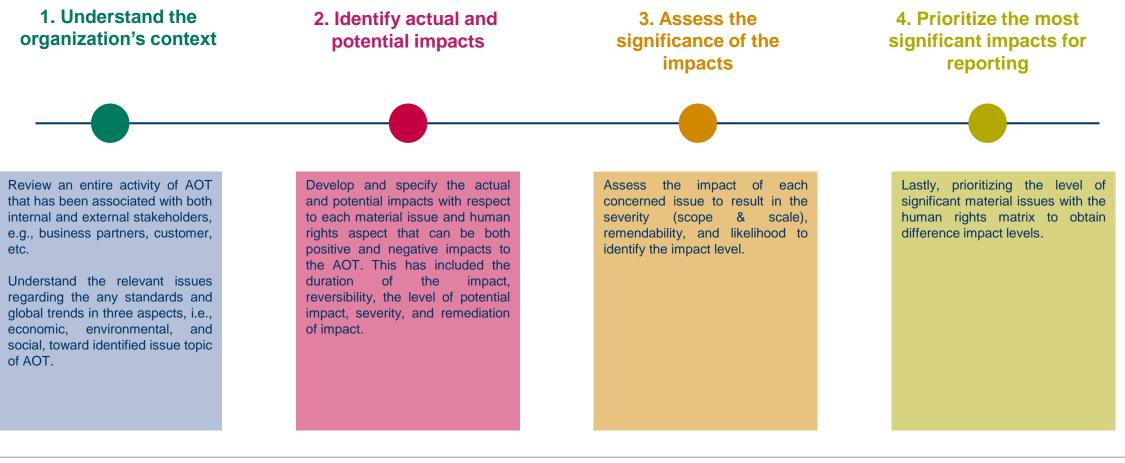# AOT Materiality Assessment 2022
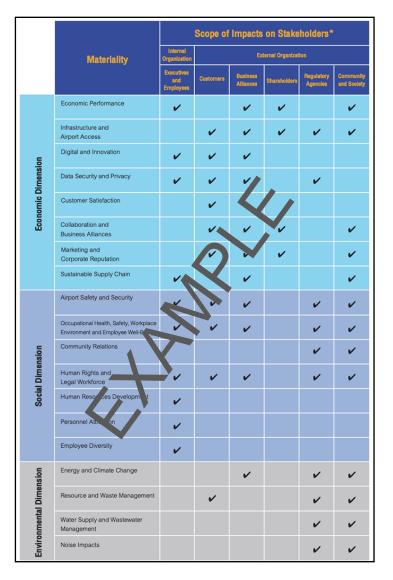
AOT Public Company Limited

