



CHAPTER 08

Sustainable Supply Chain

Management approach

BenQ is committed to establishing a long-term collaboration model with suppliers, grow together with them, and establish a complete set of targets and plans according to schedule, all of which will be completed gradually according to the plan for each stage so that we can improve upon our sustainable supply chain.

Short-term plan (1 year)

Suppliers whose CSR documents are due to expire are required to sign the Supplier's Social Responsibility and Business Ethics Agreement. In 2023, already 30% of our first-tier suppliers signed the Supplier's Social Responsibility and Business Ethics Agreement; it is expected that all first-tier suppliers will sign by 2024.

Mid-term plan (3 years)

- We are planning to have on-site audits of suppliers include items related to social responsibility.
- We will inquire about local procurement at factories, ask suppliers to provide the amount used to purchase production equipment, and confirm the percentage of local procurement.
- We will inquire about the ESG goals of first-tier suppliers, and have them work with BenQ on reaching shared goals.

Long-term plan (5 years)

- We will complete on-site audits of all partner suppliers.
- We will require key suppliers to undergo code of conduct audits by a third-party organization certified by the Responsible Business Alliance (RBA).

8.1 Sustainable Management of Suppliers

8.1.1 Risk Management Strategy

To minimize the impact of supply chain disruptions on operations, BenQ’s risk management strategy for our supply chain is as follows:

- We maintain at least two active vendors, with the exception of suppliers with monopolies and those with singular, exclusive technologies. If one vendor stops supplying and providing services, another vendor can provide supplies and services in the shortest possible time.
- We cultivate, validate, and develop potential suppliers. Even if current partner suppliers cease to provide supplies and services, another supplier will be able to provide supplies and services in the shortest possible time.

In addition, BenQ carefully assesses vendor risks for existing qualified vendors through scheduled and unscheduled investigations of their operational and financial status and monitoring high-risk groups to prevent unannounced closures that may affect shipments or cause disputes. At the same time, BenQ conducts major risk surveys on suppliers; BenQ conducts a comprehensive investigation of suppliers’ ability to respond to special events, such as the impact of the Ukraine–Russia war, exchange rate volatility, debt crisis, inflation, geopolitical risks, etc. Also, we have discussions with suppliers to determine the appropriate response methods so that BenQ can take appropriate precautions along the supply chain to avoid operational hazards, which could in turn affect the rights and interests of its stakeholders.

Critical impact	Risk	Opportunity
Inventory management in the post-pandemic era	Excess inventory affects cash flow and leads to financial risk	<ol style="list-style-type: none"> 1. Downward revision of demand forecast & accurate material preparation 2. Front-end marketing strategy
International wars	Delays in transportation lead to delayed deliveries, impacting the supply chain	<ol style="list-style-type: none"> 1. Preparing material in advance 2. Keeping up with market trends

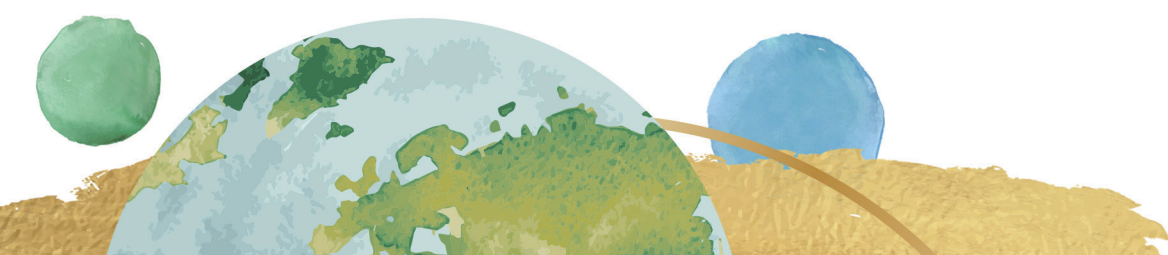
Table 8.1 Critical Impacts and Risks/Opportunities

8.2 Screening of New Suppliers

As a brand that spans multiple disciplines, BenQ partners with about 23 major suppliers worldwide, including OEMs and key component suppliers, most of which are located in Greater China. Based on the spirit of quality assurance and consumer care, BenQ shoulders the responsibility of actively working with suppliers to build a supply chain that safeguards the environment, human rights, safety, health, and sustainable development.

