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Title: Inventory Obsolescence Provision/ NRV Adjustment	Finance	

Introduction:

Finance department has responsibilities to govern to create standardized processes, clear roles, and responsibilities related to the management of financial activities within the organization.

This work procedure document is designed and targeted for officers within and outside Corporate Finance department (or its equivalent in subsidiary entities) to be guiding procedures for the specified financial and accounting processes in the Objective section.

Adherence to the activities and steps are crucial and mandatory to all targeted stakeholders to ensure consistent and transparent financial practice, clear accountabilities, regulatory compliance, and alignment with the company's financial policies used in conjunction with this work procedure.

Objective:

To establish the guideline procedures for 'Inventory Obsolescence Provision/ NRV Adjustment process', ensuring that inventory that has indicator of becoming obsolete are accounted for correctly by writing-off or writing-down to their net realizable value

Scope:

This work procedure shall be adopted by Banpu Public Company Limited and subsidiaries, whose Finance and Accounting operations are handled by Corporate Finance department in Thailand, and shall be effective until announced otherwise.

Definitions:

Key terminology used in this procedure includes the following:

- Obsolete inventory
- Net realizable value

For definitions of each terminology, refer to the Appendix 1: Definitions [File Name: SOP Appendix 1 Definitions].

References:

For inventory obsolescence provision approval:

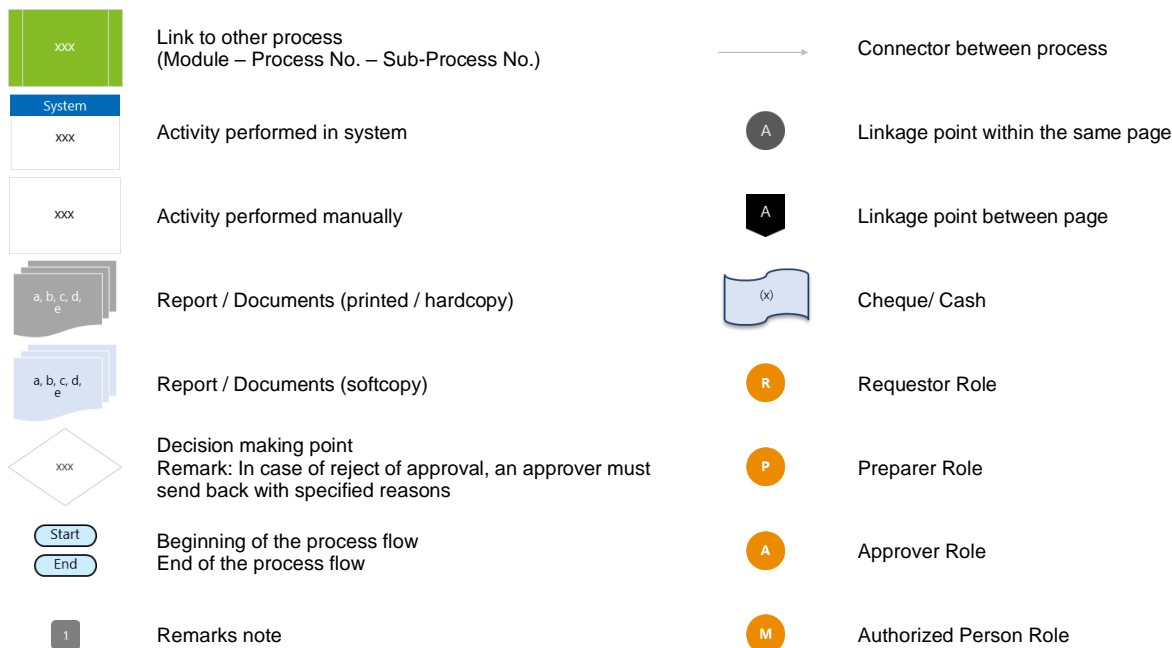
- DOA

For DOA, refer to the Appendix 2 : References [File Name: SOP Appendix 2 References].

