

Supplier Contract Signing Guidelines

1st April, 2025

DYCO DY DEOKYANG

Supplier Contract Signing

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	1	4 th July, 2014	7 th July, 2014	New Legislation
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1. Purpose

The purpose of these guidelines is to establish reasonable and transparent business practices by presenting the contents that must be mutually observed when concluding a contract between us (hereinafter referred to as the "original business operator") and the company that begins a transaction with us (hereinafter referred to as the "subcontractor").

2. Composition of Guidelines

- 1) Matters related to infrastructure for contract conclusion
- 2) Matters to be complied with when concluding a contract
- 3) Matters prohibited when concluding a contract

3. Contract Conclusion Infrastructure

3.1 Supplier selection method

A supplier newly registered with our partner AVL must be selected as a developer after signing a basic transaction agreement and selecting a supplier for each item when developing new parts, and only then can they begin trading with us. There are two methods for selecting companies:

1) Competitive bidding

A "RFQ" briefing session is held for suppliers participating in the bidding, quotations are received from target suppliers, and the supplier with the lowest quotation is selected.

※ RFQ : Request for Quotation

2) Sole bidding

A method other than competitive bidding, in which a specialized company is selected for items deemed necessary due to customer-designated companies, new technology-applied parts, patents, insufficient company selection schedules, and other purchasing policies.

3.2 PRM(Partner Relationship Management)

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- 1) Operate "DAGS" to share information and promote mutual cooperation with our trading partners.
- 2) Operate the Partner Council, which is our consignment company council, to support information exchange and mutual cooperation between trading partners.
 - ※ DAGS : Deokyang Access Groupware System

3.3 Proposal System for companies wishing to transact

Open and operate a transaction proposal channel on the customer site of our website for companies wishing to do business with us.

4. Compliance and prohibition matters when concluding a contract

4.1 Compliance matters when concluding a contract

- 1) Advance issuance of written documents
 - ① In principle, the original contractor shall conclude a contract with the subcontractor in advance, but at the very least, a contract with the parties' signatures shall be concluded before commencing work for delivery.
 - ② In case of frequent deliveries, a basic contract shall be concluded first, and the purchase order (including computerized purchase order) issued by Party A for each delivery shall be replaced with an individual contract.
- 2) Unit price determination by reasonable calculation method
 - ① The unit price of parts shall be determined through consultation in accordance with a reasonable calculation method that takes into account quantity, quality, specifications, delivery date, payment method, material price, labor cost, or market price trends, and adds appropriate management fees and profits.
 - ② The unit price set forth in Paragraph ① above shall include all costs including packaging costs, transportation costs, unloading costs, insurance premiums, and other costs to the delivery

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location determined through mutual consultation, unless otherwise agreed upon.

- ③ If there is a drastic change in the price or rate of the items included in the unit price set forth in Paragraph 1 during the contract period, if 60 days or more have passed since the contract was signed and any of the following reasons occur for the remaining delivery quantity, Party A or Party B may apply for an adjustment of the contract amount, and the contract amount shall be adjusted through mutual consultation within 30 days from the date of the application. If an adjustment is not reached within 30 days, the original contractor or the subcontractor may apply for adjustment to the Subcontract Dispute Mediation Council. However, if it is determined that it is difficult to perform the contract without adjusting the contract amount due to a sharp increase in the price of raw materials, the contract amount may be adjusted within 60 days from the contract signing date (or the date of adjustment if the contract amount is adjusted after the contract is signed).
- Fluctuations in raw material prices: When the current market price of raw materials fluctuates by more than 5% compared to the standard raw material price
 - When price adjustments are necessary due to design changes, improvement proposals, etc.
- ④ In the event that the determination of the unit price is delayed due to special reasons, the temporary unit price determined through consultation shall be applied. In this case, the difference between the temporary unit price and the final unit price shall be settled retroactively when the final unit price is determined.
- ⑤ Party A shall regularly investigate the standard rate for calculating the cost and present a rate that is appropriate for reality. However, Party A shall determine the rate according to the characteristics of each company, such as working conditions, size of the supplier, and technical level, taking into account the labor costs of the same industry.

