

## 2022 Report on Supply Chain Management

### Part I: Supply Chain Management Strategy & ESG Integration

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AIS is committed to collaborating with our suppliers who 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 relationships. We consider this to be an important strategic lever for AIS in safeguarding both our competitiveness and the sustainable supply chain.

To ensure the successful implementation of the supplier ESG program across the organization, CEO has entrusted the Procurement Committee and Write-off Committee with the responsibility of spearheading this initiative. Both committees play crucial roles in formulating comprehensive strategies and implementation plans to seamlessly integrate ESG principles into the processes. They are also tasked with the vital responsibility of continuously assessing, monitoring, and effectively managing risks within AIS 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 operations 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 define relevant training of safety protocol and working practices that suppliers' workers and sub-contractors should undergo and show the certificate before working onsite. We also conduct periodic compliance monitoring on-site.

**2. Set environmental initiatives in supplier selection:** AIS commits to procuring products and services that exhibit an environmental consciousness 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 management 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.

**3. Provide ESG Training Program:** To ensure that the ESG program is integrated into the procurement process and the buyer is aware of ESG criteria, the ESG Training Program was provided to the buyers and related stakeholders.

**Our practice:** The Sustainable Development Department provides training on the ESG Program and its integration into the procurement process to buyers, managers at all levels of the procurement department, and related stakeholders.

AIS recognizes the significance of GHG Scope 3 emissions in achieving comprehensive climate action and acknowledges the need for collaborative efforts from its suppliers. To foster a collective response to climate change, AIS will actively share its expertise in climate actions, including GHG accounting and GHG reduction planning, through an extensive technical support program. In the initial phase, this program will be offered to a select group of suppliers, acting as a pilot group. Over the course of one year, these suppliers will receive in-depth knowledge and guidance on effective GHG reduction strategies. The primary objectives of this initiative are to increase awareness about climate-related issues, enhance the capacity of our suppliers to address ESG performance, and empower them with the necessary skills to drive positive environmental outcomes.

## Part II: Procurement Spend

In 2022, AIS engaged with 2,861 suppliers, consisting mainly of telecommunication network equipment, consumer mobile devices, home broadband devices, IT equipment & services, marketing, etc. Our suppliers are classified into 5 segmentations for risk and internal process management as described below.

### Supplier Segmentations

- 1) **Critical, Core-strategic supplier:** Supplier who provides products/services that are critical to AIS's business, e.g. Network equipment & services, IT products, etc.
- 2) **Pre-approved supplier:** Supplier who is awarded through AIS's tender and has entered into a frame contract to provide products/services to AIS.
- 3) **Preferred supplier:** Supplier who has the capability and proven record in providing goods/services to AIS, thus given an opportunity to participate in various AIS's tenders.
- 4) **Niche supplier-sole source:** Supplier who provides proprietary products or patents, including Sole/Exclusive distributor as appointed by the principle.
- 5) **Non-Strategic supplier:** Others.

### Significant Supplier Screening

AIS undertook a comprehensive screening process to identify significant suppliers based on specific criteria and methodologies. The following were the key factors considered in this screening:

- 1) **Spending:** Suppliers with high volume spending were given priority as they have a substantial impact on AIS's operations and overall supply chain.
- 2) **Environmental, Societal, and Governance (ESG) aspects:** AIS conducted a preliminary screening to identify suppliers with a high potential for ESG-related risks. This proactive approach ensures that suppliers with potential environmental, social, and governance challenges are carefully assessed.
- 3) **Supplier segmentations:** Suppliers were categorized into Critical, Core-strategic supplier, and Niche supplier-sole source segments. These classifications were based on the level of dependency AIS had on each supplier category. By identifying suppliers under these segments, AIS could focus on managing risks effectively with higher priority on critical suppliers.
- 4) **Commodity-specific risk:** The supplier screening process included adopting commodity-specific risk assessments. This approach recognizes that different commodities may pose unique risks, and tailoring the evaluation accordingly ensures a more targeted identification of significant suppliers.

Through this screening process, AIS aimed to proactively identify suppliers that might carry potential ESG or business-related risks. By understanding these risks, AIS could implement appropriate management approaches and control measures to prevent and mitigate them to an acceptable level.

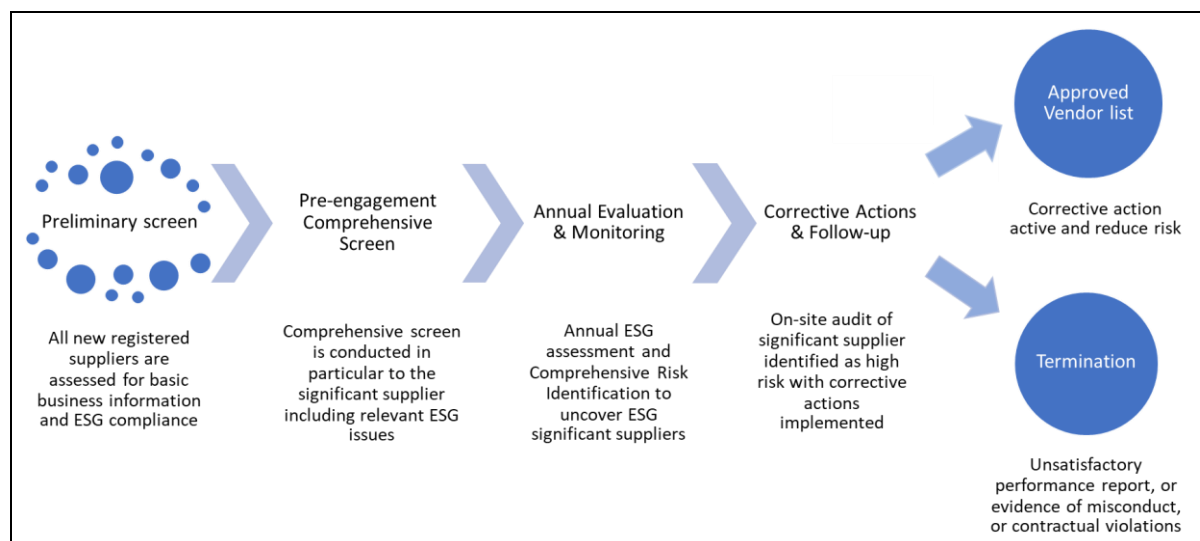
This proactive and comprehensive supplier screening strategy reflects AIS's commitment to responsible sourcing and sustainability, thereby fostering a more resilient and risk-aware supply chain.

