

## Part I: Supply chain management strategy & ESG integration

AIS is committed to collaborate with responsible suppliers who are adhere to transparency, ethical practice as well as taking social and environmental responsibility in their operation. By being jointly responsible with our suppliers, we aim to minimize risks as well as create stable and long-term business relationship. We consider this to be an important strategic lever for AIS in safeguarding both our competitiveness and the sustainable supply chain.

We intend to work with our suppliers to promote a sustainable business relationship by:

- Upholding the laws and regulations of the country we operate in and endorsing standards of economic, social, ethical and environmental practices
- Moderating risks associated with our supply chain aligning to the business objectives and corporate risk tolerance
- Leveraging use of technology to provide end-to-end procurement visibility and transparency in order to enhance business decision, manage risks and achieve the business objectives.
- Considering value over price with the focus on quality of products and services and working fairly with our suppliers to achieve mutual benefits and encourage long term reliable relationship
- Communicating and building awareness of sustainable practices with key stakeholders both internally and externally

### AIS Sustainability objectives in our Supply Chain Management

**1. Create a positive health/safety culture in our supply chain:** AIS commits to take every reasonable steps to ensure the health and safety of our contractors' and suppliers' workers that undertake safety/health-critical operation within our business.

**Our practice:** In our supplier selection process, AIS builds in the health and safety protocol requiring suppliers to provide proper workplace and safety equipment standard that exhibit prevention of risk of illness and injury equally for both their workers and sub-contractors. In addition, we also provide relevant training of safety protocol and working practices the suppliers' workers and sub-contractors as well as conduct periodic compliance monitoring on-site.

**2. Set environmental initiatives in supplier selection:** AIS commits to procure products and services that exhibit an environmental conscious while meeting the appropriate performance and meeting our business objectives. This is in alignment with our corporate sustainability goal on reducing GHG emission and waste throughout our operation.

**Our practice:** We set environmental specifications to the relevant categories of products & services as a minimum environmental standard for procurement. Also, we look for suppliers that provides transparency in reporting the environmental impact to the products and services delivered to us.

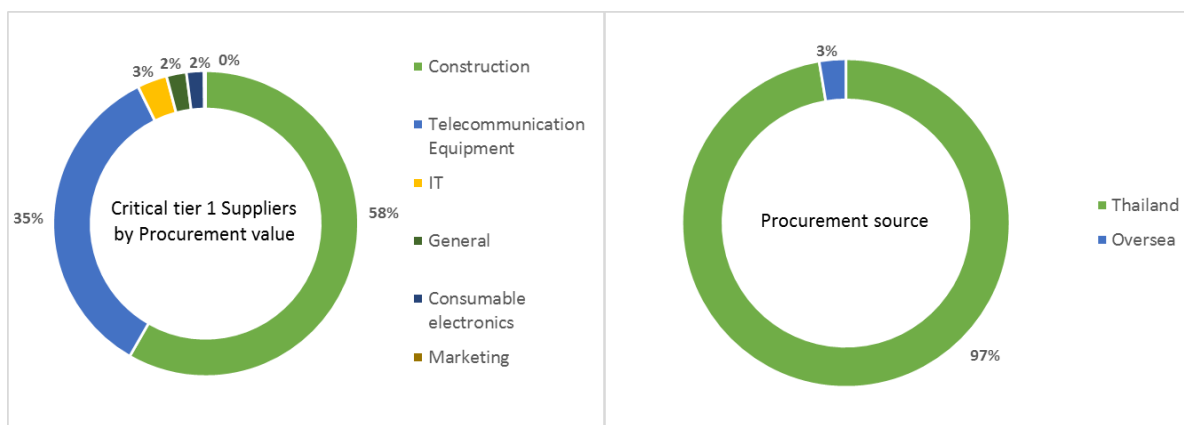
## Part II: Procurement Spend

In 2020, AIS engaged with 2,431 supply partners consisting mainly of telecommunication network equipment, consumer mobile devices and home broadband devices by procurement value.

