



The Creative  
Companionship  
towards Sustainability

SUSTAINABILITY  
REPORT | **2019**

SIAM MAKRO PUBLIC COMPANY LIMITED



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and Group Chief Executive Officer

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## Message from the Chairman and Group Chief Executive Officer – Siam Makro

(Disclosure 102-14)

**Mr. Arsa Sarasin**  
Siam Makro



At Siam Makro, we are proud to operate our business on the foundations of sustainable development, and to promote good qualities of life for all of our stakeholders. Our performance in 2020 has been consolidated into this third edition of our annual sustainability report.

Our Company's vision is **"To be the number one food solution provider for professional customers in Asia,"** and this serves as an important framework for the sustainable development of our business. We have assessed various impacts to our business, developed risk management plans covering all of our key activities, and continuously monitored important developments in Thailand and overseas to prepare for and manage any impacts that may occur, in a comprehensive way. This approach is what allows us to maintain our competitiveness in the market and expand our business over the long term. In terms of our business plans, we have adopted sustainability concepts as an important component of our business plan development, and this has been transformed into the **"Makro 4.0 Strategy."** This Strategy is our response to the expectations of modern-day consumers, who are now turning to support businesses that adopt

sustainable practices in all three dimensions - economic, social, and environmental. Over the past year, a number of new challenges and changes have impacted our business operations. This has prompted the Company to enhance our impact monitoring, adhere to our business plans and mitigation measures, and implement fast and efficient responses to any issues that were outside of our expectations. We also developed various infrastructure in support of an expanding urban landscape and new advancements in technology, as these factors have greatly influenced consumption behaviors and ways of living. Overall, the Company has managed to respond to these challenges and changes efficiently, as can be seen in the increase in our total revenue compared to 2018.

Our continued growth has led to international expansion as well as the growth of our customer base, which increases each year. Given that there will be an estimated 9 billion people in the world by 2050, this means that the demand for food products among Hotel, Restaurant, and Catering (HoReCa) businesses will increase as well. In recognition of this increase in demand, the Company will maintain our firm stance in offering only the best quality



**Mrs. Suchada Ithjarukul**  
Group Chief Executive Officer



goods and products to our customers and consumers, while applying technologies and innovations across our entire supply chain to elevate the safety and quality of the production and distribution process of our goods and products, to ensure that they are up to international standards. We also encourage our consumers to openly access information on goods and products, to support them with their purchasing decisions. In addition, the Company also developed the **“Digital Store”** in response to changing consumer behaviors, as we are now seeing a shift in shopping preferences from wholesale stores to online stores. As for our customers’ business growth, which is as much a priority for us as our own growth, we provide sales areas within Makro stores for local farmers to sell their products and goods.

In terms of our environmental commitments, the Company implements various projects including, **“Solar Panel Installation Project for Electricity Generation,”** installed at various stores to increase the proportion of renewable energy use; the **“Makro Loves the Environment” Project, or “Say hi to bio, say no to foam,”** which involves campaigning with our customers and suppliers to help

them reduce the use of foam in their businesses, and thereby eliminate environmental impact. Likewise, we are transforming Makro stores around the country into sales channels for green packaging products. As for our social and community responsibility, the Company continues to run the **“Makro Retailer Alliance”** Program to enhance the competitiveness of small local community retailers on the market. Furthermore, under our long-term strategy, we have evaluated the needs of our customers to develop shared value projects with communities. These projects are designed to be harmonious with local contexts and lifestyles, aim to generate positive returns, and sustainably enhance the qualities of life of local communities.

On behalf of our Board of Directors, management, and employees, we would like to thank all of you for your continued trust and support in our business, and for your dedication to sustainability. We firmly believe that the combined efforts of all parties, along with the sincere commitment to operating with consideration for the environment, society, and economy, will allow the Company to grow sustainably alongside the Thai society and all countries in which we operate.

# ABOUT MAKRO

(Disclosure 102-1, 102-2, 102-3, 102-16)

## VISION

To be the number one food solutions  
provider for professional customers

Acronym in the Stock Exchange of Thailand **MAKRO**

### Head Office

Siam Makro Public Company Limited  
1468 Patthanakarn Road, Patthanakarn, Suan Luang, Bangkok 10250  
Telephone: 0 2067 8999 Fax: 0 2067 9888  
Sustainability Department E-mail: [sustainability@siammakro.co.th](mailto:sustainability@siammakro.co.th)





# OUR BUSINESS

## Siam Makro Public Company Limited (Makro)'s

mission is to be the “Trusted Partner” for customers. The Company aims to provide a selection of quality products at value prices, and respond to the needs of professional customers with our stores located around the country. Apart from delivering quality products at good value prices, Makro also supports our customers in achieving prosperity by sharing knowledge and new modern retail concepts, and organizing capacity-building activities, as well as social and public volunteering activities. Makro's mission comprises the following:

**m**

### Multi - formats

Expand across ASEAN through multi-format store expansions

**a**

### Award

Award team achievement and invest in human capital development

**k**

### Know the differences

Know and respect local differences

**r**

### Responsible

Maximize benefits for all relevant parties and be socially responsible

**o**

### Offer the best

Provide only the best value and solutions for our customers





## OUR HISTORY

Since our listing on the stock exchange over 30 years ago in May 1988, Siam Mako Public Company Limited has operated a membership-based wholesale business under the name, **“Makro,”** selling consumer products to members and professional customers across the country. Our customers consist of small retailers, Hotel, Restaurant, and Catering (HoReCa) businesses, as well as service businesses, public agencies, academic institutions, and others.

Makro remains committed to our mission of becoming a **“Trusted Partner,”** helping professional customers to operate their businesses, manage their capital efficiently, and grow alongside Makro. For this reason, the Company is focused on sourcing and delivering a diverse selection of premium quality products at value prices. Makro also offers products under its own brand across three product categories – fresh foods, dry foods, and consumer goods.

### aro and Savepak



**Savepak**

Raw ingredients and cooking equipment

### M&K



Snacks and drinks products

### Q-Biz



Stationery and office equipment, and office furniture

### Protech



Electronic appliances

Moreover, Makro has expanded its store network, as well as developed new store formats and product sales channels to cover all avenues – online, offline, and omni-channel – to efficiently respond to the different needs of each professional customer group.



## Access to Premium Services, Access to Quality Products at Makro

Information as of 31 December 2019

### Makro Cash & Carry



A store format designed for business owners and small-scale retailers everywhere.

### MakroClick



An online and omni-channel e-commerce platform complete with delivery services, available at <https://www.makroclick.com/>.

### Makro Foodservice and Makro Food Shop



Store formats designed for service businesses and HoReCa customers.

### Siam Food Services



The “Food Diary” online e-commerce channel, launched with SFS business partners, to sell imported products and premium foods to professional customers.

### Siam Frozen



A one-stop shop for frozen food products, suited to all types of operators.



## VALUE CHAIN

(Disclosure 102-4, 102-6, 102-9)

Makro's value chain begins with raw materials, which are selected from sources that meet quality standards. Products pass through the checks and approval stage and are delivered to Makro's distribution centers using standardized logistics systems – to safeguard the quality of products that are delivered to Makro's stores. Meanwhile, controls are in place to ensure that each stage of Makro's value chain operations does not negatively impact communities or the environment.

### Local Suppliers



#### 1. Growers/Producers

Grow/produce safe and high-quality goods per relevant safety standards



#### 3. Cold Storage/Product Warehouse

Stores products at appropriate temperatures to maintain their quality prior to transport, checks, and contamination testing

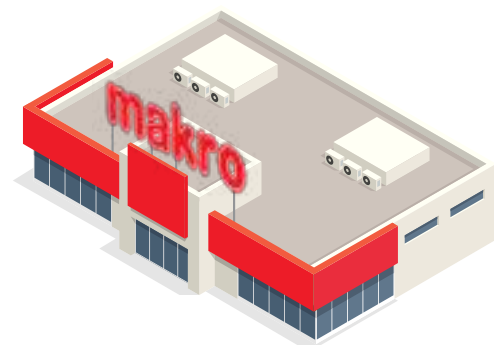
#### 2. Packing Centers

Pack products appropriately to prevent damages during transport, and leverage post-harvest technologies to extend the shelf-life of agricultural products



#### 4. Makro's Fresh and Frozen Distribution Centers

Separate fresh and frozen products for distribution to Makro stores around the country



#### 5. Makro Stores

Display a wide selection of products for customers' easy and convenient selection



#### 6. Customers

Purchase safe and quality products at fair prices for business operations and sustainable living



## Overseas Suppliers



### 1. Growers/Producers

Grow/produce safe and high-quality goods per relevant safety standards



### 3. Cold Storage/Product Warehouse

Stores products at appropriate temperatures to maintain their quality prior to transport, checks, and contamination testing

### 2. Packing Centers

Pack products appropriately to prevent damages during transport

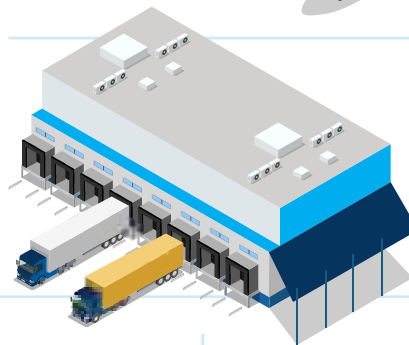
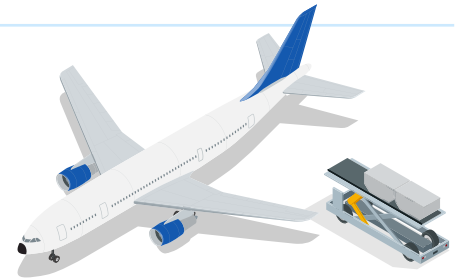


### 5. Logistics

Deliver products throughout the country within appropriate timeframes

### 4. Exporter

Export products from various countries to Thailand



### 6. Importer/Supplier

Source new products from foreign markets for import into Thailand

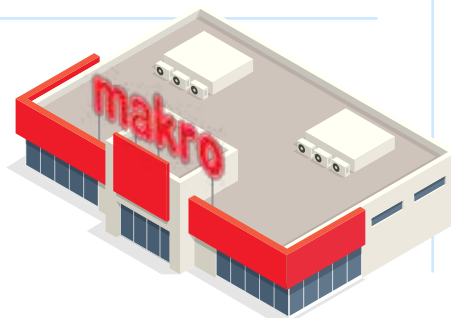


### 7. Makro's Fresh and Frozen Distribution Centers

Separate fresh and frozen products for distribution to Makro stores around the country

### 8. Makro Stores

Display a wide selection of products for customers' easy and convenient selection



### 9. Customers

Purchase safe and quality products at fair prices for business operations and sustainable living



## OUR BUSINESS

### Changes to the Organization in 2019 (Disclosure 102-10)

In 2019, Makro continued to expand its business by launching new sales channels, including by opening stores in Thailand and overseas, as well as online sales platforms. As of the end of 2019, Makro operated a total of 134 stores in Thailand, comprising 79 Classic ‘Cash & Carry’ stores, 28 Makro Foodservice stores, 15 Eco Plus stores, five Makro Food Shops, and seven Siam Frozen stores. Furthermore, the Company operated two Makro stores in Cambodia, and another three stores in India under the name, “LOTS” Wholesale Solutions. In addition, the Company engaged in the import, export, and sales of chilled and frozen foods, “Pick & Pack” and delivery services in Thailand, Vietnam, and other countries, as well as engaged in other related businesses and operations that supported the Company’s main business, through its subsidiaries.

The Company’s expansion has provided the opportunity to address new challenges, as well as venture into new markets, with new suppliers and customers. In this regard, Makro has also enhanced its capabilities in operating according to higher international standards and responding to more diverse customer needs. Our expansion and adherence to higher international standards also increases the capabilities of local producers to compete in international markets, which in turn will increase their income levels and the quality of life of local communities and societies.







**Siam Makro Group comprised subsidiaries, as follows:**

Thailand	Overseas
<ul style="list-style-type: none"> <li>• <b>Makro ROH Co., Ltd. (MROH)</b> Invests in foreign markets to increase Makro's access to foreign markets</li> <li>• <b>Siam Food Services Co., Ltd (SFS)</b> Engages in the import, sales, and delivery of quality fresh and frozen goods</li> <li>• <b>Promart Co., Ltd (PRO)</b> Engages in the sales of consumer goods</li> </ul>	<ul style="list-style-type: none"> <li>• <b>ARO Company Limited</b> Provides marketing and consulting services in the Republic of the Union of Myanmar</li> <li>• <b>ARO Commercial Company Limited</b> Engages in retail, wholesale, other related businesses in the Republic of the Union of Myanmar</li> <li>• <b>CP Wholesale India Private Limited</b> Engages in the wholesale business and other related services in India</li> <li>• <b>Guangzhou Huadu Makro Food Supermarket Company Limited</b> Operates retail, wholesale, and other related businesses in Huadu district, Guangzhou city, Guangdong province, People's Republic of China</li> <li>• <b>Indoguna (Cambodia) Company Limited</b> Operates food service and related businesses in Cambodia</li> <li>• <b>Indoguna Dubai L.L.C</b> Engages in the import, sales, and delivery of quality fresh and frozen food products in United Arab Emirates</li> <li>• <b>Indoguna Lordly Company Limited</b> Engages in the import, sales, and delivery of quality fresh and frozen food products in Hong Kong</li> <li>• <b>Indoguna (Singapore) Pte Ltd</b> Engages in the production of imported meat products and sales of food products in Singapore</li> <li>• <b>Indoguna Vina Food Service Company Limited</b> Engages in the import, sales, and delivery of quality fresh and frozen food products in Vietnam</li> <li>• <b>Just Meat Company Limited</b> Engages in the import and sales of quality fresh food products, specifically meat and poultry, in Hong Kong</li> <li>• <b>Makro (Cambodia) Company Limited</b> Conducts retail, wholesale, and related businesses in Cambodia</li> <li>• <b>Makro (Guangzhou) Food Company Limited</b> Engages in retail, wholesale, and other related businesses in the People's Republic of China</li> <li>• <b>Maxzi The Good Food Restaurant &amp; Cafe L.L.C</b> Operates restaurant and small retail businesses in United Arab Emirates</li> </ul>

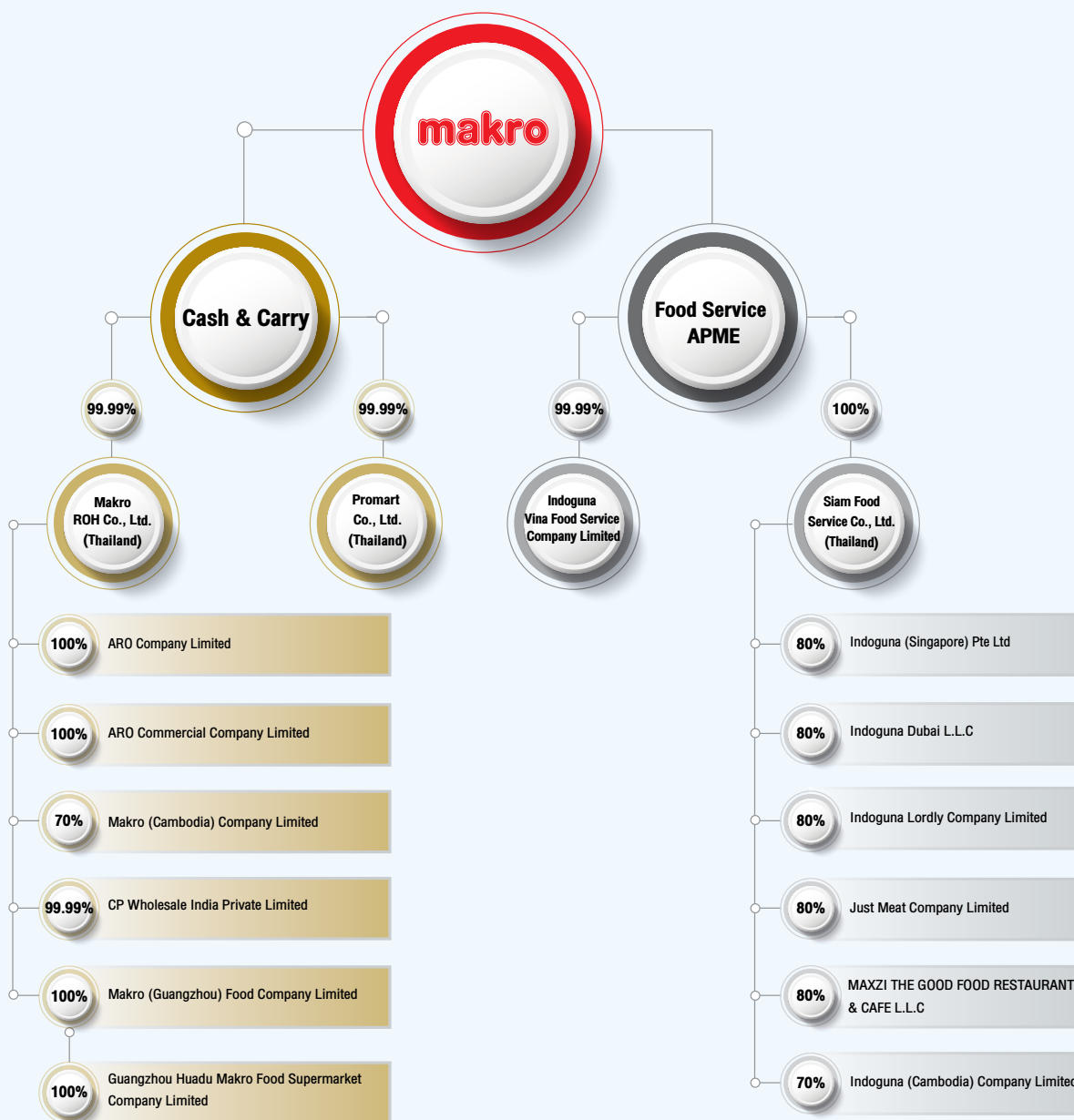
For more information about the subsidiaries of Siam Makro Group, please refer to the Company's 2019 Annual Report, page 128.

