

Economic Performance

Supply Chain Management

The partners are an important stakeholder of The Erawan Group. We emphasize the significance of their involvement and listen to their feedback continuously. This is achieved through fair business practices, creating opportunities for learning, improving work quality, and enhancing collaborative capabilities. We have established key criteria for classifying important trading partners to effectively assess risks within the business supply chain. Screening and selection criteria have been developed, along with payment policies. Furthermore, a Supplier Code of Conduct has been implemented to promote sustainable coexistence and create a mutually beneficial business environment.



Critical-tier Suppliers Criteria

The Erawan Group has established criteria for classifying critical-tier suppliers to assess risks and efficiently manage the business supply chain into 2 categories;

1. Broken down by value

Vendors/contractors with transaction over 3 percent of total transactions with vendors/contractors are considered to be significant suppliers of ERW (critical 1-tier)

2. Broken down by type of services

The Company has classified its business operations into 3 sub-operations; 1) Head Office 2) Project

Development and 3) suppliers of hotel properties. There are operational differences between the three sub-operations, both type of vendors/suppliers and large differences in contract value. Therefore, the Company has set type of vendors/suppliers according to type of services as follows:

- 2.1. Project Development Suppliers
- 2.2. Hospitality Suppliers
- 2.3. Operation & Assessment Suppliers

In 2023, the Company has 3,367 suppliers, with 45 Critical 1-tier suppliers, accounted for 1.11 percent of total suppliers. Other details are broken down as follows:

2023 supplier category	Hospitality business	Project Development	Head Office	Total
Total suppliers	3,367	172	509	4,048
Critical 1-tier suppliers	27	12	6	45
General suppliers	3,340	160	503	3,975
Suppliers who acknowledge on Supplier Code of Conduct	n/a	n/a	n/a	n/a

Supplier's Pre-qualification and Selection Criteria

To effectively exercise business supply chain as well as mitigate risk within the chain, the Company has established ERW's Pre-qualification Checklist to classify suppliers with these following criteria.

- ✓ Quality of Product/Service
- ✓ Ability to Produce
- ✓ Product Quality Audit and Traceability
- ✓ Quality of Delivery
- ✓ After-sale Service
- ✓ Competitive Ability in Terms of Trade Conditions
- ✓ Reliable Financial
- ✓ Company's Reputation
- ✓ ESG Framework for Sustainable Operations

Supplier Risk Assessment

The Company has analysed and ranked the importance of suppliers based on the volume of purchases and the type of services or products procured. These criteria have been used to prioritize the importance of suppliers.

During the process of assessing the risks that may occur within the business supply chain, the company considers various risk factors, including:

1. **Raw Material or Product Sourcing Risk:** This refers to products that are scarce, products/services provided by a single supplier, or products/services that cannot be easily substituted.

2. **Strategic Risk:** This includes products, materials, or services that are critical to the company's business operations.
3. **Social Risk:** This involves suppliers who operate responsibly, prioritize occupational health and safety, and engage in fair employment practices. It also includes suppliers who do not violate human rights or engage in corrupt practices.
4. **Environmental Risk:** This includes suppliers who adhere to operational or product standards that are environmentally friendly, such as having experience in green hotel practices, ISO 14001 environmental management certification, or offering eco-products.
5. **Reputation Risk:** This pertains to suppliers with a track record or work practices that may negatively impact the company's reputation in the future.

Criteria for On-site Audit

Annual On-site ESG Audit Criteria for Eligible Suppliers

The Company has established criteria for suppliers that are eligible for the annual onsite ESG Audit with the following criteria.

1. Project Development Suppliers

The Company considered the top 5 of critical tier 1 suppliers based on highest transactions are vendors that are eligible for onsite ESG audit as they are significant to cost of business operations.

