



AAPICO HITECH
PUBLIC COMPANY LIMITED

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Purchasing and Sustainable Procurement Policy



Purchasing and Sustainable Procurement Policy

of

AAPICO Hitech Public Company Limited

and its affiliated companies

1. Purpose

This Procurement Policy establishes the overarching principles, governance framework, and standardized processes guiding all procurement activities within the organization. It aims to ensure that procurement decisions are made in a consistent, transparent, and strategic manner, supporting both business performance and long-term sustainability objectives.

The policy is designed to achieve the following key objectives:

1.1 Cost Competitiveness

To ensure that all goods and services are sourced at the optimal total cost of ownership (TCO), balancing price, quality, delivery, and lifecycle costs. Strategic sourcing, competitive bidding, and continuous cost analysis shall be applied to enhance financial efficiency and maintain the company's competitiveness in the market.

1.2 Supply Continuity and Risk Management

To secure a stable and resilient supply chain by identifying, assessing, and mitigating supply risks. This includes supplier diversification, business continuity planning, and proactive monitoring of geopolitical, environmental, and operational risks that may impact supply availability.

1.3 Compliance with Laws and Regulations

To ensure that all procurement activities strictly adhere to applicable local and international laws, regulations, and industry standards. This includes, but is not limited to, anti-corruption laws, trade compliance, labor regulations, human rights requirements, and environmental requirements. Procurement personnel and suppliers are expected to always operate with full legal compliance and are expected to maintain policies and controls consistent with internationally recognized ESG standards throughout the supply chain according to applicable law and regulations.



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1.4 Ethical Business Conduct

To promote integrity, fairness, and transparency in all procurement practices. The company maintains a zero-tolerance approach toward bribery, corruption, conflicts of interest, fraud, and unethical behavior. All stakeholders involved in procurement must comply with the company's Code of Conduct and uphold the highest ethical standards throughout the supply chain in line with internationally recognized ESG principles.

1.5 Sustainable and Responsible Sourcing (ESG Alignment)

To integrate Environmental, Social, and Governance (ESG) considerations into procurement decisions and supplier selection processes. The company is committed to:

- a. Reducing environmental impact across the supply chain (e.g., carbon emissions, resource use, waste)
- b. Promoting human rights, fair labor practices, and safe working conditions
- c. Encouraging suppliers to adopt sustainable practices and continuously improve their ESG performance

This policy supports the company's ambition to achieve recognized sustainability standards (e.g., EcoVadis, FTSE Russell) and to create long-term value for stakeholders through responsible sourcing.

2. Scope

This policy applies to all procurement-related activities conducted by or on behalf of the organization, covering all business units, functions, and locations. It establishes mandatory requirements and expectations for internal stakeholders and external partners involved in the sourcing, purchasing, and management of goods and services.

The scope includes the following:

2.1 Internal Stakeholders

This policy applies to all employees, management, and authorized representatives who are involved in any stage of the procurement process, including but not limited to:

- Supplier selection and evaluation
- Sourcing and negotiation
- Purchase requisition and purchase order creation
- Contract management and approval
- Supplier performance monitoring



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All employees are required to comply with this policy, follow approved procurement procedures, and ensure that procurement decisions are made in the best interest of the company, with accountability and transparency.

2.2 External Parties (Suppliers and Business Partners)

This policy extends to all external parties engaged by the company, including:

- Suppliers of raw materials, components, and finished goods
- Contractors and subcontractors
- Service providers and consultants

All suppliers and partners are expected to comply with the company's requirements as defined in this policy, including ethical standards, legal compliance, and sustainability expectations. Suppliers are also responsible for cascading these requirements throughout their own supply chain where applicable.

2.3 Procurement Categories

This policy covers all types of procurement, including but not limited to:

- Direct materials (e.g., raw materials, production components)
- Indirect materials (e.g., office supplies, items for Maintenance, Repair, and Operations (MRO))
- Services (e.g., logistics, maintenance, professional services)
- Capital expenditures (CAPEX), including machinery, equipment, and infrastructure

All procurement activities, regardless of value or category, must adhere to the principles and controls defined in this policy.

2.4 Geographic Coverage

This policy applies to all company operations across all regions and countries where the organization conducts business. In cases where local laws or regulations impose stricter requirements, those shall take precedence over this policy.

2.5 Exceptions and Special Cases

Any exceptions to this policy must be formally justified, documented, and approved by authorized management in accordance with the company's delegation of authority. Emergency purchases must still comply with core principles such as ethical conduct, documentation, and post-purchase review.



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3. Procurement Principles

All procurement activities shall be conducted in accordance with the following core principles, which serve as the foundation for responsible, efficient, and sustainable sourcing practices across the organization:

3.1 **Fairness & Transparency**

The company is committed to conducting procurement activities in a fair, open, and transparent manner to promote healthy competition and build trust with suppliers.

- All qualified suppliers shall be given equal opportunity to participate in bidding and sourcing processes.
- Supplier selection shall be based on predefined, objective, and non-discriminatory criteria such as quality, cost, delivery, technical capability, and ESG performance.
- Procurement processes, including tendering, evaluation, and award decisions, must be properly documented and auditable.
- Any communication with suppliers must be conducted professionally and consistently, ensuring no preferential treatment or unfair advantage is given.

3.2 **Best Value for Money (Total Cost of Ownership - TCO)**

Procurement decisions shall be made based on the best overall value rather than the lowest initial price.

- Total Cost of Ownership (TCO) shall be considered, including purchase price, logistics, operating costs, maintenance, lifecycle costs, and disposal costs.
- Quality, reliability, service level, and supplier performance history must be factored into decision-making.
- Long-term value creation, innovation capability, and sustainability performance of suppliers shall also be evaluated.
- Strategic sourcing and cost analysis tools shall be applied to optimize spending and maximize value.

3.3 **Accountability**

All procurement activities must be conducted with clear accountability, defined authority, and proper documentation.