To ensure that all relevant parties are efficiently operating in pursuit of the same objective, the Company oversees all management and operational controls from its Head Office, located in Bangkok, Thailand. The Head Office is responsible for determining the Group's business direction, controlling operational efficiency, and overseeing the ability of all departments to achieve business objectives; that they are efficiently streamlined according to the same direction, while upholding the highest standards of service for all customer

groups. Overall, Makro's business operations in Thailand continue to be the core and largest portion of the Group's operations. However, the Company also recognizes that there are future opportunities for expanding the business overseas, and so has developed and expanded opportunities towards other regions, as well. As of the end of 2019, the organization structure of Siam Makro Group and its subsidiaries can be summarized as per the diagram below.



## Siam Makro Group Organizational Structure



### Makro's Membership of Associations 2019 (Disclosure 102-13)

- The Federation of Thai Industries
- Thailand Management Association
- Thai Listed Companies Association
- Thai Rice Packers Association
- Thai Institute of Directors
- Thai Frozen Foods Association
- Thai Retailers Association
- Netherlands–Thai Chamber of Commerce
- German–Thai Chamber of Commerce
- Thai Chamber of Commerce
- Thai–Russian Chamber of Commerce

## Opportunities for Stable Growth

Makro's business operations have always been geared towards one main objective – to be the trusted partner for professional customers. This has therefore led to the constant development of the Company's business model, evident in the development of its diverse store formats. Each of these store formats have their own unique characteristics, and enable the Company to provide services and access professional customers in each location with greater ease. Overall, this supports Makro's goal of becoming the trusted partner for professional customers and creating mutual, sustainable growth.

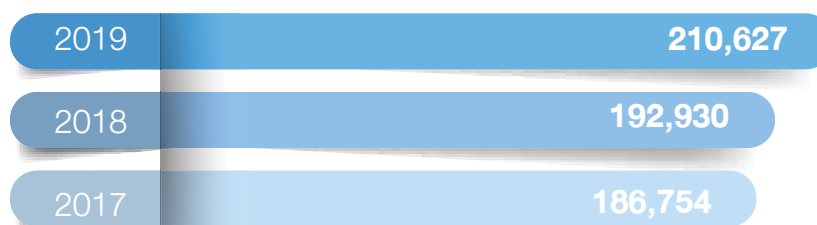
Operating Results in 2019: 210,627 million baht, increasing by 9.2% over the previous year

## Total revenue

Million baht

↑ **9.2%**

increased by  
from 2018

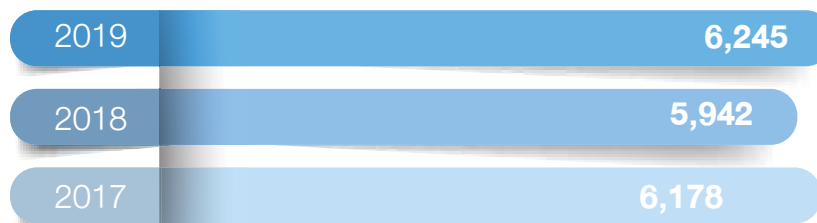


## Net profit

Million baht

↑ **5.1%**

increased by  
from 2018



## Total assets

Million baht

↑ **1.0%**

increased by  
from 2018







## FINANCIAL HIGHLIGHTS

**As of 31 December**  
**covering Siam Makro Public Company Limited and subsidiaries**

	2017	2018	2019
<b>Financial Status (Million baht)</b>			
Total assets	58,976	62,065	62,641
Total liabilities	40,965	42,808	41,907
Share capital	2,400	2,400	2,400
Shareholder's equity	18,011	19,257	20,734
<b>Overall Performance (Million baht)</b>			
Sales revenue	182,753	188,583	206,180
Total revenue	186,754	192,930	210,627
Gross profit	18,401	18,944	21,168
Net profit*	6,178	5,942	6,245
Earnings per share (Baht)	1.29	1.24	1.30
<b>Financial Ratios (%)</b>			
Net profit margin	3.3	3.1	3.0
Debt to equity ** (times)	0.5	0.5	0.4
Return on equity	37.1	32.8	32.0
Return on total assets	11.0	9.7	9.9
Dividend payout ratio	74.6	77.5	73.8
<b>Shareholder Information (Baht)</b>			
Par value per share	0.50	0.50	0.50
Book value per share	3.66	3.90	4.22
Dividend per share	0.96	0.96	0.96***

**Remarks :**

\* Dividend per share includes the following:

- 1) Interim dividend of Baht 0.40 per share that was fully paid on 5 September 2018.
- 2) The final dividend of Baht 0.56 per share was proposed for shareholders' approval on 23 April 2019, bringing the total dividend for 2018 to Baht 0.96 per share.

\*\* Interest bearing debt, excluding liabilities under finance leases.

Further details about the subsidiaries of Siam Makro Group can be found in the 2019 Annual Report, page 152.

MAKRO CURRENTLY EMPLOYS A TOTAL OF **15,212** people

an increase of 4.48% from the previous year.  
A breakdown of employees is outlined below:



#### North

Permanent Employees : 1,429

- Male : 800
- Female : 62



#### Northeast

Permanent Employees : 2,809

- Male : 1,443
- Female : 1,366



#### West

Permanent Employees : 816

- Male : 351
- Female : 465



#### Central

Permanent Employees : 6,303

- Male : 2,605
- Female : 3,698



#### East

Permanent Employees : 1,638

- Male : 631
- Female : 1,007



#### South

Permanent Employees : 2,205

- Male : 940
- Female : 1,265



## Shareholding Structure (Disclosure 102-5)

List of 10 major shareholders as of 23 August 2019.

Name	Number of Shares	Ratio of Shares (%)
1. Siam Makro Holdings (Thailand) Co., Ltd.*	2,640,302,800	55.01
2. CP ALL Public Co., Ltd.*	1,827,598,700	38.07
3. Bualuang Long-Term Equity Fund	41,057,600	0.86
4. Bualuang Top-Ten Fund	28,956,800	0.60
5. Mr. Prinya Tieanworn	27,150,000	0.57
6. Bualuang Long-Term Equity Fund 75/25	18,384,200	0.38
7. AIA COMPANY LIMITED-EQAP-D FUND 1	15,882,000	0.33
8. Bualuang Flexible RMF	11,241,700	0.23
9. Bualuang Equity RMF	8,425,000	0.18
10. AIA COMPANY LIMITED-EQTG-D FUND 1	7,677,000	0.16
<b>Total</b>	<b>4,626,675,800</b>	<b>96.39</b>

### Remarks :

\* Siam Makro Holdings (Thailand) Company Limited and CP All Public Company Limited are both subsidiaries of CP All Group, which is a major shareholder, holding a combined 93.08% of total issued and paid up shares.

\*\* This list does not include Thai NVDR Company Limited, a subsidiary of the Stock Exchange of Thailand, which is responsible for promoting foreign investments by allowing foreign investors to invest in the general shares of listed companies without the limitations of foreign ownership requirements. However, NVDR holders have no voting rights in listed companies.



## CORPORATE GOVERNANCE

(Disclosure 102-16, 102-18)

Makro places the highest priority on transparent, efficient, and ethical business operations. The Company strongly ensures that its operations align with guidelines on corporate governance and business ethics, covering guidelines for business operations, governance frameworks, and monitoring processes, all of which support the Company in achieving its targets. Corporate governance also serves as the solid foundation for the Company's secure and transparent business operations, and this is critical for creating trust amongst shareholders and stakeholders, and promoting sustainable growth.

### Corporate Governance Performance Highlights 2019





### Makro's Corporate Governance Approach

Makro firmly believes that operating with ethics and transparency will enable the Company to grow on a secure foundation, and bring about the trust of communities. For this reason, the Company is not merely committed to operating in compliance with local and international laws and regulations, but also to pushing the business towards consistently higher standards with professionalism, using a corporate governance approach outlined in the Company's Corporate Governance and Code of Conduct Manual. The Manual, which is available in Thai, English, and Khmer, will help foster confidence for investors, shareholders, employees, customers, and all stakeholder groups regarding Makro's corporate governance goals. All Makro employees must sign an acknowledgement of the Manual and comply with its requirements, as this is what will drive the Company towards its targets, vision, and mission, while helping to maintain the highest standards of ethics in its business conduct.

For more information about Makro's Corporate Governance Policy, please refer to the Company's 2019 Annual Report and website, [www.siammakro.co.th](http://www.siammakro.co.th), which offers further details relating to its corporate governance processes, information disclosure, performance in 2019, and sustainable development guidelines for directors, executives, and shareholders. In addition, Makro also provides training on relevant laws and aspects of the law, in accordance with the 15 Principles of Good Corporate Governance for Listed Companies developed by the Stock Exchange of Thailand (SET), and the Corporate Governance Code (CG Code) of the Securities and Exchange Commission (SEC). Apart from

complying with the requirements of SET, Makro also abides by other relevant international standards. Furthermore, the Company arranges trainings for employees, organized by the Thai Institute of Directors, to ensure that they will closely adhere to corporate governance requirements. In 2019, the Company's Corporate Governance Committee held a total of 4 meetings.

### Board of Directors

The Board of Directors is responsible for selecting and appointing the Chairman and Vice Chairman, and assumes an important responsibility in driving the Company forward in pursuit of its vision and mission, as well as governing effectively to ensure that the Company's operations adhere to the guidelines of the Corporate Governance and Code of Conduct Manual. In 2019 (as of 31 December 2019), the Board of Directors was comprised of 15 directors (eight executive directors, and seven non-executive directors). Two of those directors were women, and five were independent directors. With its commitment to promoting transparency and fairness in business conduct, the Company requires that a director must not assume director positions in more than five listed companies.

The Company requires that the Chairman gives notice of meetings to Board members at least seven days in advance of the meeting, to ensure that directors will have sufficient time for preparation. The Chairman is responsible for overseeing meetings, unless otherwise specified. This rule is also applicable to all independent directors.



### The Sustainability Committee

In 2017, Makro formed the Sustainability Committee to drive the company's long-term growth. The Committee is responsible for the development, oversight, and review of the Company's operations in terms of environment, community, customers, and other stakeholders. It consists of the executive and senior directors from all parts of the organization. The formation of the Sustainability Committee shows the dedication of Makro to sustainable development. In 2017, the Committee set the 'sustainability goals.' These

goals, along with several projects are set to integrate sustainability into Makro's business operations and to drive sustainable procedures in the future. The Company's sustainability-related operations span as far as 2020. In order to ensure the effectiveness of the company's operations, the Committee hold a meeting every month to discuss opportunities to develop sustainability strategies and to develop new operating procedures.

**2019**  
**Sustainability committee**  
**has attended the meeting**

**100%**  
(12/12 Times)

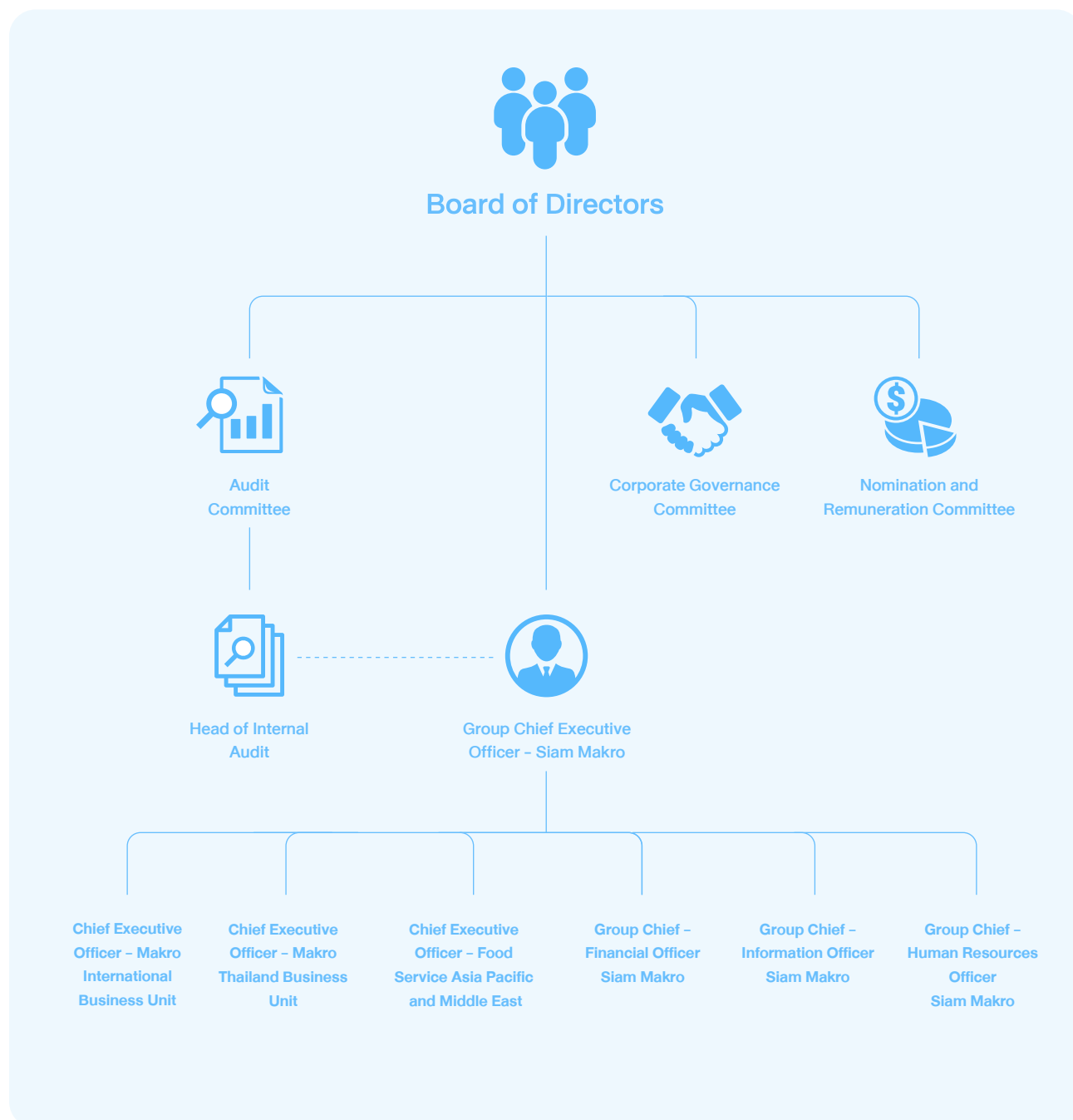




## Organization Structure

### Siam Makro Public Company Limited

As of 31 December 2019



To ensure that corporate governance principles are upheld across all of Makro's businesses, the Company has established and rolled out the Anti-Corruption Policy, and Code of Conduct for Suppliers and Business Partners.

#### Anti-Corruption Policy

Makro developed the Anti-Corruption Policy based upon the foundation of fairness, ethics, and compliance to good corporate governance practices. The Policy is made up of general standards and more specific approaches that are related to political support, public donations, and gift-giving. The Chairman of the Board of Directors and Chief Executive Officer of Siam Makro Group are responsible for overseeing policy implementation, overseeing efforts to create an anti-corruption culture within the organization, and reporting on progress to the Board. Furthermore, the Audit Committee, which reports directly to the Board of Directors, is responsible for ensuring that Makro's activities adhere to the Anti-Corruption Policy. The Committee's work is supported by the Internal Audit Department, which helps to build confidence that Makro's internal control system is sufficient and prevents corruption from occurring within the organization.

In case a stakeholder encounters any action that is related to corruption, they will be able to report such acts and any related information through the available whistle-blowing channels, which include mail, e-mail, telephone, and fax. The whistle-blower or informant will receive appropriate protection and fair treatment by the Company.

#### Suppliers' Code of Conduct

Makro has arranged for a 'Supplier's Code of Conduct' to be used by all suppliers, outlining the Company's expectations for business conduct. The Code stipulates requirements on the issues of ethics (anti-corruption) and conflicts of interest, food safety and quality, traceability, business innovation, risk management, labor practices (human

rights and anti-discrimination), and health and safety. In 2019, Makro communicated the Company's Sustainable Development Policy and the Code of Conduct to more than 1,500 suppliers.

#### No Gift and Donation Policy

The Company is committed to operating with transparency and honesty. The core of this entails adhering to the Company's Anti-Corruption Policy, and thus ensuring that Makro is compliant and free from corruption. Since 2018, the Company announced the use of the "No Gift and Donation Policy," which requests that all parties cooperate in not giving gifts to Company employees during New Year holidays, or on any other occasion in the future. In the case that the Company receives a gift, it will first attempt to return the gift and notify the sender of the No Gift Policy. If this is not possible, the Company will collect all the gifts received to be donated to charities for public benefit.

#### Donations or Support for Public Activities

The Company has issued a specific policy relating to donations, to serve as a guidance for discussions and conduct related to this issue. This is to make sure that all activities that are related to the donations of goods or support for public activities are carried out with transparency, and with the clear objective of genuinely lessening the suffering of others and creating public benefit – without an ulterior motive or any advantages expected in return. The Policy has been communicated to employees and stakeholders for their understanding and appropriate compliance. It also serves as a way to maintain the Company's image and build trust.

