

# SUPPLY CHAIN

## Our Suppliers

Our suppliers are our partners. Without the goods and services they provide, we would not be able to run our businesses. Working closely with them, we explore ways to increase efficiency and productivity through the procurement of supplies and services which help improve our processes and grow our business. We are committed to treating our suppliers with respect. We pay our bills on time, every time and are transparent in all our contracts and negotiations.

## Our Purchases

Energy and direct material & services used for the operation and maintenance of our fleets form majority of our purchases.

Percentage of value of purchases by type

	2016	2017
<b>Energy</b> (Eg., Electricity, Diesel)	44%	54%
<b>Direct Material &amp; Services</b> (Eg., Automotive parts, Consumables, Vehicle Maintenance Services)	30%	33%
<b>Assets</b> (Eg., Vehicles, IT Hardware, Workshop equipment)	18%	1%
<b>Indirect Material &amp; Services</b> (Eg., Facility Management, IT, operating supplies)	8%	12%

About 90% of our spend is with 34 suppliers, of which 30 of them have worked with us for more than five years. We have long-term contracts of three years or more with 174 suppliers.

## Equal Opportunity

We believe in full transparency and according equal treatment to all existing/would-be suppliers. Our team constantly conducts market insight exercises and encourages participation from industry players. In 2017, at least 100 companies participated in our tenders for the first time.

Businesses have an equal opportunity to submit their bids for any contract through our sourcing platform which has built-in functions to safeguard the confidentiality of submitted bids.

Specifications are written to allow bidders the freedom to best meet the requirements of the tender and to foster supplier interest and encourage innovation.

## Supplier Selection

We select our suppliers based on multiple criteria, including but not limited to the supplier’s technical capabilities, service quality, supply assurance,

environmental responsibility, safety records, financial stability and cost competitiveness. A structured decision matrix approach is used with assigned weightage that reflects the relative importance of each selection criterion.

Suppliers are also given a “Supplier Ethics Policy” (refer to pages 26 to 27) which clearly articulates what is required of them in terms of fair practice, ethical conduct, as well as social and environmental responsibility. We will avoid dealing with Suppliers who are unable to comply with our policy.

All recommendations for award are approved in accordance to the financial authority limits delegated by the ComfortDelGro Board.

## Risks Identification and Mitigation

### Fraud and Corruption Risk

All officers administering and approving contracts in which they or their close relatives have significant interests are required to declare and disqualify themselves from handling these contracts. Staff in the procurement and purchasing team make a declaration on conflict of interest annually. All members of the Procurement Category team are to undergo training on “Procurement Fraud Prevention & Detection” within their first two years of service. The workshop equips our staff on effective internal controls within the procurement process, as well as the prevention and detection of procurement fraud.

### Objective of the “Procurement Fraud Prevention & Detection” Workshop

Delivered by Management Development Institute of Singapore (MDIS)

- Gain a thorough understanding of the vulnerability of the procurement function to fraudulent activities
- Understand consequences of procurement fraud to prepare for adverse circumstances
- Explore different kinds of procurement fraud and how they can occur
- Recognise the red flags of procurement fraud
- Learn about effective deterrent, preventive and detective measures to help reduce the occurrence of procurement fraud
- Find out about the four-step process to proactive procurement fraud prevention

About 75% of the contracts by value are established through competitive sourcing exercises, including 51% through public tenders. The rest of the contracts are established with Suppliers who are sole source, or incumbents with whom we leveraged existing contract volumes.

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**Supply Risk**

For key purchase categories, the award strategy often includes multiple suppliers from different geographical locations. Where multiple suppliers are not feasible due to various reasons, the Business Continuity Plan of the sole supplier is scrutinised and assessed.

**Legal Risk**

More than 95% of our contracts with suppliers apply one of our four Standard Terms & Conditions. These contracts contain insurance and limitations of liability clauses. Where Suppliers' contracts are used, we engage our lawyers to vet through the terms to ensure that they are fair and reasonable.

**Price Risk**

Where product prices are driven by the volatile commodity prices, an indexed formula is used. This allows our Treasury Department to mitigate cost fluctuation through hedging.