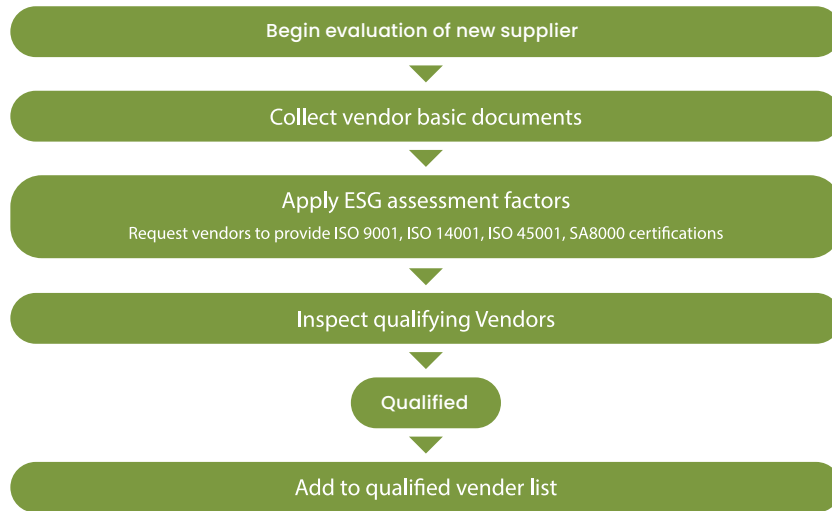
Therefore, BenQ takes a strict attitude toward supplier selection and implements written and on-site audits. We require vendors to hold ISO 9001 certification and to submit other ISO certifications and conflict mineral investigation forms. We wish to develop long-term relationships based on the spirit of collectively fulfilling our corporate social responsibility.

In our management system and processes, potential vendors must proactively collaborate with audits on corporate social responsibility, environmental health and safety as well as document audits before they can join BenQ’s Qualified Vendor List (QVL). Therefore, all suppliers, regardless of whether it is a new supplier that we are planning to work with or even an existing or potential partner supplier, will have to be in active communications with BenQ to complete 100% of the document audits, the signing of documents and follow-up in order to remain on the list of qualified vendors.



Supplier review mechanism:

BenQ is committed to establishing a long-term collaboration model with suppliers, growing together with them, and formulating targets that are to be completed in steps according to plan in order to improve upon our sustainable supply chain.



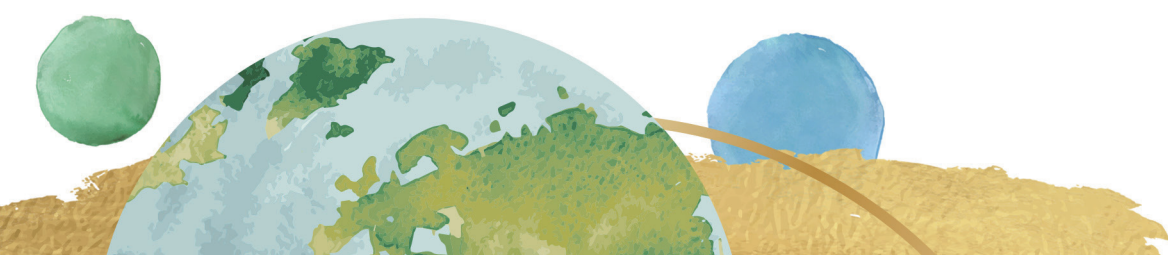
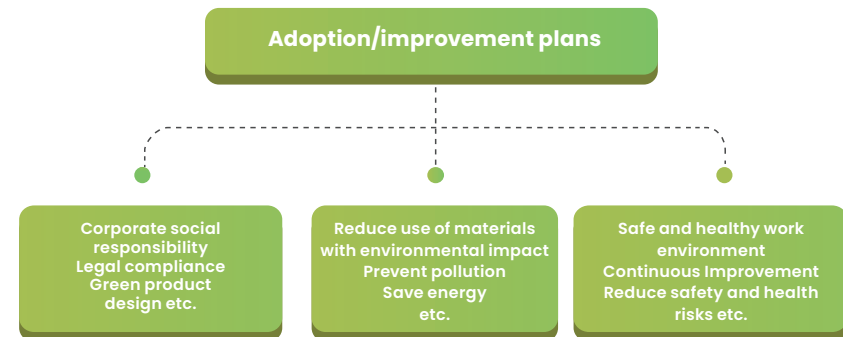
8.2.1 Written Audits