### Corporate Governance Achievements

Makro's ongoing efforts and policies on corporate governance serve as a clear indicator of the Company's dedication to building a corporate governance culture within the organization. In 2019, the Company successfully achieved its internal corporate governance goals, received the highest ranking of "Excellent" from the Corporate Governance Report of Thai Listed Companies (CGR), and a full score of 100 from the Annual General Shareholders' Meeting Checklist for the third consecutive year.

### Business Partner Code of Conduct

Aside from its own commitment to ethical business conduct, the Company also faces a challenge in ensuring that its business partners adhere to good corporate governance principles. For this reason, the Company developed the 'Business Partner Code of Conduct,' which outlines Makro's organizational values, operating principles, and expectations. The contents of the Business Partners' Code

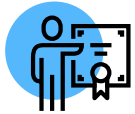
aligns with that of the Code for Suppliers, as this will help Makro to classify business partners effectively, and further promote good corporate governance and sustainability for all parties involved.

### Grievance Channels

Makro fully recognizes that operating according to corporate governance principles will bring about a process of transformation in the foundation of its business operations – which could potentially be a cause of concern for stakeholders. The Company has therefore arranged for various grievance channels to be set up to receive and manage grievances, in addition to managing grievance channels relating to anti-corruption, to encourage employees to report any suspicious activity that might not be in compliance with the Company's policies or requirements.







## ACHIEVEMENTS AND AWARDS IN 2019



**Announcement of the Sustainable Development Policy and Guidelines to suppliers**



**Outstanding Organization Award for Safety, Occupational Health, and Workplace Environment 2019**



**Collaboration with the Ministry of Commerce on the purchase of quality fruits from farmers, cooperatives, and community enterprises**



**14<sup>th</sup> Makro HoReCa Trade Show Event**



**Makro Innovation Day / Makro 4.0 Innovation Award**



**11<sup>th</sup> Makro Retailer Expo, "Commitment and Creativity : Thai Sho Huay for Sustainability."**





## MAKRO SUSTAINABILITY MANAGEMENT





## MAKRO SUSTAINABILITY MANAGEMENT

### Sustainability Development Vision

To be the number one trusted partner for customers, offering safe and high-quality products at fair prices, allowing customers to remain competitive while making profit. To enhance stakeholders' quality of life without sacrificing future generations' opportunity to access the same resources we enjoy today.

Makro has successfully integrated sustainability management into its strategic framework, covering economic, social, and environmental dimensions, with the support of all its stakeholders. These efforts will drive the Company towards its goal of becoming a sustainable organization and a "Trusted Partner," to ultimately enhance the qualities of life for all stakeholders.

The Company's Sustainability Strategy Framework has been designed by considering internal and external factors that influence the organization, and studies and applications of international sustainability management standards. This has resulted in the Makro 4.0 Strategy, which is implemented through a program divided into three levels.

#### International approaches and standards informing the Makro 4.0 Strategy

- International sustainability assessments
- UN Sustainable Development Goals (SDGs)
- Ten Principles of the United Nations' Global Compact (UNGC)

#### Sustainability Management Approach



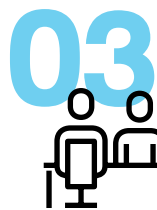
##### Director Level

- Provide operational guidelines
- Provide recommendations and review overall performance



##### Executive and Sustainability Committee Level

- Appoint the Sustainability Committee to drive strategy implementation
- Establish policies, performance indicators, and related targets



##### Operational Level and Sustainability Projects

- Participate in sustainability implementation, including in the proposal of opinions and ideas through various channels
- The Sub-working Group implements actions according to plan



## The Six Strategic Goals of Makro 4.0

The Company continues to move forward in pursuit of its mission, “Makro 4.0...Enhancing People’s Lives.” It is achieving this under the guidance of a strategic framework that is intertwined with sustainable business practices in all dimensions, including environmental and social performance indicators, and is further guided by the concept of “Together...for Sustainability.” Overall, the Makro 4.0 Strategy was developed following an analysis of the organization’s risks, strategy comparisons with industry peers, and global sustainability trends. As the Makro 4.0 Strategy is now entering its third year, the Company has

revised and added in sustainability issues from both international and local levels to ensure that the strategy remains effective and reflective of the current business environment, as well as future risks.

On 10 April 2019, the Company announced its key operating principles for achieving business growth alongside communities, society, and the country. These guidelines emphasize on driving the organizational with technology, creativity, and innovation through the following six main goals:



### 1) Food Safety

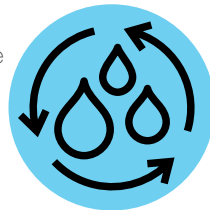
Commit to food quality and safety by responding to the needs of customers, food businesses, and new generation consumers who are health-conscious and ready to purchase foods that meet international standards.



### 3) Reduce Environmental Impact

Valuing the importance of natural resources and the environment, and therefore promote and maximize the efficiency of resource and energy use, and ensure all systems are friendly to the environment.

**2) Ethical and Sustainable Product Sourcing and Supply Chain Management** Prioritize the traceability of a product’s source, and therefore work closely with producers or suppliers to ensure legal compliance in their operations, as well as consideration for environmental and social sustainability, to create mutual growth across the supply chain.



**4) Local Love** Makro desires to be locally loved and to create benefits for communities, at the minimum, in each area where the Company operates. This can be achieved, for example, through local employment, sharing knowledge of business management with local retailers (sho huay), and youth retailers, to enable them to apply that knowledge to improve their local stores for long-term sustainability.

**5) Make Our Customers Prosper** Research and develop digital technologies as new business channels that can enable customers to operate with greater ease and convenience, generate higher profits, and achieve sustainable growth in the new competitive landscape - therefore creating satisfaction amongst professional customers and long-term customer loyalty with Makro.



**6) Employer of Choice** To transform Makro into an organization of choice for employees of all ages, the Company focuses on developing people in terms of ethics and competence, leadership skills, and their ability to adapt to social and technological change - to efficiently ensure work preparedness.

## Key Guidelines

### Goal 1: Food Safety



#### Plan

- Trace the source of raw materials
- Control and minimize contamination risks throughout the value chain

#### Performance Highlights

- Provide information on product sourcing through the "Makro i-Trace" application
- Collaborate on sustainable agriculture projects
- Makro Initiative Accreditation (MIA): Risk assessment and food quality assurance processes based on ISO 22000 :2018 standards

#### 2020 Targets

- 100% traceability of key raw materials
- Food safety management throughout the value chain

### Goal 2: Ethical and Sustainable Product Sourcing and Supply Chain Management



#### Plan

- Risk management of environmental, social, and governance factors
- Sustainable sourcing

#### Performance Highlights

- Preliminary sustainability risk analysis and assessment of key suppliers
- Announcement of the Sustainable Sourcing Guidelines

#### 2020 Targets

- 100% of key suppliers are assessed on sustainability
- The Sustainable Sourcing Guidelines cover at-risk product groups

### Goal 3: Reduce Environmental Impact



#### Plan

- Waste reduction management at Makro stores
- Designing stores to reduce environmental impacts
- Reduce energy consumption and greenhouse gas emissions

#### Performance Highlights

- Employee training programs on fresh food waste reduction
- Research new and green technologies for air conditioner systems
- Energy Management System Certification (ISO 50001)

#### 2020 Targets

- Transition to environmentally-friendly stores
- Reduce the volume of greenhouse gas emissions per unit of revenue by 10% compared to base year 2015

#### Goal 4: Local Love



##### Plan

- Strengthen local capabilities
- Engagement between Makro and local communities

##### Performance Highlights

- Run for Fund: Fundraising for the construction of layer chicken houses at border patrol police schools
- Promote the sales of local products
- Receive 1 million CC in blood donations

##### 2020 Targets

- Create positive impacts for communities in areas where Makro operates
- Create a bond between Makro and surrounding communities

#### Goal 5: Make Our Customers Prosper



##### Plan

- Promote the capacity of sho huay business owners
- Promote the capacity of HoReCa business owners

##### Performance Highlights

- 11<sup>th</sup> Makro Retailer Expo
- 14<sup>th</sup> annual Makro HoReCa Day
- Makro Retailer Alliance (MRA) Project

##### 2020 Targets

- Increase in the number of business owners
- Makro Retailer Alliance Plus (MRA+)

#### Goal 6: Employer of Choice



##### Plan

- Human rights risk assessment and due diligence processes
- Develop employee capabilities and feedback channels
- Strengthen employee engagement
- Enhance the qualities of life and positive working environments for employees

##### Performance Highlights

- Announcement of the Human Rights and Workplace Environment Policy
- Human rights risk assessment at the group level
- Sustainable development training for executives and representatives
- Implement the "Young Talent" Program for the sixth consecutive year
- Conduct studies on the implementation of the ISO 45001 Occupational Health and Safety System at Makro stores

##### 2020 Targets

- Conduct human rights due diligence processes for all subsidiaries
- Train employees and build up their knowledge and capabilities on sustainability issues
- Increase employee engagement scores
- Receive ISO 45001 Occupational Health and Safety Certifications at pilot Makro stores

For more information about each project, please refer to their respective chapters.



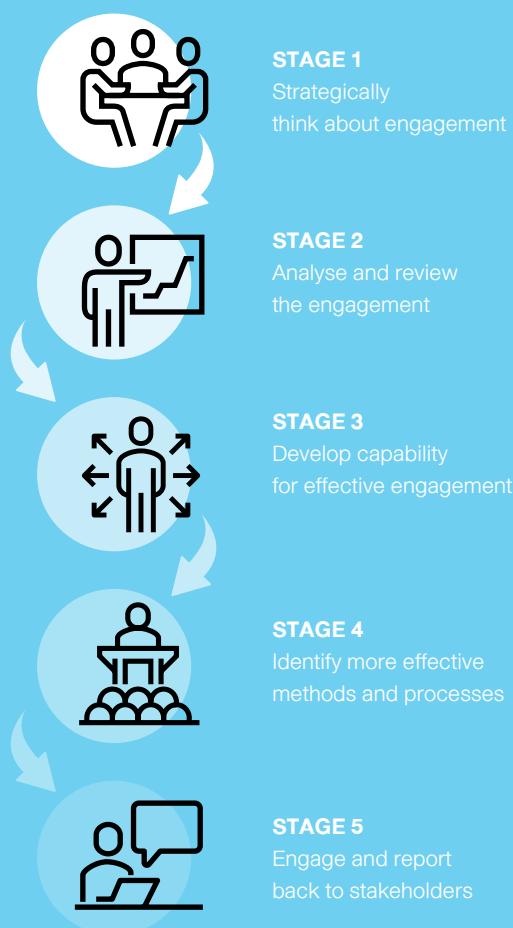
### Assurance Statement (Disclosure 102-32)

The information disclosed in this report has been reviewed by senior executives to ensure that the contents are accurate and complete. To ensure transparency of reporting in accordance with GRI Standards, Makro has also arranged for the report and its data to be verified and assured by an independent third party, where the assurance statement is available at the end of this report.

### Stakeholder Engagement (Disclosure 102-42)

In conducting its business, Makro places importance on sustainable growth and development. The Company has in place governance processes and takes into account ethical principles in its conduct with employees, suppliers, as well as business partners, in order to support business operations and prevent risks and impacts from its operations. Overall, the Company's stakeholder engagement process will enable it to effectively determine guidelines and respond to stakeholders.

The Company has conducted a review of its key stakeholders by referring to the Stakeholder Engagement Handbook developed by the United Nations Environment Programme (UNEP) and Accountability and Stakeholder Research Associates, covering all five stages of engagement, as follows:



The Company has classified its stakeholders into 11 groups. These stakeholders play a vital role in Makro's development of plans, strategies, and sustainable development approaches.

### Makro's Stakeholders (Disclosure 102-40, 102-43, 102-44)




## Stakeholder Engagement



Stakeholders	Engagement Channels	Issues of Interest and Concern	Management Approaches
<p><b>COMPANY PERSONNEL (EMPLOYEES)</b></p> 	<ul style="list-style-type: none"> <li>• Annual employee satisfaction survey</li> <li>• Annual employee performance evaluations</li> <li>• Grievance and complaints channels</li> <li>• Internal intranet news and communications system</li> <li>• Risk assessment meetings</li> <li>• Welfare Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Long-term work, salary, and benefits</li> <li>• Career development opportunities</li> <li>• Occupational Health and Safety Policy for safety and stress reduction management</li> <li>• Good working conditions</li> </ul>	<ul style="list-style-type: none"> <li>• Training to increase employees' capabilities</li> <li>• Organizing forums for employees to express their opinions, such as the Innovation Stage</li> <li>• Procurement of personal protective equipment (PPE) for employees</li> <li>• Organizing recreational activities to relieve employee stress</li> <li>• Appreciation and encouragement for employees to recognize good performance</li> </ul>
<p><b>SUPPLIERS</b></p> 	<ul style="list-style-type: none"> <li>• Supplier meetings</li> <li>• Annual Sustainability Survey</li> <li>• Collaboration projects to drive innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Support for small-scale producers</li> <li>• Supply chain sustainability, concerning issues as human rights and safe working environments</li> <li>• The ability to deliver products</li> <li>• Transparency and fair negotiation processes</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate social activities for small business owners and farmers</li> <li>• Supplier analysis and risk assessments</li> <li>• Joint implementation of CSR activities with suppliers</li> </ul>

Stakeholders	Engagement Channels	Issues of Interest and Concern	Management Approaches
<p><b>ENTREPRENEURS/ CUSTOMERS</b></p> 	<ul style="list-style-type: none"> <li>• Grievance channels</li> <li>• Receive feedback and interview customers</li> <li>• Makro Retailer Alliance activities</li> <li>• Employees at Makro stores</li> <li>• Communications channels including website, telephone, online social media, and mail</li> <li>• Annual activities</li> <li>• Marketing and sales promotions</li> <li>• Brand communications through advertising</li> </ul>	<ul style="list-style-type: none"> <li>• Product quality and safety</li> <li>• Customer health and safety</li> <li>• Correct product labeling</li> <li>• Good product and service offers</li> <li>• Transparency in business operations</li> </ul>	<ul style="list-style-type: none"> <li>• Displays of product sourcing information</li> <li>• Selection and labeling of products at cost-effective prices for customers</li> <li>• Safe and quality food products</li> <li>• Products that promote good health</li> <li>• Accurate product labeling and marketing</li> <li>• Makro Retailer Alliance Project</li> <li>• Store improvements</li> <li>• Proposing new concepts and training on modern retail management</li> <li>• Environmental impact reduction projects, such as “Makro Loves the Environment,” or “Say Hi to Bio, Say No to Foam”</li> </ul>



Stakeholders	Engagement Channels	Issues of Interest and Concern	Management Approaches
<b>SOCIETY</b> 	<ul style="list-style-type: none"> <li>Communications channels including website, telephone, online social media, and mail</li> </ul>	<ul style="list-style-type: none"> <li>Social and environmental responsibility</li> <li>Local employment opportunities</li> <li>Stimulate local economies</li> <li>Skills development</li> <li>Promoting health and quality livelihoods</li> <li>Greenhouse gas emissions</li> </ul>	<ul style="list-style-type: none"> <li>CSR activities</li> <li>Disaster relief projects</li> <li>Actions to promote circular economic flows</li> <li>Purchasing local products and providing sales channels</li> </ul>
<b>LOCAL COMMUNITIES</b> 	<ul style="list-style-type: none"> <li>Community participation</li> <li>Meetings with community representatives</li> <li>Donations</li> <li>Sponsors</li> <li>Interviews</li> </ul>	<ul style="list-style-type: none"> <li>Stimulate local economies</li> <li>Local employment opportunities</li> <li>Promoting health and quality livelihoods</li> <li>Skills development</li> <li>Social and environmental responsibility</li> </ul>	<ul style="list-style-type: none"> <li>Purchasing local products and providing sales channels</li> <li>Local hiring</li> <li>CSR activities</li> </ul>
<b>INVESTORS</b> 	<ul style="list-style-type: none"> <li>Annual shareholder meetings</li> <li>Annual Sustainability Survey</li> <li>Investor meeting activities</li> <li>Communications channels including website, telephone, e-mail, and mail</li> <li>Site visits</li> <li>Analyst meetings</li> </ul>	<ul style="list-style-type: none"> <li>Transparency in information disclosure</li> </ul>	<ul style="list-style-type: none"> <li>Disclosure of corporate governance approach</li> <li>Compliance to the regulations of the Stock Exchange of Thailand (SET) and Securities and Exchange Commission (SEC)</li> <li>Performance disclosures through annual report and sustainability report</li> </ul>

Stakeholders	Engagement Channels	Issues of Interest and Concern	Management Approaches
<b>BUSINESS PARTNERS AND/OR OFFICERS</b> 	<ul style="list-style-type: none"> <li>Communications channels including e-mail, telephone</li> </ul>	<ul style="list-style-type: none"> <li>Tax transparency</li> <li>Food safety</li> <li>Human rights</li> <li>Employee occupational health and safety</li> <li>Compliance with laws</li> <li>Compliance with standards</li> </ul>	<ul style="list-style-type: none"> <li>Cooperation with government officials and public agencies</li> <li>Study of laws and requirements</li> <li>Compliance with rules, regulations, and laws</li> </ul>
<b>NON-GOVERNMENTAL ORGANIZATIONS (NGOS)</b> 	<ul style="list-style-type: none"> <li>Annual Sustainability Survey</li> </ul>	<ul style="list-style-type: none"> <li>Customer health and safety</li> <li>Legal compliance across business operations</li> <li>Corporate Social Responsibility</li> <li>Operational transparency</li> <li>Social and environmental responsibility</li> </ul>	<ul style="list-style-type: none"> <li>Communication, providing relevant performance information</li> <li>Survey feedback</li> <li>Joint activities and collaboration projects</li> </ul>
<b>SHAREHOLDERS</b> 	<ul style="list-style-type: none"> <li>Annual shareholder meeting</li> <li>Annual Sustainability Survey</li> <li>Annual investor meeting activities</li> <li>Communications channels including website, telephone, mail</li> <li>Site visits</li> <li>Analyst meetings</li> </ul>	<ul style="list-style-type: none"> <li>Transparency of information disclosure</li> <li>Business/Financial performance</li> <li>Disclosure of shareholder-related information</li> </ul>	<ul style="list-style-type: none"> <li>Disclosure of guidelines on corporate governance and the equal treatment of shareholders</li> <li>Disclosure of performance results</li> </ul>