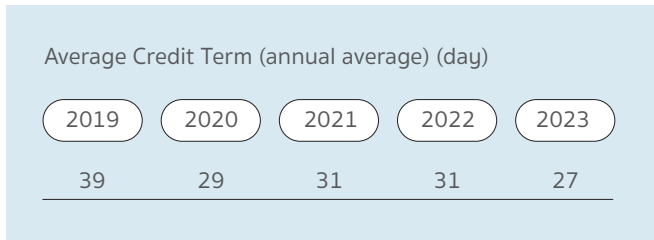
2. Hospitality Suppliers

As hospitality business is a service provider business which food hygiene, health and safety is a crucial issue in operations. In addition, expenses relating to food and beverages are accounted for as a large transaction, especially in the luxury hotel sector. Therefore, The Naka Island, A Luxury Collection Resort and Spa has all their food supplier's 100 percent onsite ESG audit conducted in 2023.

Credit Term Policy

The company prioritizes the liquidity and cash flow management of suppliers, giving equal importance to both small and large suppliers without discrimination. It is always mindful that the financial stability of suppliers directly affects their sustainable business operations as well as the long-term sustainability of both the suppliers and the company.

In line with this, we have a policy to define credit terms for suppliers, which ranges from 7 to 60 days. This is based on the payment history provided to suppliers in the past, as indicated by the following statistics.



Supplier Code of Conduct

Within the group of hotels managed by various brands, there are guidelines for business practices towards suppliers that consider social and environmental dimensions set by the affiliated brand. For instance, Hop Inn Hotel adheres to the guidelines set by the company. Link to <https://www.theerawan.com/en/corporate-governance/code-of-conduct>

In addition, we place importance on actively combating corruption and collusion within the business supply chain. The Erawan Group has become a member certified by the Thai Private Sector Collective Action Against Corruption (CAC). Furthermore, we have a policy to invite and support all suppliers of the Erawan Group to join CAC or other related networks that work towards anti-corruption and collusion, aiming to build a transparent society free from corruption and collusion.



Customer Satisfaction Enhancement

The Company considers every customer important to its business operations. Therefore, it focuses on building strong relationships with all customer groups and taking care of every customer before, during, and after using its services. This includes services related to accommodation, dining, or other offerings provided by the company. At every stage, customer satisfaction is regularly evaluated to ensure the highest level of customer satisfaction.

Additionally, the Company places great emphasis on continuous service improvement, using customer opinions and feedback as key data for studying and analyzing behavior to develop services that truly meet customer needs. These service improvements are regularly updated to align with changing customer behavior, influenced by new trends or evolving circumstances. For instance, the company has enhanced cleanliness and hygiene standards uniformly across all hotel levels and upgraded the online room booking system to be more user-friendly and convenient for customers.

Customer Satisfaction Development Plan

Customer Clustering

Since The Erawan Group offers several types of hotels for customers to choose from, our customer base is quite diverse and commands different tastes. To name a few, they could be customers coming to the hotel for leisure, corporate customers, singles, couples, families and customs of various nationalities. Customer clustering enables us to study demands of a particular group of customers to offer the right products and services to them.

Customer Complaint Management

The Erawan Group offers diverse channels for customers to file grievance in case we fail to deliver perfect services. This ranges from online channels such as Official Line Account, YouTube, Twitter, and email, to offline channels such as call centers. Impact assessment and management of customer



complaints depend on a particular situation with our service standards being the criteria. Simultaneously, impact assessment of the company's interest and the interest of all stakeholders is regularly conducted.

Customer Engagement

The Erawan Group keeps organizing events at all hotels to deliver first-hand experience to customers who have enjoyed our hotels and services.

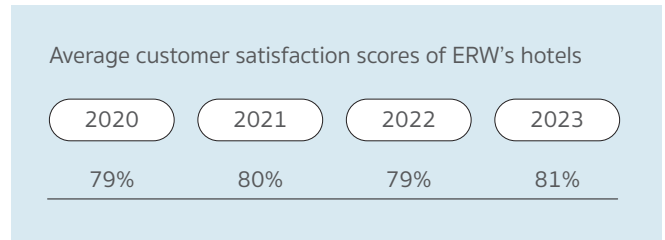
- Games are regularly organized and prizes in a form of hotel rooms or other awards are regularly given. Specific corners are arranged so that customers can share or post their photos to commemorate memory they have at the hotels on a special occasion.
- Introduction of seamless technology as part of customer's daily interactions such as using Facebook, Official Line Account or Instagram to conduct a 2-way communication 24/7.
- Conducting a monthly customer satisfaction survey to gauge the number of followers, subscriptions and online reputation as well as to witness the growth of loyalty members.

