Supply Chain Management

2025 Target
100% of suppliers sign acknowledgement of Supplier Code of Conduct which consists of ESG criteria

2023 Target
100% of critical Tier-1 suppliers were assessed on ESG risk criteria.

2023 Performance
100% of critical Tier-1 suppliers were assessed on ESG risk criteria.

Carabao Group Public Company Limited ("the Company") places significant emphasis on the management of its value chain and supply chain, aligning with its business practices. We have established important mechanisms, processes, and management guidelines to ensure the integration of environmental, social, and governance considerations in all activities and processes. Requests for services or business processes from external partners can also impact on the Company as stakeholders. As such, we are committed to managing risks and opportunities effectively within the supply chain, which differs from traditional risk and opportunity management within the Company's own production or services. To achieve this, we are dedicated to effectively managing its business relationships and collaborating with partners while taking into account environmental and social issues. This approach aims to prevent and minimize risks that could directly or indirectly impact the Company's reputation and social license to operate. The Company firmly believes that robust and sustainable supply chain management will bring about other benefits, such as actively participating in reducing environmental and societal impacts through acceptable measures and mechanisms. For instance, the Company implements processes to select business partners, evaluate suppliers, provide training, and foster communication with partners. Moreover, the Company engages in joint initiatives, like open innovation, with partners and the Company, contributing to the overall sustainability of the supply chain.

Supplier Code of Conduct

The Company holds a strong commitment to strategic management in the procurement system and place significant importance on product and service quality. Its risk management processes encompass environmental, social, and governance aspects to maintain risks at acceptable levels. The Company prioritize the quality and quantity of goods and services delivered, ensuring compliance with labor and environmental laws, and other quality management systems. By preventing and mitigating risks, the Company safeguards the quality, quantity, and delivery of goods and services, as well as the trust of its stakeholders in the Company's operations.

Supply Chain Management Strategy and ESG Integration

The Company implements a supplier ESG Programs system and guidelines for ensuring quality within the supply chain. This forms an integral part of its business mechanisms and creates sustainable value for its partners through effective environmental, social, and governance impact management across the entire life cycle of products and services. The Purchasing Department reports the progress of supplier ESG programs to the Executive Committee, which is tasked to oversight the implementation of the program.

The Company maintains a standardized procurement process, establishing policies and selecting suppliers with transparency and fairness. This process considers the impacts and responsibilities in economic, governance, environmental, and social dimensions. The Company conducts performance evaluations of suppliers to ensure compliance with the standards and implements appropriate management processes in line with Supplier Code of Conduct and the quality control system requirements to avoid potential conflicts with ESG requirements. These include product delivery, environmental policies, safety standards, legal compliance, social responsibility, and product and service risk management.

The supplier selection process incorporates an ESG (Environmental, Social, and Governance) requirement for suppliers to be considered for approval and potential contracting. Suppliers who fail to meet the minimum ESG requirements within the specified timeframe are excluded from the contracting process. Suppliers with better ESG performance are preferrable in supplier selection and contract awarding.

Sustainable Agricultural Raw material sourcing

Environmental criteria are incorporated into the supplier selection process, especially for agricultural raw material suppliers. CBG supplier selection process mandates that those suppliers not only adhere to environmental management compliance by law (water, waste, and air pollution) and operation to reduce global warming and mitigate greenhouse gas emissions, but also actively encourage to contribute to sustainable agricultural practices, such as the preservation of soil integrity and ecosystem health.

Agricultural raw material suppliers should provide clear strategies for sustainable agriculture, such as soil conservation, measures to maintain the natural balance of soil nutrients. Furthermore, we require our agricultural raw material suppliers to engage in practices that protect against the destruction of ecosystems, ensuring their operations promote biodiversity and the sustainable use of natural resources.

In 2023, CBG purchased sugars as agricultural raw material products from suppliers who received leading certifications of Agricultural Crops such as Bonsucro and Vive. The coverage in terms of sugars certified/ accredited as a 83.08% of total sugars sourced/produced.