**Table 1: Procurement Spend by Supplier Group**

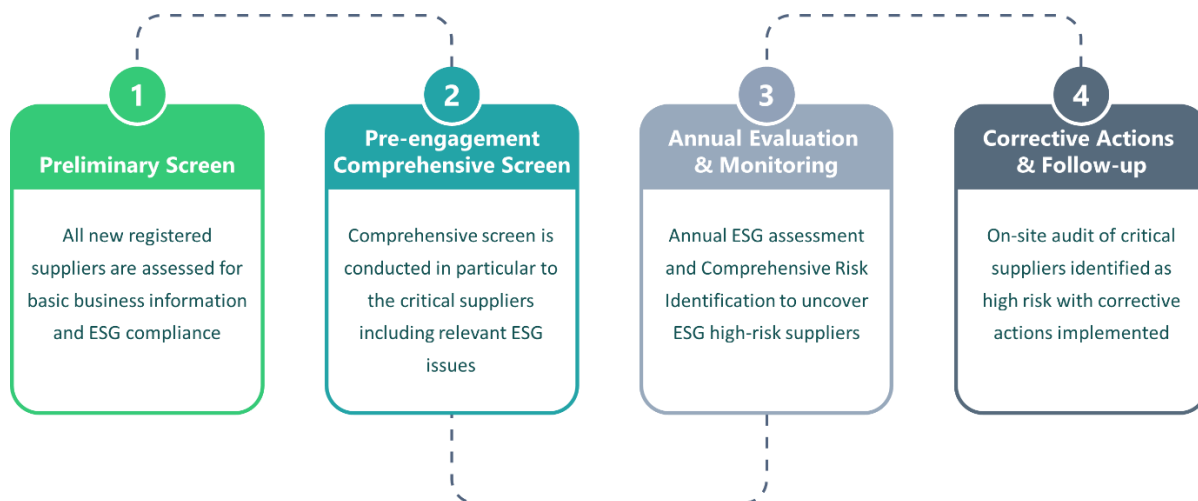
	Supplier Category	No. of suppliers	Proportion of total supplier	Proportion of procurement spend
Tier 1	Total suppliers	2,431	100%	100%
	Information Technology Equipment/Services/Maintenance	988	41%	5%
	Marketing	865	36%	6%
	Construction	267	11%	4%
	Telecommunication Equipment/Installation/Maintenance	169	7%	32%
	General Affairs	92	4%	0%
	Consumable electronics products	50	2%	53%
	Critical suppliers*	108	4%	91%
Non tier 1	Critical suppliers	16	0.01%	-

\*Critical suppliers are defined by the following criteria: (1) **High volume spends** per annum, (2) **Critical component**: Providers of the main software system, hardware, and materials bonded by equipment, (3) **Exclusive/non-substitute**: Exclusive agents designated by the original equipment manufacturers, technology proprietary/leaders and exclusive suppliers in the market, (4) **Key supply partners** as majority in our telecommunication network, marketing, and customer service.



## Part III: Supplier Selection and Sustainability Risk assessment

Committed to collaborate with responsible suppliers, we apply proper supplier evaluation process and risk assessment throughout the supplier's life cycle, starting with the **integration of sustainability factors into supplier selection**, where key aspects in business governance, social and environmental are assessed.



### 1. Preliminary Screen

All new registered suppliers are assessed for basic business information including fundamental ESG compliance. This includes the assessment on conflict of interest, fraud & corruption background, and signed compliance to AIS Supplier code of conduct which covers aspects such as business ethics, anti-corruption, labor practice, human rights, work health and safety, environment, and conflict minerals; as well as abided to our cyber security and data privacy policy.

### 2. Pre-engagement Comprehensive Screen

Ahead of a committed engagement, a comprehensive screen is conducted in particular to the critical suppliers including aspects such as governance, fraud and corruption, labor practice, human rights, work safety & health, environmental conduct. AIS embeds our Supplier Code of Conduct into the standard contract to all suppliers as well as other specific ESG-committed requirement relevant to supplier category and their criticality. Post-engagement, all suppliers are evaluated of their performance to determine the quality and continuity of business engagement with AIS. Based on the performance evaluation, we maintain the watch list and black list which are regularly reviewed.

In the supplier selection process, ESG factors are constituted as criteria/threshold depending on types of products/services delivery and supplier's criticality. This includes but not limited to energy efficiency factor, recycling rate, work safety record, certified technical standard, etc.