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- Roles and responsibilities in the procurement process must be clearly defined and adhered to.
- All purchasing decisions must follow the company's Delegation of Authority (DOA) and approval matrix.
- Procurement transactions must be supported by accurate and complete documentation, including requisitions, quotations, evaluations, and contracts.
- Employees involved in procurement are responsible for ensuring compliance with this policy and are subject to internal controls and audits.

3.4 Ethical Conduct

The company enforces the highest standards of integrity and ethical behavior in all procurement activities.

- A strict zero-tolerance policy is applied toward bribery, corruption, fraud, and any form of unethical conduct.
- Conflicts of interest must be disclosed immediately, and affected individuals must recuse themselves from related decision-making processes.
- Gifts, hospitality, or any form of personal benefit from suppliers must comply with the company's Code of Conduct and Anti-Corruption Policy.
- Suppliers are expected to adhere to the same ethical standards, including compliance with applicable anti-bribery and anti-corruption laws.

4. Supplier Selection and Evaluation

The company shall implement a structured, objective, and risk-based approach to supplier selection and evaluation to ensure that all suppliers meet business, technical, financial, and sustainability requirements.

Suppliers shall be assessed and selected based on the following key criteria:

4.1 Quality, Cost, and Delivery (QCD) Performance

Suppliers must demonstrate the capability to consistently meet the company's expectations with respect to product and service safety, quality standard, cost competitiveness, and delivery reliability.



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- **Safety:** Supplier shall ensure that products manufactured or service delivered are safe for employees, customers, and end users, and are carried out in compliance with applicable occupational health and safety requirements
- **Quality:** Compliance with agreed specifications, acceptable defect rates, relevant certifications (e.g., ISO standards), and implement of continuous improvement practices
- **Cost:** Competitive pricing aligned with market benchmarks and total cost of ownership (TCO) considerations
- **Delivery:** On-time delivery performance, lead time reliability, operational flexibility, and responsiveness to changes in demand

Supplier performance shall be continuously monitored using defined KPIs and scorecards.

4.2 Technical Capability and Capacity

Suppliers must possess adequate technical expertise, resources, and operational capability to meet current and future business requirements.

- Availability of qualified personnel, technology, and production processes
- Ability to meet design, engineering, and specification requirements
- Production capacity, scalability, and ability to support business growth
- Innovation capability and willingness to collaborate on product or process improvements

Site audits or technical assessments may be conducted where necessary.

4.3 Financial Stability

Suppliers must demonstrate sound financial health to ensure long-term business continuity and minimize supply risk.

- Evaluation of financial statements, credit ratings, or financial risk indicators
- Ability to sustain operations during market fluctuations or economic downturns
- Dependency risk (e.g., over-reliance on a single customer or market)

High-risk suppliers may be subject to additional monitoring or risk mitigation measures.



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4.4 ESG (Environmental, Social, Governance) Performance

Suppliers are expected to operate in a responsible and sustainable manner, aligned with the company's ESG commitments and international standards.

- **Environmental:** Resource efficiency, waste management and reduction, greenhouse gas (GHG) emissions control, environmental compliance, energy and water consumption, biodiversity impacts, and pollution prevention and control
- **Social:** Respect for human rights, fair labor practices, health and safety standards, and prohibition of child labor (under 18 years of age) and forced labor
- **Governance:** Ethical business practices, anti-corruption measures, transparency, responsible business conduct, and compliance systems

Suppliers may be required to:

- Complete ESG self-assessments or questionnaires
- Provide relevant certifications or policies
- Participate in third-party sustainability assessments

4.5 Requirements

To ensure consistency, transparency, and control in supplier selection and procurement decisions, the following mandatory requirements shall apply:

4.5.1 Approved Vendor List (AVL)

- Procurement shall only be conducted with suppliers listed in the Approved Vendor List (AVL).
- New suppliers must undergo a formal qualification and approval process before being added to the AVL.
- The AVL shall be regularly reviewed and updated to reflect supplier performance, risk status, and business needs.

4.5.2 Competitive Quotation Requirement

- A minimum of **three (3) quotations** must be obtained for all procurement activities to ensure fair competition and cost competitiveness.



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- In cases where three quotations cannot be obtained (e.g., single source, proprietary items, emergency situations), a formal justification must be documented and approved according to the Delegation of Authority (DOA).

4.5.3 Supplier Evaluation and Review

- All approved suppliers shall be evaluated **at least annually** using defined performance criteria, including QCD and ESG factors.
- Critical and high-risk suppliers may be evaluated more frequently.
- Evaluation results shall be documented and used for supplier development, retention, or disqualification decisions.
- Suppliers with poor performance must implement corrective action plans within a defined timeframe.

4.5.4 Documentation and Auditability

- All supplier selection, quotation, and evaluation records must be properly documented and retained for audit purposes.
- Procurement activities shall be subject to internal audit and compliance review.

5. Procurement Process and Approval

The company shall follow a standardized, controlled, and auditable procurement process to ensure efficiency, transparency, and compliance with internal policies and external requirements.

5.1 Standard Procurement Process

All procurement activities shall follow the standard end-to-end process outlined below:

PR → RFQ → Quotation → Evaluation → Approval → PO Issuance

5.1.1 Technical Sourcing and Evaluation by Requesting Function

- For engineering, technical, or specialized procurement (e.g., Tooling, Machining, Automation system, Construction, Production equipment, maintenance services, or complex components), the Requesting Function (e.g., Production, Engineering, Maintenance) may conduct preliminary technical sourcing activities, where necessary, prior to PR issuance.



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- Such activities may include supplier identification, request for quotation (RFQ), and technical evaluation to ensure compliance with required specifications and performance criteria.
- All technical evaluations shall be documented and submitted as part of the Purchase Requisition (PR) for Procurement review.
- Procurement shall retain full responsibility for commercial evaluation, negotiation, compliance with procurement procedures, and final supplier selection. Any supplier engagement by the Requesting Function shall be coordinated with and transparent to Procurement.