**Environmental, Health and Safety Risk**

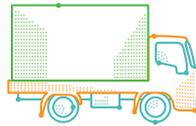
Depending on the nature of purchases, safety rules detailing Environmental, Health and Safety requirements are included in tender documents. Suppliers are required to undertake to comply with the rules. For complex projects, suppliers are required to complete a risk assessment before commencing work.

**Supplier Performance Management**

We ensure that our suppliers' performance meets the expectations defined in the contract and against market norms through our Supplier Performance Management exercise. Our key suppliers undergo regular appraisals to ensure costs are kept in check, service standards are kept high and risks are mitigated. The ultimate intent is to identify potential issues and their root causes so that they can be resolved as quickly as possible.

In 2017, 22 strategic suppliers\* across eight key categories were assessed on five pillars: Procurement, Quality, Logistics, Technology and Supply Security.

## Overview of the Scoring System

	<p><b>Procurement (30%)</b> Assessment by Procurement</p>
	<p><b>Quality (25%)</b> Assessment by Contract Owner</p>
	<p><b>Logistics (25%)</b> Assessment by Supplies &amp; Logistics</p>
	<p><b>Technology (10%)</b> Assessment by Contract Owner</p>
	<p><b>Supply Security (10%)</b> Assessment by Finance and Supplier</p>

We highlighted areas of strengths and weaknesses to the suppliers and followed up with action plans to improve on areas where they did not fare as well. Five suppliers scored very well and have been put on our preferred suppliers list for future contracts.

**Our Plans for 2018**

- Embed Supplier Ethics Policy in all tender documents.
- Launch Tender Portal for Suppliers to self-register and provide us with information about their company, experience, track records and compliance to international standards. This system enables us to review these aspects of the suppliers and to facilitate us in our tender evaluation.

\* Data available for Singapore only.

# SUPPLIER ETHICS POLICY

## ComfortDelGro Group Procurement Policies & Procedure Manual

ComfortDelGro Corporation Limited and its subsidiaries worldwide (hereinafter collectively referred to as "ComfortDelGro") procures a wide range of goods or services from various businesses, companies, corporations, persons and entities, including their employees, agents and representatives (hereinafter collectively referred to as "Suppliers"), in the course of its business operations.

As such, ComfortDelGro requires its Suppliers to operate in accordance with the principles in this Supplier Ethics Policy ("Policy") and in full compliance with all applicable laws and regulations.

Suppliers are required to adhere to all local laws (including antitrust, anti-competition, anti-corruption and anti-fraud policies), maintain high ethical standards, have clear health and safety policies, strict environmental policies, and adopt fair employment practices.

It is the responsibility of Suppliers to ensure their employees and representatives understand, comply and act consistently with this Policy. Failure to adhere to this Policy may result in disqualification from consideration for business, and/or future business, with ComfortDelGro.

## 1. Compliance with Laws and Regulations

### 1.1 Abidance with the Law

Suppliers' business operations, as well as all goods and services supplied to ComfortDelGro, must fully comply with the laws and regulations of the countries where Suppliers' operations are based as well as where goods and services are provided to ComfortDelGro.

### 1.2 Use of Fair Business Practices

Suppliers must practise fair competition in accordance with local antitrust and competition laws. Activities that restrict competition must be avoided. Commercial decisions, including prices, terms of sale, division of markets and allocation of customers, must be made independent of understandings or agreements with competitors.

## 2. Ethics and Conflict of Interest

### 2.1 Anti-Corruption Stance

Suppliers must conduct their business with integrity, transparency and honesty. ComfortDelGro does not condone any corrupt practices such as bribery, extortion

or embezzlement in all business interactions. Suppliers are prohibited from offering, paying, soliciting or receiving (whether directly or otherwise) any form of bribe as inducement or reward for any business transaction with or involving ComfortDelGro. The term "bribe" broadly includes any illicit advantage such as (but is not limited to) cash, cash equivalents, property, loans, commissions, services, benefits in kind or other advantages.

### 2.2 Anti-Fraud Stance

In the same vein, ComfortDelGro does not condone any fraudulent practices such as intentional deception, misappropriation of resources or manipulation of data. Suppliers are prohibited from altering or falsifying records, failing to account for monies received or knowingly providing false information for any business transaction with or involving ComfortDelGro.

