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# CPF Supply Chain ESG Management Approach





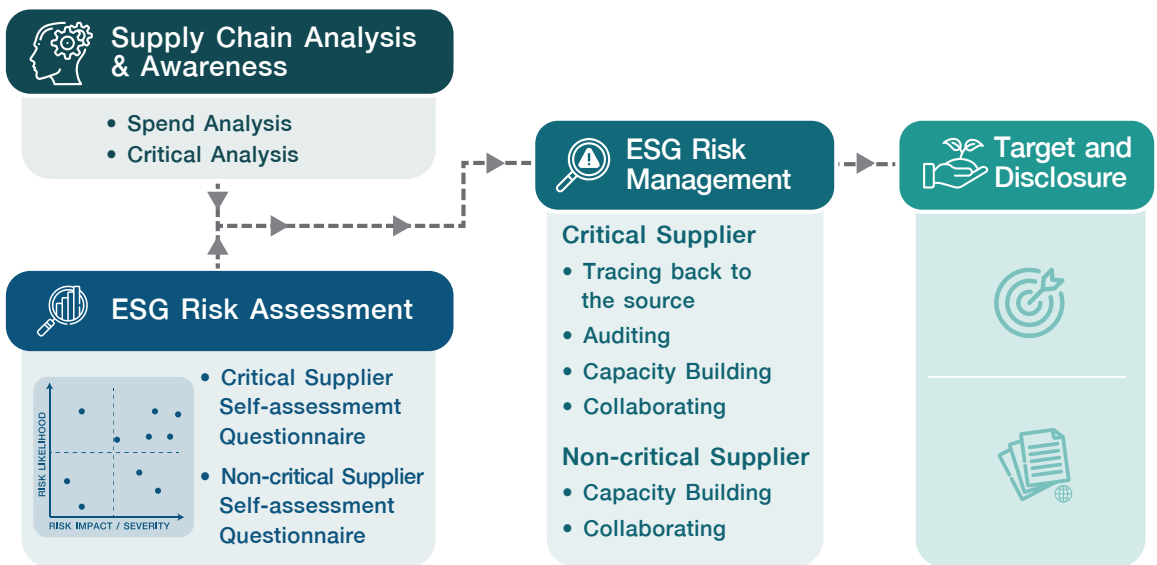
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**CPF Supply Chain ESG Management Approach**  
Charoen Pokphand Foods Public Company Limited and Subsidiaries

