

Sustainable Supply Chain Management Guideline

Purpose

1. To increase B.Grimm Power's suppliers awareness and capability on sustainability aspects.
2. Ensure that ESG risks from B.Grimm Power value chain are properly managed

Scope

This guideline is applicable for procurements under scope of B.Grimm Power purchase policy. Please refer to section 3 "scope" of purchase policy for more information.

Definition

Corrective Action Plan (CAP) is a list of actions that suppliers need to implement to close the gaps identified during supplier ESG assessment, either desktop or onsite

Critical Suppliers are suppliers who supply goods, materials, and services that have a significant impact on company's competitiveness, for example, high spending suppliers, critical component and/or non-substitutable suppliers.

- **Tier 1 Suppliers** are suppliers that directly supply their goods, materials and/or services to B.Grimm Power's businesses.
- **Critical non-tier 1 suppliers** are suppliers that supply their goods, materials and/or services that are critical to B.Grimm Power's businesses to tier 1 suppliers.

Significant suppliers are critical suppliers that have medium to high risk regarding the ESG aspect.

Suppliers' Code of Conduct and Guideline for Sustainability (SCOC) is a document describing an expectation and requirement from B.Grimm Power to its suppliers to follow in order to ensure that suppliers are doing their business with due regard to their responsibilities to the environment, society, and corporate governance.

Supplier ESG risk screening is an ESG risk assessment process of critical suppliers to evaluate their probability of causing a significant impact to society, environment and/or business ethic aspects (ESG). Its criteria are based on suppliers' geographical location, their business sector, and their product type. The risk level ranked from low, medium, and high which can identify further activities on supplier ESG assessment and development.

Supplier comprehensive ESG audit is a process in which critical suppliers are evaluated to obtain information on their practices to measure and monitor their performance regarding ESG aspects. The assessment can be conducted either onsite or desk assessment by B.Grimm Power representatives or any other independent accredited auditing body (3rd party) assigned by B.Grimm Power.

Supplier ESG Development is a process in which critical suppliers are supported by B.Grimm Power to improve to align with B.Grimm Power SCOC. Information sharing and/or training regarding to B.Grimm Power SCOC