CBG has established strategies related to the supply chain by analyzing goals that not only enhance the Company's profitability through purchasing goods at reasonable prices but also promote sustainability awareness among our suppliers, which will help build trust with our customers and consumers. This strategy aligns with the Company's procurement policy, and our strategic components include:

Supply chain management strategy	ESG objectives in supply chain management
1. Improve efficiency and reduce costs by optimizing processes and eliminating waste, while increasing the satisfaction of raw material users by delivering goods on time.	CBG is committed to improving efficiency and reducing costs by purchasing goods and raw materials as needed to avoid excess inventory that may degrade in quality. By planning and analyzing the needs of raw material users in advance, the Company seeks to find suitable methods for transporting and delivering raw materials to reduce costs and resource usage.
2. Promote collaboration and communication among all stakeholders, including manufacturing suppliers, distributors, and customers, to create a sustainable and responsible supply chain that minimizes negative environmental and social impacts.	CBG is committed to sourcing goods and services with limited environmental impact throughout the value chain. The Company continuously monitors and verifies to ensure there are no adverse environmental effects.
3. Promote safety and occupational health awareness among suppliers.	CBG places great importance on the safety of all employees and suppliers within the supply chain. As a key strategy, the Company ensures that all suppliers and contractors receive training on Carabao Group's safety standards and works to mitigate all safety risks.

Training for company's buyers and/or internal stakeholders on their roles in the supplier ESG program

To strengthen our procurement employees' capacity to handle change, the Company regularly organizes training sessions and ensures continuous professional development in the area of the Supplier ESG Program.

Supplier Screening

The Carabao Group Supply Chain Sustainability Manual serves as a screening tool for new business partners and is used with current partners. The manual comprises the following key components:

1. Classification of trading partners and analysis to identify critical suppliers
2. Partner Screening
3. Supplier risk assessment to identify partners with high environmental, social, economic, and governance risks

The Company conducts an annual supplier risk assessment and classifies them based on business relevance factors such as spending analysis, the importance of the supplier to the Company, and ESG risks. This assessment enables the Company to manage suppliers more effectively.

Country-specific risks are considered in the Company's screening process for significant suppliers. With some critical suppliers from China, the US, and Turkey, the Company had to assess the risks involved with these countries' political, economic, and social environments. Once the risks have been identified, the Company can develop strategies to mitigate them. This may involve diversifying operations into multiple countries, using hedging products, or purchasing insurance. The Company also has a risk contingency plan in place in case a country-specific risk materializes. The Company's main concerns on these suppliers were delivery lead-time and pricing, which foreign exchange value can be crucial in the transactions. Also, the political stability of these countries should be considered and kept updated as well.

Supplier classification

CBG classifies suppliers into two groups based on the type of products and the analysis of operational characteristics.

1) Suppliers with special conditions identified as having specific minimal risk will be classified under the general vendors list.

2) Suppliers without special conditions who are to be included in the Tier-1 supplier list must undergo other steps of the supply chain sustainability assurance guidelines.

Supplier screening

Suppliers included in the Tier-1 list must sign and accept the CBG's Supplier Code of Conduct and conduct a self-assessment on environmental, social, economic, and governance (ESG) issues through a Self-Assessment Questionnaire (SAQ). The sustainability-related score accounts for 98% of the total 100% evaluation score. This assessment evaluates the supplier's performance against CBG's expectations regarding their ability to manage ESG risks before they are allowed to participate in the bidding process and be included in the Company's approved vendor list.

Critical supplier identification and analysis
High-Risk Supplier Assessment

Critical suppliers include those with high expenditure, of annual purchases exceeding 5 million baht, those supplying key raw materials for the Company's products, or those irreplaceable by other suppliers. This selection is essential for managing risks associated with suppliers crucial to the Company's business in terms of expenditure or dependency.

CBG conducts on-site supplier audits with critical suppliers. Additionally, public information analysis or desktop research are used as tools to evaluate the supplier's ability to provide products or services that meet CBG's requirements.

High-Risk Supplier Assessment

This process is designed to identify and mitigate ESG risks among suppliers, ensuring a safe and sustainable supply chain.

For CBG, high-risk suppliers identified as critical are considered based on their significant impact on the business and are assessed to have high ESG risks according to the main activities of the sub-group. High-risk suppliers are selected for the supplier on-site audit program, which evaluates these suppliers on three main components:

- Business Continuity/Disruption
- Reputational Risk
- Responsible Operations

Carabao Group conducts an annual risk assessment of suppliers, taking into account spending analysis, the importance of suppliers to the Company, and ESG risks. Suppliers are categorized into three groups:

Tier-1 Supplier

Manufacturers of goods and services, suppliers of products to the Company, and those in the Approved Vendors List.