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## INTRODUCTION



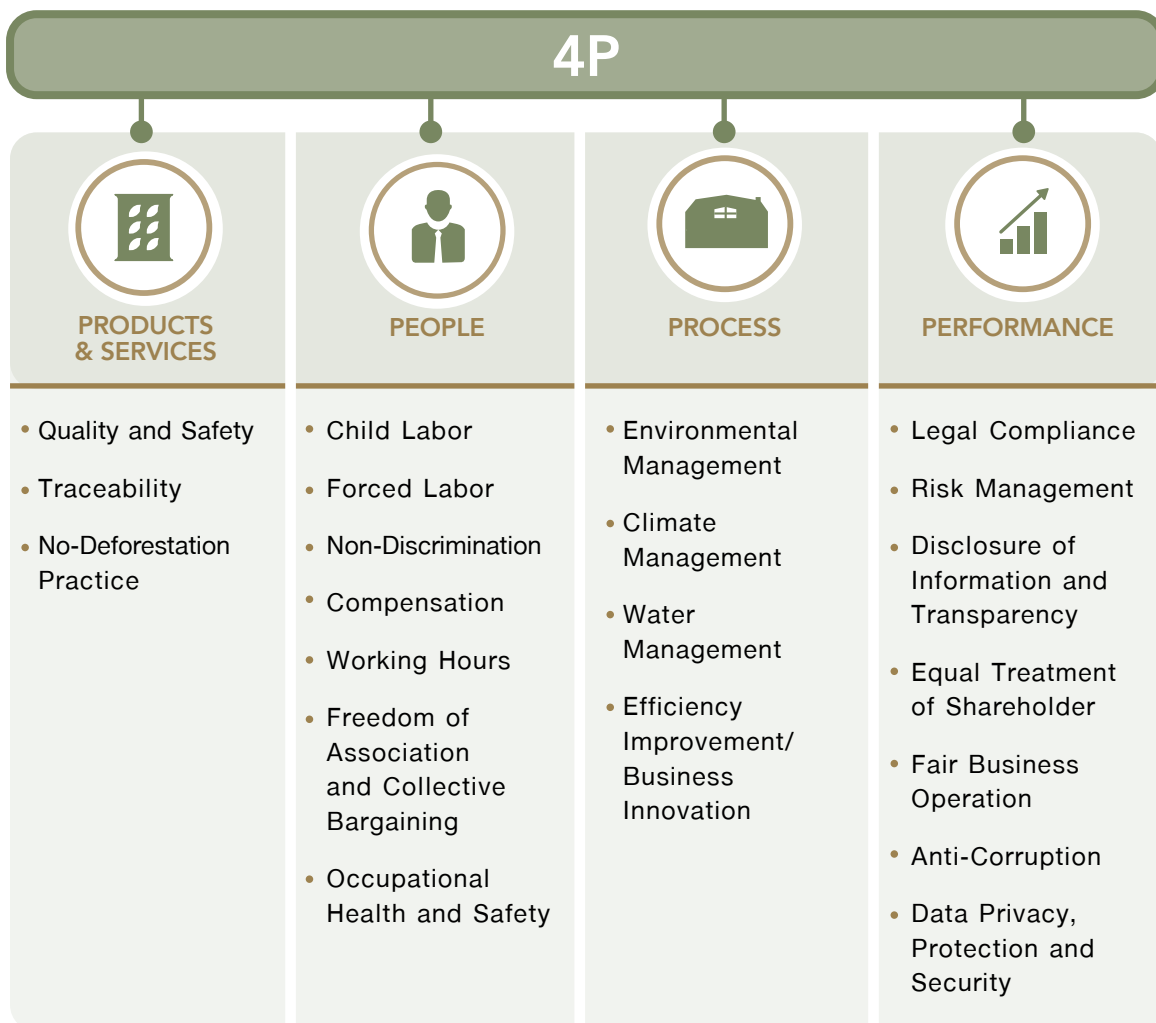
Charoen Pokphand Foods Public Company Limited or “CPF” values “Business Partners” in our supply chain as the key to the success in providing high quality, nutritious, safe, and traceable products to the society. Being able to fully understand and effectively manage our supply chain risks will not only help us gain the trust and confidence of stakeholders; it will also increase our competitiveness. From sourcing of materials, to production in our facilities, to deliver to our customers, supply chain management is key to CPF’s sustainability strategy.

## 1. The Sustainable Sourcing Policy and Supplier Guiding Principle



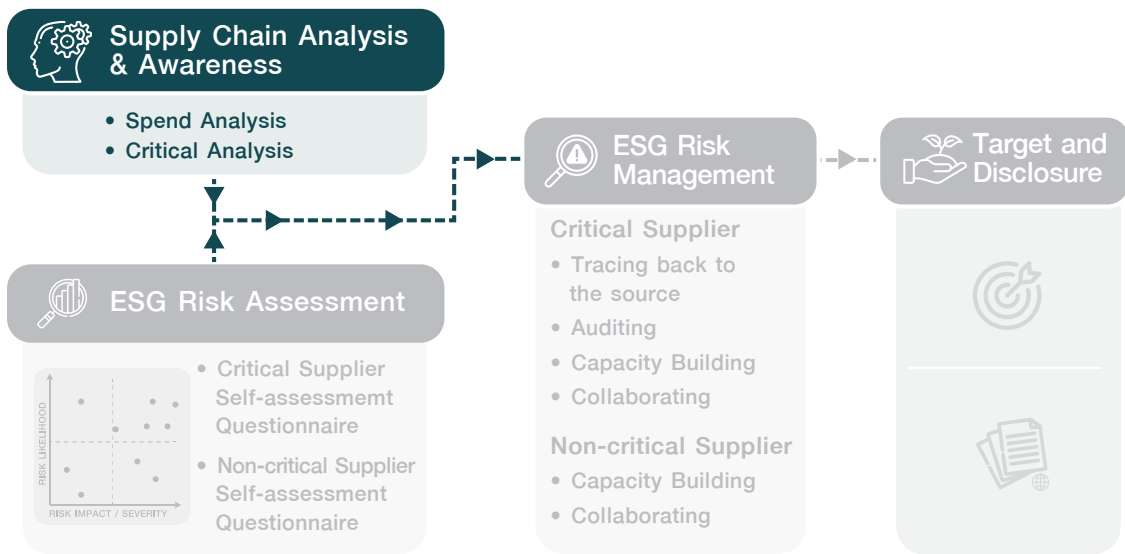
CPF commits to conduct business with integrity, transparency together with social and environmental responsibility throughout its entire business operations by extending the CPF's expectations for its Business Partners. The Policy lays out CPF's expectations for its "Business Partners" to ensure compliance with laws and regulations, conformity with CPF standards, and shared responsibility in contributing to sustainable development which ultimately leads to Business Partners' competitiveness enhancement.