### 2.3 Gifts and Entertainment

ComfortDelGro is committed to conducting all business without undue influence. The Policy requires it to exercise good judgment and practise moderation in receiving business gifts and entertainment.

Suppliers must not offer or give gifts or hospitality (including kickbacks, favours, cash, gratuity, entertainment or anything of value) to any ComfortDelGro employee that is intended as, or may be viewed as an attempt to improperly influence business decisions. In addition, ComfortDelGro employees are prohibited from accepting initial public offering (IPO) stock from any Supplier.

Employees will respectfully decline entertainment, gifts or other benefits that could in any way be construed as, or give the appearance of, attempting to influence business decisions in favour of any person or organisation with whom ComfortDelGro may have business dealings.

### 2.4 Conflicts of Interest

Suppliers should seek to avoid any conflicts of interest that may adversely influence their business relationship with ComfortDelGro.

Suppliers must disclose all actual, potential or perceived conflicts of interest situations and/or relationships promptly to ComfortDelGro.

### 3. Workplace Health, Safety and Quality

#### 3.1 Healthy and Safe Working Environment

Suppliers must have in place health and safety protection policies and management systems to provide a secure working environment. They must be designed to promote the general health of employees and reduce work-related injury and illness. For example, protective equipment and tools must be provided and replaced/maintained regularly.

#### 3.2 Safety

The safety of all goods and services supplied must be ensured through appropriate policies, implementation and monitoring.

#### 3.3 Quality

Suppliers' policies and management systems must be developed to ensure that the quality of all goods and services are as specified in their contracts with ComfortDelGro.

### 4. Corporate Social and Environmental Responsibility

#### 4.1 Corporate Social Responsibility

ComfortDelGro is committed to building positive relationships with the communities in which we live and work by showing our support and care for the poor, the sick, the underprivileged and the aged. Suppliers are encouraged to support us and also seek similar opportunities in area of Corporate Social Responsibility.

#### 4.2 Environmental Responsibility

Local environmental laws and practices such as those pertaining to waste disposal (proper handling of toxic and hazardous waste, segregation where regulated, etc), air emissions and pollution must be complied with. Suppliers must endeavour to minimise the impact of their operations on the environment.

### 5. Non-Discriminatory & Ethical Employment

#### 5.1 Non-Discriminatory Employment

Suppliers shall apply fair and ethical standards in their employment practices. This includes non-discrimination in employment, recruitment, advertisements for employment, compensation, termination, upgrading, promotions, and other conditions of employment against any employee or job applicant on the bases of race, ethnicity, gender, national origin, age, religion, marital status, disability, sexual orientation or gender identity.

#### 5.2 Ethical Employment

Suppliers will comply with all national laws on wages and working hours as well as local standards regarding child labour and minimum age.

### 6. Use of Information

#### 6.1 Insider Trading

Suppliers must not trade in the securities of ComfortDelGro either directly or through an intermediary while in possession of inside information (i.e. confidential material, non-public information) relating to ComfortDelGro nor should they pass such information on to others.

#### 6.2 Proprietary Information

Any information used by Suppliers in their business relationship with ComfortDelGro that is either not public and/or proprietary must be protected against loss and infringement. Any disclosure or use of such information other than for officially stated purposes must first be authorised by ComfortDelGro.

### 7. Ethical Concerns

If any Supplier has an actual or potential ethical concern related to the Policy, they can make use of the ComfortDelGro Alert Line.

#### ComfortDelGro Alert Line

The ComfortDelGro Alert Line comprising the following personnel has been set up to facilitate the reporting of incidents and the handling of information or evidence on matters that will give rise to whistle blowing:

##### Group Human Resource Officer

**DID** +65 6383 7083

**Email** ghro@comfortdelgro.com

##### Group Internal Audit Officer

**DID** +65 6383 7010

**Email** giao@comfortdelgro.com

In addition, Suppliers can also have direct access to

##### Managing Director/Group CEO

**DID** +65 6383 7110

**Email** gceo@comfortdelgro.com