Suppliers are required to provide ISO 9001 (mandatory), ISO 14001, ISO 45001, SA8000 certificates as well as the Supplier’s Social Responsibility and Business Ethics Agreement, and to comply with standards on education and training as well as quality auditing.



(I-1) For suppliers that cannot provide ISO 14001 and ISO 45001 certificates, they are required to provide plans to adopt those standards or improvement plans, such as:

- Promoting corporate social and environmental responsibility to comply with regulations and standards;
- Designing green products to reduce the use of substances that can impact the environment;
- Pollution prevention;
- Energy conservation;
- Providing a safe and healthy working environment to maintain the physical and mental health of employees;
- Continuing to improve to reduce risks to health and safety.



(I-2) For suppliers that cannot provide an SA8000 certificate, they need to provide BSCI certification or a Responsible Business Alliance report.

(I-3) If suppliers cannot provide any of the three documents mentioned above, they must sign the Supplier's Social Responsibility and Business Ethics Agreement, which includes the following:

- The use of child labor is prohibited, and children or adolescent workers should not be put in dangerous or unhealthy environments;
- A safe and healthy working environment is to be provided for employees and the necessary measures are to be taken to avoid occupational accidents;
- All employees are to be guaranteed to receive regular health and safety training;
- Employees are to be provided with clean and safe drinking water, toilets, and dormitories;
- The right of employees to communicate internally is to be respected, and representatives of employees are not to be subjected to discrimination, harassment, coercion or retaliation.



For our supply chain management, all first-tier suppliers will be required to sign the Supplier's Social Responsibility and Business Ethics Agreement in 2024, which incorporates the spirit of RBA, environmental protection, social responsibility, and corporate governance.



8.2.2 On-site Audits

During audits at suppliers' locations, our Quality Management Department assesses the supplier site through a Supplier System Audit (SSA), which covers: whether the operating environment is maintained in optimum 6S (5S+SAFETY) conditions; whether the stocked listed substances (hazardous, volatile, corrosive, toxic, etc.) are properly defined and controlled to prevent quality changes and safety concerns; whether crisis management procedures (power outages, earthquakes, fires, personal injury, etc.) and safety facilities are in place; whether flammable, corrosive, and toxic materials are separately and properly stored; whether there are emergency response plans (facilities and measures) in place in the event of emergencies, such as fires and floods. If suppliers fail the on-site audit, they will not be able to enter BenQ's Qualified Vendor List. In other words, all new suppliers have met all of the aforementioned requirements of the audit.

Even after their selection as Qualified Vendors, BenQ's Quality Management and Product Certification Department will regulate the quality of the suppliers' finished products through Requests for Quotation (RFQs) and applying such criteria as product specifications, cost, handover, and service, before moving on to collaboration and discussion on mass production and mass supply. RoHS, REACH, WEEE, ErP or related energy saving and safety regulations (e.g. conflict minerals), electromagnetic compatibility, etc., that apply to the products are explicitly stipulated in the RFQs. If a supplier fails to meet these requirements, it will not be qualified to bid.

