

## Supply Chain Management

Long-term sustainability goals (2025)	2022 Target	2022 Performance
<ul style="list-style-type: none"> <li>100% of suppliers acknowledge the supplier code of conduct, which includes elements of governance, society, and environment.</li> </ul>	<ul style="list-style-type: none"> <li>100% of critical tier-1 suppliers are assessed according to sustainability risk criteria in environmental, social, and governance aspects.</li> </ul>	<ul style="list-style-type: none"> <li>98% of critical tier-1 suppliers have been assessed against sustainability risk criteria in environmental, social, and governance aspects.</li> </ul>

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. As of 2022, the Company collaborates with 969 domestic partners, representing 92.37%, and 80 foreign partners, representing 7.63% of the total.

### 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.

The Company implements a 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 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

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.

## Quality Assurance Guidelines for Supply Chain and Partners

### Classification of Business Partners

The Company has categorized its business partners into two groups based on the type of product and an analysis of their operational nature.

1. Trading partners with special conditions, defined as low-specific risk, will be included in the general list of partners.
2. Suppliers that do not qualify for inclusion in the Tier-1 list of suppliers must undergo additional stages of the Sustainability Assurance Guidelines.

### Partner Screening

Those included in the list of critical suppliers must sign acceptance of the Carabao Group Supplier Code of Conduct and assess themselves on environmental, social, economic, and governance issues through a self-assessment questionnaire (SAQ). 98% of critical suppliers has passed the sustainability score. This score is used to assess their performance against the Carabao Group's expectations regarding their ability to manage ESG risks before being eligible to participate in the tender process for the supplier list approved by the Company.

### Analyzing and Identifying Critical Suppliers

Identification of Critical Suppliers: This includes partners with significant spending, with an annual purchase amount of more than 5 million Baht, or partners who supply essential raw materials for the Company's products. Additionally, suppliers who cannot be easily replaced are considered for selection due to their importance in managing business risks.

The Carabao Group conducts supplier on-site audits with critical suppliers involved in the production process, including suppliers of raw materials. This process also includes analysis using public data or desktop checks as tools for evaluating the partners' ability to meet Carabao Group's requirements for products or services.

### Risk Assessment of High-Risk Suppliers

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

For Carabao Group, high-risk suppliers are considered important suppliers based on their potential impact on the Company's business. These suppliers are evaluated as having high ESG risks based on the primary activity of their subgroup. High-risk partners are selected for a supplier on-site audit to assess sustainability issues across three key components

- Business Continuity/Disruption
- Reputation Risk
- Responsible Operations

Besides, the Company has sent CBG Sustainability Booklet 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.



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:

<b>Critical Suppliers</b>	Manufacturers and distributors directly supplying products and services to Carabao Group, listed in the Approved Vendors list.
<b>Critical Tier-1 Suppliers</b>	Critical suppliers that are crucial to business operations, such as those with high purchase volumes or providing key non-replaceable products.
<b>High-Risk Partners</b>	Critical Tier-1 suppliers that could impact ESG-related operations adversely. This group undergoes assessment for ESG risks, including human rights, child labor, illegal labor, environmentally friendly practices, occupational health and safety, and compliance with business ethics and fair trade.

## Overview of the Company's Suppliers

In 2022, the Company had a total of 1,106 Tier-1 suppliers, representing 100% of the active suppliers listed in the approved vendors list. These suppliers accounted for a total purchase cost of 10,957 million Baht. Among them, there were 52 important Tier-1 suppliers, accounting for 4.70% of all suppliers. The total spending on procurement was 9,534 million Baht, which constituted 87.02% of all procurement expenditures. It is essential to note that all Tier-1 partners acknowledge and understand its business scope and practices, aligning with the ESG guidelines specified in the Carabao Group Partner Guidelines. Compliance with these guidelines ensures that suppliers respect human rights, refrain from using child labor and employing illegal workers. Additionally, adopting environmentally friendly management practices and ensuring good occupational health and safety are imperative. Furthermore, the Company implements various supply chain sustainability assurance programs to evaluate the suppliers' capacity to provide products or services meeting the Company's requirements and to manage ESG-related risks for the Company. Critical suppliers are those who make high-volume purchases, exceeding 5,000,000 Baht per year from the Company. The Company also identifies suppliers providing key components and non-replaceable raw materials and products as critical suppliers due to the importance of their raw materials in the company's production processes. Grouping business partners together enables the company to manage them more effectively. Furthermore, the company utilizes spending analysis to evaluate the risks associated with the suppliers.

## In-depth technical support programs to build capacity and ESG performance in suppliers

The Company worked with suppliers in handling technical issues found in raw material procurement. However, one prominent case in 2022 was 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.

## Coverage and Progress of Supplier Assessment Program

Supplier Assessment	FY 2022
Total number of suppliers assessed via desk assessments/on-site assessment	51
% of significant suppliers assessed	98.07
Number of suppliers assessed with substantial actual/potential negative impacts	1
% of suppliers with substantial actual/potential negative impacts with agreed corrective action/improvement plan	1.96
Number of suppliers with substantial actual/potential negative impacts that were terminated	0

Corrective action plan support	FY2022
Total number of suppliers supported in corrective action plan implementation	1
% of suppliers assessed with substantial actual/potential negative impacts supported in corrective action plan implementation	100

### Considered an key direct partners





	2022
Number of Critical Tier-1 Suppliers	52
Proportion of Critical Tier-1 Suppliers	4.70%
Number of Tier-1 Suppliers	1,054
Proportion of Tier-1 Suppliers	95.30%
<b>Total Number of Tier-1 Suppliers</b>	<b>1,106</b>
<b>Total Number of Non-Tier-1 Suppliers</b>	<b>0</b>
Proportion of Total Purchasing for Non-Critical Suppliers	12.98%
Proportion of Total Procurement for Critical Suppliers	87.02%
<b>Total Purchase Amount (Million Baht)</b>	<b>10,957</b>

### Supply Chain Management Strategy and ESG Integration

The Company's strategies related to supply chain management revolve around achieving goals that encompass not only increasing company profitability by sourcing products at reasonable prices but also promoting sustainability awareness among the company's suppliers. This approach fosters trust among customers and consumers. The strategy aligns with the company's procurement policy, with key elements encompassing:

Supply Chain Management Strategies	ESG Objectives in Supply Chain Management
1. Improve efficiency and reduce costs by optimizing processes and eliminating waste and enhance the satisfaction of raw material users through timely deliveries.	The Company is devoted to enhancing efficiency and cost reduction through necessary procurement of products and raw materials, avoiding any leftovers that may affect quality. This is accomplished through thorough planning and analysis of raw material needs based on user requirements.  The Company also seeks efficient transport and delivery methods to reduce costs and resource consumption.
2. Promote cooperation and communication among all stakeholders, including supplier partners, distributors, and customers, to create a sustainable and responsible supply chain that minimizes negative environmental and social impacts.	The Company is dedicated to sourcing products and services with limited environmental impact across the value chain. Additionally, rigorous monitoring and inspection ensure that these activities have no adverse effects on the environment.
3. Promote safety awareness and occupational health among business partners.	The Company places a strong emphasis on the safety of all employees and partners in the supply chain. This includes training all partners and contractors on Carabao Group safety standards and minimizing all security risks.