

7.6 Supplier and Supply Chain Management

The Company is committed to achieving sustainable business growth through enhanced competitiveness, optimized production costs, and shared growth with its suppliers. This is facilitated by transparent and fair procurement processes, all governed by the Company's procurement management framework.

- **Management Policy**

The Company manages its suppliers and supply chain by fostering their sustainable growth alongside the Company. This is achieved by establishing strategic business partnerships to promote transparency, enhance competitive capabilities in quality, price, and delivery, and prioritize safety. This also includes anti-corruption and sustainable business practices, encompassing environmental, social, and governance (ESG) considerations.

- **Supplier Management**

The Company's procurement policy aligns with sustainable development principles, considering and assessing long-term impacts on the environment, society, good governance, and the economy. The key aspects are as follows:

1. The Company conducts procurement with consideration for quality (Q), cost (C), delivery (D), responsiveness, and alignment with the Company's various policies, emphasizing both efficiency and effectiveness.
2. The Company ensures that all procurement activities are conducted in a transparent, fair, and auditable manner.
3. The Company strictly complies with all applicable laws and regulations related to procurement.
4. The Company treats all suppliers fairly and equitably, providing accurate, complete, and clear information without discrimination. Moreover, the Company is receptive to feedback and suggestions from suppliers for continuous improvement.

5. The Company selects suppliers who prioritize minimizing environmental impacts, demonstrate social responsibility, and uphold good corporate governance practices that promote inclusive and ethical operations.

To align the Company's procurement practices with sustainable development principles, ESG (Environmental, Social, and Governance) considerations are integrated into the procurement process for both new and existing suppliers as follows:

1. **New Suppliers**

During the selection and approval process for new suppliers, the Company conducts an initial assessment to determine if the supplier has policies, practices, or internal regulations related to ESG (Environmental, Social, and Governance) issues. This involves reviewing supporting documents and evidence, such as an Environmental Policy, Occupational Health and Safety Policy, Labor and Human Rights Policies, Fair Labor Practices, internal Corporate Governance guidelines, and management system certifications such as ISO 14001 or equivalent. The evaluation is conducted based on the Company's procurement manual and the new supplier selection form.

2. **Existing Suppliers**

For approved suppliers, the Company periodically monitors and reviews ESG data, or when there are changes in relevant policies or information. This includes updates to ESG policies, occurrences of environmental, social, or governance risks, changes in management system certification status, or stakeholder complaints regarding non-compliant ESG behavior. For target suppliers, the Company uses a Self-Assessment Form to report relevant ESG data. The assessment results are then used to support decisions regarding contract renewal or further supplier development.

Additionally, in 2024, the Company reviewed its Sustainable Code of Conduct for Suppliers to clarify its objectives and expanded its coverage of ESG issues to align with stakeholder expectations and relevant international standards. The Company communicated these guidelines to all suppliers through various channels, including annual supplier meetings, email, and the Company website.

The Company has revised its procurement manual to enhance the efficiency of the procurement process. This ensures procurement outcomes effectively meet the objectives and needs of requisitioners while maintaining transparency and adhering to sustainable development principles. Furthermore, the Company has established a framework for prioritizing and managing supply chain risks by engaging suppliers to actively participate in developing and elevating standards under the QCDEM framework, which encompasses quality, cost, and other key areas. Suppliers who meet the defined assessment criteria will receive Supplier Recognition, based on the following guidelines:



Supply Chain Management Strategy and Criteria

1

Plan and manage suppliers

Plan and manage suppliers using the SBG: Supply Positioning Model, categorizing suppliers into four types.

1. Bottleneck
2. Critical
3. Routine
4. Leverage

2

Develop and elevate supplier capabilities

The Company has a plan to develop and elevate suppliers by continuously communicating information to key suppliers annually, following these guidelines:

1. Knowledge transfer of the TPS / Lean Supply Chain systems.
2. Guidance on improving work processes to enhance transparency, fostering a collaborative approach to anti-corruption efforts (CAC).
3. SAT Group's Annual Supplier Meeting.