Through the aforementioned gatekeeping, we ensure that the quality of our products meet our specifications and consumers' needs.

8.3 Conflict Minerals

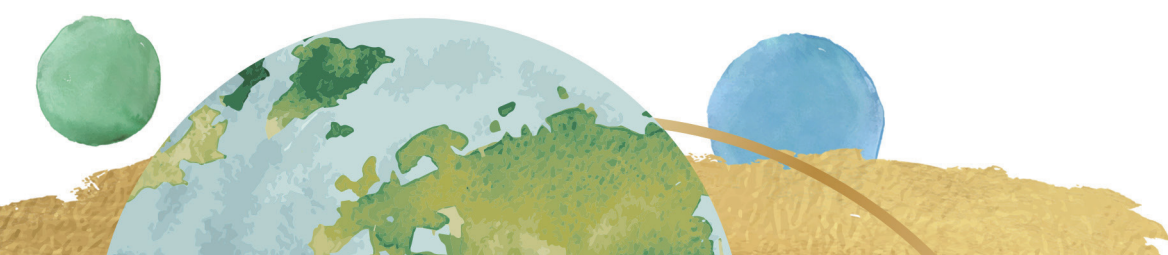


Conflict Minerals Policy

In 2010, the U.S. passed the Dodd-Frank Wall Street Reform and Consumer Protection Act. Section 1502 of the Act amends the Securities Exchange Act of 1934 to direct the U.S. Securities and Exchange Commission to issue regulations requiring companies to disclose whether minerals used during the production of their products originated in the Democratic Republic of the Congo (DRC) or its adjoining countries, which are known for using forced labor and treating workers inhumanely. An investigation by the Responsible Minerals Initiative (RMI) has found that local rebel groups in the aforementioned region obtain tantalum, tin, tungsten, gold and other minerals through illegal means such as forced labor and child labor, and sell the minerals in exchange for weapons, causing instability in the region. The international community refers to these four types of minerals, which are often obtained through illegal operations, as conflict minerals.

Applications for minerals:

Electronic products utilize various kinds of metals with significant functions. Among them, tantalum, tin, tungsten, and gold are essential materials for the functioning of electronic products. Cobalt is a key material in the production of batteries. According



to an EU review and report on critical raw materials, a third of the world's cobalt comes from the DRC and its adjoining countries. In 2019, RMI listed cobalt as the fifth conflict mineral.

Conflict minerals policy:

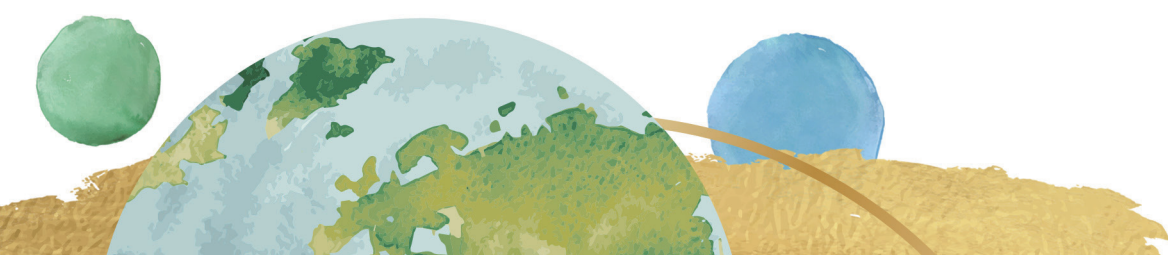
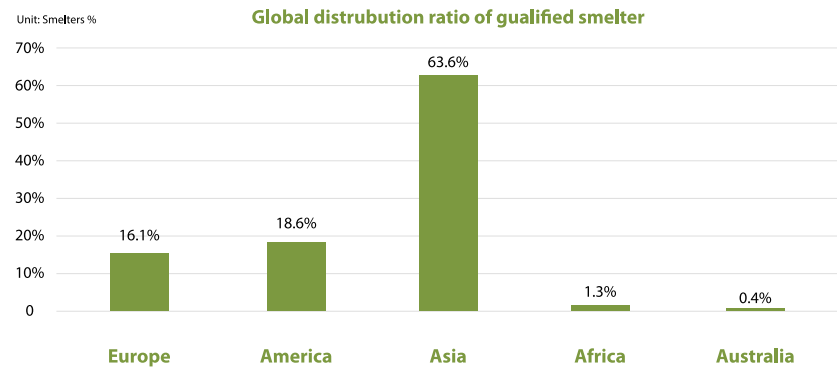
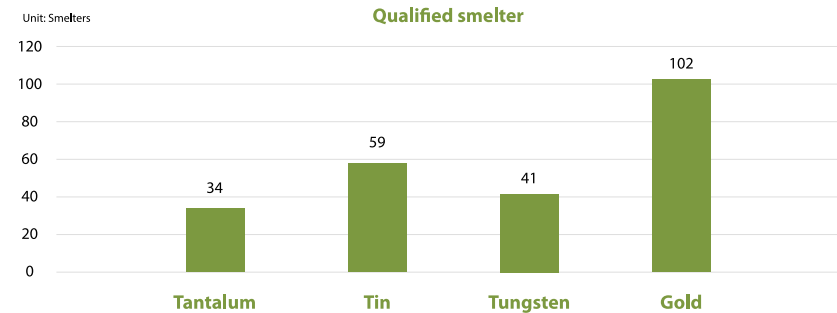
BenQ supports the international society's boycott of conflict minerals and works with suppliers to conduct investigations on conflict minerals to prevent the direct or indirect procurement of conflict minerals from armed groups in the Democratic Republic of the Congo and its adjoining countries in order to ensure that our procurement of materials are in line with the principles of social and environmental responsibility. In addition, BenQ has taken the initiative to join the Responsible Minerals Initiative (RMI) as a member and to provide suppliers with the latest information on qualified smelters and sources of procurement in order to ensure that our qualified smelter conversion program is implemented, and that our goal of 100% procurement of tantalum, tin, tungsten, gold and cobalt from qualified smelters is maintained and achieved.<https://www.responsiblemineralsinitiative.org/about/members-and-collaborations/>

Note:

1. Boycotts: Studies by international non-governmental organizations such as SOMO and Enough have reported that the DRC is currently facing the deadliest conflicts since World War II, and that the main cause of the conflicts is the electronics industry's demand for the substantial deposits of metal in eastern DRC. If companies producing electronics use metal sourced from conflict mines in the eastern DRC, it would amount to contributing to these conflicts.
2. Conflict minerals: This refers to tantalum, tin, tungsten, gold, and cobalt.
3. Adjoining countries: This refers to countries adjacent to the Democratic Republic of the Congo, namely Angola, Burundi, the Central African Republic, the Republic of the Congo, Rwanda, South Sudan, Tanzania, Uganda, and Zambia.
4. Qualified smelters: Please refer to website for the conflict-free smelter program to get the latest published list of smelters.

Conflict minerals survey:

Based on the results of the investigation by RMI and the Conflict Affected and High-Risk Areas (CAHRAs) listed in the EU Conflict Minerals Regulation, which came into effect in 2021, the distribution and compliance of the 249 smelters in BenQ's product supply chain for tantalum, tin, tungsten, gold and cobalt in 2023 were analyzed; 63.5% of the smelters are located in Asia, followed by 17.7% in the Americas, 16.1% in Europe, 2% in Africa, and 0.8% in Australia. The investigation confirmed that 100% of the minerals were non-conflict minerals.

