



Procedure:

Supply Chain Management

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1. PURPOSE

The purpose of Supplier Management procedure is to:

- To engage supplier on EGCO's supply chain management process and enhance their capability on sustainability issues
- Ensure that environmental, social, and governance (ESG) risks associated with the group's supply chain are properly managed, in order to continue to grow its business with sustainability and good corporate governance, and ensure long-term sustainability performance. This document outlines a systematic approach to monitor sustainability risks in EGCO group's supply chain, which applies to both new and existing suppliers.

2. SCOPE

Scope	Definition
Phase	Operation
Activities	Procurement for all goods and services with the EGCO group, including all the subsidiaries in which EGCO has operational control
Stakeholders being impacted	Business partners, Contractors, Sub-contractors

3. DEFINITIONS

Approved Supplier List contains a list of suppliers who have undergone EGCO group's initial selection process.

Corrective Action Plan outlines the action items that the supplier needs to address in order to close the gaps identified during the onsite ESG audit.

Critical Suppliers refers to whose goods, materials, services (including intellectual property (IP) / patents) have a significant impact on the competitive advantage, market success or survival of the company. Critical suppliers may include high-volume suppliers, suppliers of critical components and/ or non-substitutable suppliers.

- **Critical non-tier 1 suppliers** refers to suppliers that are considered critical, and provide their products and services to the supplier at the next level in the chain (tier-2 suppliers and higher)

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- **Tier 1 suppliers** refers to suppliers that directly supply goods, materials or services (including intellectual property (IP) / patents) to the company.

High-risk Suppliers refers to the suppliers that have a high probability of causing an adverse impact on the organization due to social, environmental and/or economic misconduct. The definition of high-risk supplier must contain a set of relevant criteria used for the classification, the rationale for such criteria and the risk level identification process.

Manufacturers are suppliers who provide products to EGCO group, which are produced or manufactured by themselves. They are broken down into the following sub-groups: Fuel (Oil, Gas, Coal and Biomass), Machinery and Spare Parts, and Other (for example - Office Supplies, Chemicals, Safety Equipment, IT, electrical equipment)

Mitigation Plan outlines the mitigation or prevention measures developed during the self-assessment questionnaire process, so that suppliers with high sustainability risk can continuously improve performance and align with EGCO group's Supplier Code of Conduct.

Onsite Audit is an examination of the active supplier location conducted by an EGCO group procurement officer, in order to monitor compliance with EGCO group's Supplier Code of Conduct. This can be done through onsite visit, online, or desktop/ public information review.

Procurement means the purchase, hire of work, rent, exchange or the acquisition of rights, such as insurance or copyright/intellectual property or any actions involved in acquiring goods/services or the achievement of work, excluding the hiring of consultants.

Self-Assessment Questionnaire is an online tool that suppliers who have passed the initial selection round must complete, in order to assess compliance on sustainability-related topics within EGCO group's Supplier Code of Conduct.

Service Providers are suppliers who provide services to EGCO group, which are broken down into sub-groups Operations & Maintenance, and Other (for example, Calibration, Consultant, Cleaning, Security, Insurance).

Suppliers are sellers, contractors, service providers, consultants, advisors, lessors, or hire purchase providers who deliver goods or services to the EGCO group. EGCO groups all suppliers into three groups – traders, manufacturers and service providers.

Traders are suppliers who buy products or services from other suppliers, to sell to EGCO group.

