

Internal Carbon Pricing

Siam Global House Public Company Limited (“the Company”) recognizes the challenges and risks associated with climate change, which may directly impact its retail and wholesale operations for construction materials and home decoration products, distribution center (DC) management, logistics systems, energy costs, and the broader supply chain for products and services.

As a leading home improvement retail business with an extensive network of branches and distribution centers across the country, the Company prioritizes energy management, greenhouse gas (GHG) emissions reduction, and operational efficiency improvements. These efforts aim to strengthen business resilience, enhance competitiveness, and support the transition toward a low-carbon economy.

The Company has therefore adopted Internal Carbon Pricing (ICP) as a strategic and financial tool to reflect environmental costs in business decision-making, capital investment, risk management, and overall sustainable growth strategies.

1. Strategic Objectives

1.1 Drive Low-Carbon Investments & Decision-Making

The Company applies internal carbon pricing as an evaluation criterion to assess the cost-benefit and economic viability of investment projects aimed at reducing energy consumption and GHG emissions.

Key initiatives include:

- Installing rooftop solar photovoltaic (Solar Rooftop) systems across retail branches and distribution centers.
- Upgrading HVAC (Heating, Ventilation, and Air Conditioning) systems and electrical equipment to high energy-efficiency standards.
- Implementing Energy Management Systems (EMS) in stores and warehouses.
- Deploying electric forklifts (EV Forklifts), energy-efficient warehouse equipment, and alternative-fuel vehicles.
- Evaluating high-efficiency delivery trucks or electric vehicles (EVs) for suitable logistics routes.

Incorporating a carbon price into financial calculations enables the Company to clearly quantify the economic value of GHG reductions, thereby driving low-carbon investments and allocating capital toward projects that generate long-term value.

1.2 Drive Energy Efficiency in Operations

The Company's core operations involve continuous energy and resource consumption, particularly across retail branches, distribution centers, and transportation fleets. ICP is utilized to incentivize consideration of climate-related issues in decision-making and drive energy efficiency across operational units through measures such as:

- Reducing electricity consumption in sales areas, warehouses, back-offices, and support zones.
- Optimizing operating schedules for lighting and air-conditioning systems.
- Enhancing goods storage and material handling efficiency within distribution centers.
- Optimizing logistics route planning to minimize redundant mileage.
- Consolidating shipments and optimizing truck load factors.
- Cutting fuel consumption from corporate fleets and warehouse equipment.

These operational practices directly reduce energy overheads, lower emissions, and optimize overall operational productivity.

1.3 Support Eco-Friendly Products and Services

As a distributor of building materials and home decorative items, the Company plays a pivotal role in enabling consumers to access environmentally friendly products. This includes energy-saving appliances, water-conserving sanitaryware, eco-friendly building materials, durable long-life products, and items that are repairable, reusable, or recyclable.

ICP helps the Company quantify the positive value of promoting these sustainable product lines, while enabling clearer communication with customers, suppliers, and stakeholders to encourage responsible consumption and eco-friendly construction practices effectively helping to identify and seize low-carbon opportunities.

1.4 Evaluate Social and Environmental Value

The Company utilizes ICP to conduct cost-benefit analysis on environmental and social initiatives by converting avoided or sequestered GHG emissions into measurable monetary value, such as:

- Waste reduction and recycling initiatives at retail stores and distribution centers.
- Sustainable packaging management programs.

This valuation quantifies environmental impacts in concrete financial terms, aligning business success with shared value creation for society and the environment.

1.5 Climate-Related Risk Assessment & Regulatory Readiness

The Company leverages ICP to incentivize consideration of climate-related issues in risk assessment and navigate regulations, evaluating potential financial impacts from emerging climate policies and regulatory frameworks, including:

- Potential carbon taxes or cap-and-trade mechanisms.
- Stricter regulatory compliance on GHG emissions.
- Escalating energy market costs.
- Supply chain environmental standards imposed by business partners.
- Heightened climate-related disclosure expectations from investors, customers, and regulatory bodies.

