



CENTRAL **RETAIL**

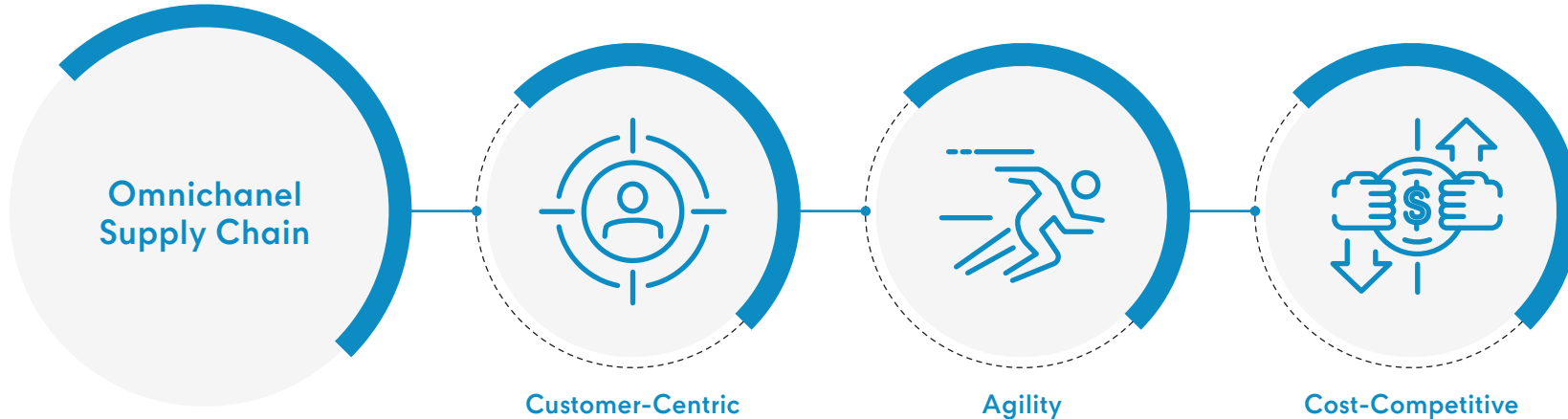
# THE NEXT

FRONTIER OF GROWTH

SUPPLY CHAIN MANAGEMENT

# Supply Chain Management Strategy

Central Retail has established the supply chain management strategy in line with the retail and omnichannel business strategy to enhance the Company's competitive advantage with main components of the strategy comprising 1) customer-centric, 2) agility, and 3) cost-competitive.

