



# Supply Chain Management Procedure

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## 1. Objective

- To enable suppliers to participate in PTG's supply chain management process and enhance the sustainability capabilities.
- To ensure that environmental, social, and governance (ESG) risks associated with the suppliers' supply chains are properly managed to create sustainability in business operations throughout the supply chain and enhance competitiveness and long-term growth together.

## 2. Scope

Related activities refer to all purchases of goods and services with the PTG Group and all subsidiaries over which PTG has the controlling authority.

Related stakeholders refer to suppliers, contractors, and/or service providers, either a juristic or a natural person, of the group, including subcontractors of the sellers, contractors and/or service providers thereof.

## 3. Definitions

**Approved Supplier List** refers to a list of suppliers who have passed the preliminary selection process of the PTG Group.

**Corrective Action Plan** refers to the action plan that suppliers need to align after an ESG Audit.

**Significant/ Critical Supplier** refers to suppliers which produce and distribute goods and services that are highly important to PTG's business operations, such as goods subjected to high demands, goods that are a key component of the company's product, or irreplaceable.

**Significant/ Critical non-tier 1 suppliers** refers to important suppliers that do not directly engage in business with the company but provide products and services to critical suppliers.

**Tier 1 Supplier** refers to a partner supplying goods, materials, or services (including Intellectual Property (IP) / Patents) directly to the company.

**Self-Assessment Questionnaire** refers to the Sustainability Self-Assessment Questionnaire which encompasses economic, social, and environmental issues in compliance with the Company's Supplier Code of Conduct in order to assess the sustainability potential of the suppliers and serves as part of suppliers' ESG risk assessment.

## 4. Procedures

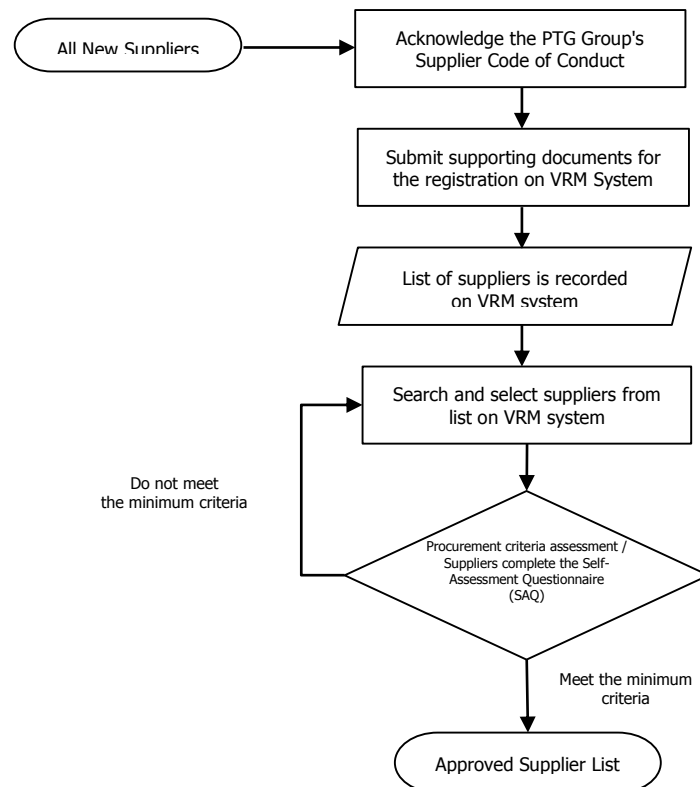
### 4.1 Qualifications and registration of new suppliers

Prior to initiating a transaction, procurement officers, purchasing officers shall procure a supplier that is expected to be able to deliver respective goods or services as requested. In this regard, the suppliers successfully selected by the company must possess at least the following qualifications.