5.1.2 Purchase Requisition (PR)

- All procurement activities must be initiated through an approved Purchase Requisition (PR).
- The PR shall clearly define specifications, quantity, required delivery date, budget, and justification.
- PR must be reviewed and approved by authorized personnel prior to proceeding.

5.1.3 Request for Quotation (RFQ)

- RFQs shall be issued to qualified suppliers listed in the Approved Vendor List (AVL).
- All RFQs shall be issued or validated by Procurement to ensure compliance with procurement controls.
- Clear and consistent information must be provided to all suppliers to ensure fair competition.
- Procurement shall ensure that sufficient competition is achieved (minimum 3 quotations unless justified).

5.1.4 Quotation Submission

- Suppliers shall submit formal quotations within the defined timeline.
- All quotations must include pricing, delivery terms, specifications, and commercial conditions.
- Quotations must be properly recorded and maintained for evaluation and audit purposes.



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5.1.5 Evaluation

- Quotations shall be evaluated based on predefined criteria, including QCD (Quality, Cost, Delivery), technical compliance, and ESG considerations where applicable.
- A comparative analysis (e.g., bid comparison sheet) must be prepared and documented.
- Any deviations from specifications or requirements must be clearly identified and assessed.

5.1.6 Approval

- Procurement decisions must be reviewed and approved in accordance with the company's Delegation of Authority (DOA).
- Approval shall be based on evaluation results, budget availability, and business justification.

5.1.7 Purchase Order (PO) Issuance

- A formal Purchase Order (PO) shall be issued to the selected supplier as a legally binding document, subject to applicable terms and conditions and approved in accordance with the Delegation of Authority (DOA).
- The PO must clearly specify scope, pricing, delivery terms, and applicable conditions.
- No commitment, order, or liability shall be made without an approved PO. In emergency cases where prior PO issuance is not practicable, prior approval from the highest authority per DOA must be obtained and evidenced in writing (e.g., email), and a PO shall be issued retrospectively as soon as practicable.

5.2 Approval Authority

- All procurement transactions must comply with the company's defined **Delegation of Authority (DOA) matrix**.
- Approval levels shall be based on factors such as procurement value, category, and risk level.
- Unauthorized commitments or bypassing of approval procedures are strictly prohibited.
- All approvals must be documented and traceable.



5.3 Documentation and Traceability

- All procurement activities must be fully documented, accurate, and traceable throughout the entire process.
- Required documents include, but are not limited to: PR, RFQ, quotations, evaluation records, approval records, contracts, and PO.
- Documentation shall be retained in accordance with the company's record retention policy and must be readily available for audit or review.

5.4 Deviations and Exceptions

- Any deviation from the standard procurement process (e.g., single sourcing, waiver of competitive bidding, emergency purchases) must be:
 - Clearly justified
 - Properly documented
 - Approved by authorized personnel in accordance with the DOA
- All exceptions shall be periodically reviewed and reported to management for review to ensure compliance and prevent misuse.

6. Cost Management

The company shall implement a structured and proactive cost management approach to ensure financial efficiency, competitiveness, and long-term value creation. Procurement shall not only focus on price reduction but also on optimizing the **Total Cost of Ownership (TCO)** through strategic analysis and supplier collaboration.

6.1 Cost Analysis and Strategic Sourcing

- Procurement shall apply systematic cost analysis tools to understand cost structures and identify cost-saving opportunities.
- Techniques may include:
 - **Should-cost analysis** to estimate the fair cost of goods or services based on materials, labor, overhead, and market conditions
 - **Benchmarking** against industry standards, market indices, or comparable suppliers

- **Cost breakdown analysis** to identify key cost drivers and negotiation levers
- Procurement teams shall leverage data, market intelligence, and cross-functional input (e.g., engineering, production) to support fact-based negotiations.

6.2 Regular Price Review and Market Monitoring

- Prices of key materials, components, and services shall be reviewed on a regular basis (e.g., quarterly, semi-annually, or based on market volatility).
- Procurement shall monitor:
 - Commodity price trends (e.g., steel, chemicals, energy)
 - Currency fluctuations
 - Logistics and freight cost changes
 - Geopolitical or supply chain risks impacting pricing
- Price adjustments (increase or decrease) must be supported by verifiable data and documented justification.
- Long-term contracts should include price adjustment mechanisms where appropriate (e.g., index-based pricing).

6.3 Cost Reduction and Continuous Improvement

- Procurement shall actively drive cost reduction initiatives in collaboration with suppliers and internal stakeholders.
- Key approaches include:
 - **Value engineering / value analysis (VE/VA)** to optimize design, materials, or processes
 - **Process improvement and productivity enhancement** with suppliers
 - **Demand consolidation and volume leverage**
 - **Specification optimization or standardization**
 - **Supplier innovation and alternative sourcing**
- Cost reduction targets may be defined annually and tracked as part of procurement KPIs.



6.4 Supplier Collaboration and Transparency

- Strategic suppliers shall be engaged as partners in cost optimization efforts.
- Open and transparent communication regarding cost drivers is encouraged to enable win-win outcomes.
- Long-term relationships shall focus on sustainable cost improvements rather than short-term price pressure.

6.5 Governance and Documentation

- All cost analysis, price reviews, and cost reduction initiatives must be properly documented and approved in accordance with the Delegation of Authority (DOA).
- Savings achieved shall be tracked, validated, and reported to management.
- Procurement activities shall be subject to audit to ensure compliance and effectiveness.

7. Contract Management

The company shall ensure that all procurement activities are governed by clear, comprehensive, and legally enforceable contracts to protect business interests, manage risks, and ensure mutual understanding between the company and its suppliers.

7.1 Contract Requirement

- All **significant purchases** (based on value, risk, or strategic importance) must be covered by a formal written contract or agreement prior to execution by duly approved and executed in accordance with the delegation of authority (DOA), prior to commencement.
- No work, service, or delivery shall commence without an approved contract or Purchase Order (PO) with agreed terms and conditions.
- Standard contract templates shall be used where applicable, subject to review and approval of any deviations, to ensure consistency and legal compliance.