- Remote/onsite support of suppliers' corrective actions implementation

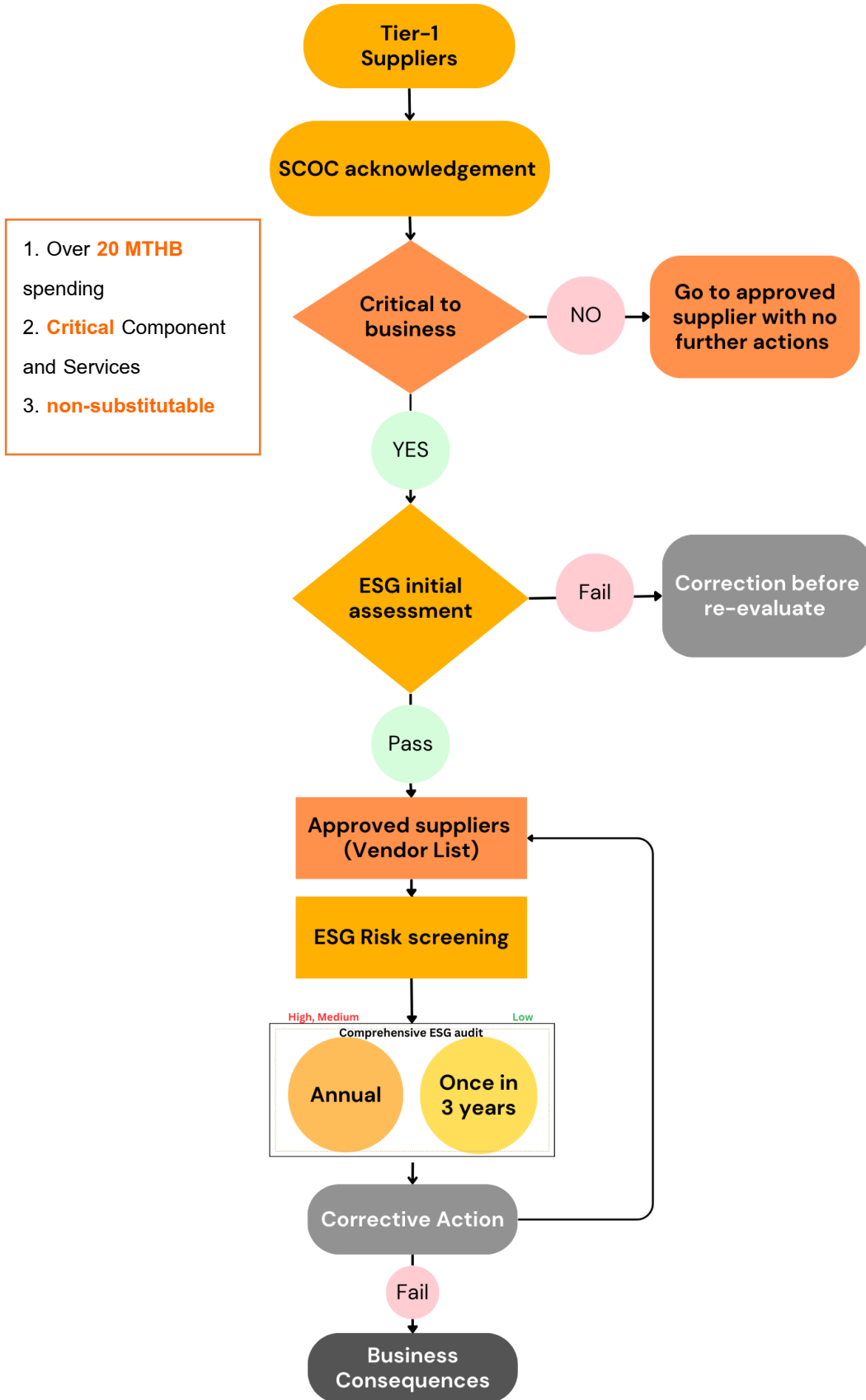


- Accessibility to benchmark suppliers' ESG performance against peers
- In-depth and/or specific program on ESG capability development

Roles and Responsibilities

Responsibilities	By Whom
New supplier registration process *All suppliers required to acknowledge to B.Grimm Power SCOC	Purchasers and function owners
Supplier critical-to-business assessment	Purchasers
Supplier ESG risk screening	Purchasers and Corporate Sustainability
Supplier initial ESG assessment (self-assessment) *Applicable for all Critical Suppliers	Purchasers
Supplier comprehensive ESG audit	Corporate Sustainability Purchasers
Corrective action implementation	Corporate Sustainability
Supplier ESG development <ul style="list-style-type: none">● Training/ capability building.● ESG performance benchmarking	Corporate Sustainability

Figure 1: Sustainable Supply Chain Management workflow



Procedures

1. New suppliers' registration process

All suppliers are required to acknowledge the B.Grimm Power Suppliers' Code of Conduct and Guideline for Sustainability (SCOC), and implement where applicable. The implementation of SCOC requirements are as follows:

1. Requirement to comply with SCOC and acceptance for ESG assessment requirement (applicable for critical suppliers only) are addressed in Term of Reference (TOR)
2. All suppliers shall acknowledge SCOC and ESG assessment requirements (applicable for critical suppliers only) and send them back to B.Grimm Power as part of the contract.
3. Any amendment that contradicts with SCOC and ESG assessment requirement needs to be approved by the Purchasing Committee and Corporate Sustainability before included in the contract.

Please see our Suppliers' Code of Conduct and Guideline for Sustainability (SCOC) on our company's website as link

[20230425-bgrim-suppliers-code-of-conduct-and-guidelines-for-sustainability-en.pdf \(bgrimpower.com\)](https://www.bgrimpower.com/20230425-bgrim-suppliers-code-of-conduct-and-guidelines-for-sustainability-en.pdf)

2. Supplier critical-to-business assessment

Purchasers will evaluate suppliers' importance to business. Suppliers are considered critical to business if they meet one of the following criteria.

4. High spending (over 20 MTHB) and not one time buy.
5. Supply critical components and services to business.
6. Non-substitutable or longer than 6 months to find alternative supplier.

Critical suppliers are subject to be evaluated for their ESG risk and further ESG assessment activities.

3. Supplier initial ESG assessment

All new Critical Suppliers need to self-evaluate their ESG performance through the ESG initial assessment as per example below.