Stakeholders	Engagement Channels	Issues of Interest and Concern	Management Approaches
<b>MEDIA</b> 	<ul style="list-style-type: none"> <li>• Communications channels including interviews</li> <li>• Press conferences</li> </ul>	<ul style="list-style-type: none"> <li>• Information transparency</li> <li>• Public information access</li> </ul>	<ul style="list-style-type: none"> <li>• Communication, providing relevant performance information</li> </ul>
<b>BANKS AND CREDITORS</b> 	<ul style="list-style-type: none"> <li>• Site visits</li> <li>• Meetings</li> <li>• Inspections</li> </ul>	<ul style="list-style-type: none"> <li>• Financial returns</li> </ul>	<ul style="list-style-type: none"> <li>• Communication, providing relevant performance information</li> <li>• Risk mitigation and management measures</li> </ul>

## Materiality Assessment

(Disclosure 102-46, 102-47, 102-48, 102-49)

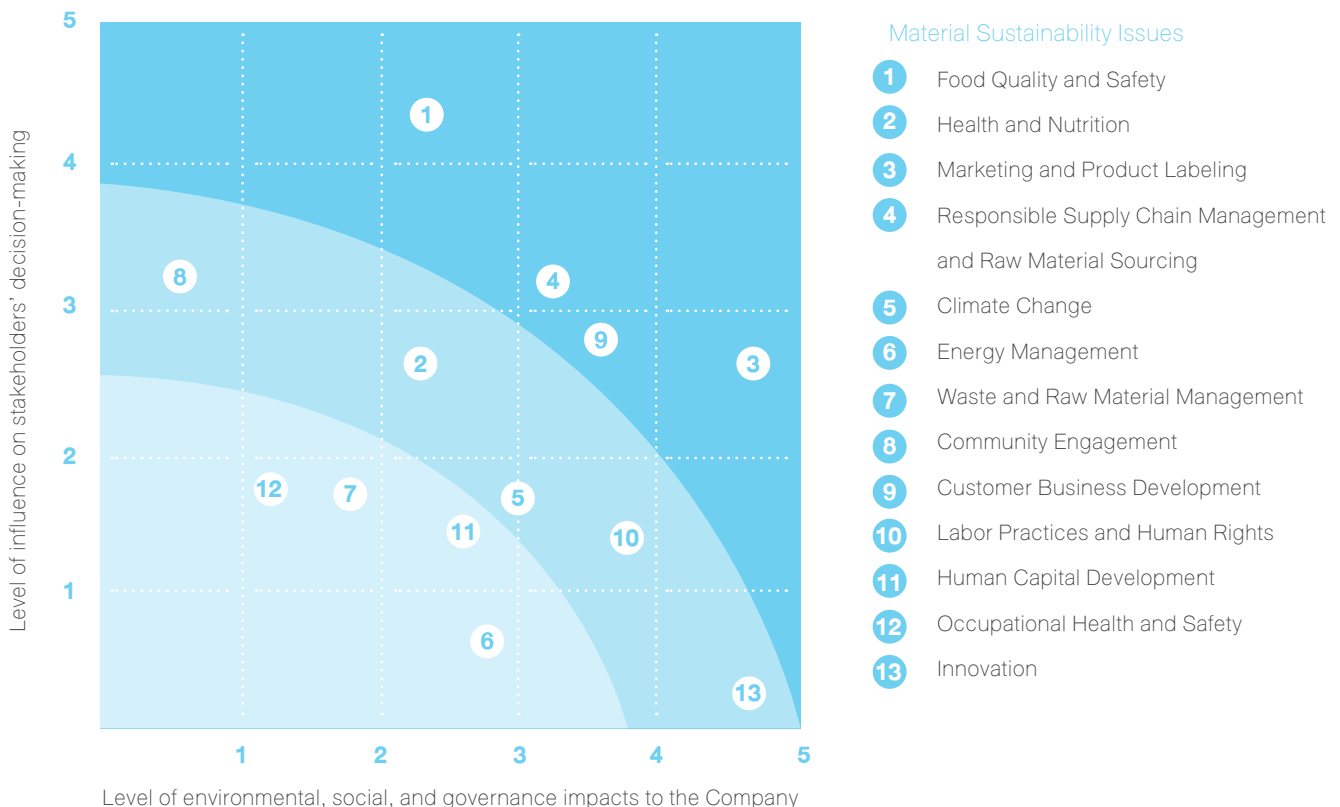
In identifying material sustainability issues for the business, the Company has consolidated a list of relevant sustainability issues by studying the sustainability reporting framework of the wholesale business sector, benchmarking against peers' reports, and evaluating global megatrends and social trends by examining international sustainability standards such as the Sustainability Accounting Standards Board (SASB), Dow Jones Sustainability Indices (DJSI), Global Reporting Initiative (GRI), and UN Sustainable Development Goals (SDGs). Once an overall landscape of sustainability issues has been visualized, Makro then issued a questionnaire to request feedback from all stakeholder groups and Company executives – where it received a total of 378 responses. The results of the questionnaire were then calculated and integrated into a stakeholder relations diagram. Makro then worked with both internal and external stakeholders, including customers, suppliers, and community representatives (society), to

conduct in-depth interviews and determine the importance of each sustainability issue – in order to confirm the results of the questionnaire. Finally, the sustainability issues were proposed to the Board for consideration and approval by Siam Makro's Chief Executive Officer and the heads of each department.

Following the sustainability issue prioritization stage, the Company determined that there are 13 sustainability issues that are material for the business. Four of these issues are of highest importance, and include:

1. Food Quality and Safety
2. Responsible Supply Chain Management and Raw Material Sourcing
3. Customer Business Development
4. Marketing and Product Labeling

**Makro 2019 Materiality Matrix**



**Remarks** Restatement of information or relevant changes from previous reports: No information has been amended from the previous report.





## FOOD SAFETY





## FOOD SAFETY

### **Introduction** (Disclosure 103-1)

In today's era, where society is moving into the digital age, consumers are able to access news and information from all corners of the globe as never before. As a result, there is now greater demand for access to diverse sources of raw materials and foods, while in the meantime consumers are also demonstrating greater consciousness for health and nutrition. This is where the challenges for Makro emerge - in the sourcing of safe, quality products with nutritional value from all around the world. Makro therefore remains ever-committed to developing products that meet international standards, and providing customer convenience in terms of information services and sales channels, in order to respond to customers' demands and offer them the highest levels of satisfaction. This is driven by Makro's commitment to becoming the point of reference on food safety, which will elevate the Company as a provider of food products and services, as well as nutritional foods.

## Product Safety and Quality

(Disclosure 103-1, 103-2, 103-3)

Makro firmly believes that safe and high-quality food is an important foundation for consumer health development. Given this, the Company is dedicated to becoming a customer's "Trusted Partner," by jointly delivering safe and quality products to consumers through a food safety approach that emphasizes stringent controls, minimizes the risks of contamination in the value chain, as well as highlights the traceability of raw materials.

Meanwhile, the Company remains committed to creating partnerships with the public and private sectors in support of consumer health. In 2019, Mrs. Jutarat Pattanatorn, Director of Quality Assurance at Makro, was appointed as a member of the Bangkok Public Health Committee to promote and enhance the Committee's performance, where she is responsible for providing advice and supporting the Committee's work in line with public health laws, as well as for promoting knowledge and understanding on public and environmental health among relevant parties from various sectors.

### Management Approach

#### Controlling and minimizing contamination in the value chain

One of the Company's 2020 food safety targets is to have a food safety management system that covers its entire supply chain. In light of this, Makro has a food safety management system that categorizes food products into three levels – in order to control and efficiently manage contamination risks. The products categorized in each level adhere to different food safety principles and standards, which differ in stringency depending on the type of product group. For instance, the products at the Makro Quality Pro (MQP) level are those that have passed the highest international standards on quality and safety, including the Global Good Agricultural Practices (Global GAP) standards, the Good Manufacturing Practice (GMP) standards, and safety testing by the Institute of Nutrition. Choosing a product with an

MQP label does not only help consumers to select the highest quality goods, but also helps to generate income for farmers, as well. This is because Makro works directly with farmers to share knowledge on the requirements for selecting quality products under the MQP certification, which will enable farmers to develop the quality of their products in line with MQP requirements, and thus allow them to sell their products at a higher price.



**FOOD SAFETY MANAGEMENT SYSTEM.**  
**PRODUCTS ARE ORGANIZED INTO**  
**THREE LEVELS, AS FOLLOWS:**

#### MQP

Products certified to international food safety standards such as Global GAP, GMP, safety testing by the Institute of Nutrition, and traceability requirements.



#### SELECTED

Products certified to food safety standards such as GAP and GMP, safety testing by the Institute of Nutrition, and traceability requirements.



#### BRAND

Products certified to standard food safety requirements.







## FOOD SAFETY MANAGEMENT SYSTEM

In addition, Makro's Quality Assurance department has developed the **Makro Initiative Accreditation (MIA)** system, based on the ISO 22000:2018 standards, which serves as a risk assessment and quality assurance process, and as a tool for managing Makro's stores and suppliers. This will help to guarantee that Makro's products are clean, safe, of premium quality, and certified to internationally-recognized standards.

The MIA system has been implemented at Makro's stores in Bang Bua Thong, Nakhon-In, and the Mahachai Distribution Center. As a result, these stores were prepared for ISO 22000:2018 certification assessments, and subsequently received the ISO certification. The certification covers the receiving, storage, and distribution of frozen goods and bread production - and makes Makro the first retailer in Thailand to be ISO 22000:2018-certified. Going forward, Makro plans to expand the MIA system to all stores across the country. Similarly, from 2020, the Company will use the MIA system with its new suppliers and high-potential producers, as well as encourage the Quality Assurance departments of Makro's stores in Myanmar and Cambodia to apply MIA together with their traceability systems.

As the MIA system has been developed based on the ISO 22000:2018 standard, which is an international standard that has likewise been developed based on other food production standards, including the Good Manufacturing Practices (GMP) standards, the Codex standards of FAO/WHO, the Hazard Analysis and Critical Control Point (HACCP) approach, and the Food Safety System Certification (FSSC), customers and consumers can rest assured that the products sold at Makro's stores are fresh, clean, safe, and healthy. Furthermore, the Company also conducts regular contamination testing on products across its supply chain, which are carried out by Makro's labs that are certified by the Department of Medical Sciences of the Ministry of Public Health, and by ISO 17025-certified external laboratories.

### Relevant Projects

[TISI Stores: The Thai Industrial Standards Institute, Ministry of Industry](#)

The Company has entered itself for consideration for the "TISI Store" certification from The Thai Industrial Standards Institute. The "TISI Store" Project aims to support the mission of consumer protection by creating a network of stores that uphold their responsibility to society, and are dedicated to the quality of the products on sale for the safety of consumers.

### [Fresh & Safe Vegetables for the Health of the Thai People](#)

Makro has collaborated with the Food and Drug Administration and the Consumer Protection Police Division on the project, Fresh & Safe Vegetables for the Health of the Thai People ("Fresh Vegetable Detectives"), which aims to promote stores and support farmers that produce and sell fresh, clean vegetables that are up to standard, free from contaminants, and safe for consumers. The Project invited vegetable producers and vendors to attend activities, as well as invited consumers to participate as "detectives," to form a reporting network to identify markets that sell unsafe vegetables. Furthermore, a knowledge-building activity was organized through an Edutainment Mobile Unit, which provides knowledge to participants on how to select fresh vegetables that are free from chemical residues, demonstrates the proper way to wash vegetables, and how to use a testing kit to check for chemical residues on fresh vegetables. Finally, the Project also awarded "Fresh & Safe Vegetable" Certifications to vendors who sell quality fresh vegetables that are safe and free from chemical residues, in locations that are up to standards and hygiene conditions - thereby ensuring confidence for consumers.



#### Raw Material Traceability

Another one of Makro's 2020 targets on food safety is to achieve 100% traceability for all key raw materials. Given this, the Company developed the 'Makro i-Trace' system, which enables consumers to trace the origins of products using a QR Code displayed on a product's label. In 2020, Makro expanded its product database to enable 100% traceability for all MQP products. In addition to disclosing information about a product's origins, the Company recognizes that nutritional information is an essential piece of knowledge that customers should receive. Therefore, under a partnership with the Institute of Nutrition, Mahidol University, the Company jointly developed a nutritional database in addition to legal requirements through the 'Makro i-Trace' system – starting with fruit and vegetable products under the MQP brand. This project not only benefits consumers, but also serves as a way for Makro and Mahidol University to share knowledge and information on nutrition.

#### Health and Nutrition

(Disclosure 103-1, 103-2, 103-3)

Health and well-being are the basic needs of human life. These factors impact the sustainability of the economic system as a whole, as good health leads to fewer expenses on healthcare costs, and therefore a higher budget for spending in other areas. Makro aims to play a part in promoting the good health of consumers, and so is committed to not only sourcing food products that offer nutritional value, but also to promoting knowledge-sharing amongst the general public in order to build awareness on the importance of nutrition. In turn, this will lead consumers to choose healthier and more nutritional products for their own consumption.

#### Management Approach

The increase in customer demand for food products with high nutritional value is the driving force behind Makro's commitment to becoming a leader in the food industry – one that is up to standard, and which responds to the aforementioned customer demands to the best extent possible. In this regard, the Company's Commercial department oversees the sourcing of quality products, which are abundant with nutritional values, to offer a wider selection of healthy food choices for customers at Makro's stores.

#### Marketing and Product Labelling

(Disclosure 103-1, 103-2, 103-3, 417-2)

Makro remains committed to implementing the Makro 4.0 Strategy in order to become the number one food solution provider for professional customers. As part of this, the Company develops product labels and conducts marketing efforts in a way that allows customers to access complete information about a product, and therefore effectively choose a product that most directly meets their needs. The Company has also added more sales channels to make it more convenient for customers to access a diverse range of products, as this better reflects the changing purchasing behaviors of customers today.

#### Management Approach

The increasingly fast-paced, modern lifestyles of today have changed the ways that consumers access goods. To address this shift and offer more convenience to customers and business owners with limited time on their hands, Makro has provided additional online customer channels to support greater access to goods and services. This involves the development of Makroclick.com (an e-commerce platform), Makro Application, Makro Mail, and Makro LINE official. The Company has also designed these online channels with features that suit the purchasing behaviors of specific types of customer groups. For example, Makroclick.com organizes products into categories that serve specific types of stores, such as coffee shops and meat grills, to reduce the time required for searching for certain items.

In terms of facilitating payments, Makro has addressed this by adding more electronic payment channels, such as credit card payments and the True Money Wallet application. The Company has even partnered with True Money Wallet and The Thai Credit Retail Bank to offer credit to professional customers for purchasing goods with Makro. For more information on this project, please refer to the Customer Business Development chapter, pages 75.

In addition to providing more channels for customers to access goods and services, Makro also ensures that the information on a product's label is accurate and complete. Indeed, this demonstrates the Company's commitment to transparency in marketing, as well as its responsibility as a producer for customers and consumers. Since 2016, the Company has collaborated with the Central Bureau of Weights and Measures, Department of Internal Trade, on

the development of the "Thailand Estimated Mark," which certifies that a product's labelled net weight is accurate. In 2019, 55 suppliers participated in the project, and 364 Makro products received the Thailand Estimated Mark.

#### **Feedback and Grievances**

Makro's Corporate Communications and Public Relations department is the central entity responsible for monitoring and consolidating feedback and grievances, and communicating with stakeholders. The Company has established both online and offline channels to receive and manage grievances, as this will ensure that Makro will effectively hear from the voices of all consumers. In 2019, the Company expanded its feedback and grievance channels to cover 100% of its sales channels, and also comprehensively monitored news and information on key social media channels.



## PRODUCT SOURCING AND ETHICAL SOURCING AND SUSTAINABLE AND SUPPLY CHAIN MANAGEMENT





## PRODUCT SOURCING, ETHICAL SOURCING, AND SUSTAINABLE SUPPLY CHAIN MANAGEMENT

### Introduction (Disclosure 103-1)

Consumers all around the world today are taking an interest in many different aspects of a product, including the source of its raw materials, and its quality and safety for consumers, society, and the environment. Given this, the transparent disclosure of a product's traceability, across its supply chain, has become a material issue for the Company. This is true not only in terms of the opportunities it presents in allowing for competition beyond pricing considerations, but also for the challenges that must be managed, as the Company must work collaboratively with food production companies from all over the world to ensure that they are able to deliver safe products into the hands of business owners and consumers, which have also been certified to international standards such as food safety standards and sustainable raw material sourcing standards.



In order to meet the expectations of consumers and enhance the Company's competitive advantage, the creation of partnerships between producers, distributors, and business partners – from upstream to downstream – is vital to the management of this material issue. Makro has thus worked to ensure that its supply chain management is balanced with regard to quality, price, and delivery. Similarly, the Company promotes collaborations between stakeholders, and manages potential environmental, social, and governance risks – including in economic dimensions – to reduce risks and impacts to the environment and society, such as from deforestation and labor issues. Finally, the Company strives to build confidence in its responsible business operations amongst stakeholders throughout its supply chain.

