measures for pharmaceutical partners at home and abroad” and “the interconnection between active ingredients, components, and quality in pharmaceutical products.”

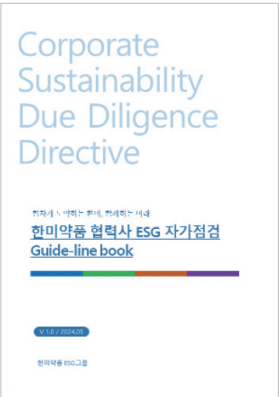
Going forward, we will continue to enhance mutual competitiveness through the partner mentorship program, fostering a business model that supports shared growth. We are committed to stabilizing the entire supply chain and establishing a strong foundation to consistently provide high-quality pharmaceuticals.



(May 16, 2024) The 4th Hanmi Pharm partner mentorship



(November 12, 2024) The 5th Hanmi Pharm partner mentorship



Hanmi Pharm's Guidebook for Partners' Internal ESG Self-Assessment



5th Partner Mentorship Guide

#### Operation of a Communication Channel between Hanmi Pharm and our Suppliers

HSRM Site	We have established the Supplier Relationship Management System (HSRM) to simplify the product and service supply process. We also form mutually beneficial relationships between interested parties by operating a systematic and transparent system and are identifying and developing strategic supply partners based on an evaluation of suppliers' performance.
Hanmi E-guestroom	We operate the e-guestroom, a multilateral communication channel for stakeholders (relevant departments), purchasers, and suppliers, to ensure a fair and efficient work process.
Supplier mentorship	We provide supplier mentoring every year to support mutual growth with suppliers.
Whistleblowing & Shinmungo	We operate a channel through which complaints and grievances from suppliers' employees, such as "gapji" (harassment of subordinates by their superiors), workplace bullying, and sexual harassment can be reported. We will make efforts to increase access for our partners by introducing a third-party anonymous reporting channel.

#### Status of Supplier Support, 2024

Classification	Details	
Training support system	Ethical management	HSRM announcement & regular distribution of training materials
	GMP training	GMP audit support & offline training
	ESG training	ESG & supply chain audit, offline training
Improvements to payment conditions	100% cash payment	
Securing of reliable supplies	Advance payment for unbalanced raw material items in order to secure stable volumes of inventory.	
Long-term contracts	Annual automatic extension of contracts with outstanding suppliers.	
Preferential contracts for new products	Signing of preferential supply contracts for new product/items	
Supplier suggestion system	Review of joint business when a supplier suggests business cooperation.	
Welfare services	Provision of welfare mall services for Hanmi Pharm employees	

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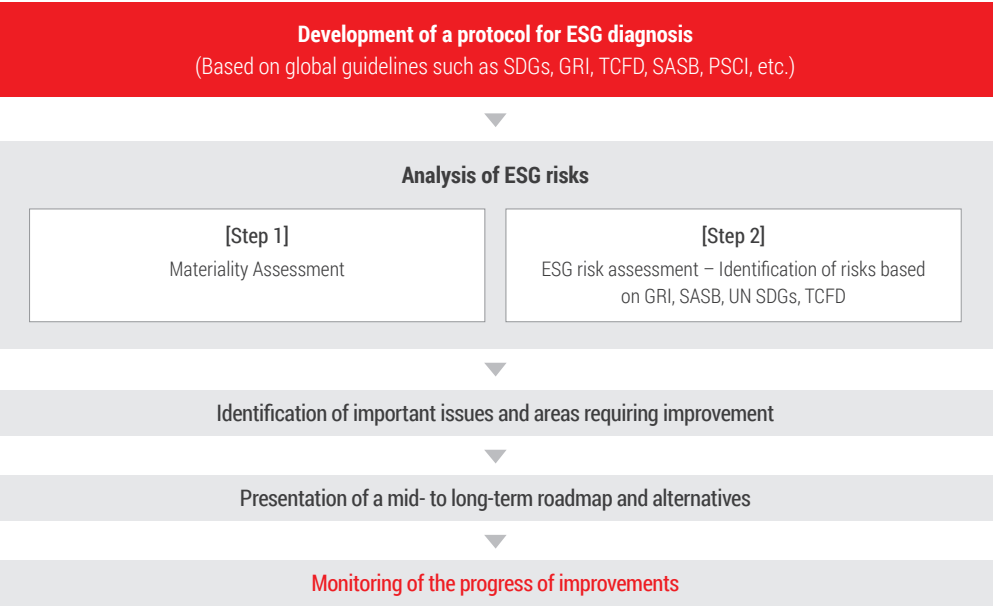
## II. Strategy\_Risk and Opportunity Response Achievements

### Expansion of ESG Management by Hanmi Group Companies

Hanmi Pharm has been implementing a series of policies aimed at expanding and enhancing ESG management to improve value across all areas of our business. Since 2023, we have developed and operated our own ESG assessment platform, which focuses on key aspects of ESG such as environment, occupational health and safety, and human rights, in order to extend ESG management across the entire group. Designed in consideration of the pharmaceutical and biotech industry's inherent characteristics and domestic and international guidelines, the platform follows a structured process of ESG risk identification, evaluation, improvement, and monitoring. Notably, we use a checklist comprising 156 items to identify potential risks related to environment and human rights, working to mitigate those risks so as to strengthen global competitiveness. As the first step in expanding ESG management within the group, we utilized our ESG assessment platform to evaluate JVM, a subsidiary of the Hanmi Group, in 2023 and monitored its improvements in 2024.

