



AOT Supply Chain Management

2019

Airports of Thailand PCL

Supply Chain Management of AOT



- Efficient **Supply Chain Management** is vital for business continuity, risk controlling, and cost saving. Furthermore, when managed properly, it also could expand the opportunities of societal sustainable development at large.
- Apart from **economic perspective of supply chain management** (e.g. quality, capability, reliability, and standards), AOT also values **good corporate governance, employment and respect of human rights** as well as **environmental and pollution management**.
- AOT categorizes its suppliers according to the impacts of business activity on the environment and society into **10 groups** as follows.

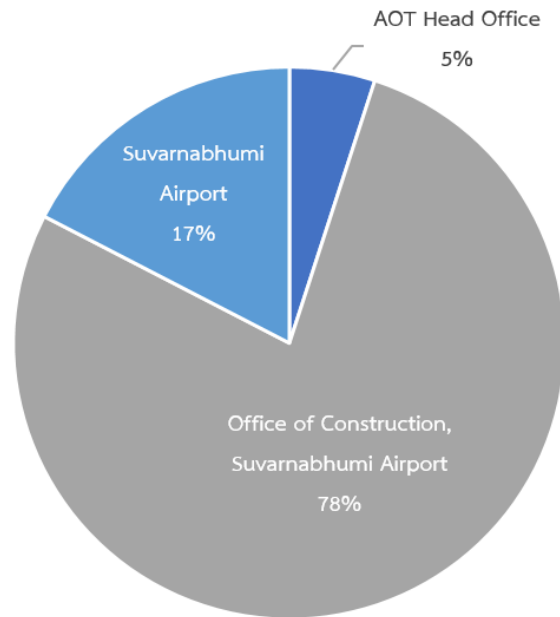
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|--|---|
| 1) Construction contractors | 6) Capital equipment |
| 2) IT installation and operation service providers | 7) Chemicals and consumables goods |
| 3) Maintenance, ground handling, landscape and logistical services | 8) Fixed equipment and IT equipment rental services |
| 4) Airport security and customer services | 9) Vehicle rental services |
| 5) Consultant, organizer and office work | 10) Other equipment rental services. |

- AOT conducted a **Spend Analysis, Critical Supplier Analysis, and Supplier ESG Risk Assessment** in order to prioritize the supply chain management and to ensure sustainable operation throughout the supply chain.

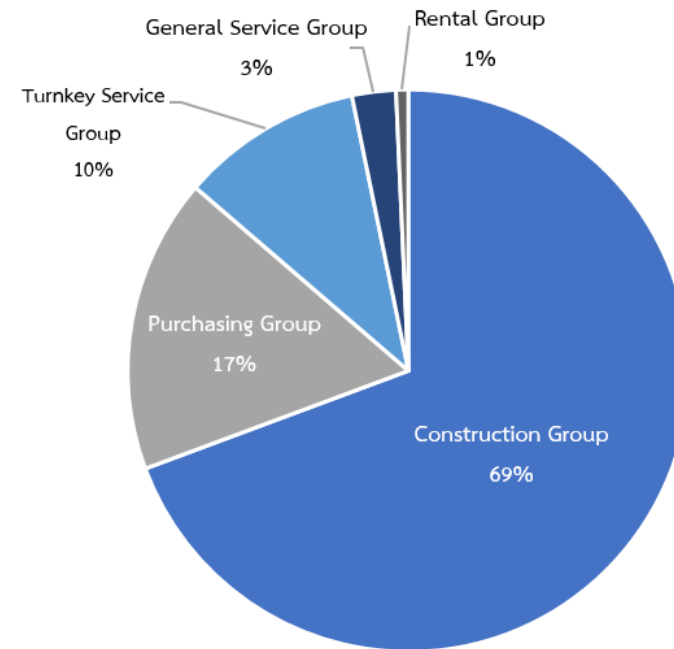
AOT Supplier Spend Analysis



Annual Procurement Spending
by Location



Annual Procurement Spending
by Contract Group



Note: Scope of analysis includes AOT Head Office, Suvarnabhumi Airport and Office of Construction of Suvarnabhumi Airport.