Although the retail and distribution sector is not a direct heavy industrial emitter, Siam Global House is exposed to indirect carbon liability via energy consumption in stores/DCs, logistics fleets, and upstream manufacturing of energy-intensive building products (e.g., steel, cement, tiles, paints). Proactively pricing carbon allows the Company to mitigate regulatory risks and stay ahead of shifting market demands.

1.6 Setting and Achieving Climate Targets

ICP serves as an operational enabler to influence strategy and financial planning, ensuring that climate risk is embedded into long-term corporate roadmaps. It directly supports the setting and achieving of climate-related policies and targets, including Net-Zero goals, by providing a systematic, trackable framework for decarbonizing direct operational emissions (electricity, fuel, transport, and facility management).

2. Type and Scope of Internal Carbon Pricing Mechanism

2.1 Pricing Instrument

The Company has selected a Shadow Price model an imputed, proxy cost of carbon integrated into financial appraisals and capital budget planning without involving actual internal cash transfers between business units.

A shadow price is ideal for the Company's initial implementation phase as it systematically accounts for carbon risks in capital allocation without creating immediate accounting overheads, while building the data foundation needed to transition to advanced pricing mechanisms in the future.

2.2 Shadow Price Benchmark Rate

The Company has established an initial benchmark Shadow Price of THB 200 per metric ton of CO₂ equivalent (THB 200/tCO₂e).

This rate is benchmarked against prevailing market prices in Thailand's voluntary carbon market such as the Thailand Voluntary Emission Reduction Program (T-VER) alongside domestic policy trends and global carbon price trajectories. The benchmark rate will be reviewed periodically to mirror shifts in economic context, energy prices, regulations, and carbon market dynamics.

3. Greenhouse Gas (GHG) Accounting Boundaries

- **Scope 1 (Direct Emissions):** Direct GHG emissions from owned or controlled operations, including fuel consumption from company delivery fleets and trucks, warehouse equipment (e.g., forklifts), backup diesel generators, and fugitive refrigerant leaks from HVAC units across stores, offices, and distribution centers.
- **Scope 2 (Indirect Emissions from Purchased Energy):** Indirect GHG emissions from purchased electricity consumed across retail branches, distribution centers, corporate headquarters, sales floors, lighting, HVAC, IT infrastructure, and material handling systems. This represents the most material emission category for retail operations.
- **Scope 3 (Value Chain Emissions):** Other indirect emissions along the value chain, currently being expanded for data accounting. Key operational categories include embodied carbon in sold products (steel, cement, tiles, paints, sanitaryware), supplier-to-DC and DC-to-customer logistics, employee commuting and business travel, operational waste disposal, and product end-of-life handling.

4. Strategic Integration and Implementation

The Company embeds internal carbon pricing into core commercial and operational decision-making frameworks:

4.1 Capital Expenditure (CapEx) Evaluation: Factoring carbon avoidance value into ROI analyses for renewable energy (Solar Rooftop), HVAC overhauls, and EV Forklift adoption.

4.2 Energy & Environmental Budgeting: Prioritizing facility energy-efficiency upgrades based on carbon-adjusted return metrics.

4.3 Store Design & Refurbishment: Incentivizing energy-efficient architecture (natural lighting, passive cooling, LED infrastructure) in new store developments and retrofits.

4.4 Logistics Optimization: Evaluating route consolidation, backhaul optimization, and low-emission fleet transitions based on avoided carbon costs.

4.5 Sustainable Procurement & Supplier Engagement: Integrating carbon metrics into procurement standards to encourage supplier decarbonization.

5. Expected Business Value and Outcomes

5.1 Enhanced Long-Term Competitiveness: Mitigates energy cost volatility and regulatory exposure while preparing the business for low-carbon market shifts.

5.2 Direct Emission Reductions: Provides tangible incentives for store networks and logistics teams to cut power, fuel, and resource consumption.

5.3 Transparent ESG Reporting: Strengthens corporate disclosures under global reporting standards (S&P Global CSA, FTSE Russell, TCFD/ISSB framework).

5.4 Corporate Sustainability Culture: Instills carbon awareness across operational teams, motivating bottom-up energy efficiency and waste reduction ideas.

5.5 Shared Value Creation: Empowers customers and supply chain partners to access eco-labeled, energy-efficient building materials and sustainable supply chain options.