

SUPPLIER ASSESSMENT IN RESPONSIBLE SOURCING



Objective

This paper is to outline the approach at NS BlueScope Vietnam (NSBSV) on Responsible Sourcing (RS) in the Supplier Assessment

How NSBSV approach to Responsible Sourcing (RS)

- 1) NSBSV is following BlueScope's approach as below:
 - a. BlueScope focuses on promoting responsible business practices and upholding human rights by engaging with suppliers and implementing improvement activities. We actively seek partnerships with suppliers who share the core values expressed in **Our Bond** and adhere to the principles outlined in our **Supplier Code of Conduct**.
 - b. We approach to responsible sourcing addresses five guiding pillars: **Business Ethics, Labour and Human Rights, Health and Safety, Environment, and Community**.
- 2) What we expect our suppliers to
 - a. Commit to our **Supplier Code of Conduct**
 - b. Develop and implement a **responsible sourcing program of your own** to increase awareness and manage risks within our shared value chain
 - c. Implement a **Grievance Mechanism** for all workers and share the BlueScope Speak Up details with relevant team members.
 - d. Provide information as required and complete an **EcoVadis assessment** or undertake a 3rd party audit if requested
 - e. Take **corrective actions** where responsible sourcing and business risks are identified
 - f. Focus on **responsible sourcing continuous improvement**.

Policy and Procedure

- 3) BlueScope is implementing and uphold Responsible Sourcing policy that aligns with BlueScope's Code of Conduct.

We have a four-step process to understand risk and drive improvement:

- **Prioritise** – we prioritise our ESG-focused supplier engagements based on risk and where we believe our experience will be valued and have meaningful impact
- **Engage** – we engage with suppliers to explain ESG risk and ensure they understand our expectations
- **Assess** – we have a structured assessment framework with independent assessments
- **Improve** – we actively engage with our suppliers on corrective action and improvement plans

We use Ecovadis IQ Plus to provide a tailored and robust risk classification of our supply base. Using IQ Plus, we were able to increase our view of our ESG risks across our supply chain.

4) Suppliers' evaluation and re-assessment

- (i) We conduct a due diligence check against risk alerts from a creditable & reputable data source. It is expecting supplier acknowledgement to "BlueScope Supplier Code of Conduct".
- (ii) We allocate at least 15% weighting score for Responsible Sourcing element in the Decision Analysis.
- (iii) The criteria & weighting may be adjustable up to a scale of work and specific category i.e based on criticality and industrial risks, with impact assessment further to **Land, Air, Water, Waste, Noise, Energy, Emission, Sustainability ("LAWWNE resources")**.

5) **Supplier Audit:** there are four levels of audit & communication

- a. **Desktop audit** – central team investigates suppliers using creditable & reputable data sources. Used primarily for new suppliers.
- b. **SAQ** – self-assessment questionnaire completed by supplier and reviewed by the local procurement teams with support from regional team.
- c. **EcoVadis** – comprehensive online assessment focused on Ethics, Health & Safety, Environment, Labour & Human Rights and Sustainable Procurement.
- d. **3rd party onsite audit** – a physical audit conducted on-site. This is the highest level of reinforcement which provides an accurate view of the implementation of policies and procedures. This is the most effective method at identifying risks and issues and it is used when an escalation review following risks identified in early assessments and/or for very high-risk suppliers.

The audit can be retaken after 6-12 months to provide the supplier with an opportunity to deliver corrective action or improvement plan.

6) **Audit and re-assessment frequency be undertaken based on the level of risks identified.**

Audit and re-audit frequency, subject to the level of risks identified, which are

- Transport and Onsite Contractor, Raw Material supplier: half-yearly
- Other goods and services suppliers: yearly

In any case, it is minimum to conduct once a year through supplier annual review.

7) **Escalation and Termination**

We do not tolerate suppliers that refuse to acknowledge, address and mitigate against future critical breaches of our Supplier Code of Conduct. Ongoing non-compliance with our principles and expectations may lead BlueScope to terminate the business relationship. However, it is important to note that we do not walk away from suppliers facing genuine difficulties in achieving compliance.