# Materiality Assessment Approach

*In 2022, AOT conducted the materiality assessment to identify three significant levels of issues harmonized with the GRI2021 which double materiality is specified. The results showed that there were three levels of material issues, i.e., Most Significant, Highly Significant, and Significant.*
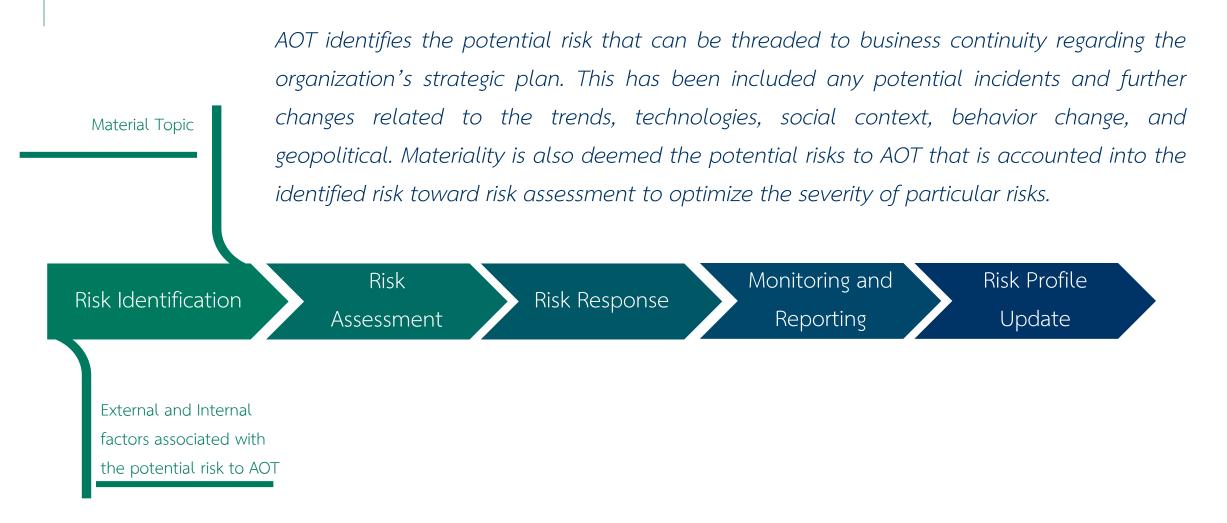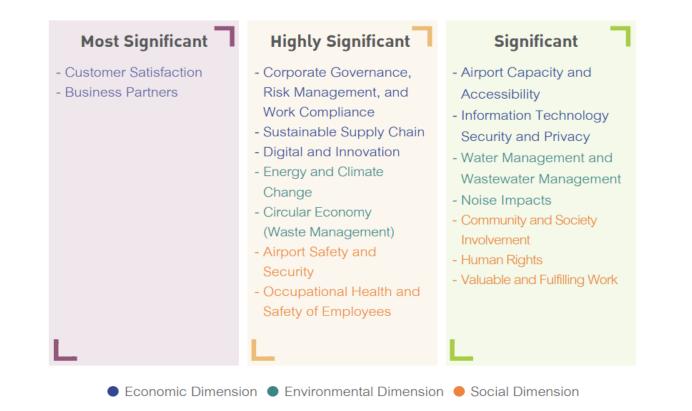
| 1. Understand the organization's context | 2. Identify actual and potential impacts | 3. Assess the significance of the impacts | 4. Prioritize the most significant impacts for reporting |
|---|---|---|---|
| Review an entire activity of AOT that has been associated with both internal and external stakeholders, e.g., business partners, customer, etc.<br><br>Understand the relevant issues regarding the any standards and global trends in three aspects, i.e., economic, environmental, and social, toward identified issue topic of AOT. | Develop and specify the actual and potential impacts with respect to each material issue and human rights aspect that can be both positive and negative impacts to the AOT. This has included the duration of the impact, reversibility, the level of potential impact, severity, and remediation of impact. | Assess the impact of each concerned issue to result in the severity (scope & scale), remendability, and likelihood to identify the impact level. | Lastly, prioritizing the level of significant material issues with the human rights matrix to obtain difference impact levels. |

| Materiality | | Scope of Impacts on Stakeholders* | | | | | |
|---|---|---|---|---|---|---|---|
| | | Internal Organization | External Organization | | | | |
| | | Executives and Employees | Customers | Business Alliances | Shareholders | Regulatory Agencies | Community and Society |
| **Economic Dimension** | Economic Performance | ✔ | | ✔ | ✔ | | ✔ |
| | Infrastructure and Airport Access | | ✔ | ✔ | ✔ | ✔ | ✔ |
| | Digital and Innovation | ✔ | ✔ | ✔ | | | |
| | Data Security and Privacy | ✔ | ✔ | ✔ | | ✔ | |
| | Customer Satisfaction | ✔ | | | | | |
| | Collaboration and Business Alliances | | ✔ | ✔ | ✔ | | ✔ |
| | Marketing and Corporate Reputation | | ✔ | ✔ | ✔ | | ✔ |
| | Sustainable Supply Chain | ✔ | | ✔ | | | ✔ |
| **Social Dimension** | Airport Safety and Security | ✔ | ✔ | ✔ | | ✔ | ✔ |
| | Occupational Health, Safety, Workplace Environment and Employee Well-B... | | ✔ | ✔ | | ✔ | ✔ |
| | Community Relations | | | | | ✔ | ✔ |
| | Human Rights and Legal Workforce | ✔ | ✔ | ✔ | | ✔ | ✔ |
| | Human Resources Development | ✔ | | | | | |
| | Personnel Attraction | ✔ | | | | | |
| | Employee Diversity | ✔ | | | | | |
| **Environmental Dimension** | Energy and Climate Change | | | ✔ | | ✔ | ✔ |
| | Resource and Waste Management | | ✔ | | | ✔ | ✔ |
| | Water Supply and Wastewater Management | | | | | ✔ | ✔ |
| | Noise Impacts | | | | | ✔ | ✔ |