Figure 2: Example of ESG initial assessment for new critical suppliers

Questionnaire

Title	Acceptable Response Values
ด้านสิ่งแวดล้อม (Environmental)	
1.1 มีนโยบายด้านสิ่งแวดล้อม ที่กำกับดูแลการปฏิบัติตามกฎหมายและข้อบังคับด้านสิ่งแวดล้อมที่เกี่ยวข้องหรือไม่ Have an environmental policy in place that ensures adherence to relevant environmental laws and regulations?	Yes, published externally (Please attached evidence) Yes (Please attached evidence) On Process No N/A
1.2 มีแนวทางปฏิบัติด้านสิ่งแวดล้อม ครอบคลุมประเด็นต่อไปนี้หรือไม่หรือการใช้ทรัพยากรอย่างคุ้มค่าและให้ความสำคัญต่อการอนุรักษ์สิ่งแวดล้อม การปล่อยก๊าซเรือนกระจกการจัดการของเสียและความปลอดภัย สารเคมีและวัตถุอันตรายอื่น ๆ (หากมี กรุณาแนบเอกสารประกอบ) Does the Environmental practices cover following areas Natural resource and environmental conservation Greenhouse gases Waste management and pollution control Hazardous chemicals and substances Others (If yes, Please attached evidence)	Yes, published externally (Please attached evidence) Yes (Please attached evidence) On Process No N/A
1.3 ระบบบริหารจัดการด้านสิ่งแวดล้อมได้รับการรับรอง ISO 14001 หรือไม่ หรือ มาตรฐานอื่น ๆ (หากมี กรุณาแนบเอกสารประกอบ) Does the environmental management system has certified ISO 14001? Or Others (If yes, please attached evidence)	Yes, published externally (Please attached evidence) Yes (Please attached evidence) On Process No N/A
1.4 มีการสื่อสารนโยบาย แนวทางปฏิบัติ และความคาดหวังด้านสิ่งแวดล้อมกับพนักงานและคู่ค้าหรือไม่ Are environmental policies, practices, and expectations communicated to all employees and suppliers?	Yes, published externally (Please attached evidence) Yes (Please attached evidence) On Process No N/A

The report will be reviewed and approved by Purchasers with support from Corporate Sustainability as necessary after report submission. ESG performances are considered and weighted as part of the selection process.

Supplier can also submit that compliance and/or certificate of standards and methodologies of a recognized industry or multi-stakeholder initiative which equal to ESG initial assessment to qualify with this process. Please refer to step 5 Supplier comprehensive ESG audit for examples of standards and methodologies of a recognized industry

In the case of existing suppliers' contract extension and/or renewal, past suppliers' ESG assessment result (step 5) will be considered during supplier selection. Supplier with better ESG performance and/or demonstrates its ESG performance improvement will be prioritized to be B.Grimm Power supplier.

4. Supplier ESG risk screening

Purchasers and Corporate Sustainability will evaluate suppliers' ESG risks through screening criteria. We classify risk into 3 levels (Low, Medium, High) considered from the likelihood that suppliers cause impact to ESG aspects (society, environment, and business ethic) and the severity of impact on ESG aspects. The likelihood and severity of impact are considered based on supplier nature of business such as supplier geographical location (country of operation), and their business sector (Industrial, Material, Energy and Utilities) as following detail.

4.1 ESG Country level risk assessment

B.Grimm Power evaluates supplier ESG risk based on their operating location (country-level) by researching the various indices those reflect detailed ESG performance in each ESG aspects as following table

Figure 3: ESG aspects and country indices

ESG	ESG aspect to consider	County Indices to refer
Governance	Anti-corruption performance	Corruption Perception Index (CPI)
	Tax Policy	Transparency and exchange of information for tax purposes (OECD)
	Cybersecurity and data privacy	The Global Cybersecurity Index (GCI)
Environment	Climate Change	EPI: Climate Change Subindex
	Water and Wastewater	ND-GAIN: Water Subindex
	Biodiversity and deforestation	EPI: Ecosystem Subindex
	Waste Management and Circularity	EPI: Waste management Subindex
Social	Occupational health and safety	Occupational Fatalities per 100,000 workers (ILO)
	Labour practices	Global Rights Index (ITUC)
	Forced Labour	Global Slavery Index (Walkfree foundation)
	Child Labour	Children Rights in the Workplace Index (UNICEF)
	Diversity and Inclusion	Global Gender Gap Index (WEF)

4.2 ESG Sector level risk assessment

B.Grimm Power evaluates supplier ESG risk based on their sector of business (Sector specific level) by grouping our suppliers to 4 groups such as industry, material, energy and utilities according to Global Industry Classification Sector (GICS) by MSCI. Each group will be assessed its likelihood and impact from different ESG possible risks according to our Enterprise risk management criteria as following table.

