



AOT Supply Chain Management

2020

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 **AOT's 5 principles in supply chain management according to the Government Procurement and Inventory Management Act B.E. 2560**; (1) Quality of work (2) Standard of staff and equipment (3) Profile or reliability (4) Integrity & Responsibility (5) Compliance with the labor law, AOT also integrates ESG objectives including (1) total compliance with economic, environmental and social laws and (2) transparency and ethics on ESG aspects, into our day-to-day procurement practices
- AOT categorizes its suppliers according to the impacts of business activity on the environment and society into **10 groups** as follows.

- | | |
|--|---|
| 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. |

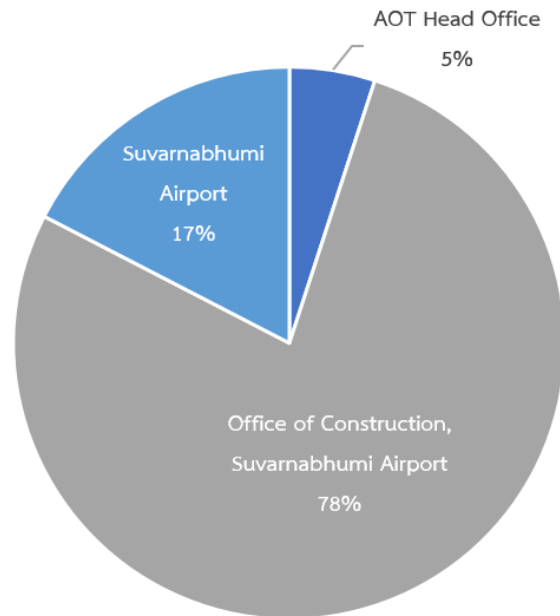
- AOT conducted a **Spend Analysis, Critical Supplier Analysis, and Supplier ESG Risk Assessment** in order to prioritize material issues in supply chain management and to ensure sustainable operation throughout the supply chain.



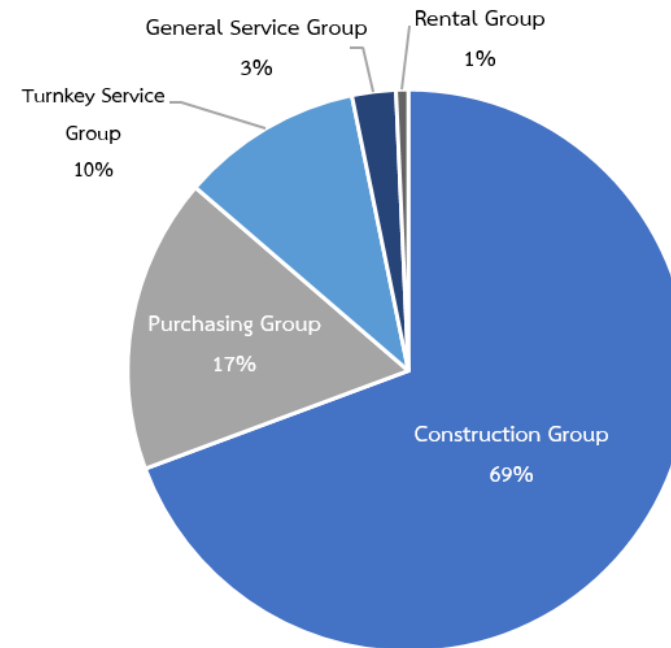
AOT Supplier Spend Analysis



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. 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