The Policy and Guiding Principle covers 4 main areas as follows:





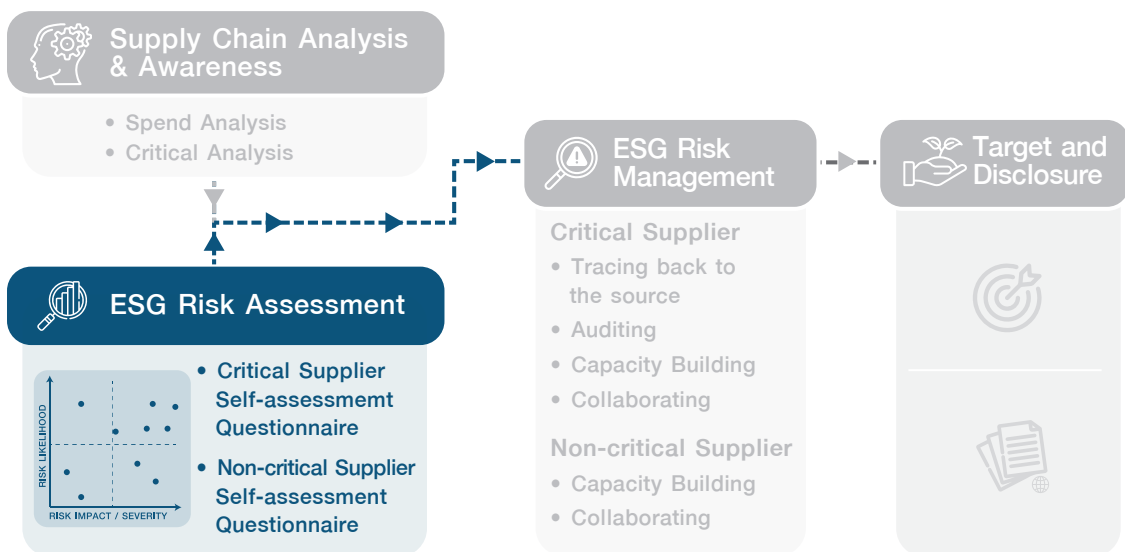
## 2. Supply Chain Spend Analysis and Awareness



The criteria to identify critical suppliers who could have impact on food safety and quality are: high spending, non-substitutability, or criticality of its components. All supplier groups which together account for 100% of total procurement spending are going through this critical analysis process.



## 3. Supply Chain ESG Risk Assessment



ESG risks in the supply chain are annually assessed based on research considering country-specific, sector-specific and commodity-specific risks. Furthermore, the Online Supplier Sustainability Self-Assessment is in-place with systematic evidence verification. CPF consists of two different type of self-assessment tool, one for critical and one for non-critical suppliers. However, for both of the two tools the result of the assessment is to be used as part of our new supplier selection criteria in order to manage risks at the starting point of our procurement process. Four aspects identified in the Policy and Guiding Principle are covered in the Sustainability Self-Assessment.

## Critical Supplier Assessment Tool

The Supplier Self- Assessment Questionnaire (SAQ) is a tool used to assess risk in critical supplier group. Developed based on various recognized principles, such as, Plan-Do-Check-Act (PDCA) principle and UN Global Compact's ten principles, emphasizing the compliance with the law and in line with the CPF's 2030 sustainability strategy each SAQ consists of various set of questions, covering all criteria related to ESG that CPF determines as crucial. Each supplier receives different sets of questions depending on which industry the suppliers are into. The industry group of each supplier are based on the criteria set by SASB (Sustainability Accounting Standards Board).

The high risk suppliers (for critical supplier group) are those whose non-compliance score is lower than the pre-defined threshold.