Total Annual Procurement Spending presented is based on value of active contracts during FY2018. The contract value is normalized on annual basis.

AOT's Critical Supplier Analysis Criteria



AOT identified critical suppliers using 3 main criteria; High Spending Suppliers, Critical Component Suppliers and Non-Substitutable Suppliers. These reflect suppliers who are critically important for AOT's operation, thus deserved to be managed closely.

High Spending Suppliers

- Office of Construction, Suvarnabhumi Airport (Cons.):
Supplier with spending more than 1,000 Million THB annually.
- Suvarnabhumi Airport (BKK) and Head Office:
Supplier with spending more than 30 Million THB annually.

Critical Component Suppliers

- Suppliers that fall under these following categories
 - Contractor of airport infrastructure projects
 - Consultant of airport infrastructure projects
 - Contractor of airport security system
 - Supplier of Explosive Detection System

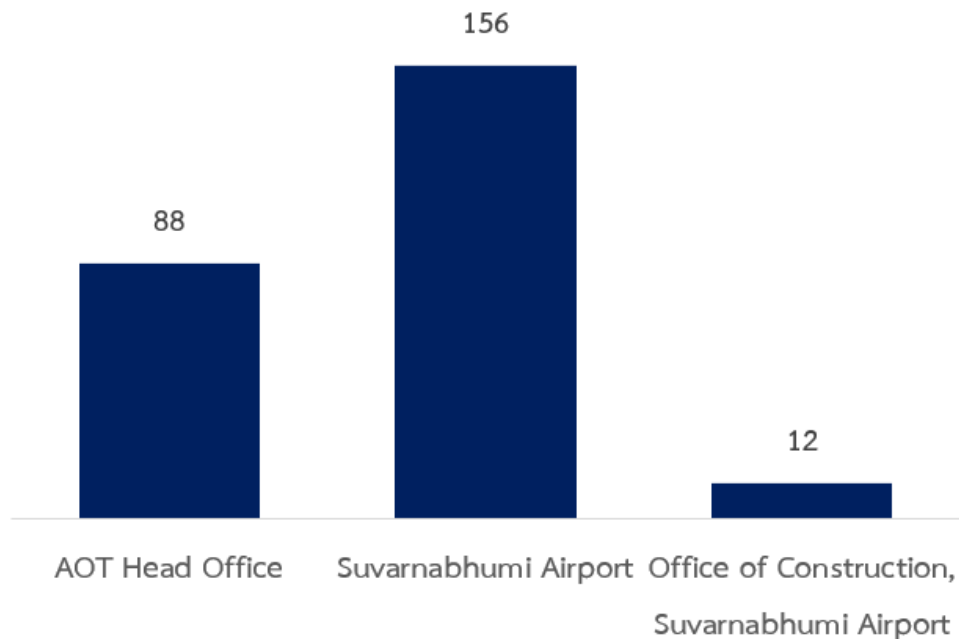
Non-Substitutable Suppliers

- Suppliers that fall under these following categories
 - Supplier of airport X-ray machine
 - Provider of ICT System