3

Evaluate performance using QCD

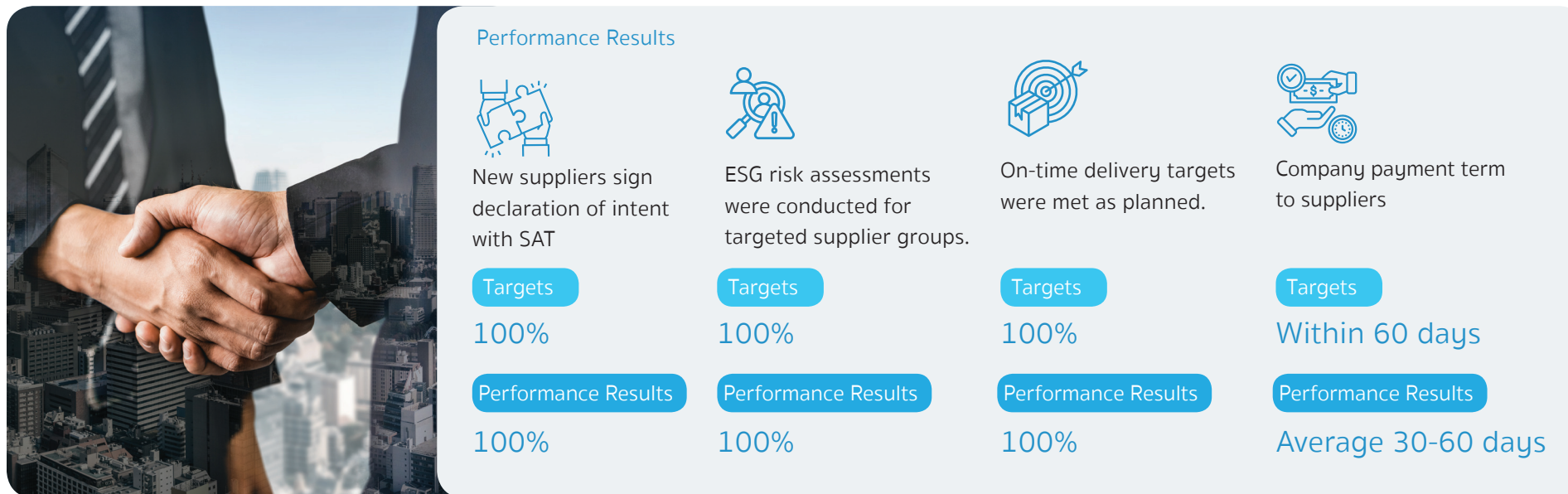
Each time goods are procured for the production process, the Company evaluates product quality using the QCD (Quality, Cost, Delivery) system. This ensures products meet quality standards, are cost-effective, and are delivered within the specified timeframe.

4

Implement corrective actions for deficiencies

The Company provides communication channels for suppliers to express their views and feedback in two key areas:

1. Areas where suppliers seek the Company's assistance for development needs. These will be incorporated into the annual supplier development and elevation plan.
2. Suggestions from suppliers for the Company to address areas where its actions may impact suppliers. The aim is to ensure maximum fairness and transparency for suppliers.



Managing ESG Risks in the Supply Chain

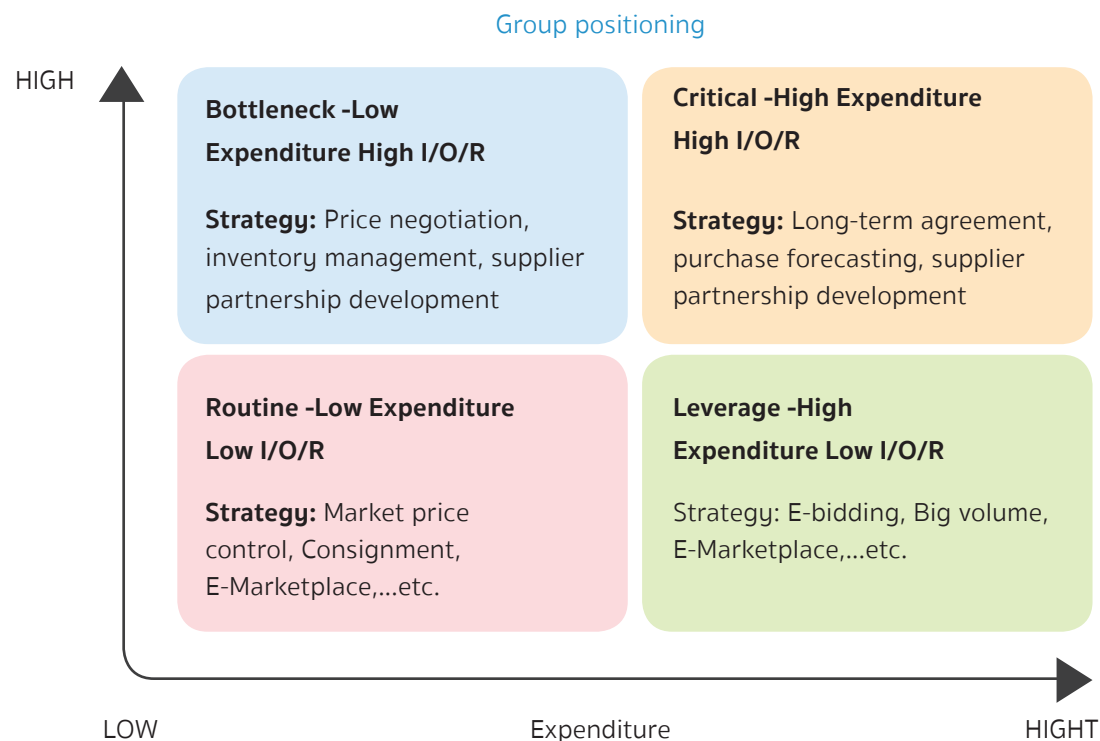
Managing ESG (Environmental, Social, and Governance) risks in the supply chain is a critical process. It serves as a vital tool for addressing potential risks arising from environmental, social, and governance factors that impact the company's operations and sustainability. This approach aims to mitigate future challenges while building competitiveness and long-term sustainability.

