



Sustainable Supplier Management

June 2023

SCG CHEMICALS

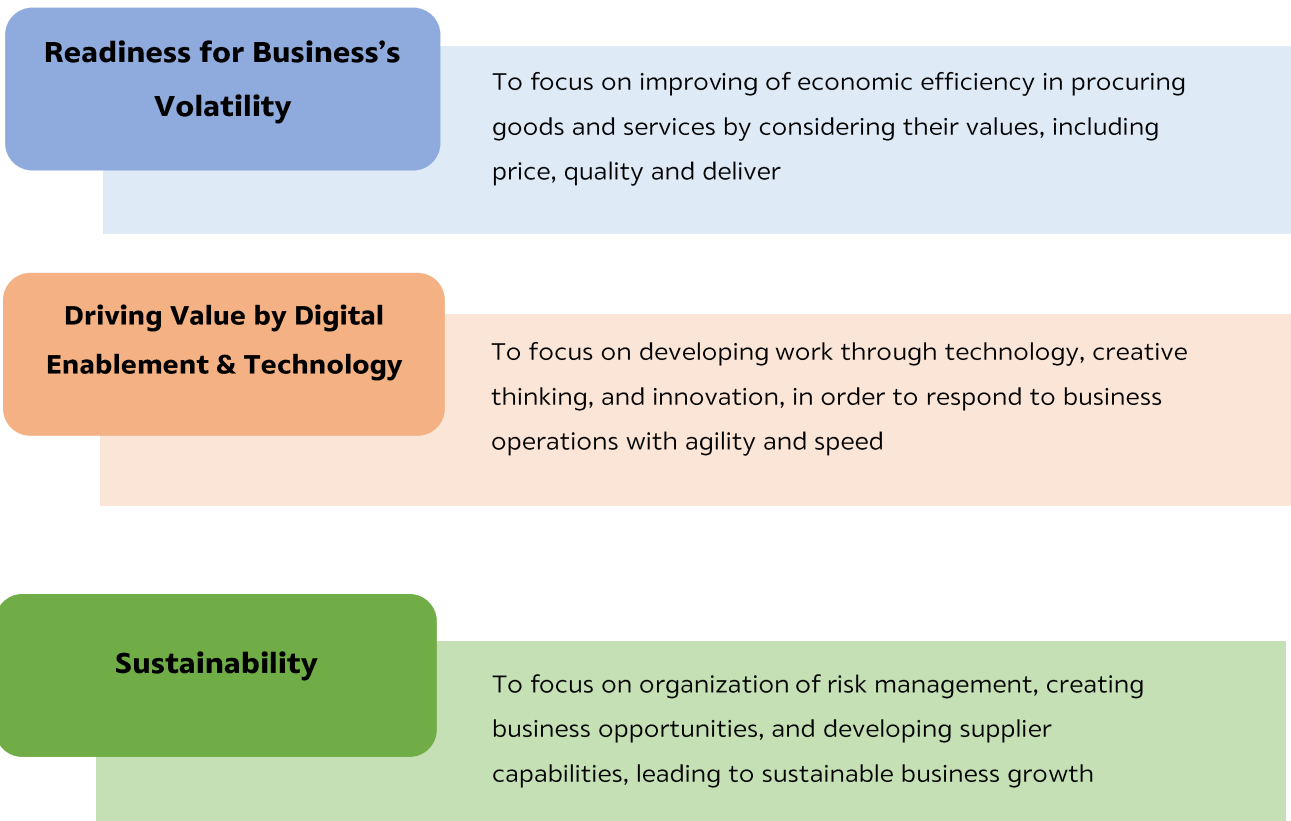
SCGC's commitment to sustainable business operations is to aim for creating value for stakeholders across the entire supply chain. In line with its responsible duties, SCGC has established a sustainable supplier development committee to ensure principled practices of responsibilities as follows:



Key strategies of SCGC's procurement

The procurement process falls under the purview of the SCGC Procurement and Raw Materials Management organization, which has always adhered to a vision of sustainable operating guidelines. Alongside prioritizing cost-effectiveness, flexibility, and efficiency in its operations, the organization places great emphasis on conducting business with integrity and ethical principles. There is a strong commitment to be responsible towards the environment, society, and governance.

