

## Supply Chain Management

The company manages its supply chain and is committed to working with partners while considering sustainability factors and maintaining long-term relationships to reduce risks that could impact the business. To demonstrate transparency and fairness in procurement processes, the company has established a Code of Conduct for Suppliers as a strategy and practice for overseeing procurement, maintaining business competitiveness and operational standards with business partners, and promoting compliance among suppliers to enhance the efficiency of delivering high-quality goods and services.

### Procurement and Treatment of Partners

The company has a procurement policy, process, and criteria for selecting partners that are fair, transparent, and verifiable. It strictly adheres to business ethics concerning partners and competitors to prevent monopolies, unfair competition, and corruption. The company places significant importance on transactions with partners that are socially and environmentally responsible, such as fair employment practices, prohibition of child labor or forced labor, human rights violations, and environmental stewardship. The company also promotes understanding and responsibility among partners regarding social responsibility by implementing a vendor assessment model that covers both social and environmental aspects for key vendors.

Additionally, the company has established a Business Partner Code of Conduct to encourage sustainable business practices aligned with the company's operational ethos. This code also provides an opportunity for both the company and its partners to contribute to social and environmental development, fostering mutual growth and sustainability. The full version of the Business Partner Code of Conduct is available on the company's website.

#### Practices:

1. Select partners fairly and transparently, considering economic, social, environmental, and governance factors for both new and existing partners.
2. Conduct procurement systematically, with rigorous controls, monitoring, and traceability to maximize benefits throughout the process.
3. Encourage partners to operate in accordance with the company's "Business Partner Code of Conduct."
4. Support community and social development activities with partners as opportunities and appropriateness arise.
5. Promote and support environmentally friendly products.
6. Encourage collaborative innovation with partners to achieve mutual, sustainable business growth.

#### Vendor Classification

The company has established criteria for categorizing vendors to assist in analysis, strategy formulation, and risk assessment, aiming to enhance procurement efficiency. For Critical Tier 1 Suppliers—key suppliers who produce or directly provide services to the company—the criteria are as follows:

1. Vendors with high transaction volumes.
2. Vendors associated with hard-to-replace products and those in critical categories, such as raw materials with limited suppliers or finished goods essential to the company's business operations.

Currently, the company has 23 Critical Tier 1 vendors, accounting for 81% of the total vendor value for the fiscal year 2024.

### Vendor Selection and Evaluation Process

- Current Approved Vendor List

The company mandates an annual evaluation of current vendors, focusing on quality and timely delivery. For vendors supplying critical raw materials and finished goods, self-assessments are required annually using a questionnaire covering production capacity, standards, quality control, and social, environmental, and legal compliance factors.

- New Vendor

In selecting new vendors, the company screens vendors using qualification criteria to ensure desired attributes. This includes sustainability aspects such as corporate governance, economic factors (e.g., product and service quality, timely delivery, operational experience, and product warranty), and environmental dimensions (e.g., legal compliance, environmental impact mitigation measures). Social responsibility factors, such as human rights, labor practices, safety, and legal adherence, are also considered. The company communicates the Business Code of Conduct to all vendors to guide their practices.

### Vendor Performance and Risk Assessment

The company conducts annual evaluations and risk assessments of vendors, covering both quality and timely delivery. The procurement department is required to perform on-site ESG audits, including document reviews and field inspections with the quality control department, for all new vendors supplying raw materials and finished goods, as well as for existing vendors with identified risks related to compliance.

The assessments ensure that vendors meet the established standards in production capacity, quality, safety, and compliance with legal, regulatory, and ethical business criteria, including social, environmental, and governance (ESG) aspects.

For the fiscal year 2024, the company had 10 vendors scheduled for on-site evaluations. Six vendors were successfully evaluated.

Additionally, vendors supplying raw materials and finished goods are required to conduct self-assessments at least once every two years, evaluating aspects such as environmental and safety conditions, production processes, and human rights and environmental issues.

In the fiscal year 2024, the company's on-site ESG audits and self-assessments revealed no environmental, social, or governance risks arising from the vendors.