*EXAMPLE*

*AOT mapped materiality issues in different three sustainable aspects to the stakeholders of AOT, including management & employee levels, customer, business alliances, governance agency, shareholders, and community & society.*

# Integration of materiality assessment in company's enterprise risk management

*AOT identifies the potential risk that can be threaded to business continuity regarding the organization's strategic plan. This has been included any potential incidents and further changes related to the trends, technologies, social context, behavior change, and geopolitical. Materiality is also deemed the potential risks to AOT that is accounted into the identified risk toward risk assessment to optimize the severity of particular risks.*

Material Topic

Risk Identification → Risk Assessment → Risk Response → Monitoring and Reporting → Risk Profile Update

External and Internal factors associated with the potential risk to AOT

# Materiality Issues in 2022

*In 2022, AOT conducted the materiality assessment to identify three significant levels of issues harmonized with the GRI2021. The matrix results showed that there were three levels of material issues, i.e., Most Significant, Highly Significant, and Significant.*

## Most Significant
- Customer Satisfaction
- Business Partners

## Highly Significant
- Corporate Governance, Risk Management, and Work Compliance
- Sustainable Supply Chain
- Digital and Innovation
- Energy and Climate Change
- Circular Economy (Waste Management)
- Airport Safety and Security
- Occupational Health and Safety of Employees

## Significant
- Airport Capacity and Accessibility
- Information Technology Security and Privacy
- Water Management and Wastewater Management
- Noise Impacts
- Community and Society Involvement
- Human Rights
- Valuable and Fulfilling Work

● Economic Dimension   ● Environmental Dimension   ● Social Dimension

# Material Issues for Enterprise Value Creation: Business Case

## Customer Satisfaction

The alignment between AOT's operation, international service standards, and listening for the suggestions to improve the service continuously directly affect the satisfaction and confidence of AOT customers, including passengers, airlines, and entrepreneurs. Moreover, providing impressive service beyond expectations creates a positive image for Thailand.

Airport management and operation is an activity that directly affects customer satisfaction, including passengers, airport entrepreneurs (e.g., shop owners and other service providers), and airlines which link to AOT's revenue generation. By responding to customer needs, AOT aims to satisfy each group of stakeholders in a balanced manner under international safety and security standards and service standards, along with creating a positive image for the airports in the country

## Airport Safety and Security

Airport Safety and Security pose risk among the most crucial elements in airport operations because aviation business offers transnational and domestic transportation platform which supports the mobility of various groups of people and objects. Thus, it is a main mission for AOT to uphold the confidence in safety and security for airport users, not only for our business but also for economic of the country. With this respect, AOT established an Aerodrome Safety Policy to consistently comply with the international standard in the safety and security context for all 6 airports.

## Digital and Innovation

The growth of digital technology is an opportunity for AOT to improve the efficiency of internal processes through precise and timely business decision, as well as, to capture business opportunities that come with the technology such as service improvement, customer experience optimization and commercial development. At the same time cybersecurity and privacy protection are a rising public concern that may negatively affect user's trusts if AOT fails to address proactively. Thus, AOT is placing high importance on developing digital innovation along with cybersecurity and privacy protection to enable a sustainable digital service expansion, gain trust from users and consistently generating revenue in the long-term.

Additionally, digital and innovation have been integrating into the business operation to improve overall performance throughout the consideration concern environmental impacts, e.g., energy, material utilization, waste, biodiversity, and emission.