In light of these core values, the organization has developed key strategies to guide SCGC's procurement operations as follows:

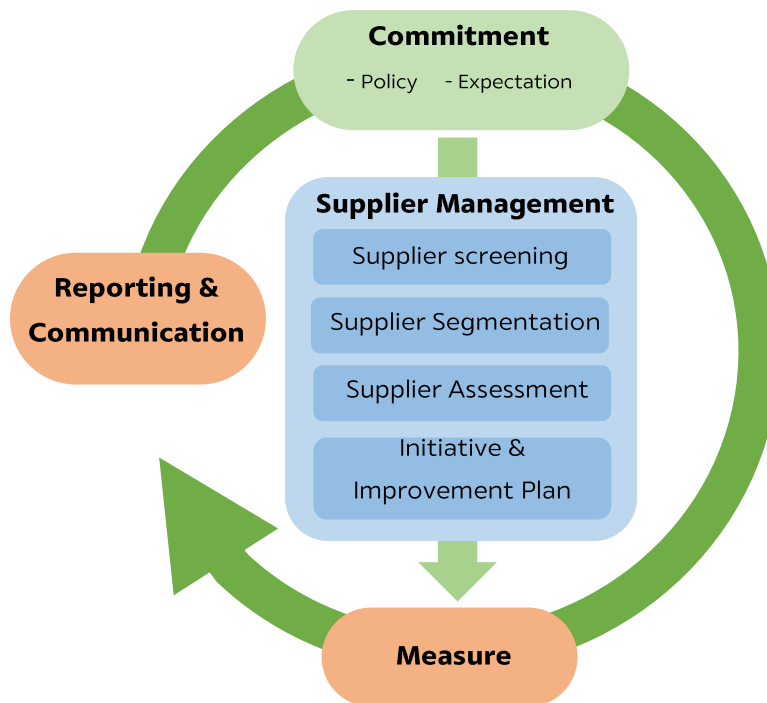


The Framework of sustainable supply chain management

The sustainable procurement framework consists of 4 elements, which are:

- Element 1: Commitment
- Element 2: Implementation of supplier management
- Element 3: Performance Measurement
- Element 4: Reporting and Communication Channel

Sustainable Supplier Framework



Element 1: Commitment

SCGC establishes policies, practices, and related guidelines regarding to procurement and supplier management in sustainability matters. To ensure that SCGC conducts business with suppliers systematically, honestly, transparently, and support ethical business partners, respect freedom, supervise in terms of labor rights and human rights, occupational health and safety, and environment. The details are present in Table 1.