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1. A supplier with an auditable establishment.
2. A supplier that has personnel, machinery and equipment, goods, services, financial status and/or business records that are appropriate and reliable.
3. A supplier with credible references of work, sufficiently enough to be assessed by the PTG Group, encompassing the delivery of goods/services, after-sales services, warranties and/or other conditions.
4. The supplier must submit supporting documents for the registration of a new supplier, including a copy of the company registration certificate, a copy of other relevant certificates issued by government agencies, letter of attorney, and a copy of registered documents with the Revenue Department, e.g., a copy of the VAT registration certificate (PhorPhor. 20), etc.
5. All new suppliers of the PTG Group must sign and acknowledge the PTG Group's Supplier Code of Conduct and complete the Self-Assessment Questionnaire (SAQ), as part of the suppliers' sustainability risk assessment, which covers economic, social, and environmental issues in compliance with the Company's Supplier Code of Conduct in order to assess the sustainability potential of the suppliers.
6. Purchasing officers will proceed with the approval process for registering new suppliers by assessing the suppliers based on predetermined conditions. Suppliers who meet the minimum criteria and are approved by the Purchasing Manager or Approval Authority shall be recorded in the Approved Supplier List of the Group.





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**Figure 1:** Sustainability Self-Assessment Process



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ESG criteria for the selection of partners based on the SAQ form give a score of 5 percent of the new supplier assessment score.

**Table 1** Examples of criteria for the selection of new suppliers

No.	Scoring Criteria	Result
1	Product and service quality (Based on previously supplied products or services)	25 %
2	Product prices/service fees. Choose between 2.1 Purchased items 2.2 New items	20%
3	Lead time	20%
4	Cooperation	15%
5	Payment terms	15%
6	ESG practices	5%

**Table 2** Suppliers' sustainability self-assessment

No.	ESG Practices	Result
1	Environmental management	1
2	Human rights and labor	1
3	Occupational safety	1
4	Social responsibility	1
5	Corporate governance and business ethics	1

## 4.2 Risk assessment in supply chains

PTG has established a supplier registration structure to facilitate strict risk management of business partners to comply with sustainable procurement standards and prevent impacts on PTG's business operations by assessing business partners' risks in two dimensions:

1. Suppliers that can lead to risks against PTG's operations; for example, order value, importance of products or services, and the provision of irreplaceable goods and services, etc.
2. Suppliers that are exposed to environmental, social, and corporate governance risks.



**Figure 2** Overall risk assessment in supply chains



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## 4.2.1 Suppliers' ESG risk identification

PTG shall conduct an ESG risk assessment of its suppliers every 3 years, which include oil business partners and non-oil businesses according to the sustainability risk assessment criteria, in both the likelihood and impact dimensions. The assessment is based on a product- and service-level risk of each supplier (Commodity-specific risk), carried out by responsible body to cover seven main themes in the ISO 26000 Social Responsibility Guidelines, namely good governance, human rights principles, labor practices, environmental, fair treatment, consideration of consumer issues, and participation in community development as shown in Table 2.

**Table 2.** ESG Sustainability

Environmental Risk	Social Risk	Governance Risk
<ul style="list-style-type: none"> <li>- Pollution</li> <li>- Greenhouse gas emission</li> <li>- Energy use</li> <li>- Water use and waste water treatment</li> <li>- Biodiversity</li> <li>- Deforestation</li> <li>- Sustainable resource use</li> <li>- Waste</li> </ul>	<p><b>Human rights</b></p> <ul style="list-style-type: none"> <li>- Discrimination</li> <li>- Forced or compulsory labor</li> <li>- Child labor</li> <li>- Freedom of association/ Collective bargaining</li> <li>- Rights of Minority/Vulnerable</li> </ul> <p><b>Labor Practices</b></p> <ul style="list-style-type: none"> <li>- Occupational health and safety</li> <li>- Working Condition : wages and benefit, working hours</li> <li>- Emergency Preparedness</li> </ul> <p><b>Consumer Issues</b></p> <ul style="list-style-type: none"> <li>- Consumer health and safety</li> <li>- Consumer data protection and privacy</li> <li>- Education and awareness</li> </ul> <p><b>Community</b></p> <ul style="list-style-type: none"> <li>- Health and safety</li> <li>- Standard of living</li> </ul>	<p><b>Organizational Governance</b></p> <ul style="list-style-type: none"> <li>- Conflict of interest</li> <li>- Bribery / Corruption Act</li> <li>- Protecting information / Confidentiality</li> <li>- Fair competition</li> <li>- Reporting misconduct</li> </ul> <p><b>Fair operating practices</b></p> <ul style="list-style-type: none"> <li>- Corruption</li> <li>- Political involvement</li> <li>- Unfair competition</li> <li>- Property rights</li> </ul>