### SAQ for Each Group of Critical Supplier

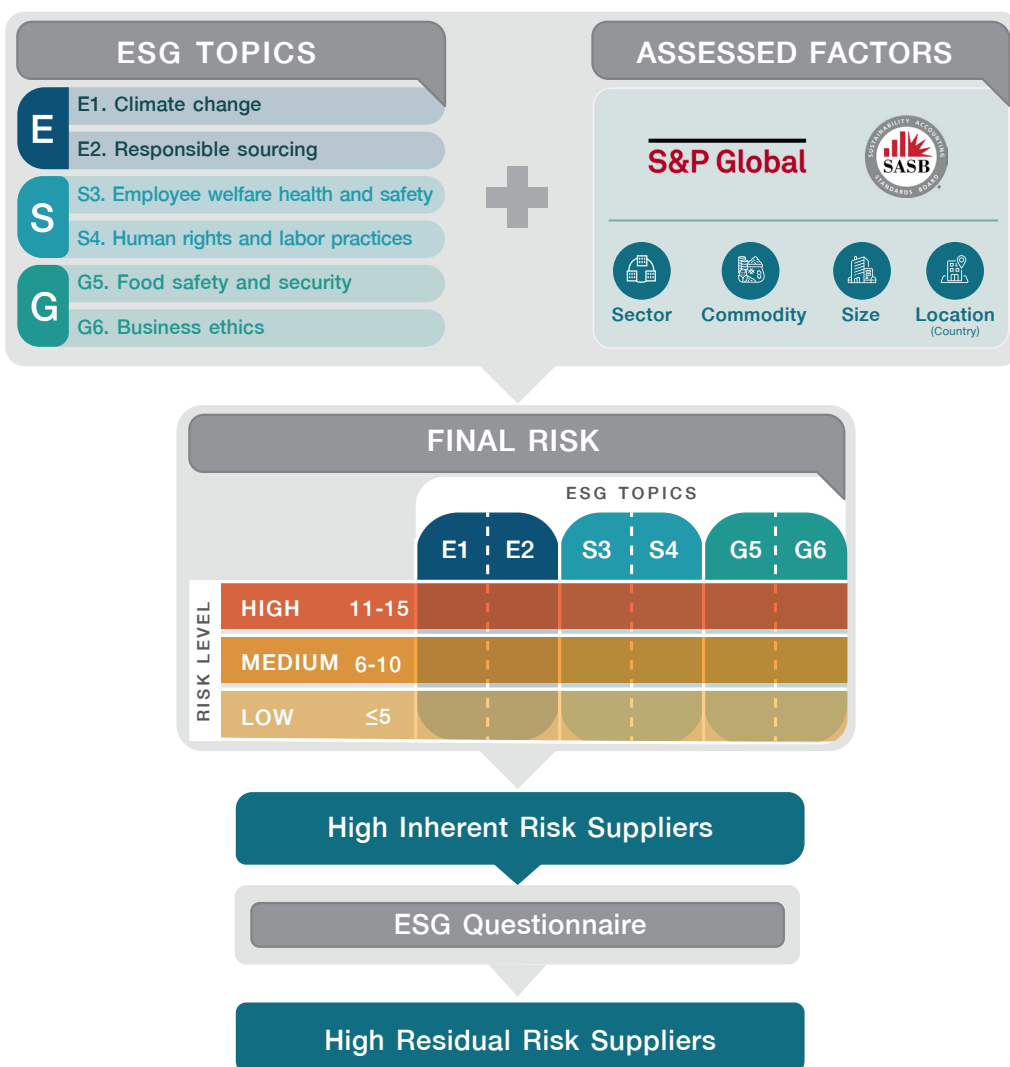


Supplier Self-assessment
<b>POOR :</b> Non-compliance Risk Score 76.0-100% and/or Critical Questions
<b>MODERATE :</b> Non-compliance Risk Score 51.0-75.9%
<b>GOOD :</b> Non-compliance Risk Score 26.0-50.9%
<b>EXCELLENT :</b> Non-compliance Risk Score 0-25.9%