7.2 Key Contract Elements

All contracts must, at a minimum, include the following essential elements:

7.2.1 Delivery Terms

- Clear definition of delivery schedule, lead time, and milestones

- Agreed Incoterms (where applicable) and logistics responsibilities
- Packaging, shipping conditions, and delivery location
- Consequences of late delivery or failure to meet agreed timelines

7.2.2 Quality Requirements

- Detailed specifications, drawings, or standards to be met
- Applicable certifications (e.g., ISO, industry standards)
- Inspection, testing, and acceptance criteria
- Non-conformance handling, including rejection, rework, or replacement requirements

7.2.3 Penalties and Liabilities

- Defined penalties for non-performance, such as late delivery, quality failure, or service disruption
- Liability clauses covering damages, losses, limitations of liabilities, or non-compliance
- Service Level Agreements (SLAs) where applicable
- Warranty terms and defect liability period, including scope, duration, and remedies for defects.

7.2.4 Confidentiality (Non-Disclosure Agreement - NDA)

- Protection of confidential, proprietary, and sensitive information shared between parties
- Clear definition of what constitutes confidential information
- Obligations of the supplier to prevent unauthorized disclosure or misuse
- Duration of confidentiality obligations, including post-contract termination

7.3 Sustainability and Compliance Clauses (Best Practice / EcoVadis Alignment)

To strengthen risk management and sustainability compliance, contracts should also include:

- **ESG and Compliance Clause:** Requirement for suppliers to comply with environmental, social, and governance standards, including anti-corruption and human rights



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- **Audit Rights:** Company's right to audit supplier facilities, processes, and compliance
- **Termination Clause:** Conditions under which the contract may be terminated
- **Force Majeure Clause:** Handling of unforeseen events beyond control (e.g., natural disasters, geopolitical events)
- **Data Protection Clause** (if applicable): Protection of personal or sensitive data

7.4 Contract Review and Approval

- All contracts must be reviewed by authorized functions (e.g., Procurement, Legal, Finance) as appropriate prior to approval and execution.
- Contracts must be approved and executed in accordance with the Delegation of Authority (DOA).
- Any deviations from standard terms must be clearly identified, justified, and approved by the relevant authorized functions in accordance with the DOA.
- Contracts using approved standard templates without deviation may be exempted from further functional review, subject to compliance with the DOA and any applicable internal requirements.

7.5 Contract Monitoring and Management

- Contract performance shall be actively monitored to ensure compliance with agreed terms.
- Key obligations such as delivery, quality, pricing, and service levels shall be tracked against the contractual requirements and applicable service level agreements (if any).
- Any issues, disputes, or non-compliance must be documented and managed through corrective actions and contractual remedies, in accordance with the terms of the contract.

7.6 Documentation and Record Retention

- All contracts and related documents must be securely stored and maintained for traceability and audit purposes.
- Contract records shall be retained in accordance with the company's document retention policy and all applicable legal and regulatory requirements.



8. Risk Management

The company shall adopt a proactive and systematic approach to identify, assess, and mitigate risks within the procurement and supply chain processes to ensure business continuity and operational resilience.

Procurement shall continuously monitor internal and external risk factors and implement appropriate mitigation strategies.

8.1 Risk Identification and Assessment

Procurement shall identify and evaluate potential risks across the supply chain, including but not limited to:

8.1.1 Supply Disruption

- Risks arising from supplier production issues, logistics delays, natural disasters, pandemics, or operational failures
- Dependency on critical materials or constrained supply markets

8.1.2 Single-Source Dependency

- Over-reliance on a single supplier for critical goods or services
- Lack of qualified alternative suppliers

8.1.3 Geopolitical and Macroeconomic Risks

- Trade restrictions, sanctions, tariffs, or regulatory changes
- Political instability, conflicts, or regional disruptions
- Currency fluctuations and inflation impacts

8.1.4 Financial Risks of Suppliers

- Supplier insolvency, liquidity issues, or financial instability
- Credit risk and ability to sustain operations

8.1.5 ESG and Compliance Risks

- Environmental violations, labor issues, or unethical practices within the supply chain
- Non-compliance with legal or regulatory requirements



8.2 Risk Evaluation and Prioritization

- Identified risks shall be assessed based on **likelihood and impact** to business operations.
- Suppliers and materials shall be categorized (e.g., critical, high-risk, standard) to enable a risk-based management approach.
- Critical suppliers shall be subject to enhanced monitoring and mitigation planning.

8.3 Risk Mitigation Strategies

The company shall implement appropriate mitigation measures, including but not limited to:

8.3.1 Dual / Multiple Sourcing Strategy

- Avoid reliance on a single supplier for critical items by developing and approving alternative sources
- Maintain a balanced supplier portfolio to increase flexibility and resilience

8.3.2 Safety Stock and Buffer Planning

- Maintain appropriate inventory levels for critical materials based on risk assessment and demand variability
- Define safety stock policies to mitigate supply or logistics disruptions

8.3.3 Business Continuity Planning (BCP)

- Develop and maintain Business Continuity Plans for critical suppliers and materials
- Ensure suppliers have their own BCP in place and validated where necessary
- Conduct periodic reviews or simulations for high-risk scenarios

8.3.4 Supplier Monitoring and Early Warning Systems

- Regularly monitor supplier performance, financial health, and external risk indicators
- Use scorecards, audits, and market intelligence to detect early signs of risk

8.3.5 Contractual Risk Controls

- Include risk mitigation clauses in contracts (e.g., penalties or liquidated damages service levels, force majeure, contingency or business continuity requirements) with clearly defined triggers, obligations, and remedies.

