



Procedure:

Supply Chain Management

Revision: April 2024



Table of Contents

- 1. PURPOSE.....3
- 2. SCOPE.....3
- 3. DEFINITIONS.....3
- 4. ROLES AND RESPONSIBILITIES.....5
- 5. PROCEDURES.....6
 - 5.1. Supplier Code of Conduct.....6
 - 5.2. Self-Assessment Questionnaire.....6
 - 5.3. Significant Supplier Screening and Identification.....8
 - 5.4. Onsite Audit and Corrective Action Plans.....14
- APPENDIX18
 - Appendix A: Self-Assessment Questionnaire (SAQ).....19
 - Appendix B: ESG Risk Assessment Tool20
 - Appendix C: ESG Good Practices for In-depth Technical Support Programs.....21
 - Appendix D: List of Critical and High-risk Sub-group Supplier22
 - Appendix E: EGCO’s Supplier Audit Checklist23
 - Appendix F: EGCO’s Supplier Audit Report Template.....24
 - Appendix G: Standard Clauses in TOR for High-volume Contract.....25

Supply Chain Management

1. PURPOSE

The purpose of Supplier Management procedure is to:

- To engage suppliers in 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.

Commodity-specific risk: Risk for negative environmental, social, and governance impacts related to a commodity's supply chain structure, labor situation, land-use and resource intensity, energy consumption, emissions, material toxicity, or pollution potential (e.g., metals, fossil fuels, wood, etc.)

Country-specific risk: Risk for negative environmental, social, and governance impacts related to a country's political, social, economic, environmental or regulatory situation.

Significant Supplier 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. Significant suppliers may include high-volume suppliers, business relevant, suppliers of critical components and/ or non-substitutable suppliers as well as having a high probability of causing an adverse impact on the organization due to social, environmental and/or economic misconduct.

Supply Chain Management

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

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.

Sector-specific risk: Risk for negative environmental, social, and governance impacts related to a sector's distinct characteristics regarding labor situation, energy consumption, resource intensity, emissions, or pollution potential (e.g. manufacturing, service provision, agriculture).

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/high ESG sub-group and with annual purchasing volume exceeding 5 MTHB from EGCO, complete the SAQ. These approved significant suppliers will also be subject to SAQ reassessment. | SAQ - Upon selection process | Procurement Officer | Self-assessment Questionnaire |
| ↓ | | | |
| <ul style="list-style-type: none"> • Issue PO upon awarded | PO – Upon awarded | Procurement Officer | None |
| ↓ | | | |
| <ul style="list-style-type: none"> • Submitting Supplier Code of Conduct (SCoC) to suppliers and record the acknowledgment of the CoC | 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 Protocol Onsite Audit Report |

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 is committed to supplier understanding and implementation of CoC. The company offers various support measures, including training sessions, interviews, and audits.

Suppliers with high-volume contracts (more than 500 MTHB) are required to comply with the EGCO Supplier CoC requirement. Failure to comply with the following issues may lead to a 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). For new suppliers, in order to add any suppliers in Approved Vendor List, they are required to pass the initial assessment round (i.e. financial status, conflict of interest, reasonable price, good terms and conditions). Once the supplier is selected and passed the bidding process, the Self-Assessment Questionnaire (SAQ) is required for suppliers with more than 5 MTHB purchasing and suppliers who are listed as Significant Suppliers (See Figure 2) before further procurement process. Furthermore, approved Significant Suppliers with EGCO's annual purchasing exceeding 5 MTHB are also subject to SAQ reassessment. The SAQ is presented in **Appendix A**, The SAQ conditions are as follows:

- New suppliers with purchasing exceeding 5 MTHB and classified as significant suppliers, or approved significant suppliers with annual purchasing exceeding 5MTHB are required to 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'.
- Suppliers have 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.