## Non-Critical Supplier Assessment Tool

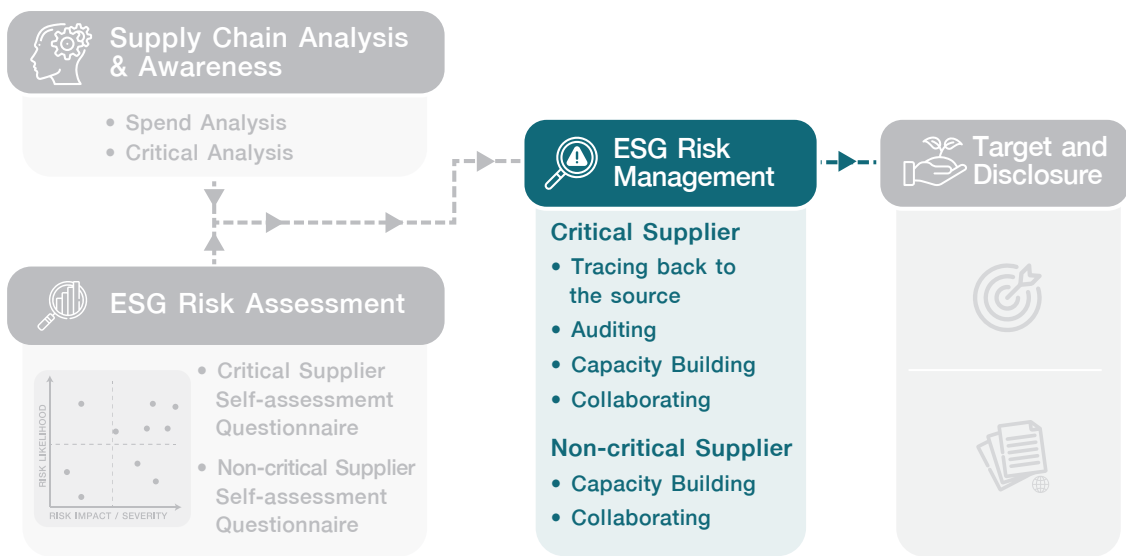
The Non-Critical Sustainability Assessment Tool is a tool used to assess risk in non-critical supplier group, in particularly, low spending suppliers, and new vendors. The tool is designed for the procurement team and those involved in the CPF procurement process to quickly identify key ESG issues that suppliers are at risk, by taking into account the pre-assessed risk factors. The tool will also be used for decision making and tracking of our suppliers on their risk management program. The tool consists of two focus areas, ESG Inherent Risk and ESG Residual Risk assessment.

The high (inherent) risk suppliers are those whose risk score is higher than the pre-defined threshold. The high (residual) risk suppliers are high inherent risk suppliers who demonstrate low or no mitigation measures to those risks, based on the simplified questionnaire.





## 4. Supply Chain ESG Management

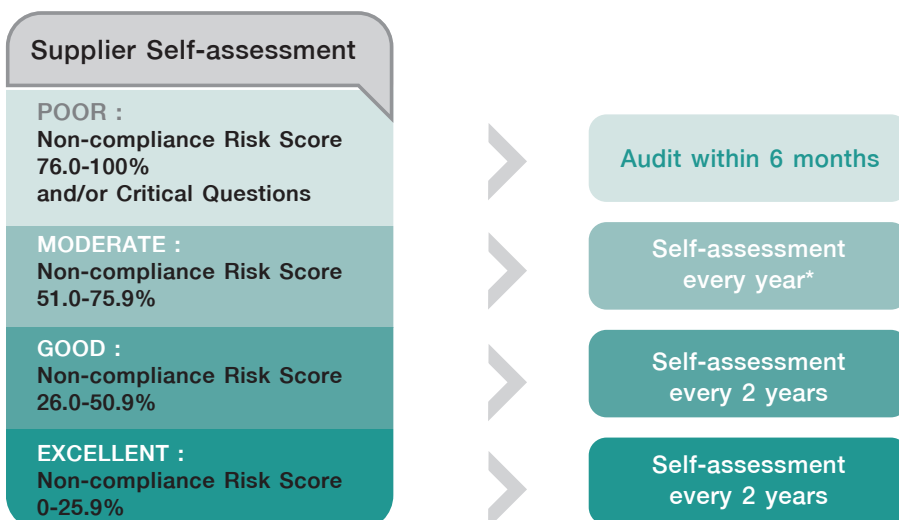


All high risk suppliers (both critical and non-critical supplier group) will go through different ESG management process to ensure that ESG risks are well managed.