**Table 1: Supplier Category by Segmentation and Procurement Spending**

	Supplier Category	No. of suppliers	Proportion of suppliers by segmentation	Proportion of suppliers by procurement spending
Tier 1	<b>Total suppliers</b>	<b>2,861</b>	<b>100%</b>	<b>100%</b>
	Critical, Core-strategic supplier	8	0%	23%
	Pre-approved supplier	78	3%	12%
	Preferred supplier	929	32%	13%
	Niche supplier-Sole source	197	7%	50%
	Non-Strategic supplier	1,649	58%	2%
	Significant suppliers	173	6%	38%
Non tier 1	Significant suppliers	3	0.001%	-

## Part III: Supplier Selection and Sustainability Risk Assessment

Committed to collaborate with 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.



**Diagram 1: Process of Supplier Selection and Sustainability Risk Assessment**

### 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 the ESG aspects such as business ethics, anti-corruption, anti-competitiveness labor practice, human rights, occupation health and safety (OHS), environment, and conflict minerals; as well as abided to our cyber security and data privacy policy.

### 2. Pre-engagement Comprehensive Screen

Prior to engagement, a comprehensive screen is conducted in particular to the significant 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.

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 ESG assessment and monitoring is conducted to all identified significant suppliers. This includes the annual CEO letter to our 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 significant tier 1 suppliers to be responsible for communicating to the significant 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, Human Rights, Sustainable Employment, Data Privacy & Cyber Security, Occupational Health, Safety and Environment, Environmental and Energy Management, Electronic Magnetic Energy (EME), and Conflict Minerals.

Each year, significant suppliers (both tier 1 and non-tier 1) undergo an evaluation based on ESG criteria to identify potential high-risk issues. Suppliers failing to meet our ESG assessment's standard score, requiring an overall score of at least 70%, will be requested to undergo an on-site audit. In the event that the risk level remains high even after the on-site audit, appropriate corrective actions will be implemented.

In order to encourage our suppliers to improve their performance, we have plan to introduce an ESG benchmark in the upcoming year. Supplier ESG scores will be benchmarked against their peers and disclosed to suppliers who have completed the annual ESG assessment. This benchmark system will promote transparency and sustainable practices within our supplier network.

**High risk suppliers** (suppliers assessed with substantial actual/potential negative impacts) 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 interviews with the result of ESG assessment. And for the following stage, we intend to use the ESG score to take a certain weight into consideration when awarding contracts.

In addition, every three years, we conduct a periodic and impartial Ethic assessment of major suppliers based on a random selection. We establish a stringent criterion of a minimum score of 80% to ensure their compliance with ethical standards.

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

Based on the risk evaluation by score and risk matrix, the significant suppliers identified with sustainability high risk are asked to provide corrective actions, i.e. 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, support on implementation, and review their performance reporting of their respective ESG issues to ensure sustainability risk is well managed.

#### **5. Termination**

In cases where the results of Annual Evaluation and Monitoring indicate that it is not possible to proceed as agreed upon corrective action and follow-up, or there is evidence of misconduct or contractual violations, the relationship with supplier will be terminated, and the transaction will be terminated as well.

## Part IV: 2022 Supply Chain Risk Assessment

In 2022, 173 significant suppliers/contractors and 3 significant non-tier 1 suppliers have been audited by AIS Procurement Department, all **significant 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. After the assessment, all of non-conformed suppliers prepared and submitted the corrective action plans. The follow-up and review were conducted within timeline.

### 2022 Targets & Achievement

- 100% of all new registered suppliers underwent preliminary ESG assessment.
- 100% of significant tier 1 suppliers conducted annual ESG assessment.
- 100% of high risk suppliers conducted the corrective actions completed.

### 2023 Targets

- Maintain 100% preliminary ESG assessment for all new registered suppliers.
- Maintain 100% annual ESG assessment to significant tier 1 suppliers.
- Maintain 100% corrective actions plan for high risk suppliers.

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

		2020	2021	2022	2022 target
<b>Tier 1</b>	<b>Total number of suppliers</b>	<b>2,431</b>	<b>2,274</b>	<b>2,861</b>	
	% annual CEO letter endorsing sustainability practice	100%	100%	100%	100%
	Number of significant suppliers	108	429	173	
	% ESG assessment	100%	100%	100%	100%
	Number of significant suppliers identified as high risk	5	20	1	
	No. of on-site audit resulting in corrective actions	5	20	1	
	% corrective actions completed	100%	100%	100%	100%
New registered suppliers		897	881	301	
	% ESG assessment	100%	100%	100%	100%
<b>Non-tier 1</b>	Number of significant non-tier 1 suppliers	16	11	3	
	% ESG assessment	100%	100%	100%	100%
	Number of significant non-tier 1 suppliers identified as high risk	4	1	1	
	No. of on-site audit resulting in corrective actions	4	1	1	
% corrective actions completed	100%	100%	100%	100%	