1. Supply Chain Analysis

The Company has analyzed suppliers using the Supplier Performance Management (SPM) system, categorizing them into four groups: Bottleneck, Critical, Routine, and Leverage. Key suppliers are those with high profit potential (annual procurement value exceeding 10 million baht), high technical and sourcing risks, and are placed within the respective SPM model groups. Key suppliers with high or very high risk are classified as Tier 1 high-risk suppliers. The Company also defines Critical suppliers at two levels:

Tier 1 are those who directly supply goods to the Company, and Tier 2 are those who provide direct or indirect goods and services.

2. Bottleneck: High risk, single supplier, specialized parts. (157 suppliers)
3. Critical: High risk, multiple suppliers, significant impact if delivery fails. (87 suppliers)
4. Routine: Low risk, multiple suppliers, easily replaceable. (225 suppliers)
5. Leverage: Low risk, multiple suppliers, price mechanisms can be controlled. (360 suppliers)



The Company concentrates on the Critical category, which is divided into two groups to ensure clarity in operational management:

- 1) **Critical Tier 1:** Suppliers who purchase from manufacturers and resell to the Company. (79 suppliers)
- 2) **Critical Non-Tier 1:** Suppliers who are direct manufacturers and sell to the Critical Tier 1 group. (8 suppliers)

2. Supply Chain Risk Assessment

Assessing supplier risks is crucial, as suppliers are key stakeholders driving sustainable business. Therefore, the Company manages and assesses supplier risks to prevent and mitigate environmental, social, and governance risks. This is done through five steps, as follows:

- New Vendor Pre-Qualification: The Company screens and evaluates vendors, categorizing them by group and business type.
- Financial Analysis and Sourcing Risk Analysis: This is conducted using the Supply Positioning Model.
- Supplier Sustainability Risk Assessment

The Company conducts ESG risk assessments with the following details:

1) Sustainability (Environment, Social, Governance – ESG)

- Environmental: Includes non-compliance with environmental laws.
- Social: Relates to unsafe working conditions for employees and suppliers.
- Governance: Covers non-compliance with regulations and a lack of operational transparency.

2) Economic This assesses risks in sourcing/delivery or the inability to source/deliver goods and services as needed. These risks can stem from business conditions to market uncertainties during the procurement process. Assessment criteria include the Company's experience with the goods and services, delivery efficiency, distance, potential suppliers, irreplaceable suppliers,

and market conditions for goods and services. This accounts for 50% of the total supplier assessment

- Integration of sustainability issues in sourcing and contract management.
- Supplier risk management, such as sector-specific risk and commodity-specific risk, etc.

Each supplier group must be assessed by a Multidisciplinary Team, including a safety review led by the Supply Chain team. The Company also conducts site visits every three years. If high-risk issues are identified, the supplier must develop a plan and corrective measures to mitigate potential risks and severity. They must also have a plan to verify operational compliance with company guidelines to ensure risks are managed to a level that doesn't impact business operations with the Company, the community, or the environment.

3.Supplier Selection Criteria for ESG Self-Assessment and On-Site Audit

The Company selects suppliers using a self-assessment survey focused on ESG performance. This data allows the Company to develop future projects that promote supplier growth and development.

- Environmental Sustainability: Assess whether suppliers operate in an environmentally friendly manner, comply with environmental laws, and manage resources efficiently.
- Labor and Human Rights: This involves checking adherence to labor standards, workplace safety, and the absence of child or forced labor.
- Business Management: Evaluate risk management, quality management, and the effectiveness of overall management systems.
- Business Ethics and Anti-Corruption: Assess transparency and compliance with the Company's ethical guidelines.
- Innovation and Development: Evaluate the supplier's capacity to offer innovative solutions and develop new products or services.