### Critical Supplier Management Program

For critical suppliers that are classified as high risk will undergo a supplier audit process following CPF audit protocol, to be conducted by second- or third-party auditors.

### Audit frequency:



Remark: \*CPF will consider to have a capacity building on common topics suppliers risk to not comply



After the audit, the suppliers with key gaps are required to submit a corrective action plan (CAP) within 2 weeks and have 12 months after the plan's launch to improve their ESG performance. Any supplier who receives the red-rating score will be subjected to the re-audit within 6 months. Before the re-auditing, CPF will arrange the focus group training to educate on the certain non-conformance and ensure that suppliers understand applicable laws and regulations.

Any supplier found to be in violation of zero tolerance policy towards forced or child labor and human trafficking will be immediately terminated as a supplier.

After the audit program, CPF may consider to have a capacity building on common topics that most suppliers are at risk or have a collaboration efforts with pre-specified suppliers in order to support suppliers in the implementation of improvement actions and reduce future incompliances.

## Non-Critical Supplier Management Program

For the non-critical suppliers that are classified as high risk will undergo a supplier management program, which consists of capacity building and collaboration efforts.

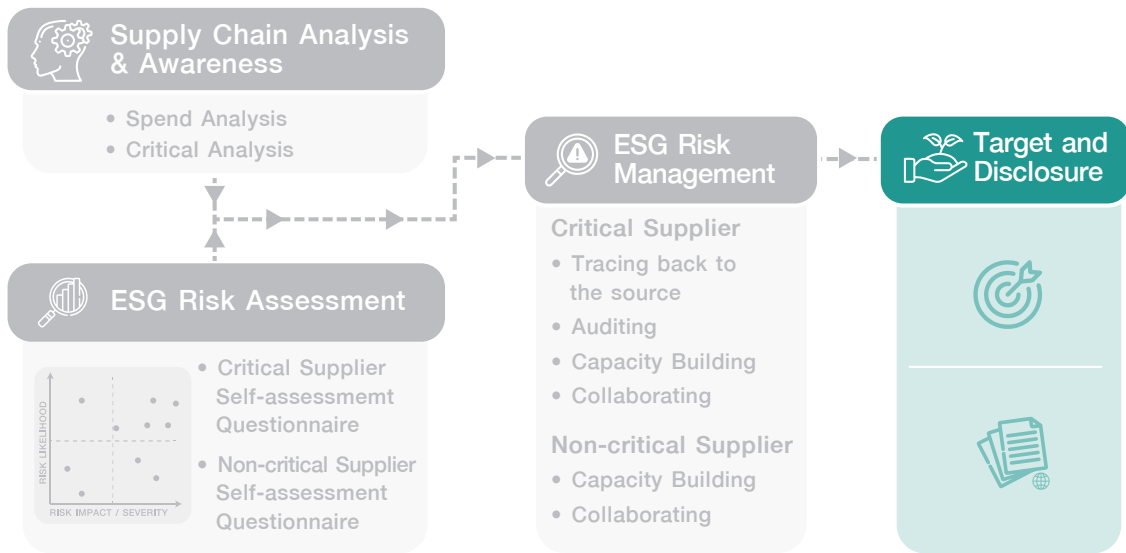
The capacity building will be either in the form of class-room training or on-site training. The training covers, but not limited to, CPF's code of conduct, applicable laws and regulations, technology, and the emerging topics that most suppliers are at risk.

CPF supplier management program also follows CPF's supply chain management strategy as below.





## 5. Measurement and Disclosure



The targets are set to measure sustainability performance of Supply Chain ESG management and report against international standards such as GRI. In line with CPF 2030 sustainability strategy, CPF aims to:

- Implement ESG risk assessment process in all supplier groups (both critical and non-critical suppliers).
- Audit 100% of critical suppliers and have corrective action plan in all suppliers with key gaps.
- Support all tier-1 suppliers identified as high water impact to have water management plans in place.
- Ensure 100% of key raw material are from areas verified as deforestation-free.
- Ensure 100% of key raw material are traceable.

The result of ESG management approach and progress against targets are reported quarterly to responsible sourcing steering committee which is chaired by Chief Operating Officer (COO) and reported to Corporate Governance and Sustainable Development Committee which is a board-level committee annually.

Finally, our ESG management approach is reviewed annually for continuous improvement and to ensure alignment with the Supplier Code of Conduct and to avoid potential conflicts with ESG requirements.