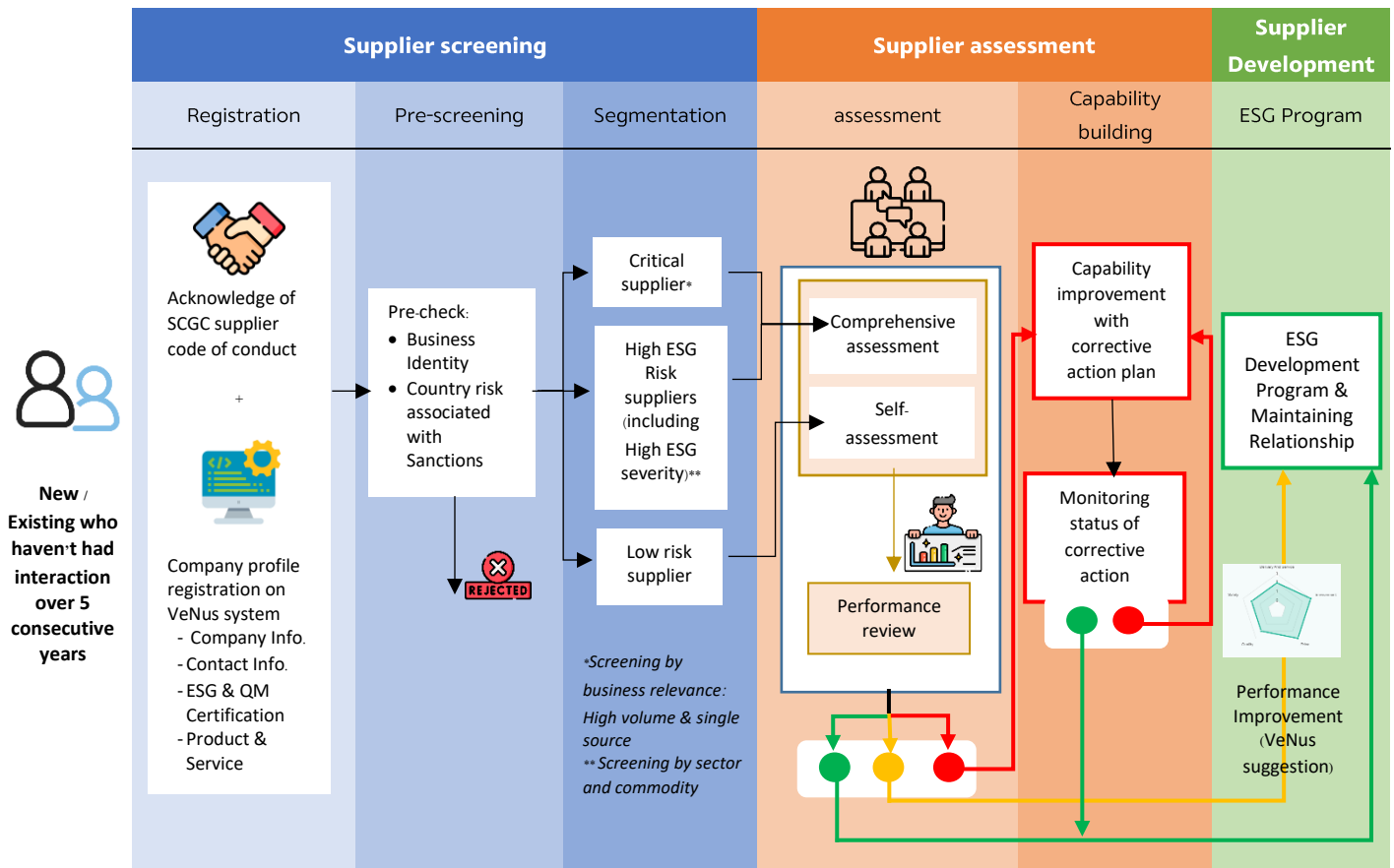
Table 1: The Policies, practices, and guidelines regarding to SCGC’s procurement and supplier management

No.	Policies, practices, and guideline	ESG aspect	Procurement and supplier management related issues	Announcement
1	Vendor Policies & Guidelines	Social	Economics, Law, Business Ethics, and Environment	April 2022
2	Supplier Code of Conduct	Environment, Social, and Governance	Business Ethics, Labor & Human Rights, Occupational Health & Safety, Environment and Climate Resilience, Laws and Requirements, Whistleblowing	2022
3	Green Procurement Guideline	Environmental	The Environmental Impact of the Purchased Materials and Services, Environmental Management Systems	2022
4	Sustainable Supplier Management	Environment, Social, and Governance	The Framework of sustainable supply chain management	June 2023

Element 2: Implementation of supplier management

SCGC values on supplier management since the process of supplier screening, supplier segmentation for risk assessment, supplier development and ultimately building strong relationship to reduce operational risks and enhancing competitiveness.

Table 2: SCGC supplier management toward sustainability.



⁽¹⁾ SCGC vendor management system which are VeNus.