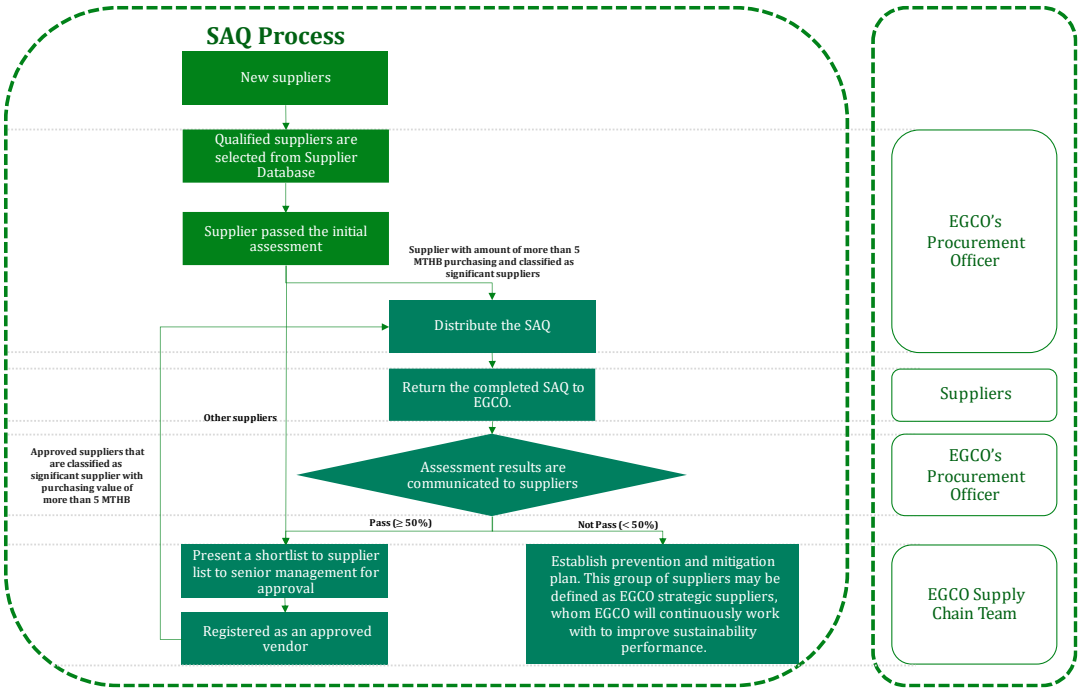


Figure 1 SAQ Process

The instruction for SAQ completion:

1. The responsible procurement officer must distribute the online Self-Assessment Questionnaire (SAQ) to the supplier.
2. The supplier must complete and submit the online SAQ, as well as notify the responsible procurement officer along with signing the contract.
3. Upon receipt of the completed SAQ, the responsible procurement officer must inform responsible Division Manager, who will review the completed questionnaire and send the results back to the responsible procurement officer.
4. The responsible procurement officer must communicate the assessment results to the supplier via a phone call/email.

Note:

Supplier who are selected from bidding process, categorized as the Significant Suppliers and having purchasing more than 5 MTHB, shall provide the list of their significant suppliers in the EGCO form. Those information will be recorded in purchasing system (e.g. SAP) to identify EGCO’s significant non-tier 1 at the end year (see detail in 5.3.3).

5.3. Significant Supplier Screening and Identification

EGCO conducts supplier risk screening which cover country-specific risk, sector-specific risk and commodity-specific risk to understand potential risk raised from suppliers and impact to EGCO operations. The risk assessment is conducted through information related to environmental topics, social topics, human rights topics, political topics, etc. which available publicly on relevant websites. This assessment is conducted and reviewed on annual basis or upon changing in EGCO operations.