Tier-1 Critical Supplier

Manufacturers of goods and services, suppliers of products to the Company, those in the Approved Vendors List are critical to the Company's operations. These suppliers are characterized by high purchase volumes, essential product components, and irreplaceable products. They undergo ESG risk assessments covering human rights, child and illegal labor, environmentally friendly management practices, good occupational health and safety standards, and adherence to business ethics and fair-trade practices.

KPIs for Supplier Screening

Supplier Screening	FY 2023
Total number of Tier-1 suppliers	975
Total number of significant suppliers in Tier-1	44
% of total spend on significant suppliers in Tier-1	87.2
Total number of significant suppliers in non Tier-1	0
Total number of significant suppliers (Tier-1 and non Tier-1)	44

From the 2023 assessment, there are 975 Tier 1 partners, classified into 44 critical partners with a total procurement expenditure of 8,000 million baht, representing 87.2% of the total procurement spending. All Critical Tier 1 partners have acknowledged and understood our business scope and ESG practices outlined in Carabao Group's Supplier Code of Conduct. All CBG suppliers must adhere to human rights standards, avoid child labor, and not employ illegal labor. Additionally, they must implement environmentally friendly management practices, ensure good occupational health and safety, and comply with the supply chain sustainability assurance program. This program assesses their capability to supply products or services that meet the Company's requirements and their ability to manage ESG-related risks for the group.

Supplier Assessment

CBG conducts supplier desk assessments with systematic verification of evidence to evaluate the supplier's ability to provide products or services that meet CBG's requirements. CBG conducted supplier onsite assessments (2nd party assessment) at their facilities to evaluate risks and minimize potential impacts on the business. Additionally, third-party assessments are conducted for two suppliers to provide an external evaluation of on-site operations.

(For more information, please see CBG's Sustainability Report 2023, topic Supplier on-site audit, pdf page 64-65: https://www.carabaogroup.com/en/pdf/CBG-Sustainability-Report-2023.pdf)

Supplier corrective action/improvement plans

In case a supplier does not meet the required standards during an onsite assessment, CBG will communicate the issue areas to those suppliers and provide recommendation and support in corrective action/improvement plans to improve those areas to meet CBG's expectations for quality and compliance.

Supplier support (remote/on-site) on implementation of corrective/improvement actions

The Company worked with suppliers in handling technical issues found in raw material procurement. However, one prominent case as with one of Critical Tier-1 Suppliers who supply sugar. The Company found the case of coagulated sugar, which was unacceptable to receive into production. It caused the sugar to load slower than other suppliers, and those coagulated sugar were hardened and took a long time to melt. The issue has been discussed between two parties and used methods in solving the issue, such as massaging the sugar big bag before delivery. But to fix the root cause, the Company's engineers worked with TRR on the technical side and figured out the way to fix the problem, which was to adjust mesh size from 0.40-0.80 mm. to 0.40-0.85 mm. and then the sugar in big bag must be kept for 2 weeks to rid of moisture. The sugar in big bag would then be loaded into tank car for delivery. The temperature of sugar in tank car must not be over 38 degrees Celsius and contains moisture under 0.03%. This collaboration helped the supplier to understand the root cause at their plants, which they further adjusted their facility to be more secure and suitable for its operation, resulting in the reduction of suppliers' waste and increasing the Company's product quality.

Supplier information/training on company's supplier ESG program, process and requirements

The Company has sent CBG Sustainability to all Critical Tier-1 Suppliers, which they must acknowledge via email as proof of understanding the Company's ESG and Sustainability work in general and will work with the Company according to the guideline.

Additionally, CBG developed a compact and informative video to train suppliers on the impact of ESG (Environmental, Social, and Governance). The training material covers the overview of sustainable practices, key topics such as Waste Separation and Management, Social Responsibility and Well-being, Risk Management, Anti-corruption, and Phishing Email Detection. There are 27 suppliers participated as acknowledged for this content.

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KPIs for Supplier Assessment and development

Supplier Assessment	FY 2023	Target 2023
Total number of suppliers assessed via desk assessments/on-site assessments	44	100% of significant suppliers
% of significant suppliers assessed	100%	
Number of suppliers assessed with substantial actual/potential negative impacts	7	
% of suppliers with substantial actual/potential negative impacts with agreed corrective action/improvement plan	15.91%	
Number of suppliers with substantial actual/potential negative impacts that were terminated	0	

Corrective action plan support	FY 2023	Target 2023
Total number of suppliers supported in corrective action plan implementation	7	100% of significant suppliers
% of suppliers assessed with substantial actual/potential negative impacts supported in corrective action plan implementation	100%	