AOT's Critical Tier-1 Suppliers



Number of Tier-1 Suppliers by Location



251 Tier-1 Suppliers Assessed in Total

Number of Critical Tier-1 Suppliers

31

Percentage of Annual Procurement Spending on Critical Suppliers

82.4%

ESG Risk Assessment of AOT's Suppliers

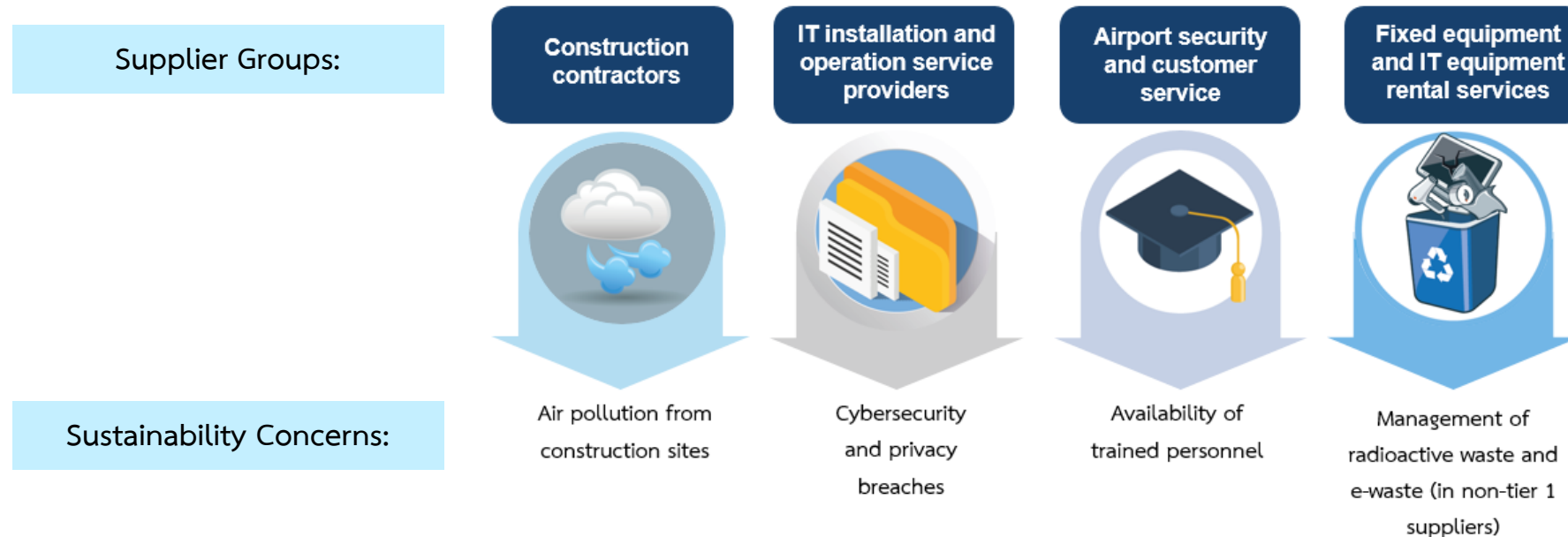


- AOT recognizes various ESG impacts on people and environment as a result of different supplier's business activity. Therefore, ESG Risk Assessment of AOT's Suppliers has been done in order to respond and mitigate the potential impact which could result in supply chain disruption.
- The ESG Risk assessment involves an assessment of intrinsic ESG risks as per nature of each supplier group's business activities (Seller's risk), and an analysis of impact of specific suppliers on AOT (Buyer's Risk).
- Relevant Seller's risks of each supplier group were identified and evaluated for the level of impact and likelihood. For example, Air pollution, Materials Chemicals and Waste, Occupational health and safety, Human Rights, Corruptions, and Confidentiality cybersecurity and privacy.



Result of Supplier's ESG Risk Assessment

- As a result of Supplier's ESG Risk Assessment, 4 groups of suppliers were identified as "Sustainability High-Risk" including;