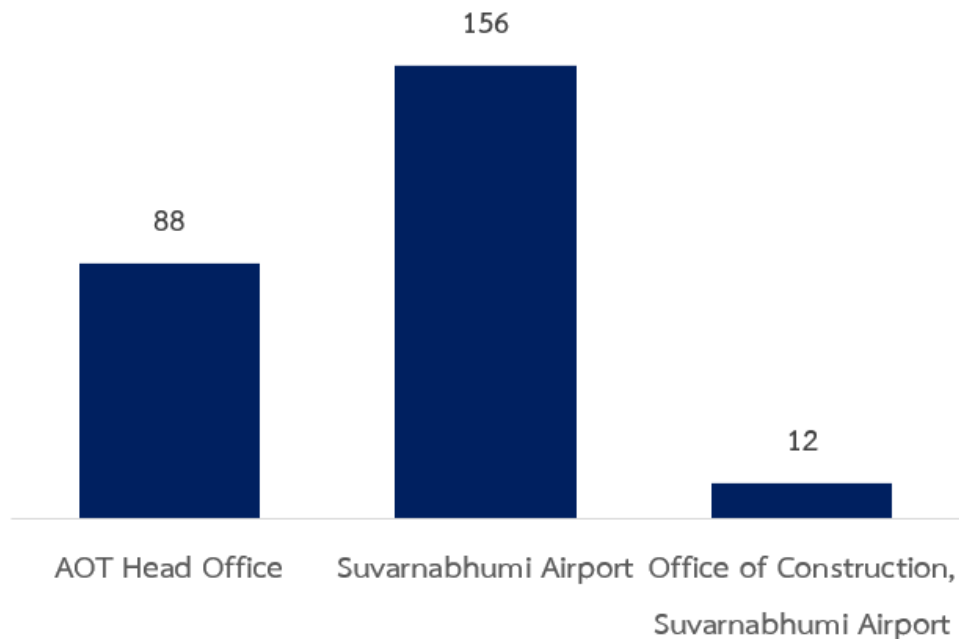
Non-Substitutable Suppliers

- 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%

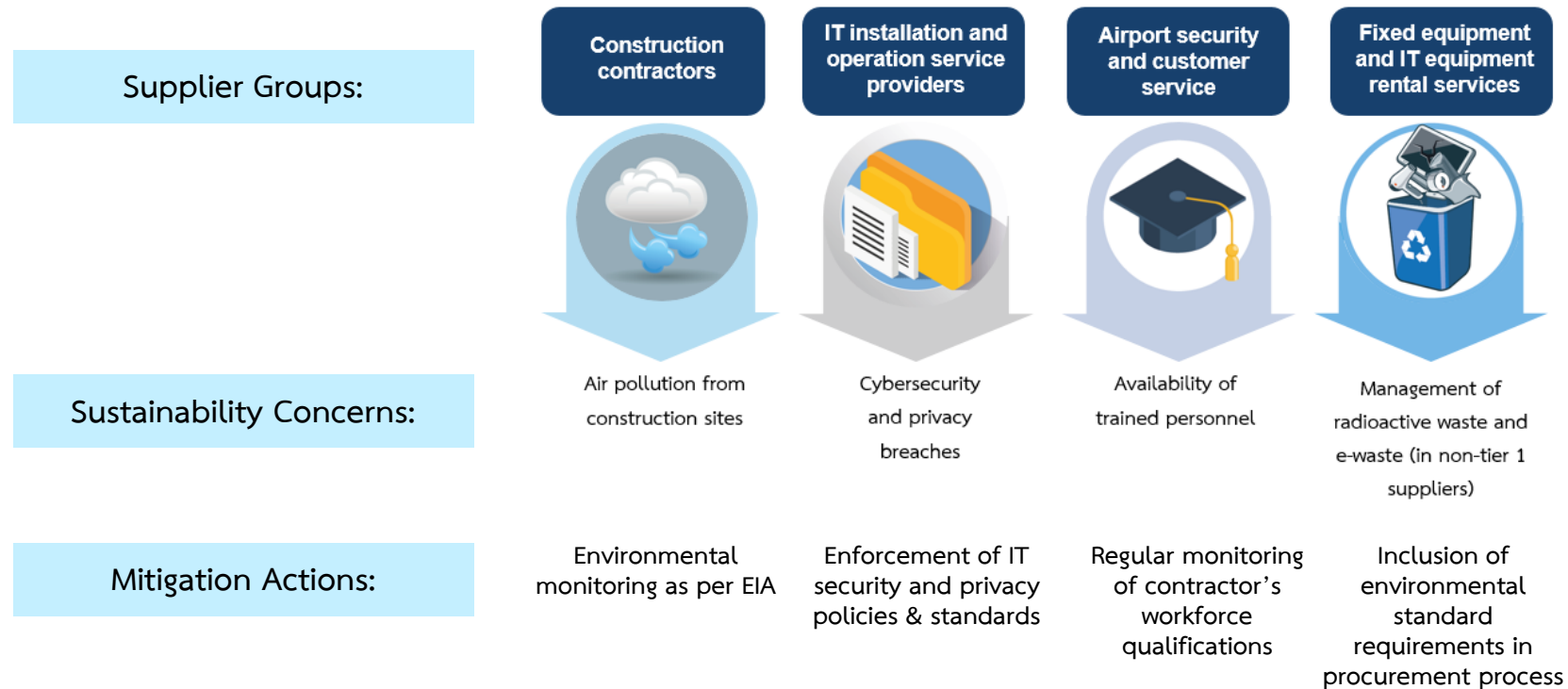
ESG Risk Assessment of AOT's Suppliers

- 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;