Supplier risk which may impact to the business may include

| Dimension | Country Risk | Sector Risk | Commodity Risk |
|---------------|--|---|--|
| Economic | he security apparatus has a reputation of being the most corrupt institution in the country, partly due to its entanglement in politics and an entrenched patronage system | Adapting to new technology and innovation may pose a risk of resource depletion. Exposure to potential disruptions in gas supply, such as those influenced by geopolitical insecurities, contributes to vulnerability. | Natural Gas industry are typically subject to various regulations dictating the location, timing, and methods of extraction, which may vary in each local authorities. |
| Environmental | The risks to biodiversity in Thailand include illegal hunting, crop and forest burning, deforestation and illegal logging, and transportation, environmental pollution, forest fires, introduction of invasive alien species, coral bleaching, and the loss of wetlands. | As the growth of hydraulic fracturing consumed large volumes of water , this could effect the water scarcity in the local communities areas. | Constructing infrastructure for transporting gas from wells to natural gas power plants is also environmentally damaging. |
| Social | The issue of human rights violations, particularly related to counterinsurgency operations in Thailand's southern border provinces, is a serious concern. | Instances of low pay, long working hours, or poor health and safety standards, both in the final manufacturing process and throughout the entire supply chain. | Workers in the natural gas sector face significant risks from gas leaks and fires, which can result in injuries and fatalities. |

EGCO identifies both significant non-raw material and raw material suppliers critical to its operations or those posing potential Environmental, Social, and Governance (ESG) risks, or potentially both as shown in Figure 2. Details on each type of supplier and specific criteria define each category are listed below subsection.

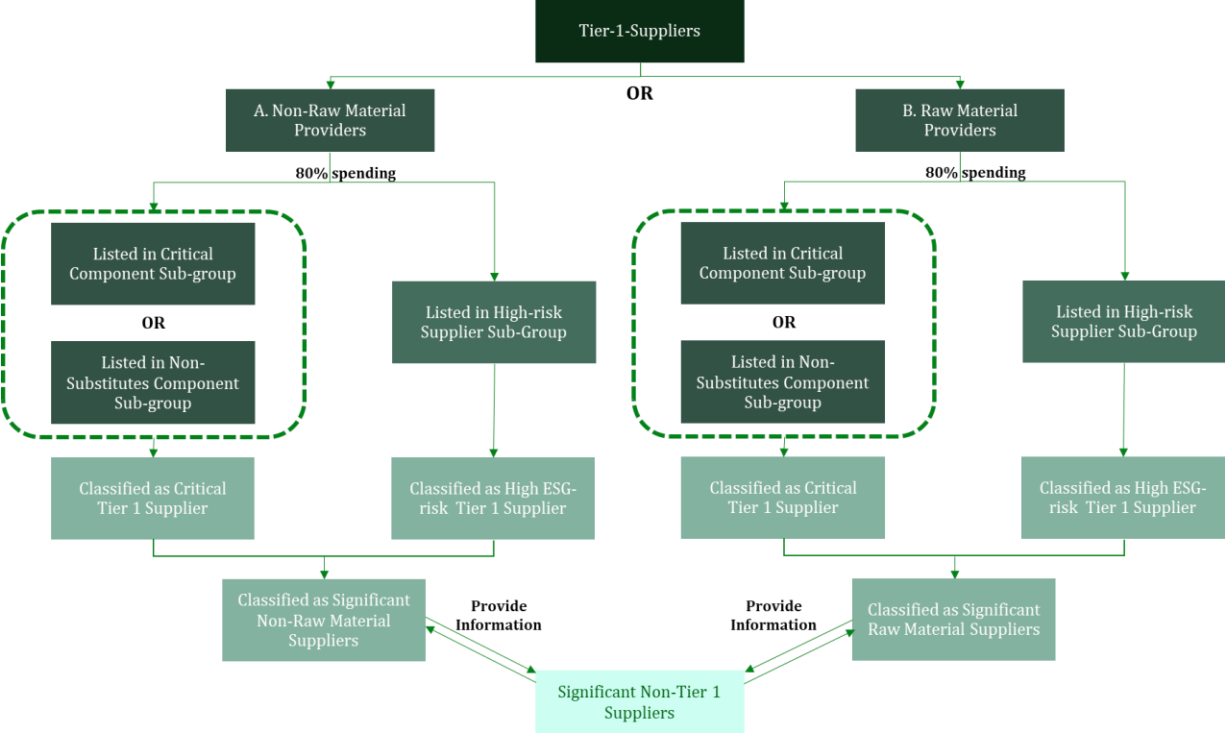


Figure 2 Supplier Classification

5.3.1 Critical Suppliers

At EGCO, the critical suppliers are identified as a provider whose goods or services are essential for the uninterrupted operation of EGCO business activities. These suppliers play a vital role in the production, delivery, or quality of our final offering. Their performance has a direct and potentially significant impact on our ability to meet customer needs and achieve organizational goals. The process to identify critical suppliers is as shown in Figure 3