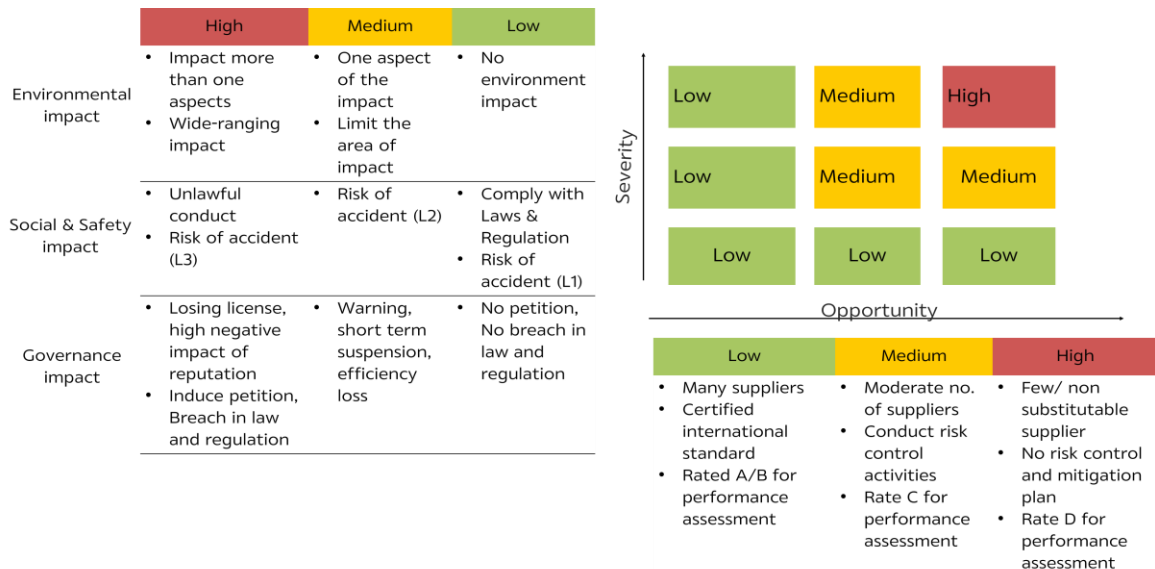
2.1 Supplier screening

After supplier register via VeNus system, SCGC verify business identity, country-specific risks such as sanction, and sector-specific risks which lead to risks of registered products/ services. The risk consideration is based on the severity of potential negative impacts on the Environment, Occupational Health and Safety, Society and Governance (ESG) caused by the products and services, and opportunities that may have negative impacts on SCGC's operation.

1. **Severity Rating:** Consideration about the characteristics of the products and services that may have negative impacts on the Environment, Occupational Health and Safety, Society and Governance (ESG). Examples of considerations include:
 - o Environment aspect: water consumption, waste, energy consumption, pollution, greenhouse gas, efficient utilization of resources, etc.

- Social aspect: human rights and labor rights, occupational health and safety, the occurrence of the complaint or non-compliance, etc.
 - Governance aspect: Compliance with laws, organizational image, adherence of licensing requirements, etc.
2. **Opportunity Rating**: Consideration about opportunities that might impact on SCG's operations, such as a number of business partners in the market and their working experience, etc.
 3. **Risk**: The evaluation result of severity and opportunities, categorized as high, medium, and low risk.

Examples of supplier risk consideration



The risk evaluation results of suppliers and type of product/ service lead to different approaches of supplier management, as follows:

Table 3: Management strategies on each severity/risk level.

Severity/ risk	Management
High	<ul style="list-style-type: none"> Comprehensive assessment (Online / On-site audit) Contractor Safety Management Program Environmental awareness by Green industry certification <p>at lease level 2 or above.</p>
Medium	<ul style="list-style-type: none"> Comprehensive assessment (Online / On-site audit) Contractor Safety Management Program Environmental awareness by Green industry certification <p>at lease level 2 within 1 year.</p>
Low	<ul style="list-style-type: none"> Self-assessment (Desk assessment) Environmental awareness by Green industry certification <p>at lease level 2 within 3 years.</p>

2.2 Supplier segmentation

SCGC considers of grouping the significant suppliers bases on spend analysis, critical analysis of products/ services, and risk aspects of environment, social, and governance (ESG) to determine strategies for supplier and procurement management.

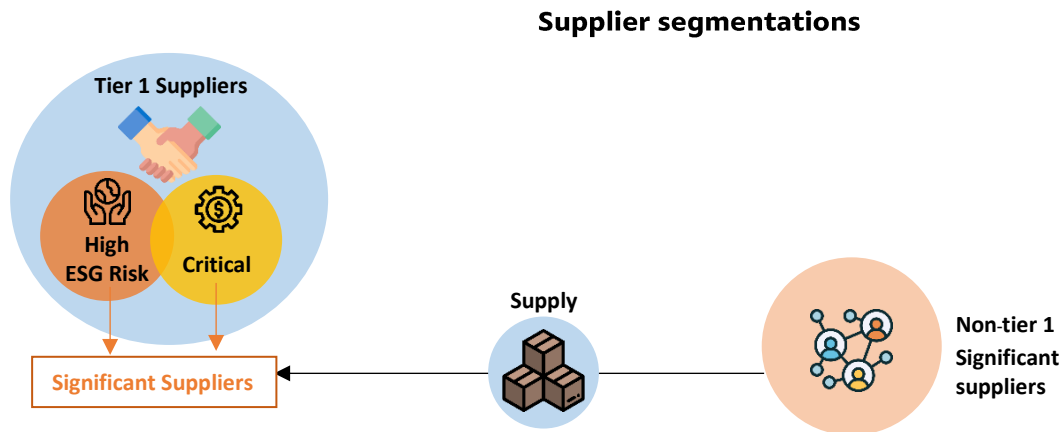


Table 4: Strategic approaches for each supplier segmentation.