4. ROLES AND RESPONSIBILITIES

Table 1: Procurement Roles and Responsibilities

Responsibilities	When	Who	Tools
<ul style="list-style-type: none"> Supplier registers in Vendor List (EGCO's website) Initial review e.g. price, terms and conditions for approval as AVL For suppliers listed under critical and ESG high-risk sub-group and more than 5MTHB purchasing volume, complete the SAQ. <p style="text-align: center;">↓</p>	SAQ - Upon selection process	Procurement Officer	Self-assessment Questionnaire
<ul style="list-style-type: none"> Issue PO upon awarded <p style="text-align: center;">↓</p>	PO – Upon awarded	Procurement Officer	None
<ul style="list-style-type: none"> Submitting Supplier Code of Conduct (SCoC) to supplies and record the acknowledgement of the CoC <p style="text-align: center;">↓</p>	CoC - Upon contract and PO issuing and annually	Procurement Officer	SCoC
<ul style="list-style-type: none"> Evaluating suppliers based on the critical and ESG risk assessment results e.g. onsite visit, online audit. The results/ findings shall be discussed with supplier to develop corrective action plan. Following up the completion of corrective actions provided. 	Onsite Audit – Upon assessment process	Procurement Officer	Onsite Audit Template Onsite Audit Report

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5. PROCEDURES

5.1. Supplier Code of Conduct

All suppliers are required to acknowledge the EGCO Procurement Policy (Reference 6.1) and EGCO Supplier Code of Conduct (CoC) (Reference 6.2), and implement where applicable. The implementation of CoC requirements are as follows:

1. Requirement to comply with CoC will be addressed in Term of Reference (TOR)
2. For both bidding process, all suppliers shall acknowledge in the CoC and send back to EGCO together with proposal, this is considered as part of the contract completion.
3. In case, supplier would like to revise any terms in CoC, the approval from EGCO CEO is required.
4. All new suppliers of EGCO Group shall acknowledge and send back the CoC to EGCO. The CoC will be signed again upon changing in content of CoC.
5. The CoC is applied to all the subsidiaries where EGCO has an operational control

EGCO will provide support to ensure all suppliers understand and implement the CoC e.g training, interview and audit, etc.

Suppliers with high volume contract (more than 500 MTHB) are required to comply with the EGCO Supplier CoC requirement. Failure to comply with the following issues, may lead to penalty e.g. fine, contract determination.

1. Business Ethics (anti-corruption and bribery); and
2. Human Rights and Labor Practices (e.g. forced labor, child labor, human trafficking).

5.2. Self-Assessment Questionnaire

When there is a necessity for sourcing goods or services, the responsible procurement officer will select a qualified supplier from the Suppliers Database (registered through EGCO website). In order to add any supplier in Approved Vendor List, they are required to pass the initial assessment round (i.e. price, good terms and conditions), and the Self-Assessment Questionnaire (SAQ) is required for the suppliers listed under Critical and High-risk Sub-group (**See Table 2, Section 5.3.2 High-risk Supplier Identification**) with more than 5 MTHB purchasing before further procurement process. The SAQ is presented in **Appendix A**, The SAQ conditions are as follows:

- Supplier listed under Critical and High-risk Sub-group with more than 5 MTHB purchasing shall complete an SAQ.
- The SAQ results are calculated based on the information provided in the questionnaire, 50% score is counted as 'Pass' while less than 50% is 'Fail'

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- Suppliers with more than 50% scoring will be registered as Approved Vendor List, however, the suppliers in 'Fail' group can be registered but shall be approved by 'Chief of Procurement' with rational as reference.