### Responsible Supply Chain Management and Raw Material Sourcing

(Disclosure 102-11, 103-2, 103-3, 204-1, 308-1, 308-2, 414-1, 414-2)

#### Management Approach

1. **Determining the Scope of Operations, Expectations and Guidelines, and Communication to Stakeholders**  
 Makro has developed a Suppliers' Code of Conduct covering seven key sustainability aspects, comprised of: 1) Ethics, 2) Food Quality and Safety, 3) Traceability, 4) Efficiency Improvements/Business Innovation, 5) Risk Management, 6) Labor Practices, and 7) Occupational Health, Safety, and Environment. In addition, Makro has communicated the Code of Conduct to its suppliers, and publicly disclosed the Code on its website. All suppliers are able to access and download the Code of Conduct via QR Code for further study or to develop a deeper understanding of its requirements.
2. **Supplier Identification and Selection**  
 Makro identifies and selects suppliers by using the Pre-Supplier Audit Questionnaire, which evaluates

suppliers' performance and legal compliance. The questionnaire covers a supplier's production capabilities, product delivery, and the quality of their products in line with relevant laws and international standards, including the Good Manufacturing Practices (GMP) Standards, the Codex Standards of the FAO/WHO, and the Hazard Analysis and Critical Control Point (HACCP) System standards. Furthermore, critical suppliers, in particular those producing agricultural goods, must comply with the Good Agricultural Practices (GAP) Standards. Going forward, Makro plans to introduce the Makro Initiative Accreditation (MIA) system, a process developed for risk assessment and food quality assurance, for use with new suppliers and high-potential producers by 2020. New suppliers must also undergo an environmental and social assessment as part of the screening process prior to being accepted as a supplier, in order to carry out business operations with Makro.

#### 3. Sustainability Risk Assessment and Impacts

The Company classifies its suppliers to ensure that they will be able to operate in strict accordance with the various policies and guidelines in place. The criteria that the Company uses in classifying suppliers include: 1) Purchasing Volume, 2) Critical Raw Material Suppliers, and 3) Suppliers of Limited Products. The suppliers that qualify for the aforementioned criteria will be classified as Critical Tier 1 Suppliers, where they will have to conduct a self-assessment on sustainability risks. In 2019, the Company had a total of 1,473 critical tier 1 suppliers, of which 1,211 have conducted risk assessments, or 82% of all critical tier 1 suppliers. Overall, there were 43 critical tier 1 suppliers with risks. Nevertheless, Makro will develop plans to assess risks on suppliers' operational sites going forward.

The proportion of suppliers that have been assessed for Sustainability Risk



Critical Tier 1 Suppliers

1,473



Critical Tier 1 Suppliers that have not been assessed for risks (new suppliers and all remaining suppliers)

262



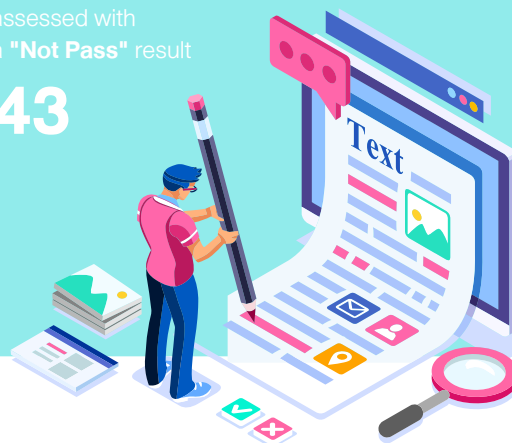
Critical Tier 1 Suppliers assessed with a "Pass" result

1,168



Critical Tier 1 Suppliers assessed with a "Not Pass" result

43



#### 4. Risk Management and Supplier Capacity-Building

Makro has focused on enhancing the capabilities of its suppliers, in particular farmers and upstream producers who are at the starting point of an expansive supply chain with far-reaching impacts, by promoting and supporting the quality improvements of their goods according to the Makro Quality Pro (MQP) Standard implemented by QA (Quality Assurance Division). Following their participation in the project, the farmers reported an increase in their revenue and improvements in their quality of life.

## Collaboration Projects

- Responsible Supply Chain Management and Raw Material Sourcing

### “Dear Supermarkets” Project

The “Dear Supermarkets” Project aims to promote the fair and sustainable operations of food businesses in Thailand by elevating their supply chains towards sustainable standards. This will be achieved by improving the livelihoods of farmers and workers in the food business, as well as by reducing poverty and human rights violations. The Project, operated by the

food4change network and Oxfam Thailand, evaluated Makro on its social-related public policies, specifically on the aspects of transparency and accountability, farmers, workers, and women. In 2019, Makro was grouped with the supermarkets that received score improvements in three dimensions – transparency, workers, and farmers.

### Responsible Raw Material Sourcing

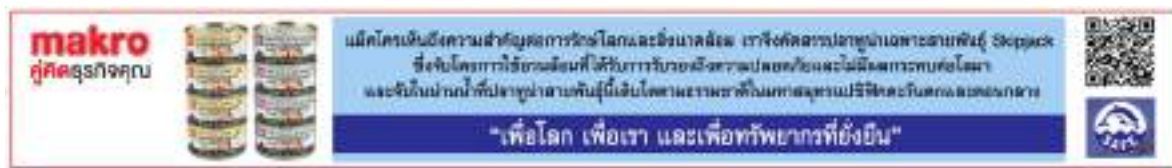
Raw material sourcing is an important component of sustainable supply chain management, as it makes the starting point for the quality of a product across its supply chain. Makro is therefore dedicated to sourcing quality raw materials from sources that have a strong track record of legal compliance with relevant laws, and consideration for social and environmental impacts. In this regard, the Company has assessed all of its suppliers equally. All critical suppliers must pass a risk assessment on the quality and safety of their products – as well as sustainability performance - before they are included in the Company’s Approved Vendor List and receive product orders from Makro. In the case that a supplier is found to be in violation of or non-compliance with relevant laws, the Company will immediately cease operating with the supplier in question, and request that they identify preventive and remediation measures to resolve the problem. This ensures that the suppliers will continue to operate according to Makro’s required standards. Finally, customers are able to trace a product’s origin by using the ‘Makro i-Trace’ application, to verify that the Company’s products come from sustainable raw material sources.



- Responsible Raw Material Sourcing

### Canned Tuna Greenpeace

Canned Tuna Ranking, operated by the organization Greenpeace, is an initiative that ranks the sustainability of canned tuna products in Southeast Asia. The criteria used in the assessment include: Sustainability of current sourcing, Equity/Social, and Transparency and Customer Information. In 2018 (the latest report publication), Makro was ranked sixth in Thailand as a producer of tuna (Aro brand), where its score from this latest ranking improved by 12 points over the previous assessment. This result has prompted Makro to pursue further opportunities to develop and improve its capabilities on sustainable tuna fishing in the future.



### Food Diary: Siam Food Services' Premium Raw Materials Sales Channel

Siam Food Services Limited (SFS) has opened an online sales channel under the brand, Food Diary, for consumers to purchase premium quality raw materials that have been sourced from sustainable origins, locally and from international sources. These products include meats, seafood, and seasoning. In 2019, the Food Diary brand, together with its business partners, expanded its online sales channels by developing its own e-commerce website, [www.fooddiaryshop.com](http://www.fooddiaryshop.com), in order to expand visibility and access new customer groups aside from professional customers. In addition, SFS also launched its own premium seafood product under the Ocean Gems brand, which is another strategy aimed at expanding business opportunities. This premium quality seafood Ocean Gems product was created from sources that have been selected for their sustainable fishing practices, certified by entities such as the Marine Stewardship Council (MSC). It not only responds to the new demands among customers, but also points to the continual growth of this business segment and helps the Company to prepare for further overseas expansion. Finally, Food Diary also emphasizes the development of online knowledge content for customers that are related to raw materials in cooking and nutritious cooking methods, which are disseminated through various social media channels in the forms of images and videos that are easy to understand.







## ENVIRONMENTAL IMPACT





## ENVIRONMENTAL IMPACTS

### **Introduction** (Disclosure 103-1, 103-3)

The environment is essential for all living things, in particular the natural resources and biodiversity that help to maintain a balanced environment. However, environmental degradation has now become an issue that impacts upon the livelihoods of all living beings. It is therefore vital that all parties join forces to resolve these issues and return the environment to its former conditions. Makro recognizes the importance of these environmental problems, and has integrated the issue of environmental impact reduction into the Makro 4.0 Strategy in order to demonstrate the Company's responsibility and commitment to the environment, through its sustainable business operations.

## Climate Change

(Disclosure 103-2, 303-1, 305-1, 305-2, 305-4, 305-5, 306-1)

Over the past several decades, Earth's climate has undergone significant changes as a result of global warming, caused by the increase in greenhouse gas emissions from the industrial, transportation, and household sectors. Given this, maintaining a balance in climate conditions and ensuring climate stability is an important challenge for achieving sustainable development. Makro has therefore enacted measures to reduce greenhouse gas emissions from its business operations and across its supply chain, which involve increasing the use of renewable energy, increasing the efficiency of electrical appliances, and improving the efficiency of water resources management. All of these measures will help to reduce impacts to the climate and enhance the Company's preparedness in responding to climate change.



### Target

- Reduce greenhouse gas emissions by 10% by 2020 compared to base year 2015
- Reduce water consumption by 10% compared to base year 2015



### Key Performance

- Reduced greenhouse gas emissions by increasing the proportion of renewable energy use and the efficiency of electrical appliances
- Changed the type of refrigerants used in air-conditioning systems

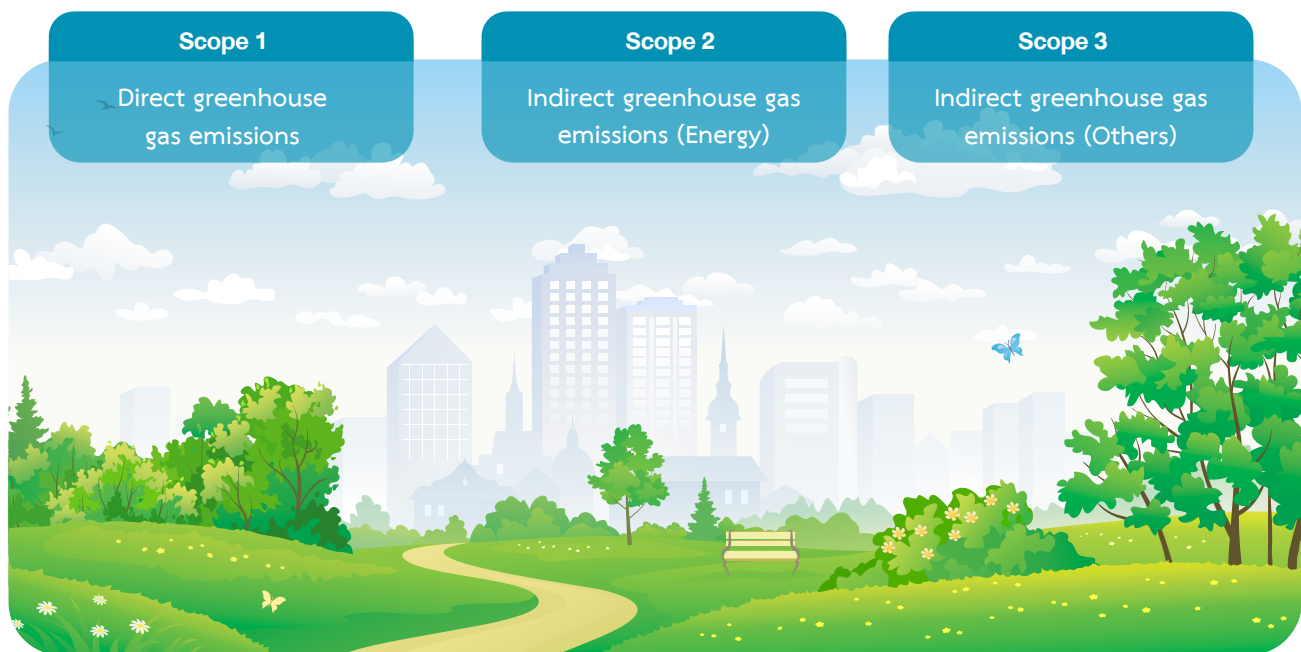




## Management Approach

Makro recognizes the importance of climate change as an issue, and so is monitoring its greenhouse gas emissions across all three scopes, including: 1) Direct greenhouse gas emissions, 2) Indirect greenhouse gas emissions (Energy), and 3) Indirect greenhouse gas emissions (Others). Makro's Construction and Facility Management Department has undertaken plans to reduce the environmental impacts of Makro's stores by changing the type of refrigerant used for store air-conditioners, switching to one that is safer for the environment, i.e. a refrigerant that has a low Global Warming Potential (GWP), as this will contribute to lower scope 1 greenhouse gas emissions.

## Scope of Greenhouse Gas Emissions



In addition, the Company has adopted water loop technology for the air-conditioning systems in its stores. The technology helps to reduce the amount of refrigerants used in air-conditioners, and therefore decreases the volume of greenhouse gas emissions. Makro is currently piloting the water loop technology in its Lad Krabang store, which subsequently reduced the store's scope 1 and 2 greenhouse gas emissions by 567 tons of carbon dioxide equivalents per year. The Lad Krabang store is also a pilot store for energy management, as it was able to save 533,750 kilowatt-hours of energy per year from the combined use of solar energy, the water loop cooling system, and by changing its electrical appliances to higher efficiency models.

As for reducing its scope 2 greenhouse gas emissions, Makro has increased its consumption of renewable energy and enhanced the efficiency of its electrical appliances by switching to high performance LED lightbulbs, which helped to reduce scope 2 emissions by 3,834 tons of carbon dioxide equivalents per year.

Owing to these aforementioned efforts, the Company's total 2019 emissions for scope 1 and scope 2 were 43,232.95 and 219,642.54 tons of carbon dioxide equivalents per year, respectively. Overall, scopes 1 and 2 greenhouse gas emissions intensity was 1.25 tons of carbon dioxide equivalents per million baht.

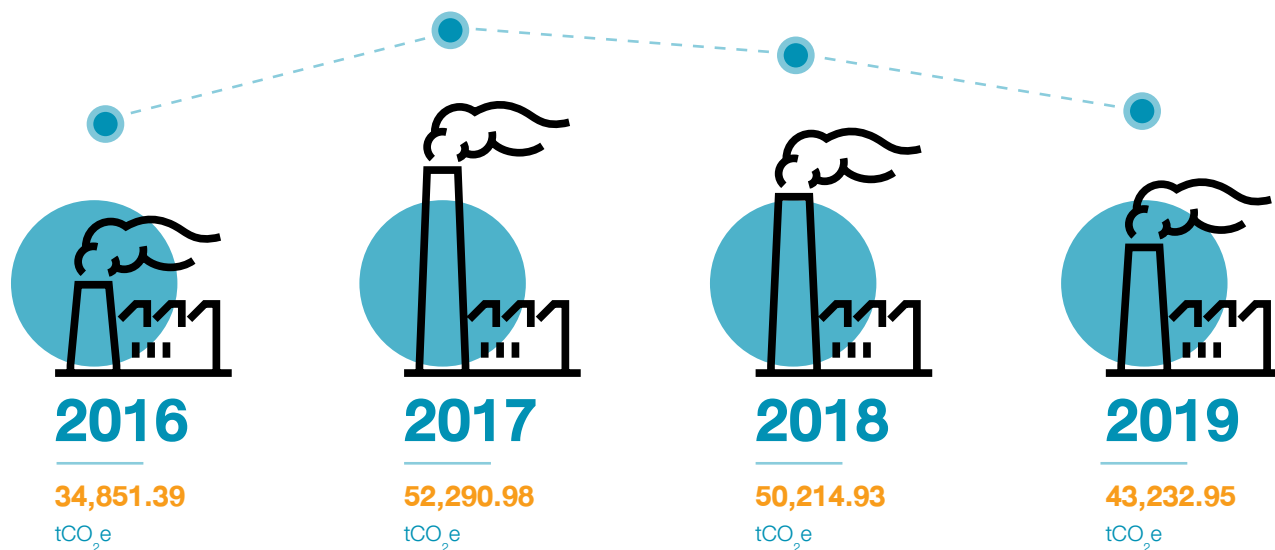


## Greenhouse Gas Emissions

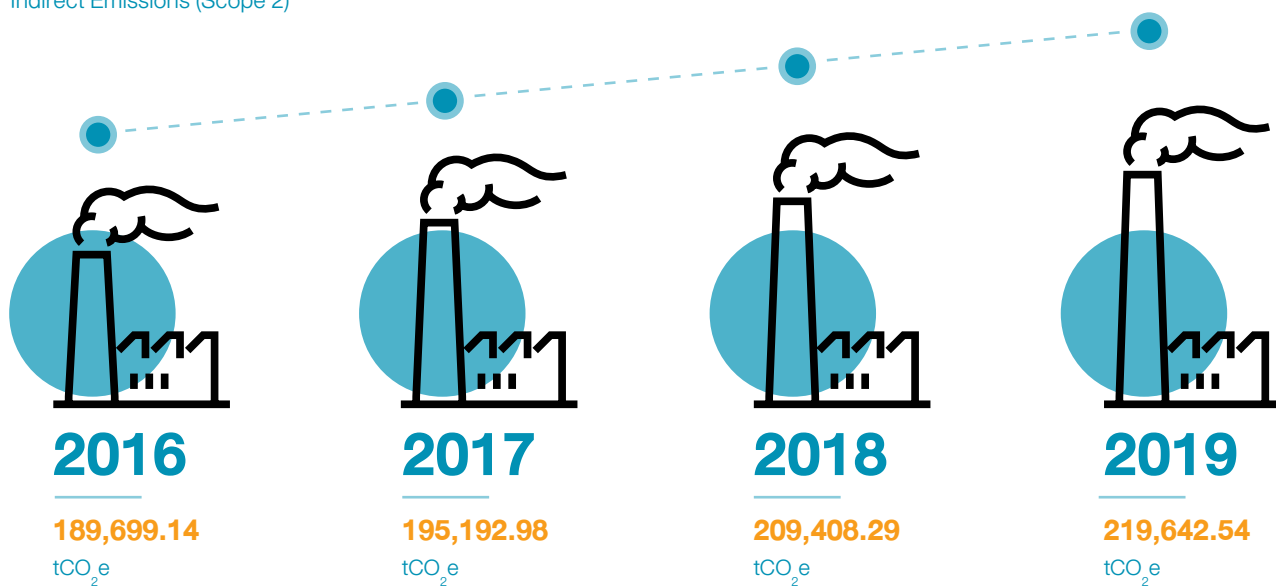
	Unit	2016	2017	2018	2019
Direct Emissions (Scope 1)	tCO <sub>2</sub> e	34,851.39	52,290.98	50,214.93	43,232.95
Indirect Emissions (Scope 2)	tCO <sub>2</sub> e	189,699.14	195,192.98	209,408.29	219,642.54
Indirect Emissions (Scope 3)	tCO <sub>2</sub> e	-	-	486.87	5,215.66
Emissions Intensity	tCO <sub>2</sub> e /million baht	1.30	1.33	1.35	1.25