	Group	Meaning	Management strategies
Significant Suppliers	Critical Suppliers	Manufacturers, distributors, and service providers who are important to SCGC’s business operations with criteria of high spending, critical parts of products and single source.	Develop long-term business relationships and collaborative activities. <ul style="list-style-type: none"> • Comprehensive assessment • Long-term partnership • Inventory management • ESG program
	High ESG risk/ severity suppliers	Manufacturers, distributors, and service providers who have a high potential for negative impact due to inappropriate operation in social aspect (such as human rights, employee and labor force), environmental aspect (such as waste management) , and governance aspect (such as legal adherence).	Enhance capabilities and migrating risks for joint business operations. <ul style="list-style-type: none"> • Comprehensive assessment • ESG program
Tier 1 suppliers		Manufacturers, distributors, and service providers who are directly conducts business operations with SCGC.	Maintaining relationships, elevating competitiveness, or strengthening potential business collaboration. <ul style="list-style-type: none"> • Self-assessment
Non-tier 1 significant suppliers		Manufacturers, distributors, and service providers who have business operation in Tier 1 Significant suppliers	Monitoring progress through Tier 1 Significant suppliers, such as vendor assessment of Tier 1 suppliers.

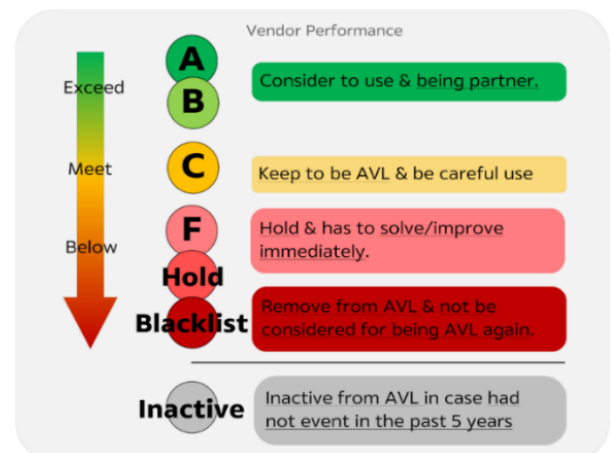
2.3 Supplier assessment

- **Comprehensive assessment** is the process of supplier risk assessment the group of significant suppliers through audit sessions (on-site/ online) to consider the supplier’s qualification bases on four criteria, which are as follows.
 1. Management system: This aspect is to evaluate type of experience & business infrastructure, financial, organization, labor laws, and company policies (such as safety, environment, and human rights, etc.) including quality certification and ESG certification from reliable institutes, etc.
 2. Capability & Competency: This aspect is to evaluate type of workability, experience and performance, standardized and certified work procedures, training and competency system, and readiness of tools and equipment, etc.
 3. Safety Health and Environmental (SHE) & Compliance: This aspect is to evaluate type of compliance with relevant legal laws of occupational health and safety, waste and pollution management, environmental management, copyright management, etc.
 4. Performance & Monitoring: This aspect is to evaluate type of performance indicators, monitoring, and improvement covering quality and ESG, including claim and complaint management, etc.
- **Self-assessment** is the process of verify supplier data from documents and evidence presented by supplier through the completion of a supplier assessment questionnaire.

Suppliers with a minimum assessment score of **69%** are register into SCGC approved vendor list.

- **Post-evaluation** is the process of supplier performance assessment after the delivery of products and services based on five criteria,
 1. Price competitiveness
 2. On-time delivery and services quality
 3. Products quality
 4. Safety Health Management
 5. Environment Management

Suppliers acknowledge the performance results, which are categorized as A, B, C, and F. Suppliers that have achieved favorable assessment results following the SCGC standards, can remain on the Approved Vendor List and continued operation with SCGC.



Suppliers, who are unable to meet the minimum standards, are required to develop the Corrective Action Plan. SCGC will advise problem-solving to assist in improving and enhancing their capabilities. Suppliers who are unable to achieve corrective action will be held or blacklisted from procurement activities/ Approved Vendor List.