# Material Issues for Enterprise Value Creation: Business Strategy

## Customer Satisfaction

AOT has attached importance to the satisfaction of airport users under AOT's responsibility, thereby, defining the enhancement of service quality as one of the strategic objectives of the AOT's Corporate Plan (Fiscal Years 2023 - 2027), revised edition. It focuses on the development of infrastructure and facilities to maintain service quality in accordance with international standards.

AOT creates customer satisfaction through the analysis of airport service touchpoints by integrating data from the airport service assessment in 3 parts: both quantitative data, i.e., Level of Service (LoS), and qualitative data, i.e., Airport Service Quality (ASQ) and Customer Feedback.

## Airport Safety and Security

AOT established Safety & Security as a foundation and to serve AOT Strategy House (2017-2022). A safety committee, chaired by the President, was established to be responsible for policy making, monitoring, and overseeing safety and security operations. AOT established and implemented Aerodrome Manual, Safety Management System, Safety and security management process. We regularly raise safety awareness among employees, customers, and other airport users to ensure that all areas under AOT operations are safe and properly managed in line with national and international standards. This is also aiming to prevent any unforeseen incidents that can be happened to both internal and external stakeholder of AOT.

## Digital and Innovation

AOT formulated "Innovative Strategic Plan" "AOT Digital Operational Plan" and "Master Plans on Information Technology and AOT Communication" as part of our AOT Strategy House (2017-2022), which provides strategic direction in innovation development across organization while creating a solid foundation for workforce in terms of digital literacy and innovative culture to ensure adaptability with digitalized future. AOT Digital Platform is a vehicle that will transform AOT into a full-scale digital organization. Consisting of 4 areas; digital airports, digital office, digital operation and digital cargo. SAWASDEE by AOT (formerly called AOT Digital Airports) was launched as a flagship application that centralized all digital services into one place. To ensure IT security and privacy protection, AOT also implemented both Cyber Security Policy, Privacy Policy and is certified with ISO/IEC 27001:2013.

# Materiality Metrics for Enterprise Value Creation – Customer Satisfaction

| Target Year - 2027 | Progress | Executive Compensation |
|---|---|---|
| Building the capability of AOT within the context of customer relationship though the satisfaction assessment can be set as a target to perceive how AOT organize this issue and address in the effective approach. Customer satisfaction has been evaluated annually by using Airport Service Quality (ASQ) as an indicator to evaluate the outcome associated with the defined target. The evaluation focused on passenger satisfaction by using the same global questionnaire for airport service reviews, including ground transportation, check-in, facilities, restaurants, restrooms, hygiene, and the atmosphere inside passenger terminals. In particular, the target of ASQ has been set based on the various indicators, i.e., Curbside, Parking, Security, Boarding, Baggage Claim, Shop & Restaurant, Trolley, Airport Staff, Safe & Secure, Public Transport, Check-in, Passport (Departure), Passport (Arrival), Customs, Restrooms, Wi-Fi, and Cleanliness of Airport Terminal. | The target progress has been acquiring through the online customer satisfaction survey. Moreover, the complaints and suggestions channels are opened for further improvement in order to improve the quality of service, build competitiveness, and review the complaints management guidelines for maximum efficiency. The result of ASQ in 2022 from all 6 airports was equal to 4.16 which was lower than the ASQ of 2021. This was due to the consecutive effects from covid-19 that has remained and interrupted the operation of AOT. | The KPIs have been set consistently with the customer satisfaction survey and expected target. The results have been evaluated in line with the actual outcome in response to the KPI's target. The metric is used to determine the compensation of the executive committee (level 9 - 11). In item 5, the customer satisfaction KPI is Airport Service Quality (ASQ). The actual result of ASQ determines the performance and compensation of executives. For example, if the actual score of ASQ 4. That is, the performance of the executive committee is deemed as "good" (3 out of 5) |

Source: https://www.airportthai.co.th/wp-content/uploads/2023/01/sdreport22-en.pdf