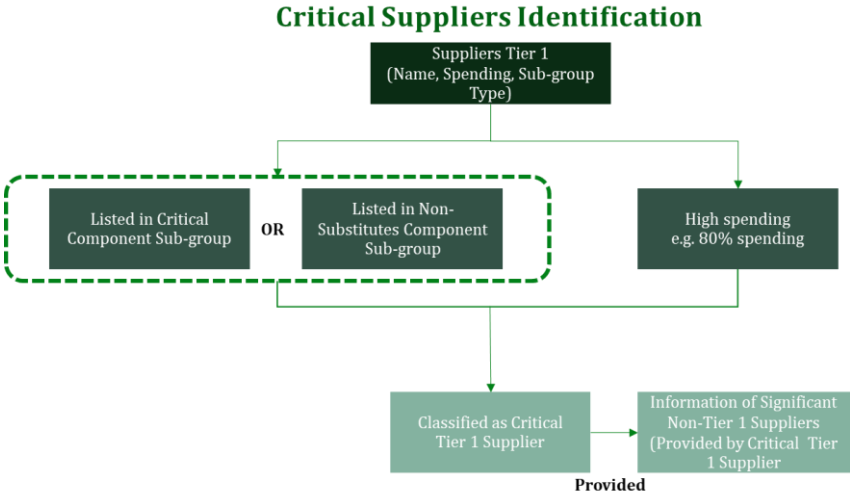


Figure 3 Critical Supplier Identification Process

Critical suppliers are identified based on the following criteria:

1. Suppliers who have high spending i.e. 80% of total spending throughout the reporting year
2. Those suppliers are categorized within sub-group of critical and non-substitutable components. The list of critical and non-substitutable components sub-group are specified in Table 1.
 - a. Suppliers of Critical Components - These suppliers provide components or entire systems of components that are indistinguishable for the uninterrupted function of EGCO core business activities. Due to their criticality, these components have been designated by EGCO as requiring special focus throughout their entire lifecycle. This includes meticulous processes for fabrication, maintenance, inspection, and operation to ensure their continued reliability and functionality.
 - b. Non-Substitutable Supply and Service Suppliers – These suppliers present a unique challenge due to the lack of readily available alternatives. They can be either a monopoly source, the sole provider of a critical component or service, or a supplier for whom product or service substitution is not feasible.

Table 1: Sub-group supplier with critical component suppliers and non-substitution suppliers

| Sub-group Supplier | Critical component suppliers | Non-substitutable 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/ EPC (Engineering, Procurement and Contractor) | ✓ | ✓ |
| Natural Gas/ Water Supply | ✓ | ✓ |

5.3.2 High ESG-risk suppliers

In addition to critical suppliers, EGCO identifies high-ESG risk suppliers whose operations or practices pose potential environmental, social, governance (ESG) and business relevance risk. These suppliers could negatively impact EGCO reputation, compliance, or sustainability efforts through activities like pollution, labor violations, or unethical governance. We prioritize identifying these high-risk suppliers using the process outlined in Figure 4.