8.4 Crisis Management and Escalation

- In the event of a supply disruption or risk incident, Procurement shall:
 - Activate contingency plans (e.g., alternative sourcing, expedited logistics)
 - Escalate issues to management according to defined procedures
 - Coordinate with cross-functional teams (e.g., production, logistics, quality)

8.5 Documentation and Continuous Improvement

- All risk assessments, mitigation plans, and incidents must be documented and reviewed regularly.
- Lessons learned from disruptions shall be incorporated into future risk management strategies.
- Procurement shall continuously improve risk management practices to enhance supply chain resilience.

9. Compliance and Ethics

The company is committed to conducting all procurement activities with the highest standards of integrity, transparency, and legal compliance. All employees and suppliers are expected to adhere strictly to applicable laws, regulations, and ethical business practices.

9.1 Internal Compliance and Ethical Standards

The company enforces the following core principles across all procurement activities:

9.1.1 Anti-Corruption and Anti-Bribery

- The company maintains a **zero-tolerance policy** toward all forms of bribery, corruption, facilitation payments, fraud, and unethical conduct.
- Employees are strictly prohibited from offering, giving, soliciting, or accepting any improper advantage, including cash, gifts, hospitality, or favors, to influence business decisions.
- All procurement activities must comply with applicable anti-corruption laws and regulations (e.g., local anti-bribery laws and international regulations where applicable).



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9.1.2 Conflict of Interest Disclosure

- Employees must avoid any situation where personal interests may conflict, or appear to conflict, with the interests of the company.
- Any actual or potential conflict of interest (e.g., relationships with suppliers, financial interests) must be immediately disclosed to management or designated function in accordance with company policy.
- Individuals with conflicts must recuse themselves from related procurement decisions and shall not participate in or influence such decisions.

9.1.3 Gifts and Hospitality Control

- The offering or acceptance of gifts, entertainment, or hospitality must be reasonable, transparent, and compliant with company policy, including applicable law and regulations.
- Gifts or benefits that could improperly influence decision-making are strictly prohibited.
- All gifts and hospitality above defined thresholds must be declared, documented, and approved in accordance with company procedures.

9.2 Supplier Compliance Requirements

All suppliers, contractors, and business partners must comply with applicable laws and regulations in the countries where they operate as well as internationally recognized standards, including but not limited to:

9.2.1 Labor Laws and Human Rights

- Compliance with local labor laws, including wages, working hours, and employee rights
- Prohibition of child labor, forced labor, and any form of modern slavery
- Provision of safe and healthy working conditions
- Respect for freedom of association and non-discrimination

9.2.2 Environmental Regulations

- Compliance with environmental laws and regulations, including waste management, emissions control, and hazardous material handling



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- Implementation of measures to minimize environmental impact and promote sustainability
- Proper handling, storage, and disposal of chemicals and waste

9.2.3 Trade and Import/Export Laws

- Compliance with all applicable trade regulations, including import/export controls, customs laws, and sanctions
- Accurate and transparent documentation of goods and transactions
- Adherence to restrictions related to embargoed countries or prohibited goods

9.3 Monitoring, Enforcement, and Reporting

- All suppliers must comply with the company's **Supplier Code of Conduct** as a mandatory requirement for doing business with the company.
- All suppliers must review the company's **Supplier Code of Conduct** via the provided link and acknowledge compliance through the designated online form, with records retained for audit purposes.
- The company reserves the right to conduct audits or assessments to verify compliance.
- Any violations of compliance or ethical standards may result in corrective actions, suspension, or termination of business relationships.
- Employees and suppliers are encouraged to report any suspected misconduct through designated reporting channels (e.g., whistleblowing mechanisms), without fear of retaliation.

9.4 Continuous Improvement

- The company is committed to continuously improving its compliance and ethics practices through training, awareness programs, and periodic policy reviews.
- Suppliers are encouraged to enhance their compliance systems and align with international standards (e.g., ESG frameworks, sustainability assessments such as EcoVadis, FTSE Russell).



10. Sustainable Procurement Policy

10.1 Commitment

The company is committed to integrating sustainability into all procurement decisions and supplier relationships. This commitment supports long-term business resilience, regulatory compliance, and stakeholder expectations.

Procurement activities shall actively promote:

- **Environmental protection** through responsible resource use and reduction of environmental impact
- **Social responsibility** by upholding human rights and fair labor practices across the supply chain
- **Ethical business practices** by ensuring integrity, transparency, and accountability

Sustainability considerations shall be embedded into supplier selection, evaluation, and performance management processes.

10.2 Environmental Responsibility

Suppliers are required to operate in an environmentally responsible manner and comply with all applicable environmental laws and regulations.

Supplier Requirements:

- Comply with all environmental laws, permits, and regulatory requirements
- Measure, manage, and reduce **greenhouse gas (GHG) emissions** where applicable
- Implement effective management of **waste, water, and energy consumption**
- Minimize environmental impact through pollution prevention and resource efficiency
- Promote the use of sustainable materials and environmentally friendly processes

Company Actions:

- Monitor and evaluate supplier environmental performance through assessments and KPIs
- Promote the sourcing of **eco-friendly, recyclable, or low-impact materials**
- Encourage suppliers to measure and reduce **carbon footprint (Scope 3 emissions)**



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- Support suppliers in improving environmental performance through collaboration and best practices

10.3 Social Responsibility

The company requires all suppliers to uphold internationally recognized human rights and labor standards.

Supplier Requirements:

- Strictly prohibit **child labor, forced labor, and any form of modern slavery**
- Ensure fair wages, working hours, and compliance with labor laws
- Provide a **safe and healthy working environment**, including occupational health and safety measures
- Respect human rights, dignity, and diversity; prohibit discrimination and harassment
- Allow freedom of association and collective bargaining in accordance with local laws

10.4 Ethical Governance

Suppliers shall conduct their business with integrity and in full compliance with ethical standards.

