



CPF
SUPPLY
CHAIN
ESG
MANAGEMENT
APPROACH



CPF SUPPLY CHAIN ESG MANAGEMENT APPROACH





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 the key to CPF’s sustainability strategy.



THE SUSTAINABLE SUPPLIER 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 with eventually leads to Business Partners' competitiveness enhancement. The Policy and Guiding Principle covers 4 main areas as follows:

SUSTAINABLE SOURCING POLICY AND SUPPLIER GUIDING PRINCIPLE



นโยบายด้านการจัดหายั่งยืน และแนวปฏิบัติ สำหรับคู่ค้าธุรกิจ
บริษัท เจริญโภคภัณฑ์อาหาร จำกัด (มหาชน) และบริษัทย่อย



4Ps



Products & Services



People



Process



Performance

- ✓ Food Safety and Quality
- ✓ Traceability

- ✓ Child Labor
- ✓ Forced Labor
- ✓ Discrimination
- ✓ Disciplinary Practices
- ✓ Compensation
- ✓ Working Hour
- ✓ Freedom of Association and Collective Bargaining
- ✓ Occupational Health and Safety

- ✓ Environmental Management
- ✓ Efficiency Improvement/ Business Innovation

- ✓ Law and Regulation Compliance
- ✓ Risk Management
- ✓ Transparency
- ✓ Equal Treatment of Shareholder
- ✓ Fair Operating
- ✓ Anti-Corruption
- ✓ Data Privacy, Protection and Security

SUPPLY CHAIN

SPEND ANALYSIS AND AWARENESS

The criteria to identify critical suppliers having impact on food safety and quality are: high volume, single suppliers or critical components.

There are 13 supplier groups which together account for 90% of total procurement spending. 3 groups are identified as our critical direct and indirect raw material suppliers, which include:

- **Direct raw materials:** animal feed
- **Indirect raw materials:** food packaging and ingredients



SUPPLY CHAIN ESG RISK ASSESSMENT

ESG risks in the supply chain are annually assessed. Furthermore, the Online Supplier Sustainability Self-Assessment is in-place and started using in direct feed raw material suppliers. 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.



SUPPLY CHAIN ESG MANAGEMENT

All high risk direct raw materials are to be traced back to the source in order to ensure that all ESG risks are managed.

Sustainability audit program is conducted on critical suppliers and high risk suppliers based on self-assessment result either by second-party or third-party auditors.



Supply Chain
Analysis &
Awareness



ESG Risk
Assessment



ESG Risk
Management







Targets &
Disclosure



AUDIT FREQUENCY:



Supplier Self-assessment

	Poor: NC Risk Score 76.0 - 100% and/or Critical Questions	➔	Audit within 6 months
	Moderate: NC Risk Score 51.0 - 75.9%	➔	Self-assessment every year*
	Good: NC Risk Score 26.0 - 50.9%	➔	Self-assessment every year
	Excellent: NC Risk Score 0 - 25.9%	➔	Self-assessment every 2 years

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

* After the audit, the suppliers required to submit a corrective action plan (CAP) within 2 weeks. Any supplier who receives the red-rating score will be subject to the re-audit within 6 months. Before the re-auditing, CPF will arrange the focus group to focus on the certain non-conformance and ensure the supplier 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.

CPF also provides the capacity building either in forms of class-room training or on-site training. The training covers but not limited to CPF's code of conduct, applicable laws and regulations, and technology.

SUPPLY CHAIN MANAGEMENT STRATEGY



Sustainable Growth

ESG Risk Assessment in Supply Chain: analyze data and assess ESG risks in the supply chain, and increase efficiency in data management and reporting system

Operational Sustainability Management: Develop win-win partnership and build network in the supply chain to support planning management, sale, and logistics



Aiming for Excellence

Quality Assurance: utilize quality assurance system for quality and safety control from raw material sourcing, operational process, logistics and customers

Technology and Innovation: support suppliers in developing technology and innovation, leading to cost saving, increase revenue and reducing environment and social impacts



Building Solid Foundation

Capacity Building for Employees and Suppliers: enhance ESG knowledge and awareness of the Company's procurement personnel and suppliers

Business Strategy

MEASUREMENT & DISCLOSURE

The targets are set to measure sustainability performance of Supply Chain ESG management and report against international standards such as GRI. Therefore, by 2020, CPF aims to:-

- Implement the Online Supplier Sustainability Self-Assessment to assess the 13 groups of suppliers in ESG Risks
- Audit all critical suppliers in direct raw materials; animal feed, and indirect raw materials; food packaging and ingredients, on sustainability.





BY 2020*

The **13 groups of suppliers** will be assessed through the Online Supplier Sustainability Self-Assessment

100%
Sustainability Audit of critical **direct raw materials** and **indirect raw materials**; food packaging and ingredients

*These targets apply for operations in Thailand.