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Flowchart:

Process Flowchart Legends



Abbreviations and Definitions

Abbreviation	Definition
AP	Accounts Payable
AR	Accounts Receivable
FA	Fixed Asset Accounting
GL	General Ledger
I&C	Inventory & Costing
TR	Treasury Operations
MA	Managerial Reporting and Budgeting
D&I	Digital and Innovation
MS&L	Marketing, Sales & Logistics

Abbreviation	Definition
ERP	Enterprise Resource Planning system
ECM	Enterprise Content Management system
ACCP	Accounting Portal system
VAT	Value Added Tax
WHT	Withholding Tax
SBT	Specific Business Tax
CIT	Corporate Income Tax

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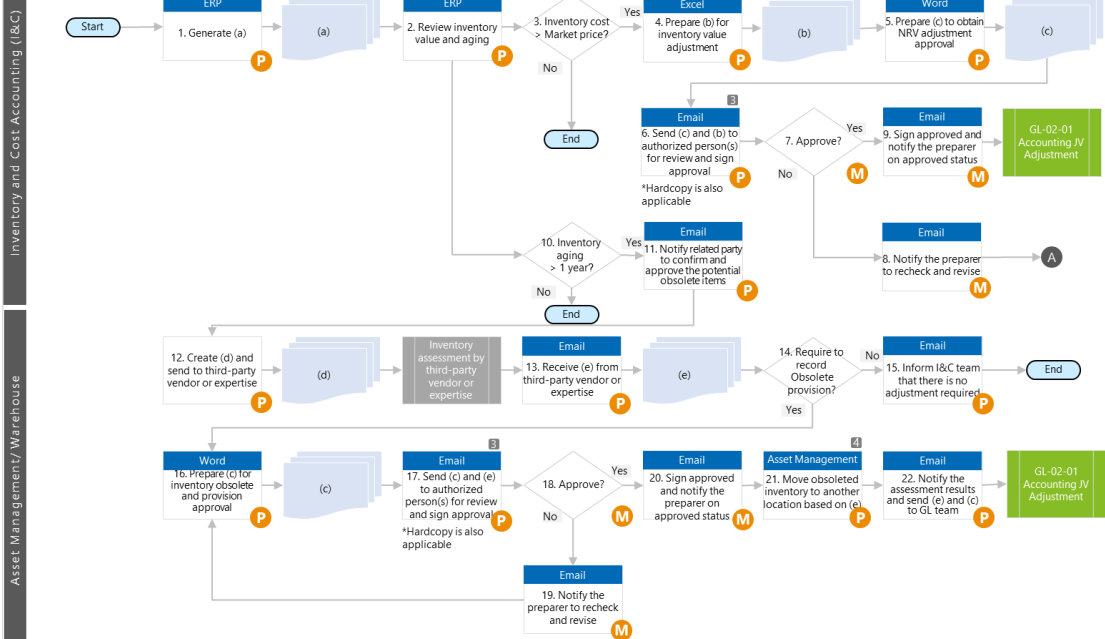
Process Group	Inventory and Cost Accounting/ Cost Controlling (INV)
Main Process	INV-03 Period End Closing
Sub Process	INV-03-01 Inventory Obsolescence Provision/ NRV Adjustment

Relevant Document(s)

- Inventory Aging Balance Report by item
- Inventory Value Adjustment Worksheet
- Inventory Obsolescence/ NRV Adjustment Memo
- Request Form for Inventory Obsolescence Assessment
- Inventory Assessment Report

Remark(s)

- The Inventory and Cost Accounting team reviews the value and age of inventory items. If they meet the criteria outlined in the inventory obsolescence policy, the I&C team shall summarize a list of items and notify related parties, such as the warehouse and AM.
- Details to inform AM/ Warehouse include:
 - Item codes (as current item code will imply series and location)
- Authorized person(s) will be designated as per the company's policy, such as Designation of Approval (DoA).
- If the inventory is recorded in the Asset Management system, the AM team must adjust the inventory value in the system before submitting it to the I&C team.