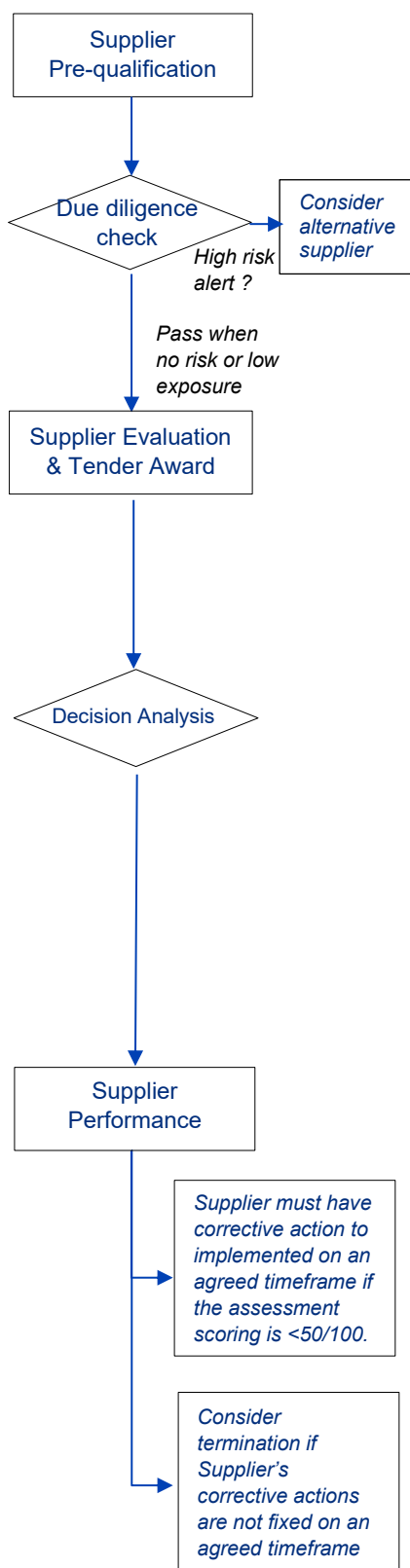
- **Escalation Procedures:** If the supplier fails to make the necessary improvements, escalate the issue internally and consider involving higher management or external stakeholders.
- **Consider Termination:** If the supplier remains non-compliant despite multiple attempts to improve, it may be necessary to consider ending the relationship. This should be done in a way that minimizes disruption to your supply chain and adheres to contractual obligations.

Modern Slavery

8) We assess and uphold our expectation with suppliers regarding Modern Slavery (*Forced labour, Child labour, Human Trafficking, Debt Bondage, Forced Marriage, Slavery-like practices*) via 4 layers:

- a. **Communicate to suppliers** thru onboarding process and HSE pre-evaluation applying to onsite contractors
- b. Reinforce social compliance **clauses in procurement contracts**
- c. Monitor throughout focused audit suppliers with **interview workers directly and regularly**
- d. **Re-assessment supplier** performance periodically

ANNEXURE 1 – NEW SUPPLIER EVALUATION PROCESS



Supplier Pre-qualification					
#	Criteria	Transport & Onsite Contractor	Raw Material	Goods & Services offsite	Resources
I	Sustainability				
	Business Ethics (*)	Must have			Due diligence checks with source from creditable and reputable data source
II	Supply Capability	100%	100%	100%	Varies based on technical capability. Pre-HSE evaluation to onsite contractor

*A guideline should be in place to provide the solution for any business ethics findings.

Supplier Evaluation & Tender Award (Decision Analysis)					
#	Criteria	Transport & Onsite Contractor	Raw Material	Goods & Services offsite	
I	Sustainability	25%	20%	15%	
1	Safety, Health, Environment Impact	10%	5%	5%	
2	Value chain's responsibility** (manufacturer, transport, sub-contractor)	5%	10%	5%	
3	Human & Labour rights	10%	5%	5%	
4	Supplier Diversity (local, minority, woman owner, etc)	Special criteria (to be decided case by case)			
II	Technical, Quality & Services Capability	75%	80%	85%	
III	Commercial Tender (competitive price, payment, etc)				

**Impact assessment to LAWWNE resources (Land, Air, Water, Waste, Noise, Emission) in that supplier's entire value chain.

*** A supplier, with the highest score, however containing a zero scoring for any criteria, only can be awarded if that supplier commits to have an improvement plan in place for that missed item.

Supplier Performance Re-assessment					
#	Criteria	Transport and Onsite Contractor	Raw Material	Goods & Services offsite	Resources
I	Sustainability	60%	50%	40%	
1	Safety, Health, Environment Impact	20%	20%	10%	Lagging KPI
2	Business Ethics	10%	10%	10%	Lagging KPI
3	Social compliance in labour management (Modern Slavery)	20%	10%	10%	Onsite/offsite audit
4	Good Practice implement in ESG	10%	10%	10%	
II	Quality & Services performance	40%	50%	60%	
III	Cost reduction initiatives				

Assessment Frequency	Half-yearly	Half-yearly	Yearly	
<50/100 scoring result	The supplier must have corrective actions plan to be implemented on an agreed timeframe with NSBSV.			
Termination	The supplier fails to commit or act based on the corrective actions on an agreed timeframe			