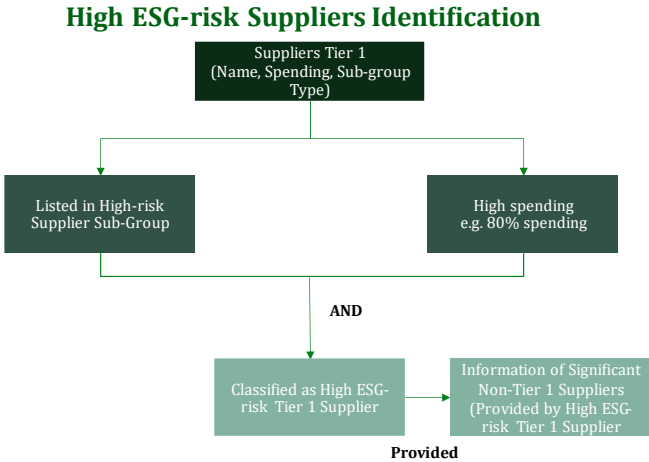


Figure 4 High ESG-Risk Supplier Identification Process

High ESG-risk suppliers are identified based on the following criteria:

1. Suppliers who have high spending i.e. 80% of total spending throughout the reporting year
2. Those suppliers are categorized within sub-group of high-risk suppliers. The list of high-risk suppliers-group are specified in Table 2.

Table 2 Sub-group supplier with high ESG-risks

| No. | Sub-group Supplier |
|-----|-------------------------------------|
| 1 | Chemicals/Lubricant/Fuel/ Compounds |
| 2 | Mechanical Work |
| 3 | Natural Gas |
| 4 | Operation/Maintenance/Waste Service |
| 5 | Workforce |
| 6 | Water Supply |

The criteria and steps for identifying these sub-groups are detailed in the following steps:

1. Pre-assessment: Each supplier subgroup undergoes a preliminary assessment based on EGCO's identified ESG issues categorized in Table 3. This table details the specific Economic/Business Relevant, Environment, Safety, and Reputation concerns which potential pose risk to EGCO.

Table 3: ESG issues for Economic/Business Relevance, Environment, Safety and Reputation

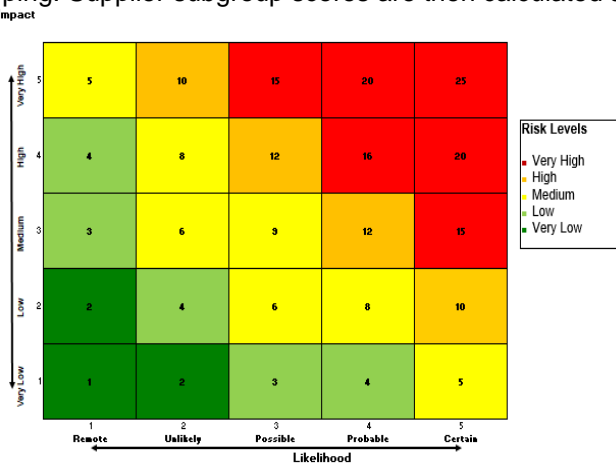
| Economic/Business relevance | Environment | Safety | Reputation |
|---|--|--|--|
| <ul style="list-style-type: none"> • Pricing • Single Supplier (Monopoly) / Fair Competition • Potential Trade Barrier • Procurement Spending • Delay • Maturity of Technology • Source of Raw Material • Quality Requirements • 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 |

2. Supplier Scoring: EGCO assigns a score to each subgroup for each identified ESG issue, with a rationale, as illustrated in Figure 5.

| 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 5 Example of ESG risk assessment based on sub-group supplier

3. Risk Matrix Mapping: Supplier subgroup scores are then calculated and mapped onto a risk matrix .



Ref: EGCO Energy Risk Matrix

Figure 6 Risk Matrix

- 4. High-Risk Supplier Identification: Supplier subgroups with high ESG risk will be indicated by their placement in red boxes on the risk matrix, signifying their classification as high ESG-risk suppliers.

5.3.3 Significant Non-Tier 1 Suppliers

EGCO identifies significant non-tier 1 suppliers that are crucial to the operations of its critical and high ESG-risk tier 1 suppliers. Information about these significant non-tier 1 suppliers is obtained from significant tier 1 suppliers. Once new significant suppliers are selected with purchasing exceeding 5 MTHB or approved significant suppliers with annual purchasing exceeding 5 MTHB, those suppliers must provide the list of its significant non-tier 1 suppliers using the following criteria:

- 1. High spending of each non-Tier 1 supplier (e.g. at least 80% of the total amount of each significant EGCO tier 1 supplier).
- 2. Falling into one or both sub-group supplier with critical component suppliers and non-substitution suppliers or sub-group supplier with high ESG-risks identified by EGCO.