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3) Delivery date and supplying product

- ① The delivery date refers to the date when the ordered parts will be delivered to the location agreed upon by the original contractor and the subcontractor in accordance with the individual contract (purchase form), and is mutually agreed upon for each individual contract.
- ② The delivery date shall be set at the time of signing the contract, and if the delivery date is changed, it shall be clearly stated, and if a shorter delivery date is set than usual for reasons such as urgent orders, it shall be mutually agreed upon.
- ③ If the original contractor causes damage to the supplier due to unreasonable delay or refusal to receive the goods despite there being no reason to hold the subcontractor responsible, the original contractor shall compensate for the damage.

4) Objective Inspection Criteria

- ① The original contractor shall, in consultation with the subcontractor, establish objective, fair, and reasonable inspection criteria and methods for the inspection of delivered goods.
- ② When there is a delivery, the original contractor shall immediately issue a receipt even before the inspection, and the inspection shall be promptly conducted in accordance with the inspection regulations and procedures established in advance.
- ③ Except in cases where there is a justifiable reason, the original contractor shall notify the inspection results within 10 days from the date of receipt of the delivered goods from the supplier. If the notification is not made within this period, the inspection shall be deemed to have passed.
- ④ The original contractor shall manage the ordered parts with the care of a good manager before or during the inspection period.

5) Payment of the price

- ① The payment date for the delivery price shall in principle be in accordance with Article 13, Paragraph 1 of the Subcontracting Fair Trade Act.

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- ② The payment method for the delivery price shall be in accordance with Article 13, Paragraph 2 to Paragraph 8 of the same Article of the Subcontracting Fair Trade Act.
- 6) Reasonable return processing for defects discovered after delivery
- ① For defective products discovered after delivery, the cause of the defect shall be identified, the proportion of responsibility shall be determined, etc. shall be returned upon agreement between the original contractor and the subcontractor.
- 7) Termination/Cancellation of Contract
- ① The reasons for termination/cancellation of a contract shall be determined by agreement between the parties and shall be divided into 'cases where it is possible without a citation' and 'cases where a citation is necessary'. However, if a reason for termination/cancellation arises, it shall be notified in writing without delay.
- ② Cases where it is possible without a citation are as follows:
- When the other party receives a suspension of transactions from a financial institution, or a suspension of business, etc. from a supervisory authority
 - When it is recognized that the other party cannot perform the contract due to a serious business reason such as insolvency, compulsory execution by a third party, bankruptcy, initiation of composition, or application for corporate reorganization procedures
 - When the other party resolves to dissolve, transfer business, or merge with another company, or when both parties recognize that it is difficult to perform the contents of the basic contract or individual contract due to a disaster or other reason
- ③ Cases where a citation is necessary are as follows, and in this case, the other party may be requested to perform within a period of at least one month, and the contract may be cancelled/terminated if performance is not performed within that period.

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- If the other party violates the important provisions of this contract or individual contract, or if the receiving company delays the performance of the necessary matters for the production of ordered parts without a justifiable reason, thereby hindering the work of the supplier
- If the supplier refuses to produce ordered parts or delays the start of production without a justifiable reason, making it difficult to deliver within the delivery date
- If there is a significant reason to believe that the supplier's technical, production, and quality control capabilities are insufficient to smoothly perform the contract contents

4.2 Prohibition matters when concluding a contract

- 1) Advance issuance of written documents
- 2) Unfair subcontracting fee determination
 - ① Determining subcontracting fees by uniformly reducing the unit price without justifiable reason
 - ② Determining subcontracting fees by unilaterally allocating a certain amount regardless of the reason, such as a request for cooperation, and then reducing the amount
 - ③ Determining fees by discriminating against a specific supplier without justifiable reason, or unilaterally determining fees at a lower unit price without agreement with the supplier
 - ④ Deceiving suppliers by causing errors in transaction conditions, such as order quantity, or presenting estimates from other businesses or false estimates, and using this to determine fees
 - ⑤ Determining fees at a lower price than the lowest bid price without justifiable reason when concluding a contract through competitive bidding
 - ⑥ Determining fees by uniformly reducing the unit price without objectively valid reasons for reducing the unit price, such as a decline in the price of materials
 - ⑦ Selecting a specific supplier even though there is no difference in payment conditions, transaction quantity, or difficulty of work, etc. Acts of determining a lower price through discrimination