Supplier Requirements:

- Operate with honesty, transparency, and accountability
- Prohibit all forms of **corruption, bribery, and fraudulent practices**
- Maintain accurate records and transparent business practices
- Comply with all applicable laws and regulations, including anti-corruption corruption and anti-bribery laws

10.5 Supplier ESG Requirements

All suppliers must **acknowledge and comply with the company's Supplier Code of Conduct**

- ESG criteria (Environmental, Social, Governance) shall be integrated into:
 - Supplier selection
 - Supplier evaluation and scorecards
 - Contractual requirements



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- Suppliers may be required to:
 - Complete ESG self-assessments
 - Participate in **EcoVadis, FTSE Russell, or equivalent sustainability assessments**
 - Provide supporting documentation (policies, certifications, and reports)
- **High-risk suppliers** (based on country, category, or impact) may be subject to:
 - On-site or remote audits
 - Enhanced due diligence

10.6 Responsible Supply Chain

Suppliers are responsible for extending sustainability practices throughout their own supply chains.

Supplier Requirements:

- Cascade the company's ESG requirements to their **sub-suppliers and contractors**
- Establish processes to identify, assess, and manage ESG risks within their supply chain
- Ensure transparency and traceability where required

10.7 Conflict Minerals & Responsible Sourcing

The company is committed to responsible sourcing of raw materials.

Supplier Requirements:

- Avoid sourcing materials from **conflict-affected and high-risk areas** that contribute to human rights abuses or armed conflict
- Exercise due diligence on the origin of raw materials (e.g., tin, tungsten, tantalum, gold – 3TG)
- Provide **material origin transparency** and supporting documentation upon request
- Comply with applicable regulations related to conflict minerals

10.8 Monitoring & Continuous Improvement

- The company shall conduct regular **supplier ESG assessments**, using tools such as:
 - EcoVadis

- Internal audits or scorecards
- Suppliers with gaps or underperformance must:
 - Develop and implement **corrective action plans** within defined timelines
 - Demonstrate continuous improvement in ESG performance
- The company shall promote **supplier development programs**, including:
 - Training and awareness
 - Sharing best practices
 - Collaborative improvement initiatives

10.9 Whistleblowing and Grievance Mechanism

- The company shall provide accessible and confidential channels for reporting:
 - Unethical behavior
 - Human rights violations
 - Environmental, legal or compliance issues
- Reports may be submitted by employees, suppliers, or external stakeholders.
- The company ensures:
 - **Confidentiality and anonymity** where applicable
 - Protection against retaliation for whistleblowers
 - Timely investigation and appropriate corrective actions

11. Performance Monitoring

The company shall establish a structured performance monitoring system to evaluate supplier performance, ensure continuous improvement, and support data-driven decision-making.

Supplier performance shall be measured using defined **Key Performance Indicators (KPIs)** and reviewed periodically.



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11.1 Key Performance Indicators (KPIs)

Procurement shall track and monitor supplier performance across the following key dimensions:

11.1.1 On-Time Delivery (OTD)

- Measures the supplier's ability to deliver goods/services as per agreed schedule
- Calculated as the percentage of deliveries made on or before the confirmed delivery date
- OTD target is 100%, with any deviation requiring immediate communication, justification, and corrective action.
- Any delays must be promptly communicated and closely coordinated with the company's planning and purchasing teams, with root cause analysis and corrective actions implemented.
 - 4M Notification: Suppliers must promptly communicate any changes or issues related to 4M (Man, Machine, Method, Material) that may impact quality or delivery
 - 8D Requirement: Suppliers with poor performance are required to submit an 8D report, including root cause analysis and corrective actions, within the defined timeframe.

11.1.2 Quality Performance (PPM – Parts Per Million)

- Measures defect rate or non-conformance level of supplied products
- Includes incoming quality inspection results, rejection rates, and customer complaints (if applicable)
- PPM targets shall be defined in accordance with the company's predefined thresholds, based on product criticality.
- Suppliers must implement corrective actions for quality issues
 - Containment Support: Suppliers shall provide immediate containment support, including part replacement and/or on-site sorting, within 3 hours of notification of a quality issue.
 - 8D Report Submission: The initial 8D report shall be submitted within 2 working days of notification, and the final 8D report within 7 working days.

- **Claim Cost Responsibility:** Suppliers shall be responsible for all reasonable costs arising from quality issues, including sorting, rework, manpower, line downtime, and other associated expenses.

11.1.3 Cost Competitiveness

- Evaluates supplier pricing compared to market benchmarks and historical trends
- Includes:
 - Price competitiveness
 - Cost reduction contribution
 - Stability and transparency of pricing
- Suppliers are expected to support continuous cost improvement initiatives

11.1.4 ESG Performance (Environmental, Social, Governance)

- Assesses supplier sustainability and ethical practices
- May include:
 - ESG assessment scores (e.g., EcoVadis, FTSE Russell ratings)
 - Compliance with Supplier Code of Conduct
 - Environmental metrics (e.g., emissions, waste)
 - Social compliance (e.g., labor practices, safety)
- ESG performance shall be integrated into overall supplier evaluation and decision-making

11.2 Supplier Scorecard

- A standardized **Supplier Scorecard** shall be used to consolidate KPI performance
- KPIs may be weighted based on business priorities (e.g., QCD + ESG)
- Suppliers shall be rated i.e., Excellent(A), Acceptable(B), Need improvement(C), and Unacceptable(F)
- Scorecards shall be updated monthly

11.3 Periodic Business Reviews (PBR)

- Procurement shall conduct **Periodic Business Reviews (PBR)** with key suppliers at least annually
- Reviews shall cover:
 - KPI performance (OTD, Quality, Cost, ESG)
 - Key issues and root cause analysis
 - Corrective and preventive actions
 - Cost reduction and innovation opportunities
 - Risk and capacity outlook
- Strategic suppliers shall be engaged in more comprehensive reviews, including long-term planning and collaboration

11.4 Performance Management and Corrective Actions

- Suppliers failing to meet KPI targets must:
 - Submit corrective action plans within a defined timeline
 - Address root causes and prevent recurrence
- Persistent underperformance may result in:
 - Implementation of commercial measures in accordance with contractual terms (e.g., payment conditions)
 - For customer-designated suppliers, escalation to the customer with a request for review or replacement
 - Reduction in business allocation
 - Suspension or removal from Approved Vendor List (AVL)

11.5 Continuous Improvement and Supplier Development

- The company shall promote continuous improvement through:
 - Supplier development programs
 - Training and capability building
 - Sharing best practices and technical support



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- High-performing suppliers may be recognized as **preferred or strategic partners**

11.6 Reporting and Governance

- Supplier performance data shall be:
 - Regularly reported to management
 - Used for sourcing decisions and strategic planning
- Performance monitoring processes shall be subject to internal audit to ensure accuracy and effectiveness

12. Documentation and Audit

The company shall maintain accurate, complete, and traceable documentation for all procurement activities to ensure transparency, accountability, and audit readiness. Proper record management supports compliance with internal policies, legal requirements, and external assessments (e.g., EcoVadis, FTSE Russell).