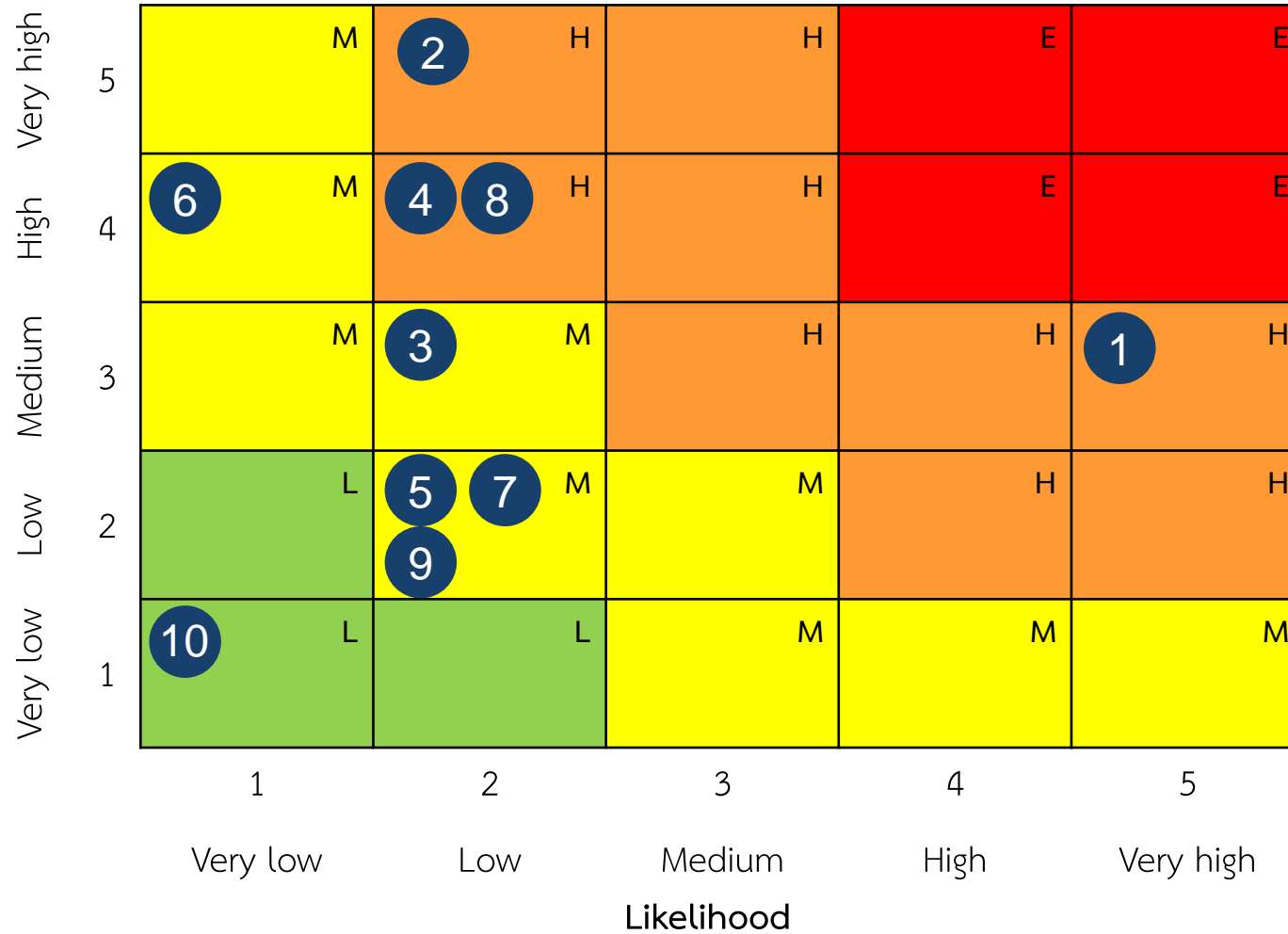


- Besides technical proficiencies, the availability of trained and personnel regarding basic human rights among security and customer service personnel was particularly concerned, thus, proper mitigation actions are required.
- In combination with the result of Buyer's Risk analysis, AOT was able to classify all suppliers into 4 major groups namely, Critical/strategic supplier, Key supplier, Controlled supplier and Routine supplier – each assigned to a progressive degree of management from highest to lowest, respectively.

Seller's Risk Matrix



Level of Impact



Supplier Group	
1.	Construction contractors
2.	IT installation and operation service providers
3.	Maintenance, ground handling, landscape and logistical services
4.	Airport security and customer services
5.	Consultant, organizer and office work
6.	Capital equipment
7.	Chemicals and consumables goods
8.	Fixed equipment and IT equipment rental services
9.	Vehicle and transportation system rental services
10.	Other equipment rental services

Note: Supplier groups in orange (H) and red (E) areas are regarded by AOT as sustainability high-risk

AOT Supply Chain Management KPI



KPI	2016	2017	2018	2019	2019 Target	2025 Target
Acknowledgement of contractual suppliers on “Sustainability Code of Conduct for AOT Supplier”	100%	100%	100%	100%	100%	100%
Percentage of supplier groups assessed on risks in the supply chain	n.a.	n.a.	100%	100%	100%	100%
Percentage of procurement personnel receiving training on “Practical Guidelines for Procurement and Supplies B.E. 2562 (2019)”	n.a.	n.a.	n.a.	96%	90%	100%

n.a. = Not Available