### 3. Annual evaluation and monitoring



An annual sustainability risk assessment and monitoring is conducted to all existing suppliers. This includes the annual CEO letter to all suppliers on AIS business sustainability practice and what we expect of our suppliers, an annual online ESG questionnaire, news monitoring, site visit and critical task observation, as well as an independent annual assessment of supplier's understanding of AIS business code of conduct.

We also ask for cooperation of our critical tier 1 suppliers to be responsible for communicating to the critical second tier suppliers of AIS sustainable business practice as well as supporting us to conduct the risk assessment.

The annual ESG assessment includes aspects on Corporate Governance, Anti-bribery and Corruption, Labor and Human Rights, Data Privacy & Cyber Security, Work Health & Safety, Environmental and Energy Management, Electronic Magnetic Energy (EME), and Conflict Minerals. Critical suppliers (both tier 1 and non-tier 1) are assessed annually applying criteria by ESG aspects to identify high risk issues. Those who do not meet the standard score of our ESG assessment are requested for on-site audit with the comprehensive ESG checklist used to develop the level of risk using scoring system. **Sustainability high risk suppliers** are identified by score in each category of Environmental, Social, Governance aspects and are ranked high by risk matrix. The high risk suppliers are audited annually through on-site evaluation/inspections and one-on-one management/employees interview with comprehensive ESG checklist. In addition, on an annual basis, we also conduct an independent annual assessment across selected suppliers and requires a minimum score of 80%.

#### **4. Corrective actions and Follow-up**

Based on the risk evaluation by score and risk matrix, the critical suppliers identified with sustainability high risk are asked to provide mitigation plan and measures with agreed time plan to ensure risks are properly managed within an identified risk tolerance level. We set regular follow up and review on their performance reporting of their respective ESG issues to ensure sustainability risk is well managed. The suppliers may be subjected to watch list or black list if not meeting the agreed corrective measures. In addition, AIS also provides relevant training and capacity building program to suppliers in area that is significant to AIS business objectives and risk profile.

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## Part IV: 2020 Supply Chain Risk Assessment

In 2020, 108 critical suppliers/contractors and 16 critical non-tier 1 suppliers have been audited by AIS Procurement Department, all critical suppliers identified as high risk were requested to prepare and agreed upon a corrective action plan. The non-conformity results were found mainly in governance issue; suppliers were asked to provide corrective action plans for improvement in the agreed time plan. After the assessment, all of non-conformed suppliers prepared and submitted the corrective action plans. The follow-up and review were conducted with proper timeline.

### 2020 Targets & Achievement

- 100% of all new registered suppliers underwent preliminary ESG assessment.
- 100% of tier 1 suppliers conducted self-assessment.
- All critical suppliers conducted comprehensive assessment.

### 2023 Targets

- Maintain 100% preliminary ESG assessment for all new registered suppliers.
- Maintain 100% self-assessment to tier 1 suppliers (Strategic & Preferred Suppliers).
- Maintain 100% comprehensive assessment of critical suppliers.

**Table 2: Supply Chain Risk Assessment Performance**

		2018	2019	2020	2020 target
<b>Tier 1</b>	Total number of suppliers	1,243	1,587	2,431	
	% self-assessment	100%	100%	100%	100%
	% annual CEO letter endorsing sustainability practice	100%	100%	100%	100%
	Number of critical suppliers	89	81	108	
	% comprehensive assessment	100%	100%	100%	100%
	Number of critical suppliers identified as high risk	18	24	17	
	% comprehensive assessment	100%	100%	100%	100%
	No. of on-site audit resulting in corrective actions	8	6	5	
	% corrective actions completed	100%	100%	100%	
	New registered suppliers	983	850	897	
	% self-assessment	100%	100%	100%	100%
<b>Non-tier 1</b>	Number of critical non-tier 1 suppliers	13	11	16	
	% comprehensive assessment	100%	100%	100%	100%
	Number of critical non-tier 1 suppliers identified as high risk	6	5	4	
	% comprehensive assessment	100%	100%	100%	100%
	No. of on-site audit resulting in corrective actions	2	5	4	
	% corrective actions completed	100%	100%	100%	