Displayed as a bar chart as follows

Direct Emissions (Scope 1)



## Indirect Emissions (Scope 2)



## Indirect Emissions (Scope 3)



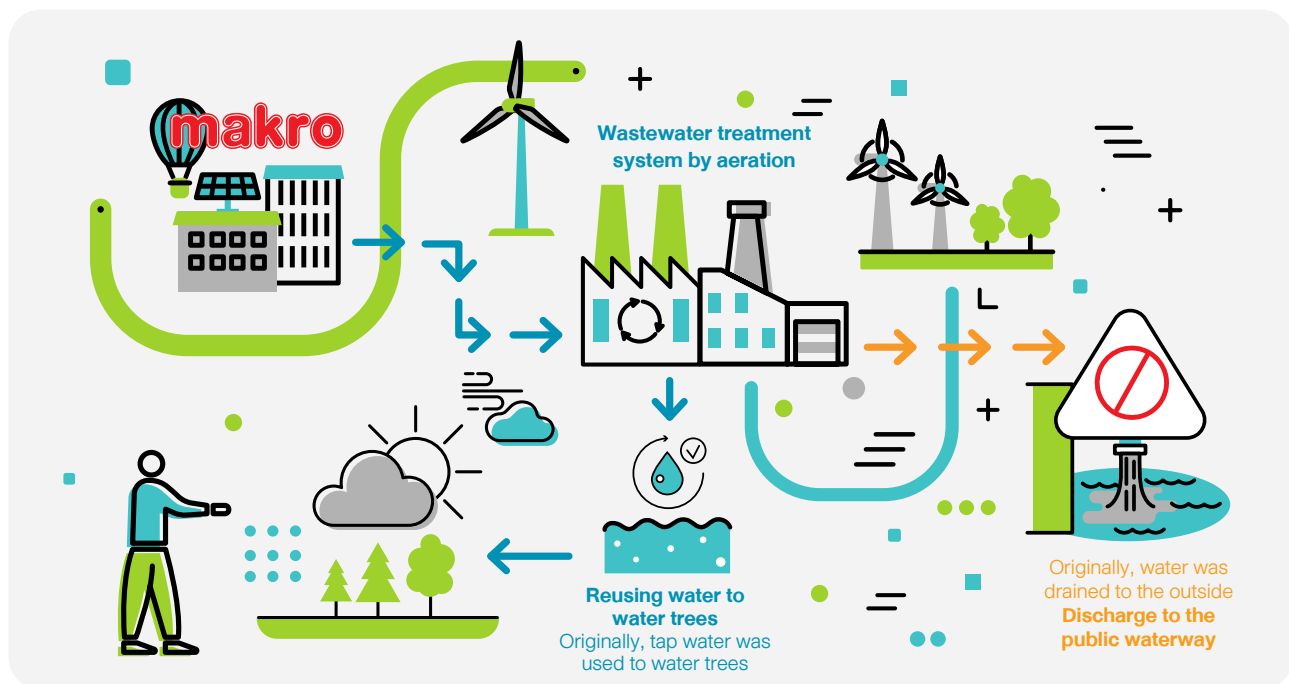
## Emissions Intensity



## Water Resources Management

Makro recognizes the importance of managing water resources efficiently and reducing water pollution. The Company's water consumption is sourced mainly from the municipal water supply, where the majority is used for watering plants within its store areas. Makro integrates water resource use considerations from the very beginning, with its store designs, and has installed water collection systems to reuse treated wastewater and automatic watering systems for watering the plants within Makro store areas.

These aforementioned measures have allowed Makro's stores to reduce its water supply consumption by up to 5,400 cubic meters per store. In 2019, Makro continued to implement this project, and successfully installed these systems in 85 of the most suitable stores. In comparing water consumption before and after program implementation, the Company has found that this has helped to reduce water supply consumption by up to 459,000 cubic meters, and contributed to the Company's zero wastewater discharge.



## OEP Flood Management Project

Apart from introducing water resources management measures from the very initial stage of store design, Makro has also developed a tool to forecast flooding conditions, which is used to resolve waterlogging issues and prevent sudden flooding. This will help to prevent the impacts of flooding on Makro's stores, including in terms of damages to products, the significant workload and manpower required to move goods from collection points, and the impacts to customer convenience. The OEP Flood Management tool has now been adopted in 43 Makro stores in Chumphon province, which is a catchment area with high flooding risks. In developing the OEP Flood Management tool, the Company relied on the

water level monitoring data from governmental agencies in Chumphon province, and also used an online communications platform, "Platform I\_auditor," to help manage the data systematically. This tool has helped the Company to reduce the number of work processes, increase communications efficiency, and improve its approach to stocking products by reducing the risk of damages to products in the case of a flood. Likewise, these efforts have significantly increased the efficiency of Makro's flood preparedness and improved employee efficiency by reducing their working hours by up to 49 hours per person per year, or the equivalent of 15,680 baht in value, and increased customer satisfaction by up to 85%.

## Energy Management

(Disclosure 103-1, 103-2, 103-3, 302-1, 302-3, 302-4)

The higher demand for food is driving food manufacturing companies around the world to increase their production capacities. As a result, there is now greater demand for energy use in the manufacturing process and for sourcing raw materials for food products. Energy for such purposes will primarily come from fossil fuels, an energy source with significant environmental and climate change impacts. To ensure that the Company does not add to this burden of higher energy demand, it has turned towards energy management efficiency in order to reduce such impacts.



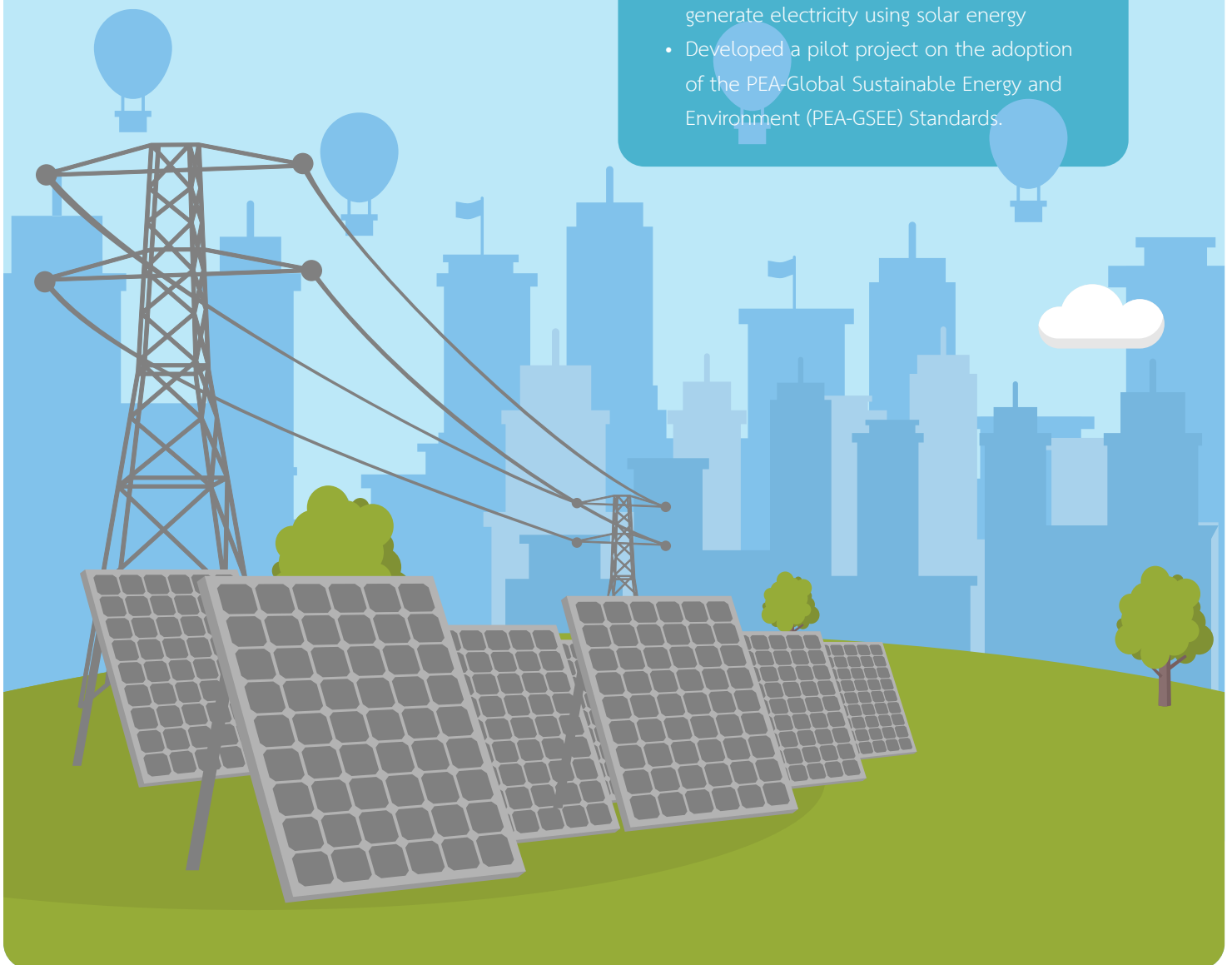
### Target

- Increase the proportion of renewable energy use to 7% of total energy consumption by 2020.



### Key Performance

- Switched to high performance LED light bulbs
- Installed rooftop solar panels in stores to generate electricity using solar energy
- Developed a pilot project on the adoption of the PEA-Global Sustainable Energy and Environment (PEA-GSEE) Standards.



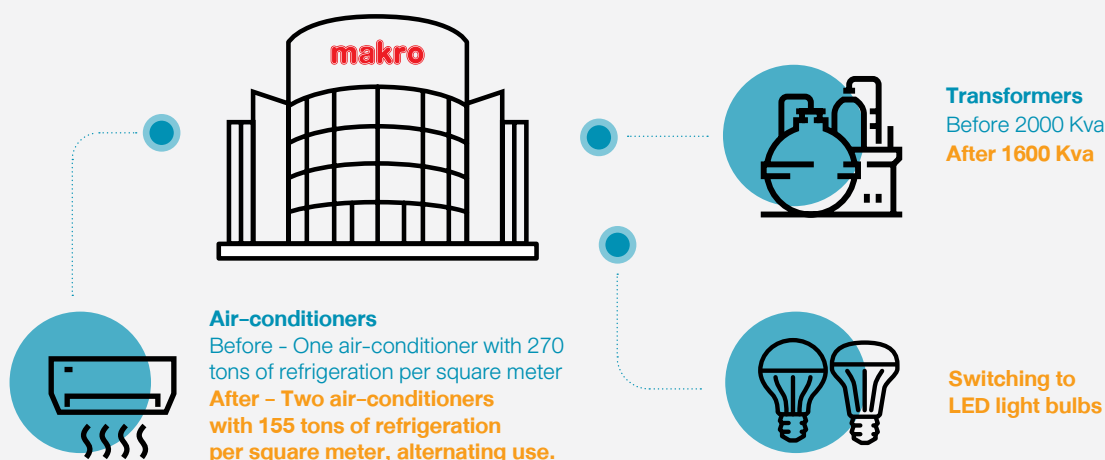


## Management Approach

Makro's Construction and Facility Management Department has adopted the ISO 50001 Energy Management System (EnMS) for use within the organization. Currently, Makro's Head Office and four stores, Nakhon In, Nakhon Nayok, Khlong Luang, and Salaya have received the ISO 50001 Standard certification. Furthermore, the Company plans to participate in the sustainability assessment of the Provincial Electricity Authority (PEA), which focuses on energy and the environment, to ensure that its energy management is sustainable and adheres to international standards.

In view of our commitment to manage energy efficiently and reduce greenhouse gas emissions, Makro has designed a store that integrates technologies which conserve energy and are environmentally-friendly. This involved conducting assessments of stores' cooling load profiles in order to reduce air-conditioner operations; selecting refrigerants that have a low Global Warming Potential (GWP), installing rooftop solar panels for electricity generation, and switching to high performance LED light bulbs.

A comparison between current distribution centers and distribution centers that have been fitted with energy-saving and green equipment.



## Project Implementation Progress

### Changing to High Performance LED Light Bulbs

Since 2017, Makro has been switching the light bulbs used in its distribution centers to high performance LED light bulbs. The Company has now completed this change in 15 stores from all Makro stores, which contributed to electricity savings of 1.4 million kilowatt-hours, or equivalent to the value of 5 million baht. The Company has set the target to switch to high performance LED light bulbs in all of its stores by 2023.

### Solar Rooftop Panel Installation Project

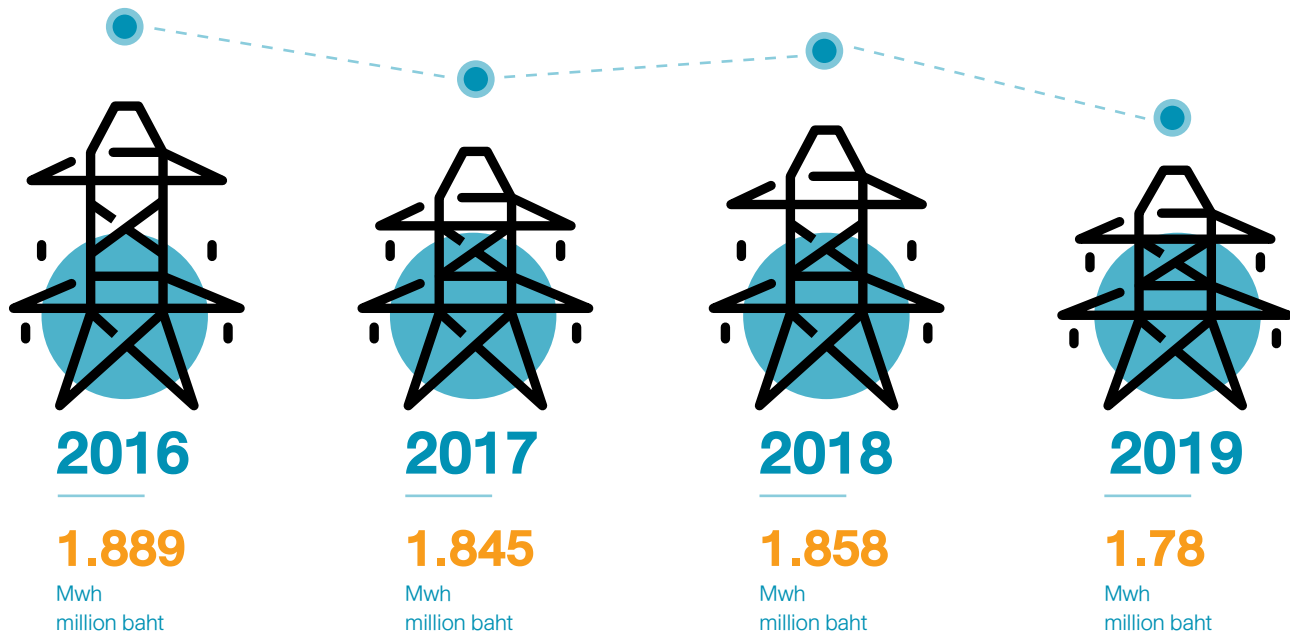
In 2019, Makro installed rooftop solar panels in 21 stores, which have a total production capacity of 13 megawatts. The panels were able to start generating electricity in November 2019, and generated a total of 2,803,922 kilowatt-hours of electricity in 2019, which comprised 0.72% of the Company's total energy consumption. This aligns with Makro's target to increase the proportion of renewable energy use to 7-8% of total energy consumption by 2020.

### Energy Management Results

Makro's energy consumption increased due to the higher number of business activities and the opening of new stores. As a result, the Company's total energy consumption was 1,405,725.92 GJ; renewable energy use constituted 0.72% of total energy consumption, and energy use intensity increased to was 1.78 megawatt-hours per million baht.