# Materiality Metrics for Enterprise Value Creation – Airport Safety and Security

| Target Year - 2027 | Progress | Executive Compensation |
|---|---|---|
| AOT sets long term safety and security targets in 2027 as follows:<br>1. 100% of airports which have received annual safety assessments<br>2. 100% of security operations that continuously comply with government regulations and international standards<br>3. 0 case of numbers of runway accidents caused by operational errors made by AOT's employees (case per 1,000 flights) | According to the target/ matric for airport safety and security issues, the progress has been evaluated annually as shown below:<br>1. 100% of security operations must continuously comply with government regulations and international standards<br>2. 100% of airports which have received annual safety assessments<br>3. 0 case of runway accidents caused by operational errors made by AOT's employees (case per 1,000 flights) | The KPIs of airport safety and security topic constitute two types of KPIs, i.e., strategic KPIs and accountability KPIs. These two KPIs has used as parameters in the milestone achievement evaluation of president and executive. The expected outcome of each KPIs associated with the airport safety and security mostly was the qualitative data which has been conducted to perform the accomplishment in the practice. The metric is used to determine the compensation of the executive committee (level 9 - 11). In item 7, the Airport Safety and Security is Completion of the runway safety program by the end year. If the executives are able to achieve the runway safety program, their performance appraisal will be "excellent" (5 out of 5). |

# Materiality Metrics for Enterprise Value Creation – Digital and Innovation

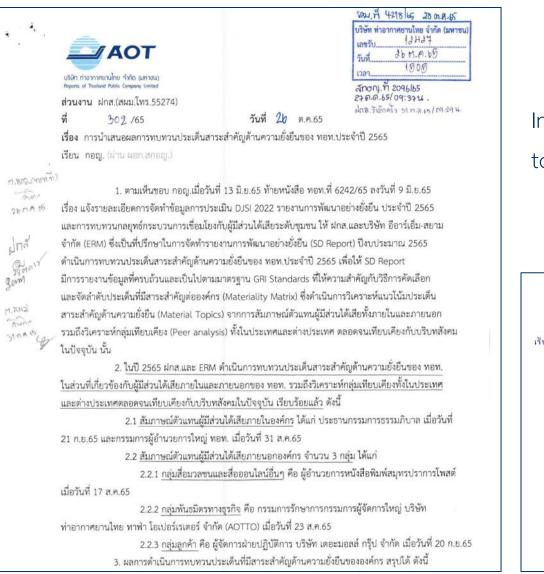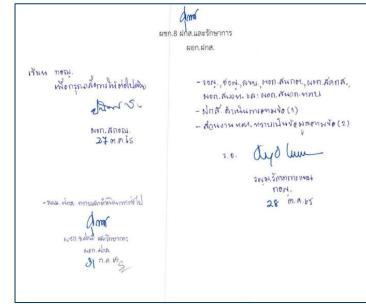| Target Year - 2026 | Progress | Executive Compensation |
|---|---|---|
| AOT has also set a sustaining 5% year-on-year growth target towards 2026 for the number of AOT Airports Application downloads, (Annualized target was set at 110,250 downloads in 2022). Internally, cybersecurity is a crucial foundation for AOT digital journey. Thus, AOT set 2026 Target by having 100% of workplace certified with ISO/IEC27001: 2013 as well as zero case of data leakage and privacy violation complaints in 2026.<br><br>Besides, AOT has been setting the "target or metric to measure the progress on digital and innovation issue in a systematic way" with six steps of AOT's innovation management process. The six systematic steps tracking comprise idea, proof of concept, prototype evaluation, development, implementation, and assessment | The target progress has been tracked and monitored for the downloaded number of AOT applications and the integration of digital and innovation into the AOT's operation. The number of downloaded application in 2022 was equal to 178,125 which was higher than the anticipated target of about 38%.<br>As of 2022 progress, there are 56 active projects under the AOT's Innovation Management, they were categorized in different steps as follow:<br>1. Step 1: Idea - 32 projects<br>2. Step 2: Proof of Concept - 7 projects<br>3. Step 3: Prototype evaluations- 10 projects<br>4. Step 5: Implementation - 7 projects<br><br>Recently in 2022, AOT had newly accomplished at least 4 innovation portfolio projects in step 3, Prototype Evaluation. | The digital and innovation as part of material issues constitute the KPI for both president and executive in implementing the integrated digital and innovation into the AOT's business and operation. The accomplishment had defined for both president and executive level for the expected outcome. An anticipated result of digital and innovation integration of AOT has been aligned with the digital strategy with respect to the master plan of AOT, which reflects to the KPIs of president and executive for the achievement. The metric is used to determine the compensation of the executive committee (level 9 - 11). In item 1, the digital and innovation KPI is the successful implementation of digital platform plans. If the executives are able to achieve 3 digital platforms, their performance appraisal will be "good" (3 out of 5) |

