

TANACHIRA

Sustainable Supply Chain Management

Tanachira Retail Corporation Public Company Limited (“the Company”) places great importance on sustainable supply chain management, recognizing that the supply chain is not only a critical component of business success but also has a broad impact on the environment and society. Efficient supply chain management forms a key foundation for continuous and effective business operations, ensuring product quality, building consumer trust, and ultimately contributing to long-term sustainability.

The Company has established a supply chain management approach that integrates Environmental, Social, and Governance (ESG) considerations into its supply chain practices — from the selection, monitoring, risk assessment, to performance evaluation of partners — to ensure that all partners operate in alignment with the Company’s ethics and core values. The Company also supports its partners in continuously improving their business standards.

The Company identifies key partners, including both direct and indirect business partners, as follows:

1. Definition and Classification of Key Partners

The Company classifies key partners into Critical Tier 1 (direct) and Critical Non-Tier 1 (indirect) partners, based on the following criteria:

1.1 Critical Tier 1 Partners

- ☐ These are partners who work directly with the Company and are most critical to business continuity, such as Suppliers of products, Brand owners of core products, and Logistics service providers who are essential to operations
- ☐ Service providers that play a critical role in operations.
- ☐ Disruption from this group would have a direct impact on the Company’s production and service processes.

1.2 Critical Non-Tier 1 Partners

- ☐ These are indirect partners who may not conduct direct transactions with the Company but have an impact on the Company’s supply chain
- ☐ Raw material or service providers to the Company’s direct partners.

2. Criteria for Assessing Key Partners: The Company uses five main criteria to assess key partners:

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| 1. Business Criticality | The partner must have a high impact on production processes, business operations, and business continuity. |
| 2. Transaction Volume | The value or volume of transactions must be significant to the Company's business. |
| 3. Associated Risks | Risks related to quality, legal, environment, and governance that may impact the Company. |
| 4. Compliance with Standards | The partner must comply with relevant legal and industry standards. |
| 5. Financial Stability | The partner should have a stable financial standing to minimize business risks. |

According to these criteria, the Company has identified 9 critical direct partners, accounting for 11.69% of all partners.

3. Process for Selecting and Monitoring Key Partners

3.1 The company has established criteria for selecting partners, both for new partner selection and for procurement purposes, based on the following considerations:

1. **Capability Assessment:** Review of business and financial data, delivery capacity, and service capability.
2. **Testing and Trial Orders:** May involve trial purchases or quality testing of products/services.
3. **Entering into a Memorandum of Understanding (MOU):** Includes terms of business, quality requirements, development expectations, and ESG requirements such as ISO 14001 certification, Green Industry standards, responsible business practices, CSR initiatives, and ESG collaboration potential.

3.2 The Company conducts assessment and monitoring of risks associated with the operations of its business partners, based on the following guidelines:

1. **Auditing and Performance Monitoring:**
 - Audits may be conducted quarterly or annually.
 - Key performance indicators include delivery efficiency, product quality, and financial stability.
2. **Early Warning Systems and Risk Mitigation Plans:**

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- Establish corrective action plans, such as backup supplier arrangements.
- Identify and respond to risks that may impact the Company.

3. Business Relationship Development:

- Implement programs to develop partner capabilities and help them meet the Company's evolving requirements.
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4. ESG Evaluation of Suppliers

The consideration of ESG (Environmental, Social, and Governance) factors is a key criterion in the selection process for both new and existing suppliers. Beyond the selection phase, the Company also monitors supplier performance and business practices to ensure they align with the established selection criteria. All suppliers are required to comply with the following standards:

Category	Evaluation Criteria
Environmental	Must have measures to reduce environmental impact, such as lowering greenhouse gas emissions and using environmentally friendly materials.
Social	Must comply with labor standards, not use child labor or forced labor, and support labor rights.
Governance	Must conduct business transparently, comply with laws and international standards, and have no legal cases or proceedings related to corruption.

Supplier Support and Development

The Company has set clear and fair payment terms to support the financial liquidity of its suppliers. Payments are made every last Friday of the month, in accordance with the invoiced credit terms provided by each supplier. In 2024, the Company has consistently followed this payment policy.

In addition, the Company works collaboratively with suppliers to enhance operational efficiency and seek new approaches to improve business processes in ways that promote social and environmental responsibility. One

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example includes the development of eco-friendly packaging with HARNN Global Co., Ltd., a subsidiary under the TANACHIRA Group.

In 2024, the Company held five meetings with suppliers to plan and develop joint initiatives. Key discussion topics included:

1. Improving delivery and service quality to enable faster shipping and reduce unnecessary costs.
2. Enhancing product quality to comply with international regulations and expand business opportunities.
3. Addressing delays in packaging production for the Company products by analyzing and improving collaboration processes.
4. Discussing export logistics and providing product information to support business expansion abroad.
5. Exploring product development and improving production quality to meet new standards.

The Company remains committed to enhancing the knowledge and capabilities of its suppliers through ongoing communication and various initiatives, aiming for sustainable growth together.