The Supplier's ESG Self-Assessment Form Example

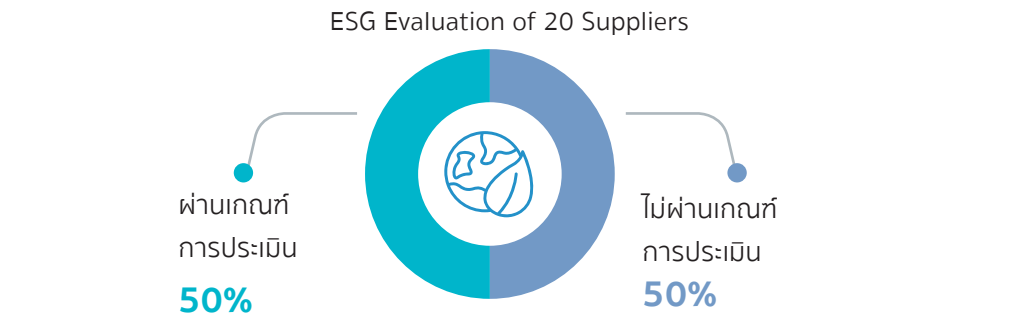
Scoring Criteria	
5	Compliant with standards/laws and environmental management system certified (ISO 14001)
4	Compliant with standards/laws but not yet certified
3	Partially compliant with standards/laws
2	Action taken, but not compliant with standards/laws
1	Minimal action, not compliant with standards/laws
0	No action taken

After suppliers complete their ESG self-assessment, the Company uses the results to select them for further ESG on-site audits.

Evaluation Criteria	
≤ 90%	Meets evaluation criteria
≤ 80%	Meets evaluation criteria, action plan required and be subject to follow-up assessments
≤ 60%	Meets evaluation criteria, requiring an action plan, performance reporting and a repeat audit
≤ 60%	Does not meet evaluation criteria, requiring corrective action and a repeat audit.

ESG On-site Audit Results for Existing Suppliers in 2024: A total of 31 suppliers, categorized into two groups.

ESG On-site Audit Results for Newly Selected Suppliers in 2024: 20 new suppliers



The ESG risk assessment revealed that 10 suppliers (50%) currently lack formal ESG management systems, such as environmental management system certifications or official ESG policies. This exposes the Company to various risks, including non-compliance with key customer requirements, reputational damage, and potential non-adherence to future legal or target market regulations.

2025 Supplier Evaluation Plan

1. On-site audit of existing suppliers: Audit 10 existing suppliers who did not meet the ESG on-site audit criteria in 2024.
2. On-site audit of new suppliers: Plan to audit 28 new suppliers.
3. Communicate with and encourage 5 suppliers to develop their greenhouse gas emission inventories.



Sustainable Supplier Development Project

Project: Expansion of the Anti-Corruption Network through Declaration of Intent with SAT	Supplier Quality System Enhancement Project	Supplier Environmental Management System Enhancement
<p>Objectives:</p> <ul style="list-style-type: none"> Promote transparent business operations among suppliers, free from bribery. Support suppliers in establishing mechanisms for corruption prevention and suppression. Strengthen a transparent business network. 	<p>Objectives:</p> <ul style="list-style-type: none"> Increase suppliers’ systemic capabilities. Meet the IATF 16949 quality system requirement that suppliers must achieve at least ISO 9001:2015 certification. Foster competitive self-improvement among suppliers within their product groups 	<p>Objectives:</p> <ul style="list-style-type: none"> To foster suppliers’ awareness of their role in systematic environmental management. To enable suppliers to utilize resources efficiently and reduce environmental impact. To ensure suppliers comply with industrial waste control laws and regulations.
<p>Objectives:</p> <p>This initiative helps suppliers elevate their operations through transparent business practices, enhances credibility for their stakeholders, and mitigates the risk of corruption within their organizations and other potential adverse consequences.</p>	<p>Objectives:</p> <p>Suppliers can develop their systems to international standards, which improves their operational efficiency and increases credibility with their other clients, potentially leading to additional business opportunities.</p>	<p>Objectives:</p> <p>This initiative helps suppliers reduce legal risks related to environmental regulations and enables them to lower costs through more efficient resource utilization.</p>
100%	1 supplier (continuing from 2023)	1 supplier (continuing from 2023 2566)