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- ⑧ Acts of requesting a quote based on the premise of a large order, and then actually placing a small order and determining the price based on the quoted price
 - ⑨ Acts of entrusting manufacturing, etc. without determining the price, and then determining the price at a lower price than the price normally paid without consulting with the supplier
 - ⑩ Acts of requesting and receiving technical data related to delivery, etc., and then providing them to another business operator and lowering the price based on the other business operator's quoted price, etc. Determination of unit price through a reasonable calculation method
- 3) Request for proposal or development request through verbal communication
Request for cancellation of development after completion of equipment or preparation for production or request for reduction of unit price presented through verbal communication
- 4) Unfair subcontracting fee determination
- ① Interfering with personnel affairs by obtaining the supplier's instructions or approval for the appointment/dismissal of employees or hiring a specific person against the supplier's will
 - ② Interfering with subcontracting transactions and restricting the subcontracting transaction contents, such as setting selection contract conditions, regardless of the purpose of the subcontracting transaction, such as maintaining the quality of the entrusted object and whether it is delivered within the delivery date
 - ③ Restricting the supplier's production items/facility scale, etc. or preventing the supplier from transacting with competitors of the supplier or its affiliates
 - ④ Requesting the supplier to provide technical data related to delivery, etc. without just cause
- 5) Exclusive transaction request

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An act of preventing a supplier from doing business with oneself and the companies designated by oneself (except in cases where an agreement is made to have exclusive business with a business partner on the grounds of jointly developing technology with the business partner)

5. Faithful performance of the contract according to the contract and related laws

5.1 Compliance matters when performing the contract

- 1) Compliance with Civil Code and other related laws
 - ① Comply with the principle of good faith, subcontracting law, fair trade law, and other related laws, but in case of disputes, resolve them through written documents

- 2) Principle of sufficient prior agreement and written delivery when reducing unit prices
 - ① In case of unit price reduction due to reasons such as decline in raw material prices or increase in quantity, provide reasonable grounds for the unit price reduction due to increased quantity

- 3) Adjustment of price due to contract change
 - ① In case of additional costs due to contract changes such as request for additional specifications, payment accordingly
 - ※ Recommendation
 - Cancel/terminate the contract according to the contents stipulated in the contract, but if the suspension of transactions does not correspond to the reason for cancellation/termination of the contract, notify the supplier in writing as soon as possible, 2-3 months in advance.

5.2 Prohibition matters when performing the contract

- 1) Unfair refusal to receive
 - ① Refusing to receive even when it is difficult to determine whether the contents of the delivered object are different from

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the contents of the consignment due to unclear consignment contents

- ② Refusing to receive already consigned goods due to claims from the orderer, foreign importer, or customer, poor sales, etc.
- ③ Refusing to receive due to delayed delivery even when delivery on the due date is impossible due to late supply of raw materials that were to be supplied
- ④ Applying higher standards than normal standards even when inspection standards have not been set
- ⑤ Refusing to receive even when inspection standards have been set because the contents are unclear or because they are higher than the inspection standards set in the original contract
- ⑥ Refusing to receive without a justifiable reason such as insufficient storage space despite a request from the supplier to receive the delivery
- ⑦ Arbitrarily refusing to receive already ordered goods due to the judgment that stable supply is difficult due to bankruptcy of the supplier, etc.
- ⑧ Refusing to receive other items due to defects in some items after consigning the manufacturing of multiple items, or canceling the order or Refusing to receive due to reasons such as order suspension

2) Unfair return practices

- ① Returning a product due to cancellation of an order from a business partner or changes in economic conditions
- ② Returning a product by unfairly determining it as unsatisfactory by unclearly setting the standards and methods for inspection
- ③ Returning a product that has been determined to be unsatisfactory due to poor quality of the supplied raw materials
- ④ Returning a product due to a delay in delivery caused by a delay in the supply of raw materials
- ⑤ Returning a product that has already been received due to claims from the orderer, foreign importer, or customer, poor sales, etc.