**Figure 3:** ESG risk assessment criteria

Suppliers' sustainability risk rating scale (Likelihood)

Criteria	Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
Probability of occurrence	Less than 10%	10%-20%	21%-50%	51%-80%	81%-100%
Frequency	1 time/year	2-3 times/year	4-6 times/year	1 time/month	More than 1 time/month



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Risk rating scale (Impact)

Criteria	Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
Environment : Impact on the business/communities	Bring about impacts at the functional/internal section level, which can be addressed or controlled within 1 day.	Cause ineffective environmental management, or a delay beyond 1 day but not exceeding 15 days. However, the impacts are controllable, or affect only internal sections.	Potentially lead to complaints or ineffective environmental management system, or non-compliance with relevant laws; or, take over 15 days, but not exceeding month, to solve the problem.	Bring about complaints lodged by communities in the vicinity; cause impacts on other organizations that are working together; violate relevant laws or obligations to comply; or, take over 1 month to solve the problem.	Cause a wide impact on communities; or, require cooperation of external entities or government agencies for further actions and response to the situation; or, take over 1 year to solve the problem.
Society : Impact on reputation	Become a topic within several provinces, but not cause an impact on the company's reputation.	Become a topic within several provinces for 1 day, which may cause negative impacts on the company's reputation.	News regarding the impact is reported throughout the country through different media, e.g., newspaper, radio, television broadcast, or social media rapidly for 1 day, which may cause negative impacts on the company's reputation.	News regarding the impact is reported throughout the country through different media for 2 consecutive days, which may cause negative impacts on the company's reputation.	News regarding the impact is reported throughout the country through different media for over 2 consecutive days, or foreign media outlets, which may cause negative impacts on the company's reputation.
Corporate Governance/Economy : Impact on the business	No impact on business operations.	Bring about expenses, but not cause an impact on the operations.	Bring about expenses, or short-term disruptions.	Bring about high expenses and negative impacts on the revenue and/or business operations.	Bring about high expenses and highly negative impacts on the revenue and/or business operations

**Suppliers with high sustainability risks** refers to a supplier with a high ESG risk that could have a significant financial and non-financial impact on the PTG Group, including the following dimensions:

- Environment: Environmental management
- Social: Employees, human resource development, social responsibility, safety at work, etc.
- Corporate Governance: Business ethics, cybersecurity and privacy protection, sustainable supply chain management

## 4.2.2 Risk assessment of suppliers that influence PTG's operations

### 4.2.2.1 Identification of key partners

PTG has classified suppliers into Tier 1 Suppliers, Significant/Critical Tier 1 Suppliers, and Significant/Critical Non-Tier 1 Suppliers. The criteria for analysis are as follows:

1. The value of order. For example, 80 percent of the total order value.
2. The importance of products/services to the company's business operations.
3. Level of dependence on partners or substitution of products.