#### Energy Consumption

#### Energy Intensity



### Savings from Energy Conservation at Makro

## 2019

**7,523,529** Baht

## Waste and Leftover Raw Material Management

(Disclosure 103-1, 103-2, 103-3, 301-1, 301-2, 306-2)

The Company's dedication to maximizing resource efficiency and recognizing the value of resources has translated into its commitment to managing waste and leftover raw materials. However, as the Company's business growth and expansion have contributed to a higher amount of waste and leftover materials, the priority is to manage waste from both manufacturing processes and general operations. Makro's waste management process includes waste collection, transport, disposal, and recycling, and such efforts constitute part of the Makro 4.0 Strategy for building a sustainable business. Additionally, Makro has applied the 'Circular Economy' approach (which refers to the continuous reuse of resources for other purposes or as raw materials in other products, to reduce as much waste as possible), to increase the efficiency of its waste management process and reduce costs from production and other expenses.

## Management Approach

Makro manages waste from upstream to downstream, across its entire value chain, by reducing product wastage, identifying ways to add value to waste, and disposing of waste through appropriate methods. The Company has managed 70,292 metric tons of waste from its stores and distribution centers around the country using the 3Rs Concept - Reduce, Reuse, and Recycle.

Meanwhile, the Operation Capability Development (OCD) Department is responsible for improving the efficiency of waste management processes at Makro stores, developing relevant tools in support of these processes, and designing programs to create awareness and understanding of waste and leftover material management among employees, as appropriate.



In addition, the OCD Department is in charge of using a computer program to lay out the most efficient product placement designs at Makro's stores, with the goal of reducing the spoilage of products on shelves, reducing the materials used for building shelves, and reducing the time required for taking stock of shelving equipment and shelving goods by up to 60%. Following adoption of the program, Makro was able to reduce the error that has occurred by 90%.

### Reducing Raw Material and Product Losses and Spoilage

Leaving raw materials and products from manufacturing processes to spoil creates losses in business value. To address this issue, Makro has collected data on the types of goods and products that have the highest rate of spoilage, and subsequently identified the top 20 products for analysis to determine methods for preventing spoilage. The results from this analysis were then communicated to employees through training, to provide them with basic knowledge about a product and ways of storing and maintaining such products to minimize spoilage. Following a two- to four-week training, the Company will follow up on the progress of the training by conducting site visits at its stores. The Company also gathers feedback from employees regarding

any problems or obstacles that might exist in ordering raw materials in sufficient and appropriate quantities to reduce spoilage. The OCD Department has developed a number of applications to support these efforts, for example, Bill of Raw Material (BOM) and E-Ordering, which are used for calculating the amount of raw materials that should be ordered, increasing the accuracy of orders, reducing the steps required to prepare supporting paperwork, and reviewing purchase histories with greater accuracy. The OCD Department also developed the Stock Inventory Management (SIM) system for tracking the volume of waste in tons. Overall, in 2019, the goods and products that had the highest amount of spoilage were Food waste.

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#### "Say Hi to Bio, Say No to Foam" Project

In addition to reducing the amount of wasted raw materials and spoiled goods, which effectively contributes to a reduction in the Company's greenhouse gas emissions and costs, Makro also encourages its customers to use products that are biodegradable in order to minimize impacts on the environment. The Company has now stopped selling foam in 13 stores that are located in coastal areas, as well as campaigned for business owners to commit more firmly to the environment and collaborated with suppliers to provide more alternatives for biodegradable packaging. Not only that, Makro has also organized roadshow activities to promote the sales and distribution of biodegradable packaging for customers. A total of 13 Makro stores have now implemented this Project.

#### "Save Plastic Save Cost" Project

The Company is working to reduce its use of plastic wrap for packing purposes. In the past, Makro's stores used on average 468 rolls of plastic wrap per month for packing goods for storage and transfer, which generated costs on the procurement of plastic wrap and the disposal of plastic waste. The Company therefore devised a way to reduce plastic wrap use by switching to bands that can hold up to 1,500 pounds in weight for storing certain groups of products, for example, snacks, bedding, plastic containers with wheels, and refrigerators. Following the implementation of the Project, the Company was able to reduce the use of plastic wrap from its storage processes by up to 20%, which is equivalent to a cost reduction of 50% on plastic wrap, or 324,000 baht per year. This approach also helped employees to work quicker and more conveniently.



### Creating Value from Waste

Makro recognizes the importance of creating value from waste, as this can maximize the benefits of resources, as well as minimize environmental impact. The Company has therefore studied approaches for creating added value to waste, and developed the following projects as a result.



#### 1) Effective Microorganism (EM) Production

Makro has transformed its food waste, such as leftover oranges and pineapples, into bio-fermented solutions, or 'Effective Microorganisms' (EM), as a way of adding value to waste. EM can be used to suppress bad odors and for dissolving oils in waste pipes in Makro stores, and can also be distributed to surrounding communities for use. In 2019, Makro used 118.20 metric tons of food waste, or 0.55% of total food waste, for the production of EM, which was donated to the public and private sectors for use according to their stated purposes. Overall, the amount of value-added food waste created by the Company increased by 30% from 2018.



## 2) “Reduce Steps to Increase Profits” Project

The process of discounting prices for products that can no longer be sold at full price requires many stages of approval. As a result, the products that should instead be sold within their appropriate timeframes are diminishing in quality, until eventually they spoil and lose value. In recognizing this, Makro has revised the methods for discounting product prices to allow for more flexibility, and assigned store general managers with more responsibility to independently discount prices (known as SGM Empowerment). This was done following an agreement on the pricing range, which was determined by the Procurement and Operations Departments, given that prices differ depending on the product group and festive season (e.g. Chinese New Year, Spirit Festival). In addition, the company developed the E-SGM Empowerment application, which helped to reduce the approval processes for discounting prices and allowed for greater flexibility. This ensures that a product’s price better reflects its conditions, and that the Company can better respond to the needs of customers. By reducing the approval stages for product discounts and making it more flexible, the Company managed to reduce the rate of product spoilage by 1.84% in 2019. Going forward, Makro plans to gather the data on the various pricing differences from each store for analysis to determine the most appropriate product prices in the future.



**“The “Reduce Steps to Increase Profits” Project not only helps to minimize product spoilage, but also encourages employees to look out for the interests of the department by reducing the rate of spoilage. It also helps to reduce the working times of store employees.”**

**Sopha Wongsuwan**

FSSM GM Office, Sukhumvit 71 Store.



### 3) “Earth-Friendly Melamine, Innovation for a Greener World” Project

Makro, in collaboration with Sri Thai Superware Company Limited and Thai K. K. Industry Limited, initiated a project to collect donated melamine products from customers in exchange for ‘E-Coupons,’ which can be used as discounts at Makro stores. The collected melamine products are crushed, sorted, and grinded by raw material manufacturers in their factories, after which the crushed melamine is mixed with other raw materials and ‘upcycled’ to form a new product that is up to standard and quality. The Project has now been piloted at Makro’s Nakhon Ratchasima store, Nakhon Ratchasima 2 store, and Pak Chong store. The Company expects to receive up to 6,000 kilograms of melamine wares per month.

#### Waste and Leftover Raw Material Management Results

As a result of these management efforts, Makro was able to reduce waste and leftover raw materials by 0.21 per total revenue, which is equivalent to more than 3.6 million baht per year in value. The total amount of waste and expired food that Makro managed in 2019 was 21,098 metric tons.



**158**

metric tons of  
foam returned to  
manufacturers



**70,017**

metric tons of  
paper and crates  
processed for reuse



**51**

metric tons of  
expired waste used  
for producing EM  
and soil mixtures



**66**

metric tons of  
food waste donated





**LOCALLY BELOVED**





## LOCALLY LOVED

### Introduction (Disclosure 103-1, 103-2)

Community development and relationship-building with local communities are essential components in the sustainable development of the business - as laid out in the “Local Love” goal of the Makro 4.0 Strategy. Under this strategy, Makro strives to achieve a balance between economic - which does not come at the expense of the environment - along with prosperity for communities, therefore ensuring Makro’s social license to operate at both the local and national levels. Today, engagement between Makro’s stores and local communities occur on the principles of participation and local livelihood development, which align with the United Nations’ Sustainable Development Goals. Not only that, Makro also implements various development measures for communities in areas surrounding its 129 stores around the country, for example, activities aimed at creating jobs for community members, and locally sourcing raw materials and products to stimulate local economies.

## Management Approach

(Disclosure 102-11, 103-2, 103-3, 204-1, 413-1, 413-2)

Makro's Corporate Communications Department assumes the primary responsibility for implementing the "Local Love" strategy. The Company's approach for community engagement and collaboration begins with conducting research and assessing environmental impacts prior to opening new Makro stores, followed by the monitoring of its operational impacts to prevent impacts on communities and the environment. The Company regularly disseminates news and communicates with communities on a monthly basis through community representatives. In addition, Makro has also made available a number of grievance channels that are always accessible to local community members.



In  
**2019** 100 %

of Makro stores engaged with the public through the environmental impact assessment process and through social projects/activities for local communities.

Furthermore, Makro also operates in accordance with the 'Buy Local, Sell Local' management approach, which entails encouraging community members to purchase goods and services that are provided by those within their own communities. In turn, this will strengthen local community economies for sustainability. Such an approach also includes support for local hiring and local community capability development. In 2019, Makro has hired 70% of local staff.



In  
**2019** 70  
of Makro store employees  
were local staff.

In terms of developing social projects/activities, the Company ensures that they align with the goals of the Makro 4.0 Strategy and its core business activities, and are also guided by the overarching objective of 'Creating Shared Value' (CSV).





## Makro 4.0 Strategy Goal 1: Food Safety

In order to support the organization's objectives of becoming the point of reference on food safety, elevating the capabilities of food product and service providers, and promoting health foods, Makro has designed an approach to achieving excellence on food safety that involves managing product quality and providing nutritional knowledge to consumers. In 2019, the Company launched a project following the signing of a Memorandum of Understanding with the Institute of Nutrition, Mahidol University, to promote nutritional knowledge for consumers by developing a database on nutritional information, specifically covering the nutritional values of fruit and vegetable food products under the Makro Quality Pro (MQP) brand. This database of information is linked to the 'Makro i-Trace' system, where consumers are able to

access information about a product's nutritional qualities using a QR Code that is displayed on its label. Consequently, consumers can choose the products that are best for their health based on the nutritional information that they receive. (For more information about this initiative, please refer to pages 37, Food Safety).

This initiative addresses the issue of the lack of nutrition, and supports good nutrition for children and youth, in line with **SDG 2.2**.



## Makro 4.0 Strategy Goal 2: Ethical and Sustainable Product Sourcing and Supply Chain Management

Due to progressively stricter standards on agricultural product quality, local farmers are now confronting the challenge of adapting themselves in order to maintain their market competitiveness. In recognizing this, Makro has sought to create value with communities by developing the capabilities of farmers on product quality, which will help to increase the value of agricultural goods as well as incomes for farmers in local communities. This is accomplished through the project, "Enhancing Farmers' Lives, Growing the Thai Economy," which involves promoting the purchase of agricultural produce from farmers throughout the country, including vegetable and fruit products, seafood, freshwater fish, and fresh and processed meats and eggs. Similarly, it also involves the direct purchasing of agricultural produce. Makro has entered into trade agreements with farmers groups, through agricultural cooperatives, including community farmers, aquaculture farmers associations, shrimp farmers associations, and the Department of Internal Trade, Ministry of Commerce, and the Ministry of Agriculture and Cooperatives, to directly purchase agricultural goods such as seasonal fruits (rambutan, mangosteen, Southern langsat, zalacca, and durian), and giant freshwater prawns, pacific white shrimp, and freshwater fish. Makro has purchased these products a total of seven times from more than 14 agricultural cooperatives in all regions of the country, and this has significantly helped a large number of farmers confront the issues of low commodity prices and oversupply.

Furthermore, Makro strives to support and continuously enhance the capabilities of farmers through food safety trainings, promoting good cultivation standards, and managing cultivation to yield desired results under the "Marketing-Driven Production" initiative, which aims to help farmers become business-savvy in the agricultural industry and to increase spaces for the purchase of farming innovations from a new generation of farmers. These efforts adhere to the Company's "Trusted Partner" philosophy, and aim to achieve sustainable mutual growth for both the Company and farmers. (For more information about these projects, please refer to pages 43, Product Sourcing and Sustainable Supply Chain Management).



Thai farmer groups achieved an increase of more than **42,099** million baht in income from the sales of over **603,698** tons of agricultural produce.



These activities increase knowledge and revenue for small-scale food producers, and also promote sustainable food production processes in line with **SDG 2.3** and **2.4**.

## Makro 4.0 Strategy Goal 3: Reducing Environmental Impact

The Company's dedication to environmental management – to ensure that its business operations do not cause, and also reduce, environmental impacts, for example by enacting a policy banning the use of plastic bags at all Makro stores (for additional details please refer to pages 49, Environmental Impacts) – has brought about community and societal satisfaction in its operations. In 2019, Makro organized a campaign to encourage its customers and suppliers to reduce their environmental impacts, entitled “Makro Loves the Environment,” or “Say Hi to Bio, Say No to Foam,” which aims to reduce the use of foam and instead promote biodegradable packaging. The campaign consists of the following components.



### Makro Loves the Environment (Say Hi to Bio, Say No to Foam)

Work with suppliers to create packaging alternatives

#### 2019 Performance

- Selected two suppliers (Graciz and Fresh) to design biodegradable packaging
- Initiated procurement for biodegradable packaging



### Makro Loves the Environment (Say Hi to Bio, Say No to Foam)

Internal management of Makro's stores to ensure that they are free from foam

#### 2019 Performance

- Managed internal store operations



### Makro Loves the Environment (Say Hi to Bio, Say No to Foam)

Campaign for professional customers to eliminate the use of foam

#### 2019 Performance

- Organized roadshow activities to campaign for professional customers to eliminate the use of foam by distributing alternative biodegradable packaging for customers to try out.



### Makro Loves the Environment (Say Hi to Bio, Say No to Foam)

Expand results from the store level to the provincial level

#### 2019 Performance

- Collaborated with stores that demonstrated an interest in environmental issues, such as stores in Lamphun province, which is the 14<sup>th</sup> province in which stores have stopped selling foam.



**34 Makro Stores**  
in Thailand **are foam-free**



This activity promotes sustainable production and consumption, in line with **SDG 12.2**.





#### Makro 4.0 Strategy Goal 5: Make Our Customers Prosper

Makro recognizes that the ever-changing retail market landscape has impacted the businesses of traditional small-scale retailers, such as sho huay shops (small local community retailers) and mom and pop shops, which form a core part of Thailand's culture. As a result, many of these shops have had to close down and are disappearing from the Thai society. However, sho huay businesses have always been an important customer group for Makro, and so the Company remains committed to supporting this group to help them maintain their operations. This was the starting point of the "Makro Retailer Alliance" Project, which was launched in 2007, and focuses on enhancing the potential of sho huay businesses to compete efficiently on the market. (Further details about the Makro Retailer Alliance Project can be found on pages XX-XX, Customer Business Growth).

Apart from projects that benefit existing customers, Makro also focuses on creating shared value for vulnerable or socially-excluded groups, as they have the potential to become Makro's customers, by supporting significant changes and

improvements to their economic status. Likewise, this also serves as another business opportunity for Makro.

**"Makro: Creating New Jobs, Building New Futures":** In 2019, Makro had the opportunity to partner with the Yunus Organization Thailand, an organization established by Professor Muhammad Yunus, economist and Nobel Peace Laureate, who has been an early advocate of the "Social Business" model, which focuses on solving social problems through sustainable means. This collaboration led to the launch of the "Makro: Creating New Jobs, Building New Futures" Project, which aims to create jobs for prisoners and offer them the opportunity to secure jobs and better livelihoods following the end of their sentences. The results of this Project can be measured by the prisoners' recidivism rates and the percentage of prisoners who have taken up jobs following its implementation. This Project will be launched at the Khao Kling Temporary Prison in Phetchaburi province, and then expanded to the Central Women's Correctional Institution in Bangkok at a later stage.



This activity supports relevant skills development for youth and working age adults, in line with **SDG 4.4**.



This activity supports employment, in line with **SDG 8.5**.

## Other Community Initiatives

In addition to the social projects/activities that support communities and are related to the aforementioned strategies, Makro also considers the needs of communities in other aspects that do not relate to its business, but that are nevertheless important for a community's sustainable development. Makro has provided additional community support through the following initiatives:

**Blood Donation Centers :** As Makro has an expansive network of stores located around the country, and given that its stores are an appropriate size for receiving blood donations, the Company was invited by the Thai Red Cross Society to become a business partner for blood donations. Makro has set the target to receive 1 million C.C. in blood donations from employees and customers, and this target was achieved in 2019, when the Company received a total of 3 million C.C. in donations.

**Run for Fund :** Makro organized an annual run to raise funds for the construction of 'Layer Chicken Houses' for 30 Border Patrol Police Schools and rural schools across the country. The Company donated vaccines and chicken feed for 56 weeks, as a starting point to stimulate financial flows for the layer chicken houses. Furthermore, the Company also provided knowledge on sales management for eggs in sho huay shops.



These projects support access to health-care services, in line with **SDG 3.8.**







**CUSTOMER  
BUSINESS  
GROWTH**



## CUSTOMER BUSINESS GROWTH

### Introduction (Disclosure 103-1, 103-2)

For over 30 years, Makro has operated its business while upholding the mission of being a “Trusted Partner” for professional customers. The Company prioritizes employment and secure income creation for local communities in order to build a strong foundation for the country’s sustainable development. Given this, the Company supports the growth of its professional customers and helps them to prepare for economic change, including by supporting Hotel, Restaurant, and Catering (HoReCa) businesses in the production of safe and quality foods to cater to a continuously expanding tourism industry, and by increasing the capacity of local community retailers to address the needs of consumers through a modern retail concept - to create a strong and self-sufficient community economy.