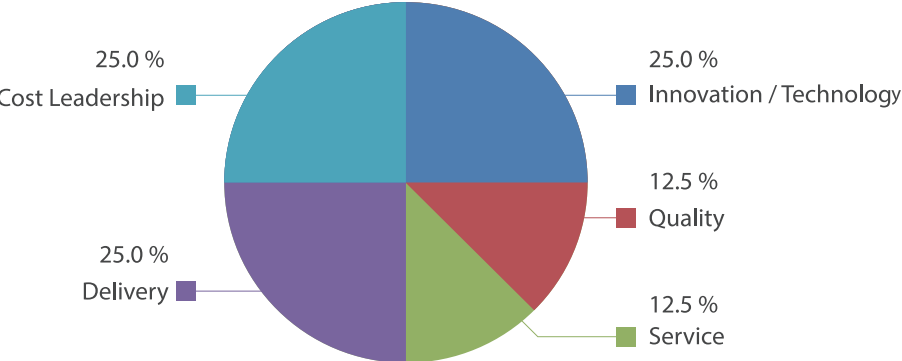


8.4 Supplier Evaluation

Depending on the operation status of each product, BenQ's Strategic Procurement Department is responsible for holding a Quarterly Business Review (QBR) meetings with the business, product, technology, supply chain management, customer service, quality control, and safety compliance departments and suppliers to review the performance in the current quarter and have the quarterly evaluation serve as the basis for the regular supplier evaluation.

Through the five aspects of the IQSDC evaluation (innovation/technology, quality, service, delivery, and cost leadership), the results of each supplier performance evaluation will be used as an important basis for our procurement strategy.

Quarterly supplier evaluation



In addition to performance evaluations, BenQ also utilizes quarterly business review meetings to review whether suppliers have obtained ISO certificates, and promote decrees to all first-tier suppliers in the hope that BenQ can grow with its suppliers, achieve sustainable development, and adhere to the code of conduct of the Responsible Business Alliance (RBA) together through collaboration.



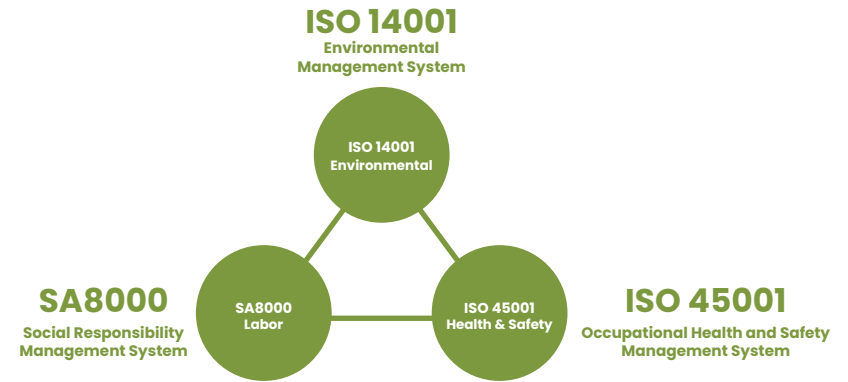
BenQ's requirements and compliance item for suppliers

To help us fulfill our corporate social responsibility, BenQ invites you to join us in caring about the environment and protecting labor rights. Please provide the following documents.

Certification system	Certificate	Implementation/ Improvement Plan	Pledge/Assessment Table
ISO 9001	✓		
ISO 14001	✓	✓	
ISO 45001	✓	✓	
SA8000	✓		✓
<p>Remarks:</p> <p>ISO 14001: if you cannot provide a certificate, please complete the implementation or improvement plan. ISO 45001: if you cannot provide a certificate, please complete the implementation or improvement plan. ISO 14001: if you are unable to provide a certificate, please sign an annual pledge or complete a survey from each year.</p> <p>If your company provides an implementation or improvement plan, pledge, or survey form, the ultimate goal is still to obtain certificate through system verification.</p>			

BenQ Social Responsibility and Environmental Safety and Health Policy

Promote CSR to meet regulatory standards. Design green products with fewer environmental impact. Prevent pollution, save energy, ensure safety and health, and continuously improve to reduce safety and health risks. Provide a safe and healthy work environment to maintain employees' physical and mental health. All employees contribute to the continuous improvement of environmental, safety and health performance through audits and communication.