2.4 Supplier Development

SCGC establishes supplier engagement by following sustainable supplier development guidelines, as follow:

- Communication of organizational expectations for sustainable business operation through Supplier Code of Conduct and vendor/supplier events.
- Commitment to the continuous development of supplier capabilities through the provision of guidelines, knowledge building, and collaborative implementation of ESG programs:
 - Green procurement: To achieve sustainable consumption from creation a need to buy (demand) towards creation a need to sell (supply), in order to generating a market for environmentally green procurement.
 - Green Industry/ Eco factory: To cultivate a corporate culture that is environmentally friendly in operation.
 - Greenhouse gas reduction: To promote and incentive suppliers' involvement in low carbon society.
 - Contractor safety management: So establish a culture of workplace safety and security.
- Building and maintaining relationships with suppliers by engaging in the exchange of ideas and listening suggestion to each other through the satisfaction survey and feedback channel on Venus.

SCGC Vendor Management System or VeNus

SCGC Vendor Management System, known as Venus, is a platform that allows suppliers to register for SCGC Approved Vendor List or update their company information by themselves. The system displays the supplier's tasks status that is working with SCGC and serves as a communication channel for sharing information from SCGC to suppliers, as well as a channel for receiving recommendations and recognition from suppliers.

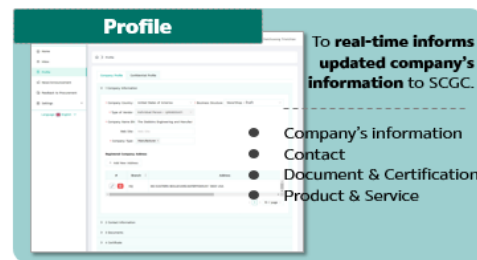
In addition, Venus also serves as an efficient supplier information search system for SCGC personnel. It is integrated with the SCGC internal system to automatically suggest a suitable supplier for procurement needs, thereby increasing opportunities for the qualified supplier to participate in the procurement process equally.

Venus features



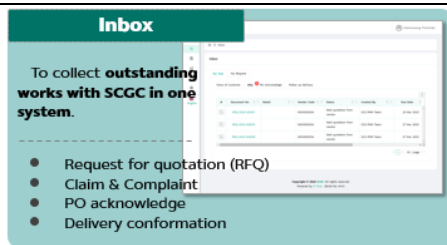
New/ Announcement

SCGC communication channel to suppliers



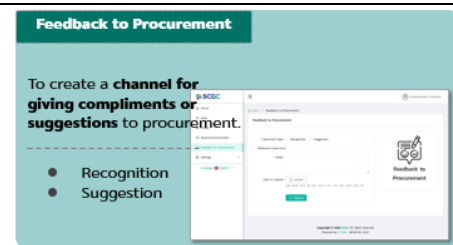
Profile

Registration platform / Update company profile by themselves/Supplier verified products and services that have passed verification will be listed on SCGC Approved Vendor List for future usage.



Inbox

Display supplier working status on each step of a quotation request, Claim & Complaint, PO acknowledgment, and delivery



Feedback to Procurement

Channel for receiving recommendations and recognition from suppliers

Element 3 Measurement

To ensure efficiency sustainable supplier management and operations in the procurement process and alignment with sustainable business practices.

Table 5: Measuring operational performance.

Operation	Example of Performance Indicator
Supplier Screening	<ul style="list-style-type: none"> Number of suppliers committed to the SCG Supplier Code of Conduct.
Supplier Segmentation	<ul style="list-style-type: none"> Supplier segmentation result.
Supplier Assessment	<ul style="list-style-type: none"> Percentage of suppliers who passed a risk assessment. Number of Corrective Action Requests – CAR to supplier.
Spend Analysis	<ul style="list-style-type: none"> Percentage of procurement spend from suppliers committed to the SCG Supplier Code of Conduct. Spend analysis result.
Improvement Plan	<ul style="list-style-type: none"> Percentage of operation or operational areas of suppliers with sustainability risks that have risk management plans or corrective action plans. Number of supplier development plans/ projects/ activities.

Element 4 Reporting and Communication

SCGC places great importance of reporting and communication to ensure efficiency sustainable supplier management and operations in the procurement process. It is essential to provide effective communication of information and performance results to stakeholders at each level.

Table 6: Reporting and Communication Level.

Reporting level	Reporting and Communication Channel
External stakeholder	Sustainable Development Report, SCGC website
Supplier	Supplier annual performance.
SCGC Management Level	Key performance results.
Procurement Department	Key performance indicators dashboard about supplier