In 2024, 21 potential risks across four areas, namely labor/human rights, health and safety, environment, and fair trade, were identified and step-by-step improvement plans were formulated. Moving forward, we will regularly monitor the implementation of these improvements to establish and refine ESG management. We also plan to broaden our ESG support policies to all subsidiaries, with the aim of playing a leading role in Korea's healthcare industry.

JVM, founded in 1977 and incorporated into Hanmi Group in July 2016, is a cutting-edge medical device company that provides automated solutions for pharmaceutical dispensing and management. JVM is striving to become a world-class company through the complete automation of hospital pharmacy compounding and drug management around the world, while continuously investing in R&D to develop new products.



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## III. Risk Management

Monitoring risk and opportunity	Monitoring period	Monitoring target	Monitoring method	Management and supervision
Quality inspection of active ingredients	Periodically	Hanmi Pharm's partner-suppliers of active ingredients	<div>· Auditing and evaluation of partners based on the quality inspection criteria, including quality and GMP assessments, in order to produce and manage high-quality pharmaceuticals.</div>	Quality Assurance Group
Periodic ESG inspections	Once a year	Major partners	<div>· Evaluation of 4 areas, i.e. environment, human rights and labor, health and safety, and fair trade.</div> <div>· Conduct of on-site inspections of partners classified into a high-risk group, and monitoring of improvements.</div> <div>· An incentive system will be introduced for partners that receive excellent evaluations.</div>	ESG Group
Evaluation of qualified suppliers	Ongoing	Maintenance company involved in construction of a business site access facility	<div>· Evaluation of essential health and safety items such as the industrial accident rate and risk assessment.</div> <div>· Re-review by the person in charge after the supplier's internal evaluation.</div> <div>· Qualified only after receiving a certain score or higher; a contract can be signed only after submitting a qualified supplier evaluation report.</div>	ESG Group
Business stakeholder CP	Once a year	Partners with transactions over a certain amount	<div>· Evaluation based on fair trade related indicators.</div> <div>· Distribution of the code of conduct and implementation of compliance training.</div>	Compliance Team



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## IV. Indicators and Goals

Key indicator	2024 target	2024 performance	Achievement status	2025 target	Mid-to-long term (2030) plan
Establishment of a supply chain management system	Produce and distribute the book on ESG self-assessment guidelines for Hanmi Pharm's partners.	· Produced and distributed the book on ESG self-assessment guidelines for Hanmi Pharm's partners.	Achieved	· Introduce an online platform for inspections of the supply chain.	· Produce/distribute reports on inspections of the supply chain.
	Expand the scope of supply chain inspections (compared to the previous year).	· Expanded the scope of inspections of the supply chain (written inspections of 40 suppliers, on-site inspections of 4 suppliers).	Achieved	· Expand the scope of inspections of the supply chain compared to the previous year.	· Conduct inspections of the entire direct partner supply chain.
	Conduct ESG inspection monitoring of affiliates.	· Conducted ESG inspection monitoring of affiliates (JVM).	Achieved	· Conduct ESG inspection monitoring of JVM.	· Conduct ESG inspections of all affiliates.
Reinforcement of the mutual prosperity cooperative system of the supply chain	Implement partner mentoring at least twice a year.	<p>· Implemented mentoring for partners twice per year.</p> <p>May 16, 2024 (Thu): 54 persons from 40 suppliers (11.7%) participated.</p> <p>1. Hanmi Pharm's sustainable supply chain management.</p> <p>2. Training in cost innovation and the cost improvement mindset.</p> <p>3. Strategy for internalizing partners' compliance.</p> <p>Nov. 12, 2024 (Tue): 52 people from 37 suppliers (10.8%) participated.</p> <p>1. Greenhouse gas reduction measures for pharmaceutical partners.</p> <p>2. Interrelationship between active ingredients of pharmaceutical products and product quality.</p> <p>3. Guide on the use of the in-house shopping mall (WapleShop) for partners.</p>	Achieved	· Implement partner mentoring at least twice a year.	· Implement partner mentoring at least twice a year.

\* Our key partners in 2024: 343 companies