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- ⑥ Returning a product even though the supplier has completed the inspection by a third party other than the supplier and delivered it
- ⑦ Returning a product due to a delay in delivery despite the objective fact that the supplier delayed the delivery and tolerated it

3) Unfair price reduction practices

- ① An act of reducing the price by citing unreasonable reasons such as a request for cooperation, cancellation of an order from the counterparty, or changes in economic conditions after the consignment without specifying the conditions for reducing the price at the time of consignment
- ② An act of reducing the price by unilaterally applying the agreement retroactively to the portion consigned before the agreement was reached in the event that an agreement on unit price reduction has been reached
- ③ An act of excessively reducing the price by citing payment in cash or payment prior to the due date
- ④ An act of unilaterally reducing the price by citing a minor mistake by the supplier that does not have a substantial impact on the occurrence of damage
- ⑤ An act of requiring an amount higher than the appropriate purchase price or usage fee to be charged in the case of having the supplier purchase items necessary for manufacturing, repair, construction, or service performance from the supplier or having the supplier use the supplier's equipment
- ⑥ An act of reducing the price by citing the fact that the price of goods or materials at the time of payment has fallen compared to the time of delivery, etc.
- ⑦ A business deficit or a reduction in the sales price, etc. Acts of unfairly reducing payment for unreasonable reasons
- ⑧ Acts of reducing indirect labor costs, general management costs, profits, value-added tax, etc., differently from the original contract contents

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- ⑨ Acts of requiring suppliers to bear employment insurance premiums, industrial safety and health management costs, and other expenses that the original contractor must bear according to the Act on Collection of Insurance Premiums for Employment Insurance and Industrial Accident Compensation Insurance, the Industrial Safety and Health Act, etc.
 - ⑩ In cases where materials and equipment, etc. are supplied, delaying the supply or setting an unreasonable delivery date and reducing the price on the grounds of failure to deliver or complete within the period
 - ⑪ Reducing the already confirmed subcontracting fee on the grounds of continuous orders or reducing the price on the grounds of specific manufacturing details after a total contract has been signed
 - ⑫ Reducing the price differently from the original contract on the grounds that the object was ordered at a low price, etc.
 - ⑬ Reducing the price as a result by changing the contract even though the content and conditions of the consignment remain unchanged
 - ⑭ Reducing the price by transferring foreign exchange losses, etc. to the supplier differently from the original contract terms
 - ⑮ Deducting an amount greater than the appropriate purchase price or usage fee from the price when having the supplier purchase items, etc. necessary for the manufacture, repair or construction of the object from oneself or using one's own equipment, etc.
- 4) Acts of unreasonable demands for economic benefits
- ① Acts of demanding economic benefits such as sponsorships, incentives, and subsidies on the condition of initiating a transaction or conducting a large transaction, etc.
 - ② Acts of demanding economic benefits such as sponsorships, incentives, and subsidies for unreasonable reasons such as worsening profits or management conditions

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- ③ In cases where economic benefits such as sponsorships, incentives, and subsidies are demanded even though there is no legal obligation for the supplier to bear
- 5) Acts of passing on costs due to the company's own causes
 - ① Acts of passing on costs due to the company's wage increase or delay in internal deliberation procedures to the supplier
- 6) Unfair payment in kind
 - ① Acts of demanding that the supplier accept the payment set in goods against the supplier's will, contrary to the original contract
- 7) Acts of retaliatory measures
 - ① Acts of restricting opportunities for winning orders or suspending transactions or causing other disadvantages due to the supplier reporting a violation of the Subcontracting Act to the Fair Trade Commission
- 8) Acts of evading the law
 - ① Acts of attempting to avoid the application of the Subcontracting Act in practice through roundabout methods in relation to subcontracting transactions
 - ② Acts of recovering money, etc. paid to the supplier in accordance with the Fair Trade Commission's corrective measures and then deducting it from the delivery price, etc.
 - ③ Acts of uniformly reducing the unit price by the equivalent amount after paying the bill discount fee, late payment interest, etc. to the supplier
- 9) Acts of forcing the purchase of goods, etc.
 - ① Supply of goods, equipment, or services designated separately, except in cases where there are justifiable reasons such as maintenance or improvement of the quality of the delivered goods Acts of forcing purchase or use of goods
- 10) Acts of demanding unfair payment of purchase price, etc.
 - ① Acts of forcing suppliers to purchase goods, etc. necessary for delivery from oneself or to use one's own equipment, etc. and

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- ② to pay all or part of the purchase price or usage fee before the payment due date **[End]**