# Board Acknowledgement for materiality topic



In 2022, AOT sent the report of materiality topic to the board to acknowledge and signed off by board of AOT.

# Impact 3: Customer Satisfaction

**Cause of Impact:** The impact derived from the product/service of AOT, and AOT's operation across all airport of AOT that is covered >50% of business activity

**External stakeholder(s)/ Impact area(s) evaluated:** Social and Customer/ End-Users aspects

**Topic relevance on external stakeholders:** The customer satisfaction survey of AOT has been conducted annually to verify the quality of product and service provided by AOT, especially service from AOT's operation that directly impact to customer satisfaction. Several services of AOT cannot recover so quickly from the pandemic and continuously impact the overall quality of AOT's business. However, the overall situation is gradually becoming better and is affecting the recovery of revenue for AOT's stakeholder by an increase of passenger that can bring the liquidity to the stakeholder in parallel, especially airline. This can be verified by an increase of flights of total airline (AOT's customer) which was increased by 60.84%, consisting of 137,497 international flights and 256,972 domestic flights.

| Area of Impact | Impact 1 | Impact 2 |
|---|---|---|
| Type of Impact | Positive | Positive |
| Output Valuation | Increased total passenger: 46,687,737 | Increased total passenger: 46,687,737 |
| Output Metric | Total population of the area served | Total population of the area served |
| Impact Valuation | Access to product/service with positive impact provided | Access to product/service with positive impact provided |
| Impact Metric | Total flight increased for airline | Customer Satisfaction Score (ASQ) |
| Impact Valuation Result in 2022 | Flights increased: 394,469 | ASQ score: 4.16 |
| Reference | IRIS, 2021. Service Area Population (PI6686). v5.2. | IRIS, 2021. Producer Price Premium (PI1568). v5.2. |

**XXX**

# Impact 2: Airport Safety and Security

**Cause of Impact:** The impact derived from the business operation, and AOT's supplier across all airport of AOT that is covered >50% of business activity

**External stakeholder(s)/ Impact area(s) evaluated:** Environmental, Social, and consumer/ end-users aspects

**Topic relevance on external stakeholders:** Regarding the operation of AOT, the infrastructure service, safety and security are the crucial aspects which have prioritized to be important for the customer, any users, or passengers. This material issue related to the airport operation is required to comply with the international standard, e.g., ICAO, to ensure the overall zero unforeseen incidence that can happen to customer, business partner, supplier, etc. These are the external stakeholders of AOT. Preventing any losses by securing and complying with the standard can also prevent the illnesses, injuries, fatalities, lost workday, and revenue loss.

| Area of Impact | Impact 1 |
|---|---|
| Type of Impact | Negative |
| Output Valuation | 1 fatality case of contractor workers |
| Output Metric | Number of fatalities |
| Impact Valuation | Quantified quality of life impacted |
| Impact Valuation Result in 2022 | Avoid the income loss of the contractor's family owing to fatality case: THB/case*: 3,738,240 THB* |
| Impact Metric | Avoided Income loss from fatality case |
| Reference | IRIS, 2021. Occupational Illnesses (OI7060). v5.2. |

Thai minimum wage in Thailand is 354 THB per day (**https://take-profit.org/en/**), 22 workdays in a month, and 40 years of working period