### Credit Terms Policy and Duration for Trade Credit

The duration of trade credit is determined based on the type of vendor, considering factors such as the length of business relationship, type of product, and product quality. The company has established the following credit terms:

- Vendors or suppliers for raw materials used in production: Credit terms range from 30 to 120 days.
- Vendors or suppliers for finished goods: Credit terms range from 30 to 90 days.

For the fiscal year 2024 (July 1, 2023 – June 30, 2024), the company provided trade credit for raw materials with an average duration of 82.6 days and for finished goods with an average duration of 47.7 days.

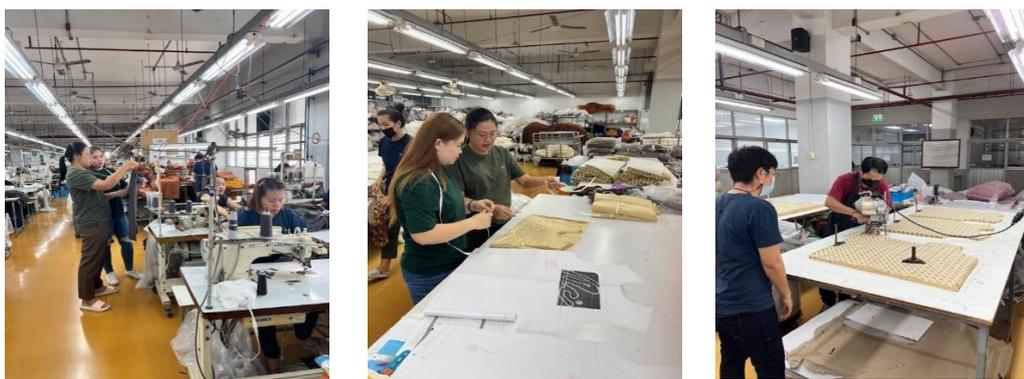
### Promoting the Capability and Sustainability of Business Operations with Partners

The company emphasizes the importance of educating, developing, and elevating the capabilities of its partners to meet standards while also promoting social responsibility. This includes ensuring that partners respect human rights, treat their labor fairly, and are socially and environmentally responsible. The company communicates and holds regular meetings with partners, conducts annual evaluations, provides guidance, helps solve problems, and works on improving quality and delivery to meet the company's needs. Additionally, the company monitors and assesses partners to foster sustainable business collaboration.

In 2024, the company held regular meetings with partners to share information and co-develop products. The technical team visited partners' factories to provide training and advice on production and to improve the quality of the production line. This initiative aims to enhance and elevate partners to meet the required standards. Furthermore, the company promoted awareness among partners about joining anti-corruption networks.

For sustainable business development with partners, the company has implemented the following measures:

1. The company has revised its quality inspection approach. Previously, final inspections were conducted, with in-line inspections only for new partners or new product types. Now, quality inspections during production are conducted for every production batch. The company's QA team visits to inspect, advise, and improve the production line, resulting in higher-quality products delivered on time. Additionally, partners benefit from knowledge transfer on process improvements and reduced product waste.



2. The company has collaborated with YKK, a key partner, to develop and utilize materials for assembling jeans, including zippers, buttons, and rivets, for new jeans collections. These materials have been incorporated into the "3109 Series" jeans, which is the company's top-selling jeans line, starting production in April 2023. The use of these materials has been progressively extended to other jeans models currently and will be used in future productions. The special feature of the zippers, buttons, and rivets used in the new jeans includes a coloring process called "AcroPlating," a YKK technology that reduces waste discharge. This environmentally friendly process reduces chemical use, water, and electricity consumption, as well as decreases harmful emissions and greenhouse gas emissions compared to traditional production methods.

3. The company has developed a joint product and raw material demand plan with its partners. Partners benefit from the ability to plan purchases and production in advance, while the company can negotiate raw material prices and ensure timely delivery.
4. In addition to regular communication and meetings with partners, the company held the “MC GROUP BUSINESS PARTNERS CONNECT” seminar on September 21, 2023. Over 50 key partners attended the event to discuss the company’s operational direction. This event provided a platform for senior executives to meet, exchange ideas, offer guidance, address issues, improve quality and delivery, and explore new opportunities for mutual sustainable growth with partners.