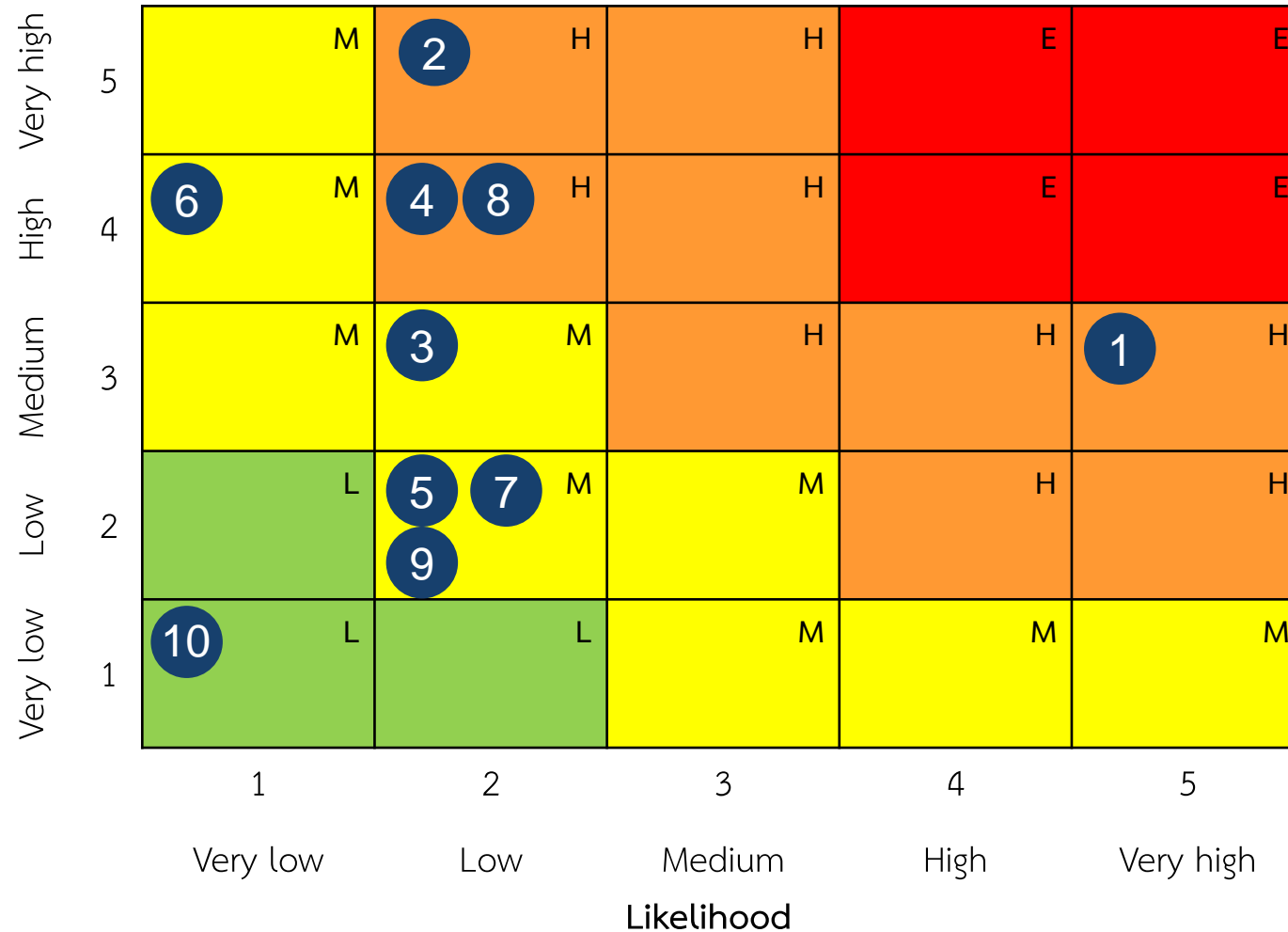


- Besides technical proficiencies, the availability of trained and personnel regarding basic human rights among security and customer service personnel was particularly concerned, thus, proper mitigation actions are required.
- In combination with the result of Buyer's Risk analysis, AOT was able to 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

Monitoring of Sustainability High Risk Suppliers

- AOT places high importance on indirect impacts from our business that might occur in the value chain and seeks to avoid and mitigate those impacts before they take place.
- As a result of ESG Risk Assessment of AOT's Suppliers, 100% of suppliers identified as sustainability high risk are obliged to be monitored on sustainability topics material to these supplier groups, at least on annual basis or more frequently according to the working period of goods and services inspection committee. This includes manager interview and on-site monitoring against an established checklist corresponding to the Terms of Reference (TOR), applicable labor/environmental/privacy protection laws, occupational health and safety policies and guidelines, etc.
- Failure to comply with the checklist will result in corrective action plan in which the suppliers are required to complete within a given period. Serious violation of law and regulations or AOT standard practices will result in termination of contracts.



AOT Supply Chain Management KPI



KPI	2017	2018	2019	2020	2020 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.	100%	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.	96%	96%	90%	100%

n.a. = Not Available