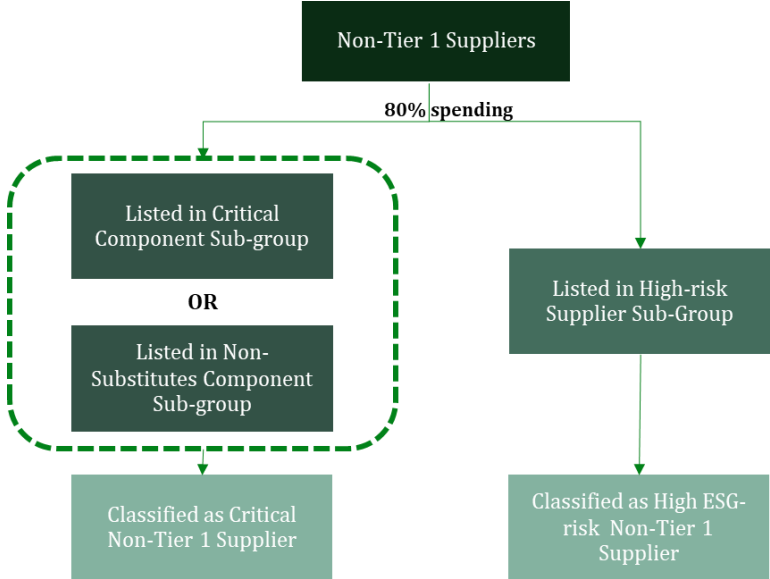


Figure 7 Significant Non-Tier 1 Suppliers Identification Process

Note:

The critical non-tier 1 identification process does not include the trading company who provide a critical component which may be a confidential information.

5.4. Onsite Audit and Corrective Action Plans

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. Significant suppliers identified and updated annually using the criteria as specified in Section 5.3 Significant Supplier Screening and Identification. Those suppliers are expected to be audited by EGCO procurement and/or contracted consultant (2nd party assessment) to ensure compliance with CoC and ESG requirements. During the audit, the verification of the ESG performance of suppliers by an independent accredited auditing body (3rd party assessment) will be reviewed to ensure the suppliers performance verification.

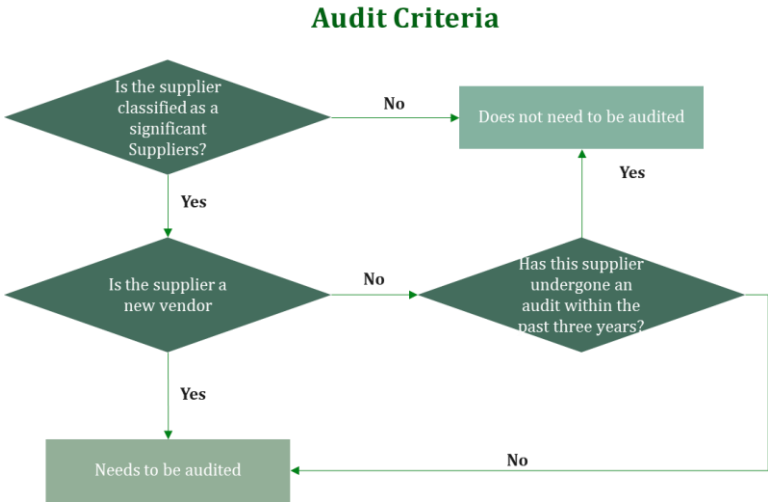


Figure 8 Audit Criteria

The audit methods may include desktop assessments, online assessments, or onsite assessments, tailored to each supplier's suitability as determined by EGCO. New significant suppliers are evaluated annually, while those previously assessed within three years of the reporting year are exempt. Suppliers who are not assessed within this timeframe undergo reassessment to maintain compliance according to the criteria as shown in Figure 9. Refer to **Figure 10** for an illustration of the audit process.