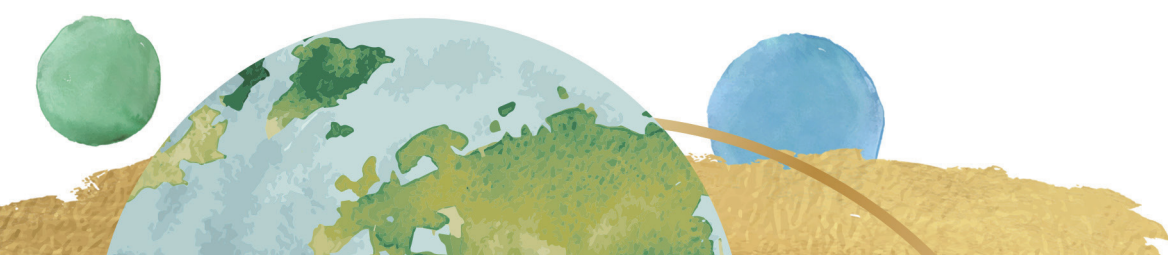


Promotion of TCO decree:

BenQ supports the international society's boycott of conflict minerals and works with suppliers to conduct investigations on conflict minerals to prevent the direct or indirect procurement of conflict minerals from armed groups in the Democratic Republic of the Congo and its adjoining countries in order to ensure that our procurement of minerals is in line with the principles of social and environmental responsibility.

Promotion of TCO decree:

BenQ is committed to promoting TCO Senior Management Representative (SMR): Companies should proactively promote integrity, anti-corruption, and business ethics to their suppliers and upstream vendors, and ask for their suppliers and upstream vendors to implement the same principles.





Bring Enjoyment and Quality to Life

Integrity & Introspection

Execution & Excellence

Caring & Contribution

Passion & Professionalism

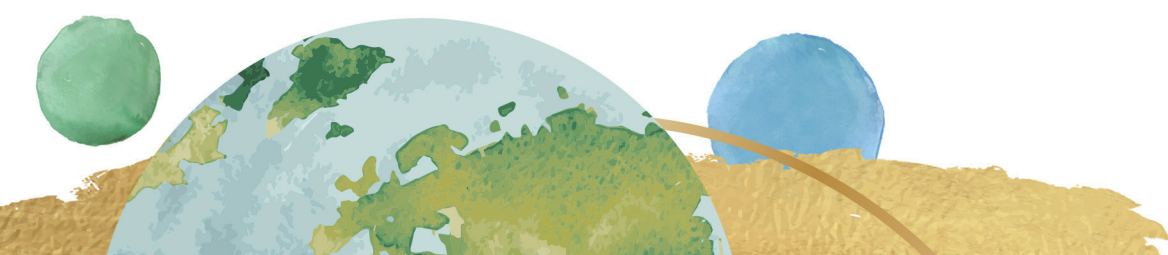
Integrity Statement

1. We uphold the highest ethical standards
2. We respect the law and company regulations
3. We act in good faith in word and deed
4. We do not abuse our privileges to engage in unlawful conduct
5. We strive to avoid any suspicion of transfer of benefits
6. We will not engage in any unethical conduct
7. We seek assistance when we are unsure of how to do.
8. We cooperate fully with investigations into unlawful conduct
9. We immediately report unlawful incidents
10. We extend our integrity standards to our business partners
11. We protect our employees' rights and interests in good faith

BenQ requires suppliers to comply with the spirit of SA8000, ISO and RBA, and implement the spirit in their corporate governance and sustainable development. At the same time, suppliers are required to ensure that their own operations are in compliance with BenQ's human rights standards and policies, and expect those human rights standards and policies to be gradually extended to their own suppliers.

- Workers shall be treated with the basic amount of respect and dignity as stipulated by laws and regulations;
- No discrimination;
- No use of child labor;
- No acts of corruption;

In 2023, BenQ held meetings with key suppliers to share information about ESG and carbon footprint and conducted supplier RBA surveys in the hope that we can grow together with our suppliers and realize major milestones in ESG; furthermore, we exchange opinions with suppliers on sustainable development issues every year, which serves as an important consideration as we formulate our sustainable development strategy and goals. We are willing to be a proactive, long-term partner of suppliers in doing our part for society and for the Earth.