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Detail of Procedure: INV-03-01

1. I&C preparer generates Inventory balance Report by item from ERP.
2. I&C preparer reviews the inventory value and inventory aging in the report generated in step #1 to prescreen from two perspectives.
Note: The I&C team reviews the value and age of inventory items. If they meet the criteria outlined in the inventory obsolescence policy, the I&C team shall summarize a list of items and notify related parties, such as the warehouse and Asset Management.

From NRV perspective (Step #3 to 9)

3. I&C preparer considers whether inventory cost is greater than the market price:
 - a. If the inventory value is greater than the market price, proceed to step #4.
 - b. If the inventory value is not greater than the market price, end of the work procedure.
4. I&C preparer prepares Inventory Value Adjustment Worksheet in Excel.
Note: Details to inform Asset Management/ Warehouse include.
 - a. Item codes (as current item code will imply series and location)
5. I&C preparer prepares 'Inventory Obsolescence/ NRV Provision Memo' to obtain NRV adjustment approval.
6. I&C preparer sends 'Inventory Obsolescence/ NRV Adjustment Memo' and 'Inventory Value Adjustment Worksheet' to authorized person via email or prints in hardcopy for sign approval.
Note: Authorized person(s) will be designated as per the company's policy, such as Designation of Approval (DoA).
7. Authorized person(s) considers whether to approve.
 - a. If approved, proceed to step #9.
 - b. If not approved, proceed to step #8
8. Authorized person(s) notifies the preparer to recheck and revise, then proceed back to step #4.
9. Authorized person(s) sign approved and notify the preparer of the approved status (or handover the sign approved hardcopy document), then proceed to work procedure 'GL-02-01 Accounting JV Adjustment'.

From Obsolescence perspective (Step #10 -22)

10. I&C preparer considers whether inventory aging exceeds 1 year:
 - a. If inventory aging exceeds 1 year, proceed to step #11.
 - b. If inventory aging does not exceed 1 year, end of the work procedure.
11. I&C preparer notifies related party to confirm and approve the potential obsolete item.
12. After receiving the email from I&C team, Asset Management/ Warehouse preparer creates a 'Request Form for Inventory Obsolescence Assessment' and sends to third-party vendor/ expert to assess the inventory that pass through the pre-screen criteria by the I&C team.
13. After the assessment by the third party, Asset Management/ Warehouse preparer receives 'Inventory Assessment Report' from the third-party vendor/ expert via email.
14. Asset Management/ Warehouse preparer considers whether the inventory requires to record obsolete provision:
 - a. If required, proceed to step #16.
 - b. If not required, proceed to step #15.
15. Asset Management/ Warehouse preparer informs the I&C team that no adjustment is required, then end the work procedure.
16. Asset Management/ Warehouse preparer prepares 'Inventory Obsolescence/ NRV Adjustment Memo' in Word to request for authorized person(s) approval.

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17. Asset Management/ Warehouse preparer sends the memo and Inventory Assessment Report to the authorized person(s) via email or print their hardcopy for review and sign approval.
Note: Authorized person(s) will be designated as per the company's policy, such as Designation of Approval (DoA).
18. Authorized person(s) review and consider whether to approve:
 - a. If approved, proceed to step #20.
 - b. If not approved, proceed to step #19.
19. Authorized person(s) notifies the preparer to recheck and revise any errors or points requiring further investigation via email. Then proceed back to step #16.
20. Authorized person(s) sign approved and notifies the preparer of the approved status via email (or handover the sign approved hardcopy document).
21. Asset Management/ Warehouse preparer moves the obsolete inventory to another location based on the Inventory Assessment Report.
Note: If the inventory is recorded in the Asset Management system, the Asset Management team must adjust the inventory value in the system before submitting it to the I&C team.
22. Asset Management/ Warehouse preparer notifies the assessment results and attaches the Inventory Assessment Report and the approved memo to GL team via email. Then proceed to work procedure GL-02-01 Accounting JV Adjustment.