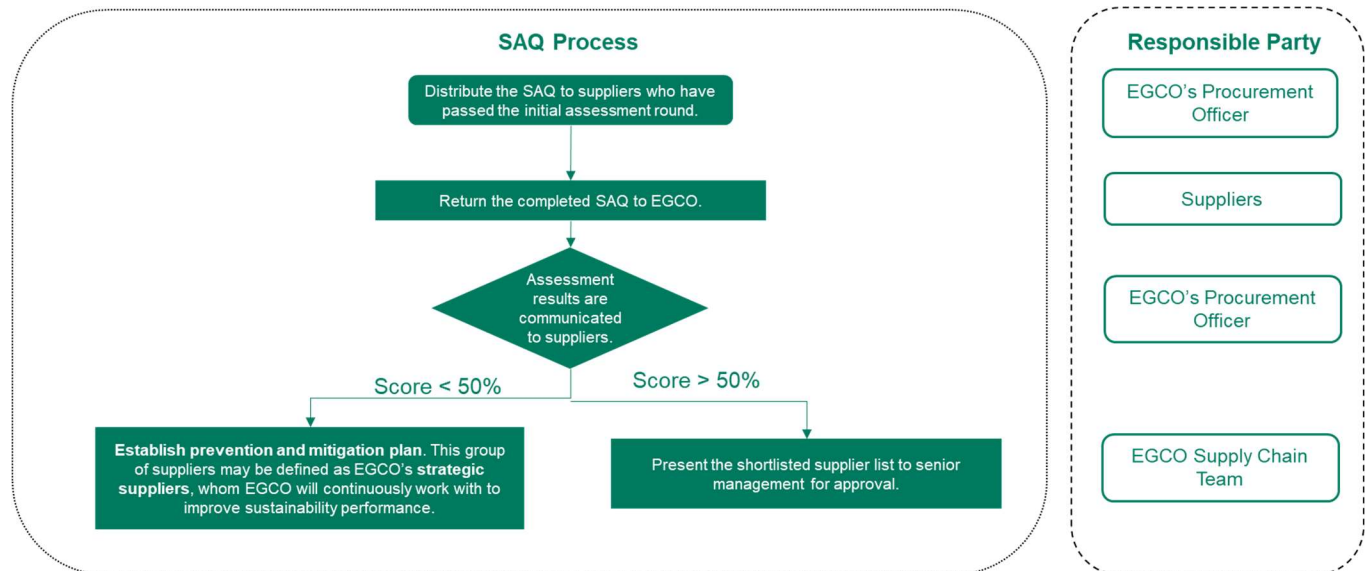


Figure 1: SAQ Process

The instruction for SAQ completion

- The responsible procurement officer must distribute the online Self-Assessment Questionnaire (SAQ) to the supplier.
- The supplier must complete and submit the online SAQ, as well as notify the responsible procurement officer within 15 working days.
- Upon receipt of the completed SAQ, the responsible procurement officer must inform Procurement & Administration Division Manager, who will review the completed questionnaire and send the results back to the responsible procurement officer within 5 working days.
- The responsible procurement officer must communicate the assessment results to the supplier via a phone call/email.

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5.3. Critical and High Risk Supplier Identification

5.3.1 Critical Supplier Identification

Critical suppliers are identified based on the following criteria

1. Critical component and/or non-substitute supply and service supplier
2. High spending i.e. 80% of total spending

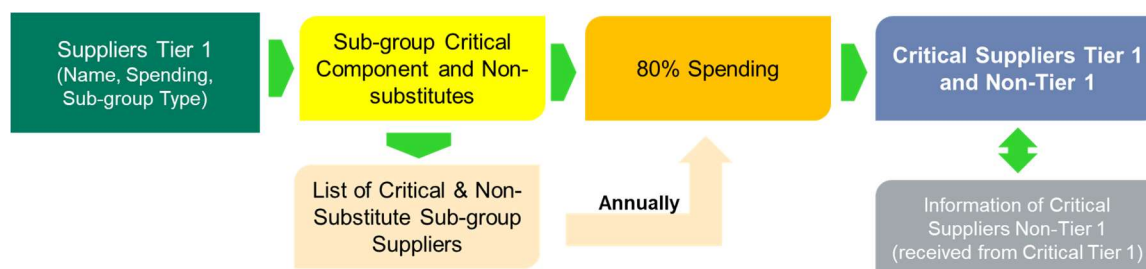


Figure 2: Critical Supplier Process

5.3.2 High-risk Supplier Identification

Supplier risk assessment will be conducted with the following steps

- Identify ESG issues separated to each category i.e. Economic, Environment, Safety and Reputation, presented in Table 2