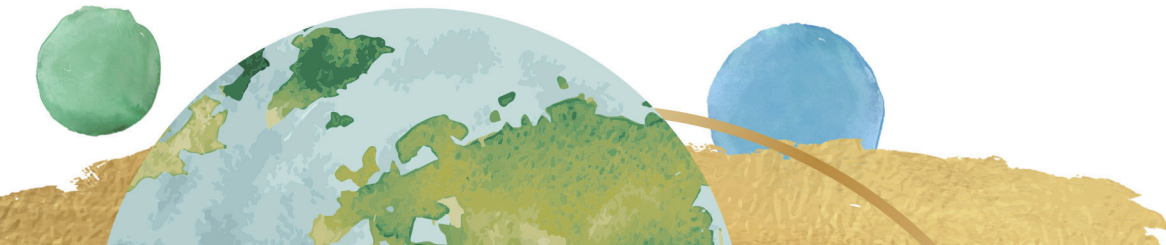
Vendor Type:		Y	N	total
Vendor	Is the company an RBA member?	20%	80%	100%
Factory Site	Has the factory been audited by a third party?	89%	11%	100%
	Has the factory provided an RBA audit certificate?	67%	33%	100%
	Has the factory provided an RBA audit report?	67%	33%	100%

8.5 Sustainable Development of BenQ's Transportation

According to past data from the International Transportation Forum (ITF), freight transportation stemming from international trade accounts for more than 7% of global greenhouse gas emissions. However, transportation contractors play a crucial role in the overall supply chain by sending the Company's products across borders and making last-mile deliveries.

Therefore, in the process of selecting transportation contractors, BenQ not only evaluates services and prices, but also requires contractors to have the ISO 14001 certificate, ESG reports, sustainability reports, or measures for sustainable development and environmental management. Analysis of internal information showed that most vendors with management measures in place are companies with European and American backgrounds. Therefore, to encourage Taiwanese enterprises to move toward sustainable development, BenQ has been communicating the importance of environmental sustainability from time to time. A company with ISO 14001 certification or green energy and carbon emissions reduction measures in place will be given priority in becoming a transportation contractor for BenQ and receive allocation incentives within a controlled range in our effort to nurture local enterprises. We also encourage our transport contractors to join us in our efforts to protect the environment and reduce carbon emissions.

BenQ strives to reduce carbon emissions. Among various modes of international transportation, air freight has the highest carbon emissions and sea freight the lowest. In recent years, sea freight companies have been responding to the carbon emissions management strategy of the International Maritime Organization (IMO), which requires ships to reduce carbon emissions by 2% per year from 2023 to 2026. It is hoped that greenhouse gas emissions can be reduced by 20% by 2030 compared





with the base year of 2008, and even reach the ultimate goal of net zero emissions by 2050. Therefore, BenQ is keeping pace with the times by prioritizing sea freights as our first choice for international transportation, and minimizing the use of air freight or replacing the use of air freight with rail freight. We work to reduce carbon emissions as much as possible while meeting customers' delivery and service requirements in order to be more in line with our brand spirit of producing green products.

Increasing the amount of cargo loaded and thus reducing the amount of containers used is also a carbon reduction measure. BenQ continues to optimize loading by incorporating this factor into the design of our products in order to reduce the carbon footprint of each product. In 2023, BenQ worked with selected transportation contractors to obtain third-party certified carbon offset reports. However, the EU began imposing the Emissions Trading System (ETS) in 2024, so the continuance of carbon offset reporting may depend on business conditions.

In the figure below, carbon emissions from different modes of transportation are shown in descending order: Air freight, trucks, small container ships, large container ships.

Comparison of CO2 emissions between different modes of transport

Source NTM, Sweden