12.1 Documentation Requirements

- All procurement transactions must be fully documented throughout the end-to-end process.
- Required records include, but are not limited to:
 - Purchase Requisitions (PR)
 - Requests for Quotation (RFQ)
 - Supplier quotations and proposals
 - Evaluation and bid comparison documents
 - Approval records (in line with DOA)
 - Contracts and agreements
 - Purchase Orders (PO)
 - Delivery and acceptance records
 - Invoices and payment records
 - Supplier performance evaluations and scorecards

- ESG assessments, certifications, and audit reports
- Documentation must be accurate, complete, and reflect actual transactions.

12.2 Record Retention and Control

- Procurement records shall be retained for a defined period in accordance with the company's **document retention policy** and applicable legal requirements.
- Records must be:
 - Securely stored (physical or electronic systems such as ERP)
 - Protected against unauthorized access, loss, or damage
 - Easily retrievable for review, audit, or regulatory purposes
- Version control shall be maintained for key documents (e.g., contracts, policies) to ensure document integrity and traceability.

12.3 Traceability and Transparency

- All procurement activities must be **fully traceable**, from initial request to final payment.
- Each transaction shall have a clear audit trail, including:
 - Who initiated, reviewed, and approved the transaction
 - Supporting documents and justification
 - Changes, deviations, or exceptions (if any)
- Systems (e.g., ERP) should be used where possible to ensure data integrity and traceability.

12.4 Audit Readiness

- Procurement processes and records must be maintained in a state of **continuous audit readiness**.
- The company shall support:
 - **Internal audits** (e.g., compliance, process effectiveness)
 - **External audits** (e.g., customers, certification bodies)
 - **Sustainability assessments** (e.g., EcoVadis, FTSE Russell)

- Required documents must be readily available and organized to demonstrate:
 - Policy implementation
 - Process compliance
 - Performance monitoring (QCD + ESG)

12.5 Audit and Compliance Reviews

- Regular audits shall be conducted to:
 - Verify compliance with procurement policies and procedures, and applicable laws and regulations
 - Identify gaps, risks, or non-conformities
 - Evaluate effectiveness of internal controls
- Audit findings must be:
 - Documented and communicated to relevant stakeholders
 - Addressed through corrective and preventive actions (CAPA) with assigned responsibility and defined timelines
 - Tracked until closure

12.6 Continuous Improvement

- Lessons learned from audits shall be used to improve procurement processes and controls.
- Policies and procedures shall be periodically reviewed and updated to reflect:
 - Regulatory changes
 - Business needs
 - Best practices and audit feedback

12.7 EcoVadis-Specific Requirements (Key for Scoring)

To support EcoVadis assessment, the company shall ensure:

- Availability of documented policies (Procurement, ESG, Code of Conduct)
- Evidence of **implementation**, such as:

- Supplier evaluations and ESG scorecards
- Audit reports and corrective actions
- Training records and communication with suppliers
- Demonstration of **measurable outcomes**, such as:
 - KPI tracking (OTD, PPM, ESG)
 - Supplier improvement programs
 - Risk management documentation

13. Governance and Responsibility

The company shall establish clear roles, responsibilities, and governance structures to ensure effective control, accountability, and compliance in all procurement activities. All stakeholders involved in the procurement process must understand and fulfill their respective responsibilities.

13.1 Roles and Responsibilities

13.1.1 Procurement Function

The Procurement function is responsible for managing sourcing activities and supplier relationships in alignment with company policies and objectives.

Key responsibilities include:

- Lead supplier sourcing, selection, and negotiation processes
- Manage and maintain the Approved Vendor List (AVL)
- Conduct supplier evaluation and performance monitoring (QCD + ESG)
- Ensure compliance with procurement policies, procedures, applicable law and regulations, and ethical standards
- Drive cost optimization, risk management, and sustainability initiatives
- Manage contracts and ensure proper documentation and record keeping

13.1.2 User Department (Requesting Function)

The User Department is responsible for defining business needs and ensuring that requirements are clearly specified.



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Key responsibilities include:

- Define technical specifications, scope of work, and quality requirements
- Initiate Purchase Requisitions (PR) with complete and accurate information
- Confirm budget availability (in coordination with Finance where applicable)
- Participate in technical evaluation of suppliers when required
- Verify delivery, acceptance, and performance of goods/services

13.1.3 Finance Function

The Finance function is responsible for financial governance, budget control, and payment processes.

Key responsibilities include:

- Review and validate budget availability and financial approvals
- Ensure compliance with financial controls and accounting standards
- Process supplier payments in accordance with agreed terms and conditions
- Monitor procurement spending and support cost control initiatives
- Support audits and financial reporting related to procurement activities

13.2 Segregation of Duties (SoD)

The company shall enforce strict **Segregation of Duties (SoD)** to prevent conflicts of interest, reduce the risk of fraud, and ensure strong internal controls.

- Key procurement activities must be **separated among different individuals or functions**, including:
 - Request initiation (PR creation)
 - Supplier selection and negotiation
 - Approval of procurement decisions
 - Receipt and verification of goods/services
 - Invoice processing and payment
- No individual shall have end-to-end control over a procurement transaction.
- Approval authority must follow the defined **Delegation of Authority (DOA)** matrix.