Figure 4: ESG possible risks according to our Enterprise risk management criteria

ESG	ESG aspect to consider	Impact Criteria
Governance	Corruption and/or bribery case	Compliance
	Confidential data leakage from suppliers	Compliance
	Legal violation (i.e., financial disclosure)	Reputation
	Tax avoidance	Compliance
Environment	Legal violation (i.e., exceeding pollution limit)	Compliance
	Community dissatisfaction	Reputation
	Disruption from climate physical risk (i.e., flood, drought)	Business interruption
Social	Fatality and/or asset damage from work related accident	Business interruption
	Human right issue violation (i.e. forced labour, child labour, harassment)	Compliance
	Reputation damage from inequality aspects (i.e. discrimination)	Reputation

Impact Criteria	Insignificant	Minor	Moderate	Major	Catastrophic
Compliance	Minor regulation breach, can resolve quickly	Minor regulation breach without external impact	Official warning from breach, impact to external	Breach of major regulation that requires regulatory intervention/ fine	Breach of major regulation possible for company prosecution
Reputation	Not applicable	Stakeholders' dissatisfaction with minimal impact and/or Minor negative perception for public awareness	Stakeholders' dissatisfaction with official channels (letter, phone call, signs etc.) and/or low coverage on local media	Stakeholders' dissatisfaction lead to small protest and/or low coverage on local media impacted to company's image	Stakeholders' dissatisfaction lead to external organization interests and/or published in national media impacted to company's image
Business Interruption	Temporary shutdown	Partial defect, business interruption < 1 hour	System defect, business interruption 1-2 hours	Partial destroyed, business interruption 2-3 hours	Destroyed, business interruption > 3 hours

Likelihood Criteria	Definition
Almost certain	> 5 times per year
Likely	1-5 times per year
Possible	Once in 1-4 years
Unlikely	Once in 4-10 years
Remote	Once in 10 years

Critical suppliers which identified as high and medium ESG risk are considered as “significant supplier” which need more intensive ESG assessment activities than low ESG risk suppliers.

5. Supplier comprehensive ESG audit

After the contract is signed, all critical suppliers are audited periodically by B.Grimm Power representatives and/or an independent accredited auditing body (3rd party) assigned by B.Grimm Power. The frequency of audits is different depending on ESG risk level as follows.

1. Significant supplier (critical high and medium ESG risk) needs to be assessed once a year.
 - i. High risk suppliers need to be assessed onsite if possible.
 - ii. Medium risk suppliers can be assessed onsite or desk assessment.
2. Low ESG risk supplier needs to be assessed onsite or desk assessment once in 3 years.

ESG audit could be conducted by the following methods.

1. Desk audit
2. Onsite audit by B.Grimm Power representatives or independent accredited auditing body (3rd party) assigned by B.Grimm Power
3. Supplier assessments (desk or on-site) using standards and methodologies of a recognized industry or multi-stakeholder initiative.

Examples of ESG-related standards and methodologies are as follows.

1. SMETA – at least 2-pillars
2. Responsible Business Alliance (RBA)
3. Amfori BSCI
4. Responsible Minerals Initiative
5. SAI Platform
6. S&P Global CSA – Member of the Yearbook
7. EcoVadis
8. Sustainalytica
9. MSCI ESG Rating – BBB or above level
10. Thailand Sustainability Investment (THSI)

Supplier need to be informed of the assessment schedule and agenda from B.Grimm Power at least 6 weeks prior to the assessment date.

The ESG audit results need to be communicated to suppliers after the audit is conducted.

6. Corrective Action Implementation

After receiving the ESG assessment report, suppliers need to plan their corrective actions considering the root cause of ESG issues during the assessment. The submission and review of corrective action plan timeline is as follows.

3. The corrective action plan with appropriate timeline need to be submitted back to B.Grimm Power after receiving assessment report
4. The Corporate Sustainability team needs to review and give feedback on whether the corrective action is approved after receiving corrective action plan.
5. The completion date of corrective action should be approved by Corporate Sustainability. Extension of timeline needs to be approved from Corporate Sustainability with valid reason.
6. The Corrective action plan follow up activities could be conducted by Corporate Sustainability team onsite or remote depending on the nature of the actions. The result of follow-up will be recorded in suppliers' database and utilized as a part of the supplier performance evaluation.

7. Supplier ESG Development

B.Grimm Power see the importance of capacity building across our supply chain to ensure our suppliers are capable of understanding and aligning their practices with the new trends related to ESG. Examples include.

- Remote/onsite support of suppliers' corrective actions implementation
- Accessibility to benchmark suppliers' ESG performance against peers
- In-depth and/or specific program on ESG capability development

8. Business consequence from failing to comply with SCOC

Suppliers who fail to comply with SCOC, for example, cannot resolve ESG issues from ESG assessment within agreed timeline would receive business consequences such as included in Watch-list and eventually escalate to black-list which mean that they are prohibited from doing business with B.Grimm Power