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**Table 4** Buyer Impact Level

Buyer Impact level	Criteria
<b>Severe (5)</b>	<ul style="list-style-type: none"> <li>- Extremely high spending / extremely high switching cost</li> <li>- Very critical components</li> <li>- Non- substitutable components</li> </ul>
<b>Significant (4)</b>	<ul style="list-style-type: none"> <li>- High spending</li> <li>- Important components</li> <li>- Alternative sources available but high switching cost</li> </ul>
<b>Medium (3)</b>	<ul style="list-style-type: none"> <li>- Moderate spending</li> <li>- Somewhat important components</li> <li>- Consequence of non-availability but not cause operation interruption</li> </ul>
<b>Negligible (2)</b>	<ul style="list-style-type: none"> <li>- low Spending</li> <li>- Not important components</li> </ul>
<b>Not important (1)</b>	<ul style="list-style-type: none"> <li>- Insignificant Spending</li> </ul>

## 4.2.3 Risk assessment of suppliers who are exposed to environmental, social, and corporate governance risks

Assessing the ESG risks of suppliers by assessing the likelihood of occurrence and economic, social, and environmental impacts.

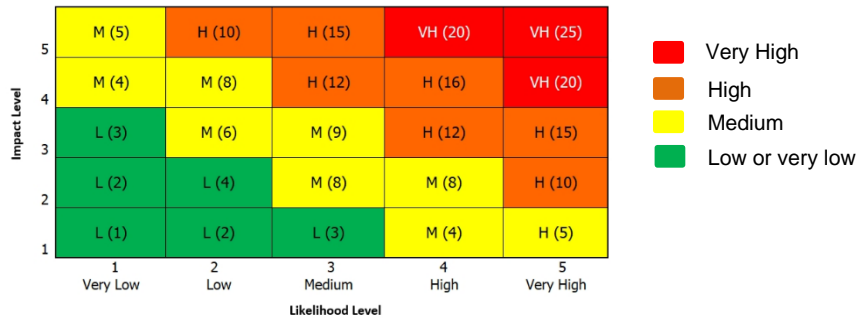
Group	No.	Sub-group	Environmental Risk Assessment					Social Risk Assessment					Governance Risk Assessment				
			Issue	Likelihood	Impact	ESG Risk Level	Rationale	Issue	Likelihood	Impact	ESG Risk Level	Rationale	Issue	Likelihood	Impact	ESG Risk Level	Rationale
Oil and Chemical	1.1	Petroleum/LPG	Greenhouse gas emission	4	2	H (8)		Forced or compulsory labour - Child labour	2	3	H (6)		Bribery	2	3	H (6)	
			Biodiversity	3	5	H (15)		Occupational health and safety	3	4	H (12)		Political involvement	4	2	H (8)	
			Water use and waste water treatment	3	3	M (9)		Emergency Preparedness	2	4	M (8)						
			Pollution	3	3	M (9)		Health and safety & standard of living	2	4	M (8)						
			Summary			4		Summary			4		Summary			3	

**Figure 2** Examples of ESG risk assessment classified by product and service groups



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Once the risk assessment has been made, the highest rated score of likelihood and impact in each sustainability dimension (economic, social, and environmental) shall be used as the total risk score in each business partner group based on the type of goods and services, which shall be shown in the risk assessment chart in Figure 3.