Customer Satisfaction Result

To gauge customer satisfaction, every hotel within our group constantly assesses satisfaction of customers staying with us or enjoying our service. All hotels are to submit results of their customer satisfaction survey to senior management at the end of each month to analyze opportunities and challenges to accurately respond to customer needs. All hotels are to use scores of the previous year as a threshold to better their services. The Company measure customer satisfaction from these following channels;

- Customer Satisfaction Survey: This refers to a survey which allows customers to express their views regarding cleanliness, service quality and other hotel facilities. Each hotel will email the form to customers after they check out.

- Social Review Index: This is conducted through online and social media platforms such as OTA, Google Review and TripAdvisor. Acquired scores are then compared with those enjoyed by competitors. Results of the assessment during the past three years are as follows:



Business Innovation

Vision on Innovation

Vision on innovation is embedded with our “Corporate Culture of Sustainability”, consisting of E = Empathy & Efficiency, P = Passion, I = Innovation & Integrity and C = Collaboration, or so-called ‘EPIC’



“Innovation: an innovative culture of sustainability that reflect a mindset of thinking differently to create new and challenging ideas that lead to innovations, improved processes, and better outcomes.”

Smart Guest Room Control

The Smart Guest Room Control innovation is a form of process innovation that builds upon existing technology. The company, in collaboration with BanpuNext, has introduced two advanced technologies to detect movement within guest rooms to reduce electricity consumption. Previously, motion-detection technology alone was used to save energy by cutting off room lighting. However, this sometimes led to inconvenience for guests who remained still in the room, as the lights would turn off unexpectedly. The new innovation integrates room temperature detection alongside motion detection, improving accuracy. This ensures electricity is temporarily cut only when guests genuinely do not require it, without compromising their comfort or satisfaction.

The company has piloted this technology, named SensorFlow, in 7 guest rooms and evaluated energy savings, cost reduction, and the sensor’s operational performance. Plans are in place to expand installation to other areas by 2024.

Monthly energy saving (by calculation)
Result
44,975 kWh
 amounting to appx. THB 185,679

Monthly energy saving (by actual consumption)
Result
47,949 kWh
 amounting to appx. THB 197,957

Time duration of activated censor (expected)
Result
4.50 hour/room/day

Time duration of activated censor (by actual consumption)
Result
6.29 hour/room/day

Remark Calculated from average of 1 kWh = THB 4.1285

Service Excellence

Commitment to Excellence in Service

Beyond delivering hotel services aligned with Global Brand Standards, The Erawan Group encourages its hotels to adhere to various local and international standards relevant to hotel operations. These include ISO certifications, public health standards, and food safety standards like HACCP. Detailed information on the standards achieved by The Erawan Group’s hotels over the years is available at <https://www.theerawan.com/en/our-pride>.

Each hotel operates under service frameworks and standards specific to its brand, defined by the brand owners with whom The Erawan Group holds management or franchise agreements. These brand owners conduct annual quality inspections. For HOP INN, which is fully owned and operated by The Erawan Group, service standards are internally developed. The group ensures systematic training and conducts service quality assessments at least once a year.

Sustainability Standards for Hospitality

The Erawan Group is committed to developing its business in alignment with national and international sustainability

standards. In 2022, the Grand Hyatt Erawan Bangkok received a **Gold-Level Green Hotel Certification while in 2023, Courtyard by Marriott Bangkok and HOP INN Chaeng Watthana awarded with Gold and Silver level of Green Hotel Certifications, respectively.

Additionally, four hotels achieved the **5-Star Sustainable Tourism Goals (STGs)** under the **STAR: Sustainable Tourism Acceleration Rating** by the Tourism Authority of Thailand:

- The Naka Island, a Luxury Collection Resort & Spa, Phuket
- Holiday Inn Pattaya
- JW Marriott Bangkok
- Courtyard by Marriott Bangkok

The group aims to have all hotels under its portfolio certified for sustainability by 2024.

Furthermore, hotels managed under external franchises, particularly those within the Accor Group, are working towards obtaining the Green Key Standard. This is a leading certification for environmental excellence and sustainable practices in the tourism and hospitality industry.