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- Any exceptions to SoD requirements must be:
 - Clearly justified
 - Documented
 - Approved by authorized management

13.3 Governance and Oversight

- Procurement activities shall be governed through defined policies, procedures, and internal controls in compliance with applicable laws and regulations.
- Management shall regularly review procurement performance, risks, and compliance status, and ensure appropriate actions are taken where necessary.
- Cross-functional collaboration (Procurement, User, Finance, Quality, Sustainability) shall be established and maintained, with clearly defined roles and responsibilities, to ensure effective and accountable decision-making.

13.4 Training and Awareness

- Employees involved in procurement activities shall receive appropriate training on:
 - Procurement policies and procedures
 - Ethical standards and compliance requirements
 - ESG and sustainable procurement practices
- Regular communication and awareness programs shall be conducted to ensure understanding and adherence to governance requirements.

13.5 Accountability and Enforcement

- All employees are accountable for complying with this policy and all applicable laws and regulations.
- Non-compliance may result in disciplinary action in accordance with company rules and applicable law.
- Violations related to ethics, fraud, or corruption shall be subject to strict investigation and corrective measures.

14. Continuous Improvement

The company is committed to continuously enhancing procurement performance, supplier capability, and overall value creation. Continuous improvement shall be embedded in all procurement activities to drive efficiency, competitiveness, innovation, and sustainability.

14.1 Cost Saving and Value Improvement Initiatives

Procurement shall proactively drive cost optimization while maintaining quality and supply reliability.

Key actions include:

- Identify and implement **cost reduction opportunities** such as value engineering, specification optimization, and demand consolidation
- Apply cost analysis tools (e.g., should-cost models, benchmarking, market intelligence)
- Conduct regular **price reviews and negotiations** with suppliers
- Track and report cost savings and cost avoidance systematically
- Collaborate with internal stakeholders to reduce total cost of ownership (TCO), not only purchase price

14.2 Strategic Supplier Development

The company shall develop long-term partnerships with key suppliers to enhance performance and mutual growth.

Key actions include:

- Identify and classify **strategic / critical suppliers** based on business impact
- Establish **supplier development programs**, including training, technical support, and capability building
- Set joint performance targets (QCD + ESG) and improvement roadmaps
- Conduct regular business reviews and performance feedback sessions
- Encourage suppliers to improve operational efficiency, quality systems, and sustainability practices

14.3 Innovation and Collaboration

Procurement shall promote innovation by engaging suppliers as partners in value creation.

Key actions include:

- Encourage suppliers to propose **new technologies, materials, and process improvements**
- Collaborate with suppliers on **product development and design optimization**
- Support innovation that improves cost efficiency, quality, and lead time
- Establish channels for capturing and evaluating supplier innovation ideas

14.4 Sustainability and ESG Improvement

Continuous improvement shall include environmental, social, and governance (ESG) performance across the supply chain.

Key actions include:

- Promote **sustainable sourcing practices** and use of environmentally friendly materials
- Support suppliers in reducing **carbon emissions (Scope 3), waste, and resource consumption**
- Encourage suppliers to participate in ESG assessments (e.g., EcoVadis, FTSE Russell) and improve their ratings
- Integrate ESG targets into supplier development plans
- Monitor and report on sustainability performance improvements

14.5 Performance Monitoring and Feedback Loop

- Use supplier performance data (OTD, Quality, Cost, ESG) to identify improvement opportunities
- Implement **corrective and preventive actions (CAPA)** based on performance gaps
- Share performance feedback with suppliers and internal stakeholders
- Recognize and reward high-performing suppliers

14.6 Digitalization and Process Improvement

- Continuously improve procurement processes through **digital tools and automation** (e.g., ERP, e-procurement systems)
- Enhance data accuracy, transparency, and efficiency in procurement operations

- Reduce manual work and cycle time through process optimization

14.7 Governance and Review

- Continuous improvement initiatives shall be:
 - Monitored and reviewed regularly by management
 - Aligned with company strategy and business objectives
- Progress shall be tracked using measurable KPIs such as:
 - Cost savings (%)
 - Supplier performance improvement
 - ESG score improvement
 - Innovation contributions

15. Reporting Channels for reporting tips or complaints

In the event that business partners or stakeholders observe any actions that may violate or fail to comply with laws, regulations, rules, Purchase and Sustainable Procurement Policy, Supplier Code of Conduct, or other policies of AAPICO Hitech Public Company Limited, reports or complaints can be submitted through the designated channels set by the company. The Company has implemented measures to protect whistleblowers and to maintain the confidentiality of the information in accordance with the company's policies.

<u>Postal mail</u>	<u>Email</u>
Chairman of the Audit Committee AAPICO Hitech Public Company Limited Unit No. 100/11, 9th Floor (Low Zone), Sathorn Nakhon Tower Building, North Sathorn Road, Silom Subdistrict, Bangrak District, Bangkok 10500 Telephone number: +66 2 613 1504	Chairman of the Audit Committee AAPICO Hitech Public Company Limited AC@aapico.com



Purchasing and Sustainable Procurement Policy

The Purchasing and Sustainable Procurement Policy has been reviewed and approved on April 27, 2026.

Prepared by:

Purchasing Director

A handwritten signature in blue ink, appearing to read 'Xin Rhu', written over a horizontal line.

Ms. Yeap Xin Rhu

Reviewed by:

Senior Corporate Legal

A handwritten signature in blue ink, appearing to read 'WEERAWAN', written over a horizontal line.

Ms. Weerawan Ampornrat

Approved by:

President and CEO

A handwritten signature in blue ink, appearing to read 'Yeap Swee Chuan', written over a horizontal line.

Mr. Yeap Swee Chuan



AAPICO HITECH PUBLIC CO.,LTD.



Please sign and acknowledge by scanning the QR code of the link below.



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