Table 2: ESG issues for Economic, Environment, Safety and Reputation

Economic	Environment	Safety	Reputation
<ul style="list-style-type: none"> Pricing Single Supplier (Monopoly) / Fair Competition Potential Trade Barrier Procurement Spending Delay Maturity of Technology Source of Raw Material Quality Requirements Delivery of Goods and Raw Material Product Quality & Safety Supply Chain Management 	<ul style="list-style-type: none"> Air Pollution GHG Emission Noise Pollution and Vibration Water Consumption and Wastewater Waste Management Energy Consumption Biodiversity and Deforestation Agricultural Practice Usage and Elimination of Products Environmental Regulatory non-compliance Failure of Pollution Control Machine Product Lifecycle / Circularity 	<ul style="list-style-type: none"> Spill Health & Safety Process Safety Emergency Preparedness Major Accident Industrial Hygiene 	<ul style="list-style-type: none"> Anti-corruption and Bribery Political Interest Tax Avoidance/ Tax Commitment Labour Relations/ Labour Practices Working hours, wages and benefits Human Rights local Procurements Data Privacy & Intellectual property Competing for Basic Infrastructure use with Local Communities Risk & Crisis Management Forced Labour Child Labour Diversity & Inclusion Non-discrimination & Equality Freedom of Association & Collective Bargaining Community Relations

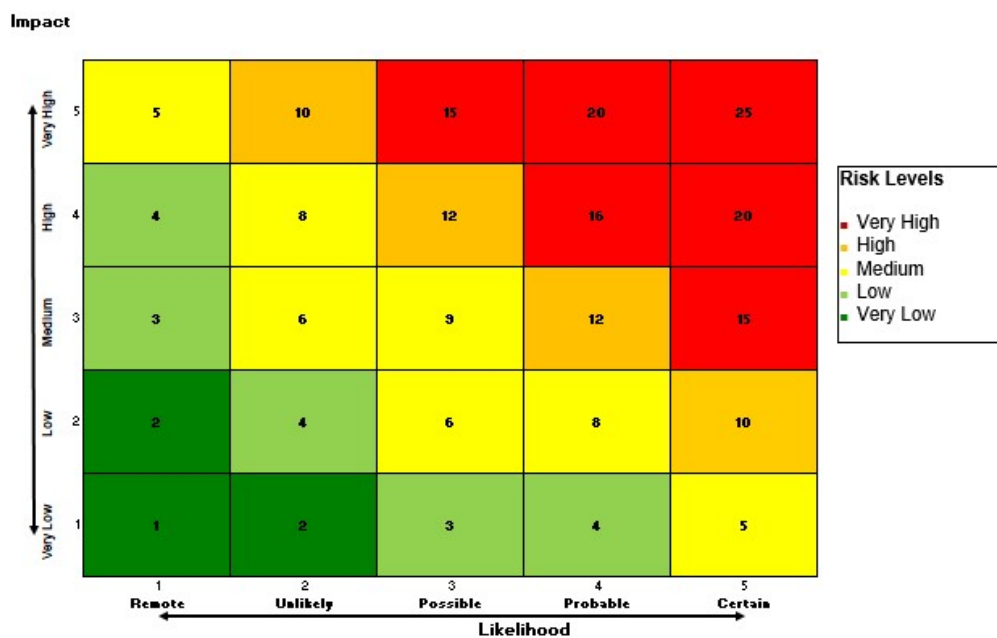
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- Rate the scoring of each ESG issues with rational, see **Figure 3**

เศรษฐกิจ Economics		สิ่งแวดล้อม Environment		ภาพลักษณ์องค์กร Reputation		ความปลอดภัย Safety	
Potential Impact	Impact level	Potential Impact	Impact level	Potential Impact	Impact level	Potential Impact	Impact level
COVID-19 leads to less customers, higher lay-off and less production of products for sale	3	Very minor environmental impact such as improper waste disposal and management	1	Employment of child labour, but as a smaller scale business may not be reported in national news	2	Injuries from production such as loss a finger from sewing machine	3
Explanation	Likelihood	Explanation	Likelihood	Explanation	Likelihood	Explanation	Likelihood
On-going covid-19 case likely to next year	3	Very unlikely to occur often	1	May occur once in 3 years	3	May occur once in 4-5 years	2

