

# 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.