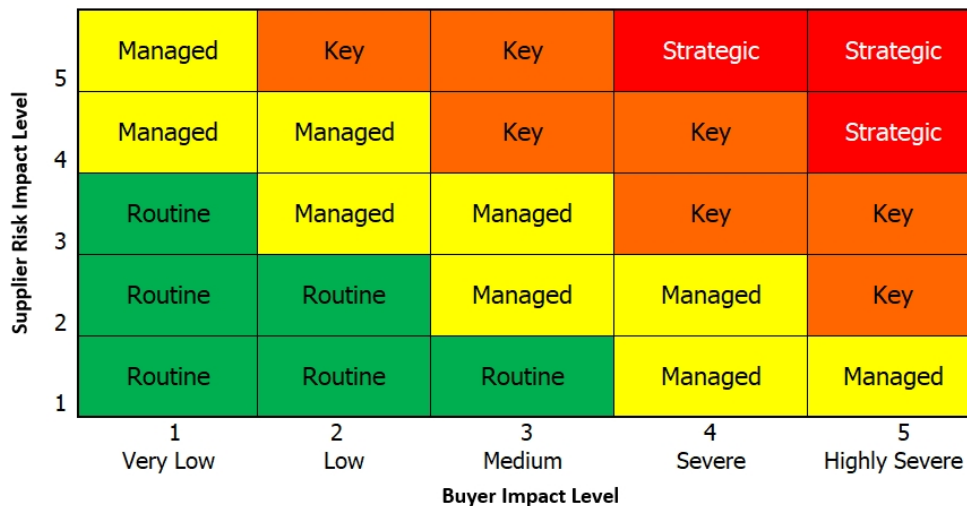


**Figure 3** Risk Assessment Matrix

Suppliers with high to very high ESG risks are defined in the risk assessment map in the orange and red boxes respectively

#### 4.2.4 Supplier group management and supplier management guidelines

Risk management in PTG's goods and service groups is a factor that differently affects business partner management and approaches, which can be divided into 3 levels as shown in Table 4.



**Figure 4** Supplier Classification Matrix





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**Table 4** Supplier Management and Supplier Management Guidelines

Level of Supplier Management	Definition	Management Strategy	Management Tools
1. Critical/Strategic Supplier	Business partners with high-risk activities, which possibly have severe impacts on the partners themselves and the surrounding communities. This group shall have a severe business impact on the buyer and corporate image.	Develop long-term business relationships and synergies to enhance the potential of doing business together and creating added value.	<ul style="list-style-type: none"><li>• Policy on procurement and selection of partners.</li><li>• Business Ethics for critical/strategic groups</li><li>• ESG Audit</li><li>• Partner Relationship Management</li><li>• Strengthening the potential of partners</li></ul>
2. Key Supplier	Group of suppliers whose products are distributed to consumers, resulting in a high impact on buyers, both in terms of business and corporate image.	Develop long-term relationships to place costs/risks under control and maintain a competitive level.	<ul style="list-style-type: none"><li>• Policy on procurement and selection of partners.</li><li>• Code of Conduct for General Groups of Suppliers.</li></ul>
3. Managed/ Routine Supplier	Group of suppliers whose majority of work is operative tasks that may affect nearby communities, but with a low to moderate risk to the buyers.	Maintain relationships based on performance and manage costs and risks according to the needs of customers.	<ul style="list-style-type: none"><li>• Policy on procurement and selection of partners.</li><li>• Code of Conduct for General Groups of Suppliers.</li></ul>



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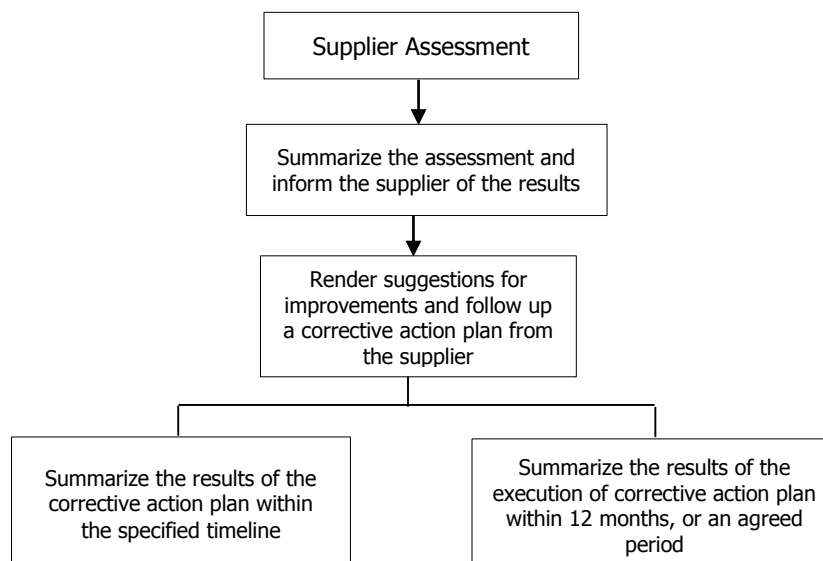
## 5. ESG Audit Process