Figure 3: Example of ESG risk assessment based on sub-group supplier

- Scoring will be calculated and mapped in Risk Matrix



Ref: EGCO Enterprise Risk Matrix

Figure 4: Risk Matrix

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Sub-group suppliers with ESG high risk will be mapped in red boxes of the risk matrix, for further identify the high-risk suppliers using high spending criteria, process is presented in **Figure 5**.

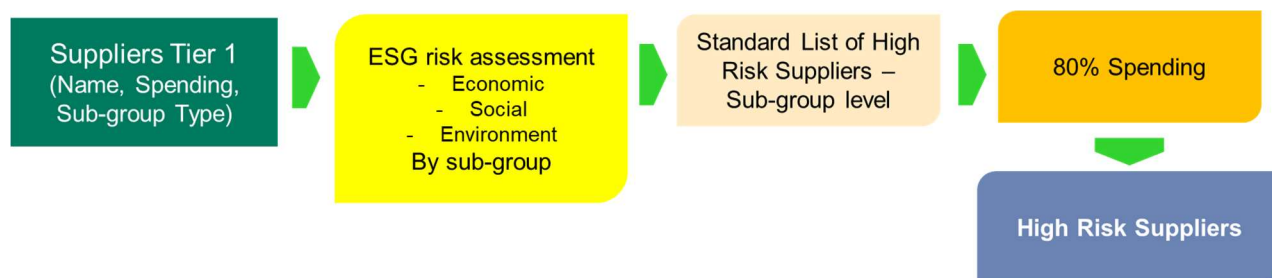


Figure 5: ESG High-risk Supplier Identification Process

Details of high-risk supplier identification process refer to **Appendix B: ESG Risk Assessment Tool**. List of sub-group suppliers classified as critical and high-risk suppliers are presented in **Table 3**.

Table 3: Sub-groups identified as critical and ESG High-risk Suppliers

Sub-group Supplier	Critical Suppliers	ESG High-risk Suppliers
Operation/Maintenance	✓	-
Machinery Parts	✓	-
Electrical / Electrical part	✓	-
Mechanical Work	✓	✓
IT equipment and System / License	✓	-
Control & Instrument	✓	-
Chemicals/Lubricant/Fuel/ Compounds	✓	✓
Operation/Maintenance/Waste Service	✓	✓
Workforce	-	✓
Natural Gas	✓	✓

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5.4. Onsite Audit

Once the suppliers have undergone the initial selection process and successfully completed the SAQ according to Section 5.2, they become EGCO group's active suppliers. All suppliers will be identified to 2 groups i.e. critical and high-risk supplier as mentioned in Section 5.3 Critical and High Risk Supplier Identification. The number of critical suppliers and high-risk suppliers will be reviewed and updated on annually. Those suppliers are expected to be audited to ensure the compliance with CoC and ESG requirements.