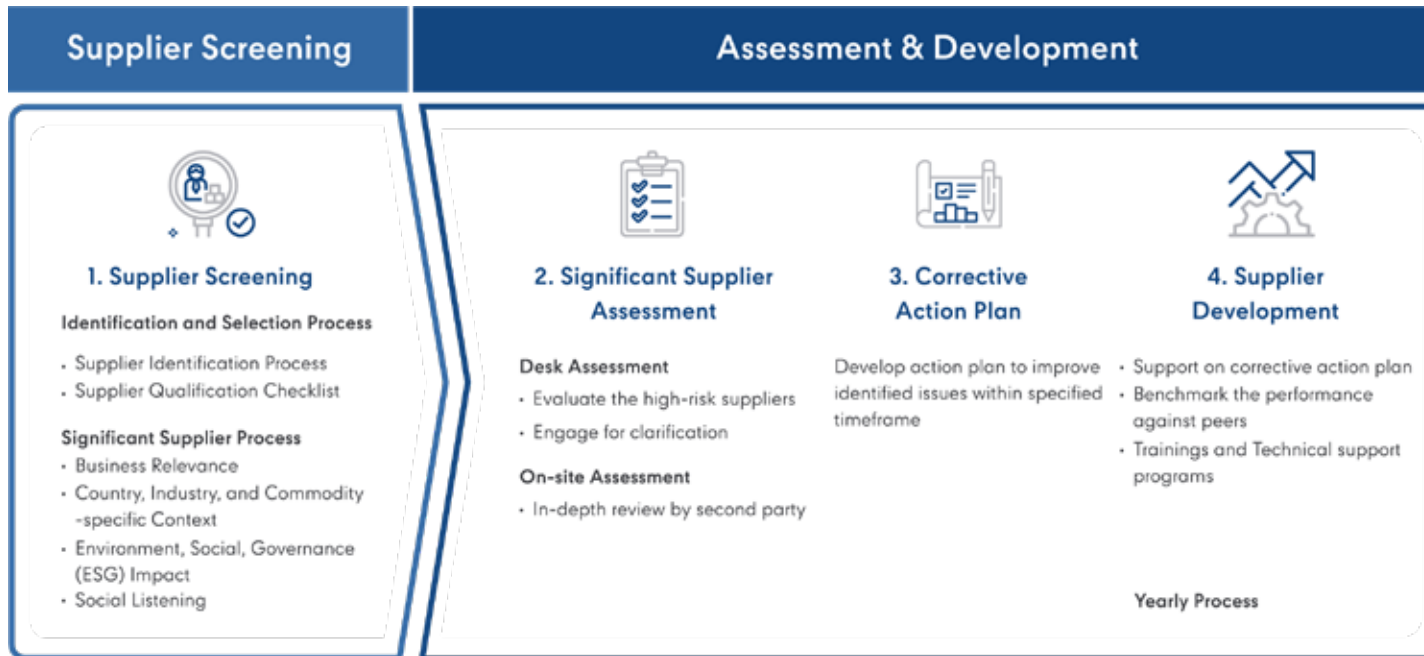


Customer-Centric	Establish a reputation for excellence in satisfying customer needs and providing the best delivery service.
Agility	Enhance supply chain capability to adapt to rapidly changing market trends.
Cost-Competitive	Increase operational efficiency to enable customer services at most competitive costs.

To integrate sustainable development with supply chain management, Central Retail has prepared and issued the Supplier Code of Conduct focusing on sustainability aspects to be a guideline for its suppliers. The Company ensures alignment between its sustainability strategy, Supplier Code of Conduct, and purchasing practices towards suppliers through continuous revisions of all relevant commitments and processes. The Company has set up trainings for its employees who are responsible for purchasing on their roles in the integration of sustainability in the Company's supply chain. Furthermore, the Company has also set a target to reduce greenhouse gas emissions to reflect its commitment to reducing the impact of climate change. The Company has expanded the installation of solar rooftops at distribution centers and changed delivery vehicles into electric vehicles. Not only has this initiative helped replace the use of fossil fuels with renewable energy, but it has also reduced energy costs. In addition, the Company also values occupational health and safety in the workplace. As a result, we set a goal to reduce occupational injuries rate with the aim to improve the safety and well-being of employees and partners in the workplace.

# Supply Chain Risk Identification and Assessment

Central Retail has developed the process to identify and assess sustainability risks throughout its supply chain. Central Retail has established a process for identifying and assessing supplier sustainability concerns. The procedure is divided into four steps: 1) Supplier screening and selection, 2) Significant supplier assessment, 3) Corrective Action Plan, and 4) Supplier development. This is to encourage sustainable business practices, prioritizing on significant tier-1 suppliers before expanding the scope to cover any remaining suppliers in the future.



## 1. Supplier Screening and Selection

Supplier screening and selection is an important phase in evaluating and detecting potential supply chain sustainability issues. Therefore, Central Retail conducts supplier screening to identify significant suppliers among all of its potential vendors and existing suppliers. The Company has defined significant suppliers as suppliers that are considered to have high business relevance to the Company, but may also have significant actual and potential supply chain risks including country-specific risk, sector-specific risk, commodity-specific risk, and/or environmental, social and governance (ESG) risks.

To screen for significant suppliers, the Company has developed the supplier screening assessment, which is a set of questionnaires asking for information on:

1. Business relevance criteria (e.g., total procurement spent, critical component, non-substitutable, etc.)
2. Supply chain risk criteria
  - a. General information (e.g., location of operations, industry and sub-industry grouping, commodities sold, etc.)
  - b. ESG-related management system (e.g., sustainability and social responsibility operation certification, ISO14001, ISO45001, etc.)

Business relevance criteria will provide the information to determine if the suppliers have high business value to the Company. Supply chain risks criteria consisted of general information on suppliers that is used to assess for any country-specific, sector-specific or commodity-specific risks inherent to each supplier as well as information on ESG-related management system that is used to assess if each supplier has established management systems for work processes that are aligned to ESG-related nationally or internationally recognized standards. All potential vendors and existing suppliers must complete the supplier screening assessment by providing all information and evidence as requested.

In addition, the Company will also analyze external data sources through social listening, or a process utilized monitor public opinions about each supplier by analyzing associated keywords from the internet and social networks. Social listening can help the Company double-checks the supply chain risk criteria obtained from the supplier screening assessment and search for any complaints, controversies, and cases of non-compliance to the Company's Supplier Code of Conduct or relevant laws and regulations.