The Significant/ Critical Tier 1 Suppliers and the supplier groups that are subjected to a high or very high level of risk, or those in the strategic/key partners shall be visited at least once a year by the company's assigned officers to jointly manage and address risks potentially incurred by suppliers' operations to ensure sustainable mutual growth.

The details of the ESG audit shall be consistent with the Supplier Code of Conduct set forth by PTG and comply with the Amfori BSCI, which encompasses the environmental, social, and corporate governance dimensions. The details are as follows:

Sustainability Issues for Evaluation			
Business Ethics (25%)	Human Rights and Labor (25%)	Safety and Occupational Health (30%)	Environment (20%)
<ul style="list-style-type: none"><li>• Corporate governance</li><li>• Fair business operations</li><li>• Conflicts of interest</li><li>• Confidentiality</li><li>• Use and maintenance of intellectual property</li><li>• Anti-Corruption</li></ul>	<ul style="list-style-type: none"><li>• Non-discrimination</li><li>• Non-forced Labor</li><li>• Protection of labor rights</li><li>• Wages, benefits, and work hours</li></ul>	<ul style="list-style-type: none"><li>• Safety and working environment</li><li>• Personal protective equipment</li><li>• Emergency preparedness</li></ul>	<ul style="list-style-type: none"><li>• Compliance with laws, rules, regulations, and environmental standards</li><li>• Resource efficiency and reduction of environmental impacts</li><li>• Corporate Social Responsibility (CSR)</li></ul>

### 5.1 Supplier Assessment Procedures





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1. The responsible purchasing officer shall make a preliminary agreement to clarify the scope of the audit and provide a list of required documents to the supplier at least 4 weeks prior to the scheduled audit date.
2. In case of emergency situations where physical site visits are not possible (e.g., during COVID-19 outbreaks), such site visits must be conducted via a different method; for example, online assessment, review of data disclosed by the supplier, or acquisition of additional documents from the supplier, etc.
3. The audit team shall evaluate the supplier based on the Supplier ESG Audit form. After the assessment, the results shall be summarized and informed to the purchasing officer for further notification to the respective supplier with a corrective plan, if needed, within 14 working days.
4. If the result of the assessment is below the minimum criteria, the audit team shall provide feedback so that the supplier can provide a corrective plan for the purchasing officer within 30 working days after it receives the result. In this regard, the plan must be implemented within 12 months, or within an agreed period. In this regard, PTG shall monitor the progress of the implementation at least 6 months after it receives the plan from the supplier.

## Supplier ESG Audit Scoring

Score		Description
≥ 80	Excellence	The supplier complies with sustainability operations at an excellent level. No monitoring is required.
≥ 70-79	Good	The supplier complies with sustainability operations at a good level. There should be some improvements, but no monitoring is required.
≥ 50-69	Fair	The supplier complies with sustainability operations at a fair level. An ESG Corrective Action Plan should be developed and implemented within a specified period.
< 50	Poor	The supplier adheres to a low level of sustainability practices. An ESG Corrective Action Plan must be provided and implemented within a specified period. Failure to do so shall affect the supplier rating.

The SCM strategy and implementation is routinely reported to the Corporate Governance Management Committee (CGM), which led by a President, a member of Board of Director, who oversees the SCM implementation and performance including provide direction to improve ESG SCM program. The meeting is conducted on quarterly basis.

### Related documents :

1. Supplier Business Ethics and Code of Conduct
2. ESG Self-Assessment Form
3. ESG Audit Form
4. ESG Audit Report
5. ESG Corrective Action Plan Form