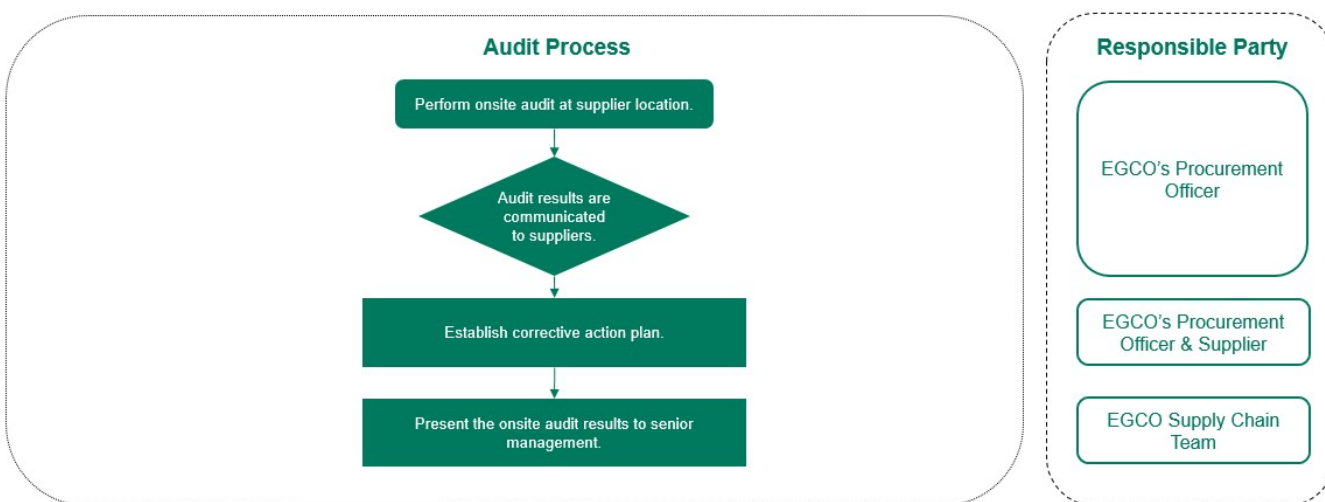


Figure 6: Supplier Audit Process

1. The responsible procurement officer must conduct an initial agreement to clarify the audit scope, required document, and audit outline with the supplier by minimum 5 weeks prior to the audit date.
2. The procurement officer must travel to the supplier location to perform the audit at the scheduled time. If the onsite visit cannot be conducted (e.g. during COVID-19), the audit can be conducted through other approaches e.g. online audit, desktop/ internet searching, etc.
3. After the audit, the procurement officer will evaluate the findings and communicate the results to the supplier in the form of a report/phone call within 3 working days using the EGCO's Supplier Audit Checklist, **Appendix C**.

In the event in which the procurement officer identifies sustainability-related issues or issues that are non-compliant with the Supplier Code of Conduct or audit questionnaires, the finding (s) and the recommendation (s) will be stated in the EGCO's Supplier Audit Report, **see Appendix D**. Suppliers are required to develop and communicate the supplier-specific corrective action plan within 15 working days after receiving the report. The corrective action plan is required to outline

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specific actions and the timeline that the supplier aims to complete, the supplier-completed audit report will be sent to the authorized person for approval.

4. The supplier must address and resolve the identified issues within 3 months or within the agreed schedule, and send supporting document, in the form of photos/summary report to the procurement officer to confirm corrective action completion. In the event in which the procurement officer deems that a re-audit is required to confirm that the issues have been resolved, it will be conducted within the established timeframe. If the supplier does not adhere to the established timeline, the procurement officer must notify the authorized person. Upon his/her judgment, the authorized person will advise on further action, such as continuous monitoring through document requests, phone call check-ins, or re-audits.
5. For the suppliers with high volume contract (more than 500 MTHB), failure to compliance with CoC or audit requirements or not conduction corrective actions, may lead to penalty actions. This will be further discussed and agreed with supplier to ensure the supplier management program is fully implemented and followed.

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6. REFERENCES

6.1. EGCO group's Procurement Policy

6.2. EGCO group's Supplier Code of Conduct

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APPENDIX

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Appendix A: Self-Assessment Questionnaire (SAQ)

Appendix B: ESG Risk Assessment Tool

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Appendix C: List of Critical and High-risk Sub-group Supplier

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Appendix D: EGCO's Supplier Audit Checklist

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Appendix E: EGCO's Supplier Audit Report Template.

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Appendix F: Standard Clauses in TOR for High-volume Contract