Combining the supply chain risk criteria obtained from the supplier screening assessment with the results of social listening will yield supply chain risk scores for each supplier that will be used in the subsequent supplier selection process. Otherwise, business relevance criteria and the supply chain risk scores will be used to screen suppliers into either significant suppliers or non-significant suppliers. Supplier screening is just an initial process as the identified significant suppliers will be subject to more in-depth supplier risk assessment.

After supplier screening, all potential vendors and existing suppliers will proceed to the supplier selection process that further assess each supplier on business performance criteria (e.g., factory checklist, performance evaluation form, etc.). Scores from the business performance criteria will be combined with the ESG-related scores from the supplier screening of which constitute to 15% of the total weight. Suppliers that pass the minimum threshold of the overall scores will be selected for the Approved Vendor List and must acknowledge the Company's Supplier Code of Conduct. The supplier s' creening and selection process will be conducted regularly in every year.

## 2. Supplier Risk Assessment

Following supplier screening and selection, all significant suppliers must undergo supplier risk assessment by completing a Self-Assessment Questionnaire (SAQ), that asks for more comprehensive information and evidence with regards to supply chain risks such as ESG-related policies and past and present performance on ESG indicators which allowing the Company to categorize the significant suppliers into high, medium, and low risk. Significant suppliers categorized as having medium and low risks are considered to have passed the supplier risk assessment and be normally included in the Approved Vendor List.

In contrast, significant suppliers that are categorized as having high risks will have to be prioritized on and require a more thorough on-site risk assessment conducted by the Company's employees or external parties. They will conduct the on-site assessment at the suppliers' premises to have in-depth assessment with primary data. The results of the on-site risk assessment serve as a foundation for the corrective action plan as it provides a comprehensive understanding of the supplier's current state and the root causes behind the significant risk issues. In addition, the Company intends to develop an assessment following the international standards of practice of inspecting such as SMETA or amfori BSCI, etc., to create transparency credibility and consistency in the sustainability performance assessment process in the supplier supply chain.

### 3. Corrective Action Plan

The corrective action plan serves as a roadmap for the supplier's sustainability journey, guiding their progress towards meeting the required standards, improving practices, and aligning with Central Retail's sustainability objectives. Such plans outline specific actions, timelines and responsibilities to address the high-risk issues with the goal to mitigate and remediate any significant actual and potential risks.

After the Company has agreed to the corrective action plan, the suppliers will need to implement and improve pending issues within the specified timeframe prior to a follow-up assessment. Once the suppliers have been reassessed by the Company with the results showing a decrease from high to medium risk, they can then be included in the Approved Vendor List. Vice versa, suppliers who are unable to implement the corrective action plan or meet the minimum ESG requirements within the set timeframe may potentially be excluded from contracting.

### 4. Supplier Relationship and Development

Growing together with suppliers is one of the most important factors of developing a business more effectively. As a result, one of the primary strategies to maximize potential with suppliers is to comprehend and prepare the business to align with ESG development in accordance with the company's sustainability requirements and to build trust among stakeholders and suppliers along the value chain.

The Company conducts training programs for suppliers to equip them with the technical skills and tools needed to align their practices with the Company's sustainability standards through the Central Retail Logistics for SME and Sustainability Program. This program has been developed to share best practices and ideas for effective supply chain management between the Company and its suppliers. The program aims to support the Company's suppliers and SMEs (small and medium-sized enterprises) in envisioning the opportunities to develop work processes in supply chain from procurement, storage, distribution, transportation, and after-sales customer service. According to the ESG framework, which includes the environmental, social, and governance & economy, the Company has cultivated a corporate culture of sustainable development throughout supply chain business operations that lead to long-term sustainable business growth along with its suppliers.

The Company also provides suppliers with comparative score of their sustainability performance and best practices, so that each supplier can benchmark their own performance, learn from others' experiences, and strive for continuous improvement.

Lastly, the Company provides in-depth capacity building programs for selected suppliers, which go beyond training and knowledge sharing. While the supplier training focuses on sharing information, the in-depth capacity building programs give a more tailored assistance to help suppliers systematically develop and implement effective ESG practices.

For instance, the Company may collaborate with suppliers to collect baseline data of their sustainability indicators in order to identify specific areas for improvement and develop customized action plans. The Company may include training workshops to strengthen the skills of the suppliers' employees, on-site visits by experts, and regular discussions to monitor their performance in the long term. The in-depth capacity building programs go beyond immediate corrective action support and usually take more than 6 months to implement.



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