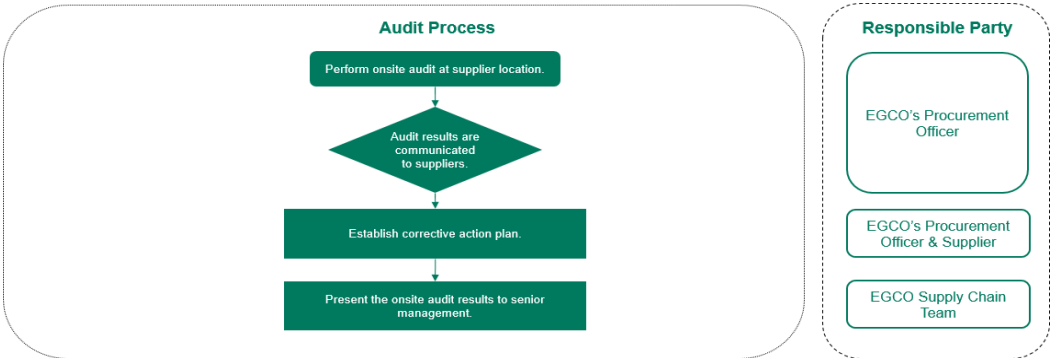


Figure 9 Audit Process

Suppliers audit procedure is listed below.

1. The responsible procurement officer must conduct an initial agreement to clarify the audit scope, required document, and audit outline with the suppliers by minimum 5 weeks prior to the audit date.
2. The procurement officer and/or users 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. The audit will be conducted through the 'EGCO Group Audit protocol' which is developed based on the international framework e.g. ISO9001, ISO14001, ISO45001, SA8000 and SMETA.
4. During the audit, auditors will provide in-depth technical support tailored to each supplier's business type. This support will focus on activities associated with environmental, social, and governance (ESG) aspects, as well as safety, in line with our In-depth Technical Support Programs (particularly those addressing climate change). This targeted approach aims to build capacity and enhance ESG performance within our supplier base. Refer to **Appendix C**, ESG Good Practices for In-depth Technical Support Programs for further details.
5. 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 EGCO's Supplier Audit Checklist, **Appendix D**. The report will include the supplier's ESG benchmarks score, along with access to a comparison of their performance against their peers to allow suppliers to understand their position in ESG practices and identify areas for improvement. In the event in which the procurement officer, 2nd party, EGCO users identify 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 E**. 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 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.
6. The supplier must address and resolve the identified issues within 3 months or within the agreed schedule, and send supporting documents, in the form of photos/summary reports to the procurement officer to confirm corrective action completion. In the event in the procurement officer and /or users deem 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.
7. Supplier with better ESG performance are preferred by applying a minimum weight to ESG criteria in supplier selection and contract awarding. This process should be carried out through the supplier evaluation process for those who has a contract value more than 5BTHB and are classified as the significant suppliers.

8. In some cases, EGCO may consider supporting suppliers on the corrective action implementations as well as in-depth technical support programs with suppliers to ensure their better performance of ESG issues and compliance with EGCO SCOC.
9. For suppliers with high volume contracts (more than 500 MTHB), failure to comply with CoC or audit requirements or not conducting corrective actions may lead to penalty actions or contract termination. This will be further discussed and agreed with a supplier to ensure the supplier management program is fully implemented and followed.

10. REFERENCES

- 10.1. EGCO group's Procurement Policy
- 10.2. EGCO group's Supplier Code of Conduct



APPENDIX



Appendix A: Self-Assessment Questionnaire (SAQ)

Appendix B: ESG Risk Assessment Tool

Supply Chain Management

Appendix C: ESG Good Practices for In-depth Technical Support Programs

Supply Chain Management

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

Supply Chain Management

Appendix E: EGCO's Supplier Audit Checklist

Supply Chain Management



Appendix F: EGCO's Supplier Audit Report Template.

Supply Chain Management

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