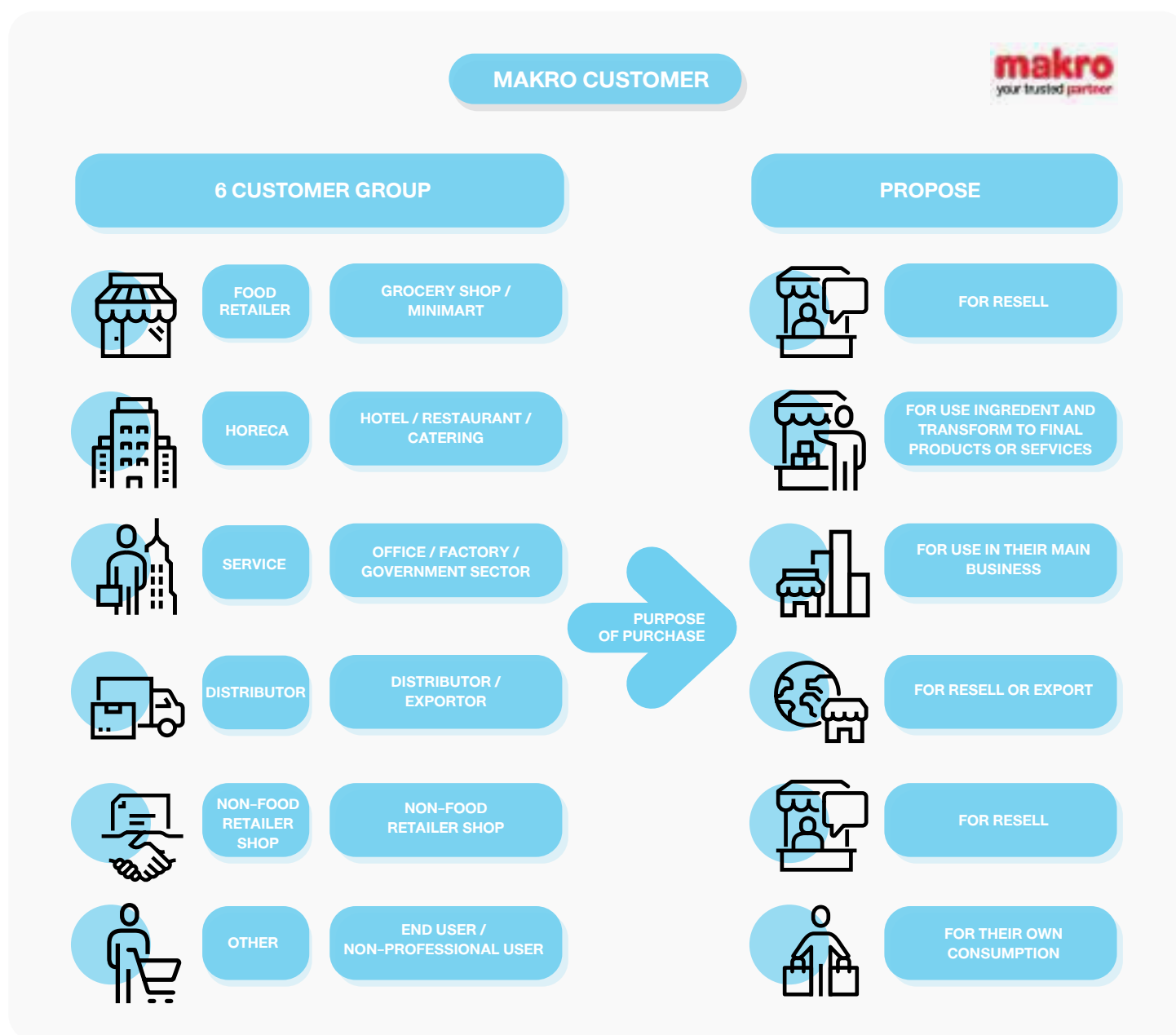


## Management Approach

(Disclosure 103-2, 103-3, 203-2)

The Marketing Sales & Operations Department of Makro has categorized the Company's customer groups based on their purchasing objectives, as this allows for more efficient management and support for customer development. As a result, customers are divided into six main groups, which include: 1) Food Retailers, 2) HoReCa, 3) Service Businesses, 4) Distributors, 5) Non-Food Retailers, and 6) Others (General Public). Makro has developed and implemented a number

of projects to support the business growth of its customers, which are designed in ways that will help customers to manage any problems or obstacles that they might encounter, and promote the success of their businesses. In addition, the Company evaluates customer satisfaction, and has set up a customer grievance channel to receive customers' feedbacks, concerns, and recommendations for further service improvements in the future.



## Operational Excellence Platform (OEP)

Makro is committed to elevating the standards and increasing the all-around efficiency of its stores, as well as creating impressive experiences for store customers. For this reason, the Company developed the Operational Excellence Platform (OEP) as a tool for assessing the readiness of stores before they are opened each day. The OEP tool also allows Makro to review and further improve the efficiency of its store operations, for example by increasing the number of sales channels, ordering goods in advance, and verifying the efficiency of its human resources management, etc.

## Customer Satisfaction Survey

Customer satisfaction is an important indicator for service improvements. The Company assesses customers' satisfaction by meeting customers who have opened new stores, and by conducting telephone interviews with newly-registered Makro members on their satisfaction with the services received.

The result of Customer Satisfaction Survey

**In 2019**  
84.2%



## Grievance Channels

The Company has arranged for a variety of grievance channels to be available to allow customers the opportunity to provide their feedback, as well as for the Company to better receive customers' demands. These channels include the Opinion Box, Call Center, and Mobile Applications (Makro Mail/Official LINE Makro). Not only that, Makro has also assigned employees to meet with customers in-store to gather their views. In 2019, the Company resolved 100% of all the grievances received.

## Projects to Resolve or Mitigate Customers' Problems and Challenges

### U-PROJECT

Sho huay stores (local retailers) are a cultural symbol and places of gathering for community members. However, they are gradually disappearing today due to the lack of successors and a lack of interest from the new generation. Despite this, Makro fully recognizes that sho huay stores have the potential to adapt and compete in the modern retail market, and so has entered into a Memorandum of Understanding with 85 leading universities around the country to support sho huay stores through the "University Project." The U-Project provides university students the opportunity to help out their local communities, and to publicize and encourage local community members to support the sustainable business operations of their local sho huay stores.

Makro's management and working team shared both theoretical and practical knowledge with all participating university students through the "Retail Management" training

course. Following the workshop training session, university students will demonstrate an interest and jointly develop plans for improving the sho huay stores within their own communities, a process which will be overseen by mentors from Makro. Store improvement plans that are approved by Makro, their respective universities, and store owners will be implemented in practice. The outcomes of the plans will then be consolidated and evaluated alongside other store improvement plans in order to determine the best performing plans at the national level.



### 2019 U-Project Performance

**6,478** participating retail stores

**39,137** Students

**85** Participating universities

**456,192,450** million baht per year in economic value generated from an increase in sales

### MAKRO HORECA ACADEMY (MHA)

Makro has operated alongside Thai businessowners for more than 30 years, and as a result the Company has developed a solid understanding of the needs and challenges of businessowners. In response, the Company developed knowledge assets and created new methods for solving the problems facing businessowners, and this eventually led to the launch of the “Makro HoReCa Academy” (MHA) in October 2019. The main mission of the MHA is to be an integrated knowledge center on the food service business, raw material selection, and cooking



for professional HoReCa operators. The MHA is available through both offline and online systems, and its purpose is divided into five components: being a knowledge center, a center for seminars and workshops, an online teaching and learning center, a business advisor, and a social network platform for HoReCa operators. Makro has gathered in-depth information from its HoReCa members to use for improvements, addressing any limitations, as well as strengthening and building points of sales to help HoReCa businessowners overcome any problems or obstacles. HoReCa operators are able to access knowledge and news about MHA at [www.makrohorecaacademy.com](http://www.makrohorecaacademy.com).

### CREDIT PAY

Makro has partnered with True Money Wallet and The Thai Credit Retail Bank to provide low-interest credit for businessowners to use when purchasing goods at Makro’s stores. Credit limits are approved based on a customer’s spending total and frequency in shopping with Makro. This project has now been piloted at seven Makro stores - Rangsit, Bangbon, Chaengwattana, Salaya, Charansanitwong, Srinakarin, and Sathorn. Following the rollout of the low-interest credit service offering, the Company has found that businessowners have been able to reduce their financial costs for business operations. To date, 779 businessowners have participated in the initiative.



## Projects to Promote Customers' Business Success

### 14<sup>TH</sup> MAKRO HORECA

In order to emphasize its leadership position in the wholesale industry - as a fully integrated provider of goods for professional customers - Makro organizes the annual Makro HoReCa event, now in its 14th year, to keep businessowners up to date with current industry trends and knowledge from experts on sustainability innovations and new technologies in the food business. At the 14<sup>th</sup> Makro HoReCa event, there were product displays from over 300 of Makro's suppliers. The event was attended by over 72,355 people, 12,908 of which were Makro members, and also hosted the "Makro HoReCa Challenge 2019" cooking competition.



### MAKRO HORECA CHALLENGE 2019

The Makro HoReCa Challenge 2019, a culinary competition endorsed by the World Association of Chef Societies (WACS), was organized this past year under the concept of "Makro Asian Culinary Challenge." The competition was even more challenging than in the past, given that competitors had to prepare Asian foods from mystery ingredients and style their dishes in a Western way. The competition was divided into two groups, youths (for individual competitors) and professional chefs (competing as teams), and received up to 608 applicants. Overall, there were 84 applicants who met all the necessary qualifications, coming from seven countries and regions - Thailand, China, Cambodia, Hong Kong, Myanmar, Singapore, and Vietnam. The winners received the opportunity to represent Thailand at the Food Hotel Asia 2020 event in Singapore.



### MAKRO RETAILER ALLIANCE (MRA)

Makro recognizes the challenges that sho huay (small retailer) shops must face in the midst of a changing retail and wholesale environment in Thailand. Given this, the Company remains committed to implementing the Makro Retailer Alliance Project in order to support its small-scale retail customers - who are one of the Company's key customer groups - to help them grow sustainably alongside Thai society. Makro achieves this by providing training on retail management using the "8 Steps to Success" course.

These steps consist of finding a store location, product selection, price setting to ensure highest profits, store layout and product arrangements, store design and decoration, sales promotions, inventory management, and retail store differentiation. In 2019, the number of sho huay stores participating in the MRA Project increased by 7,168, or 16%. Moreover, the Company found that the revenue of participating sho huay stores increased by 15%.

#### MAKRO RETAILER ALLIANCE (MRA) PARTICIPANTS

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
470	1,827	4,491	6,159	10,948	15,939	20,354	26,000	31,336	38,577	46,610	52,384
	+289%	+146%	+37%	+78%	+46%	+28%	+28%	+20%	+23%	+20%	+12%

### MAKRO RETAILER ALLIANCE PLUS (MRA+)

Following the implementation of the Makro Retailer Alliance project, the Company found that a number of sho huay stores that participated in the Project, which saw exponential increases in sales, often encountered the problem of store management, given that there was now limited time for management but an increase in customer demand. The Company therefore developed the project, "Makro Retailer Alliance Plus," with the goal of building off the MRA Project to support customers' continued business growth as well as enhance long-term customer relations. The Project covers the entire B2B2C process of sourcing goods from Makro's suppliers, distribution and sales through Makro, and into the hands of consumers. The first phase involved increasing stores' incomes with revenue-generating goods - using a "Community Kitchen" concept - since modern-day consumers now expect retailers to provide food products. MRA+ also includes the provision of 24-hour learning courses through the shohuaythai.com platform, which

outlines new and modern retail concepts for store owners. The next phase will involve the development of a pilot retail store format that is linked to big data analytics systems, an efficient product ordering and delivery service, and the promotion of a new image for traditional sho huay stores to create sustainable growth. Makro has also provided advice to store owners on store expansions and the provision of additional services, including a coin laundry service and insurance renewal services, and how to improve the efficiency of their store management systems.



#### Makro Retailer Alliance Plus

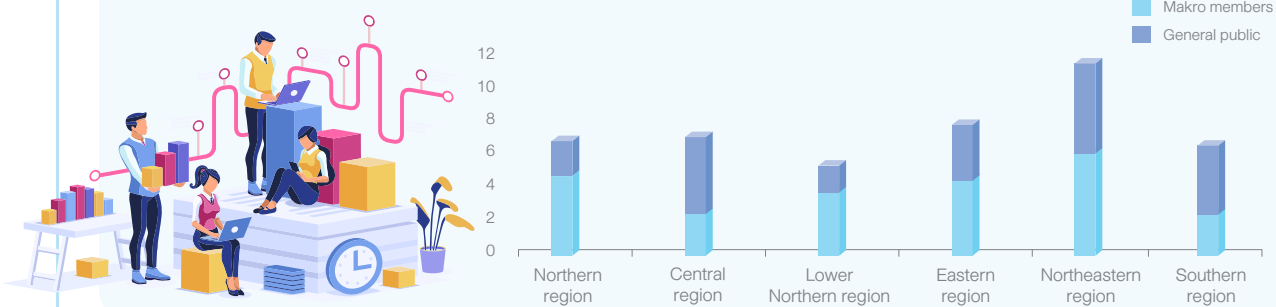
Retail store owners : **1,529 stores**  
 Total sales increase : **275 million baht**  
 Total revenue increase : **55 million baht (20%)**  
 Generated additional sales in other product groups  
 Community members save on time and transport costs

### 11<sup>TH</sup> MAKRO RETAILER EXPO

The Makro Retailer Expo emerged out of the Makro Retailer Alliance Project, and has been organized annually for the past 11 years to build resilience amongst small-scale retailers in adapting to new technologies and changing consumer behaviors. The Expo also aims to inspire customers and increase sales channels for suppliers. For the first time, the 11th Makro Retailer Expo was organized in all six regions of the country to allow for sho huay stores from outside of Bangkok to conveniently access the event. Inside the event,

there were knowledge-sharing activities on professional retail management provided by the Makro MRA team, advisory services for general sho huay businesses and Pracharat stores, and a pilot sho huay store exhibition. Businessowners will be able to leverage the knowledge and creative insights that they gain from the event towards the development of their own businesses. Finally, there were also product displays set up by Makro's suppliers and local OTOP stores, and the event was attended by 60,000 participants.

NUMBER OF PARTICIPANTS IN EACH REGION, BY MEMBERSHIP STATUS



### COMMUNITY KITCHEN INITIATIVE

The Community Kitchen Initiative is another project that emerged out of the success of MRA. Its goal is to increase the revenue of sho huay stores and raise their statuses as community hubs through the sales of frozen foods that are good quality, fresh, clean, and safe, and which have a long shelf life, proper sanitation standards, and low rates of spoilage. Not only that, the Community Kitchen Initiative also aims to transform sho huay stores into places where community members can display and sell their own vegetables, fruits, or local goods through a sharing model, in order to create happiness within the community.

### UPGRADE LOCAL BEEF BY TECHNOLOGY 4.0 PROJECT

The “Upgrade Local Beef by Technology 4.0” Project involves using a packaging innovation known as ‘Skin Pack’ on beef products in order to extend the product life by up to three weeks. This was done to address various issues, including the problem of insufficient quantities of beef products being available for sale, sub-standard pieces of meat, and to reduce the steps required for employees to cut and pack meat. Makro has now found a manufacturer, who has the capability and readiness, to co-develop this packaging innovation going forward. Apart from packaging, Makro has also partnered with farmers, production factories, government agencies, and the private sector to promote cattle rearing and the quality development of beef. This is to elevate the quality of Thai beef to international standards and ensure that there is a supply of quality beef for sale at Makro's stores in the future.



#### Upgrade Local Beef by Technology 4.0 Project

Extend product life from 3 days to 21 days.  
Increase customer satisfaction by offering a quality product that is comparable to imported products, at reasonable prices.



**EMPLOYER  
OF CHOICE**





## EMPLOYER OF CHOICE

(Disclosure 103-1)

Beyond preparing for fast-evolving social changes in Thailand and overseas, committing to improving operational efficiency to adapt to the changing behaviors of consumers, as well as expanding markets and trading opportunities overseas – which are all challenges for Makro’s business and management – another key material issue for the Company is employee development. Indeed, the Company recognizes the importance of fostering employee growth alongside the organization and helping them contribute to Makro’s sustainability, business growth, and benefits for all stakeholder groups.



Given this, Makro has set the goal to transform the Company into an ‘Employer of Choice’ – one of the Company’s six strategic goals – which focuses on building new skills, as well as inspiring and creating positive experiences for employees to come and work with Makro. To achieve this overarching objective, the Company implements various processes and approaches across the following four areas:



Efficient  
Human Resources  
Management



Human Rights  
and Labor Practices



Occupational  
Health and Safety



Embedding an  
Innovation Mindset

# 01

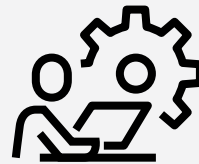


## Process

Efficient Human Resources  
Management

## Work Stages

Develop knowledge, skills, and capabilities for all employees to ensure that they are ready to tackle challenges in all aspects, increase their working efficiency, and foster mindsets for sustainable development within business operations.



# 02

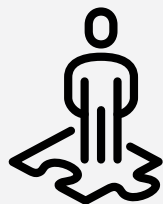
## Process

Human Rights and Labor Practices

## Work Stages

Ensure compliance with national and international human rights principles and labor practices so that all employees will be treated equally and fairly at work.

# 03



## Process

Occupational  
Health and Safety Management

## Work Stages

Promote awareness of risk identification and assessment within work environments to maintain the occupational health and safety standards of employees in line with local laws, and elevate employees' occupation health and safety management up to international standards.



# 04

## Process

Embedding an Innovation Mindset

## Work Stages

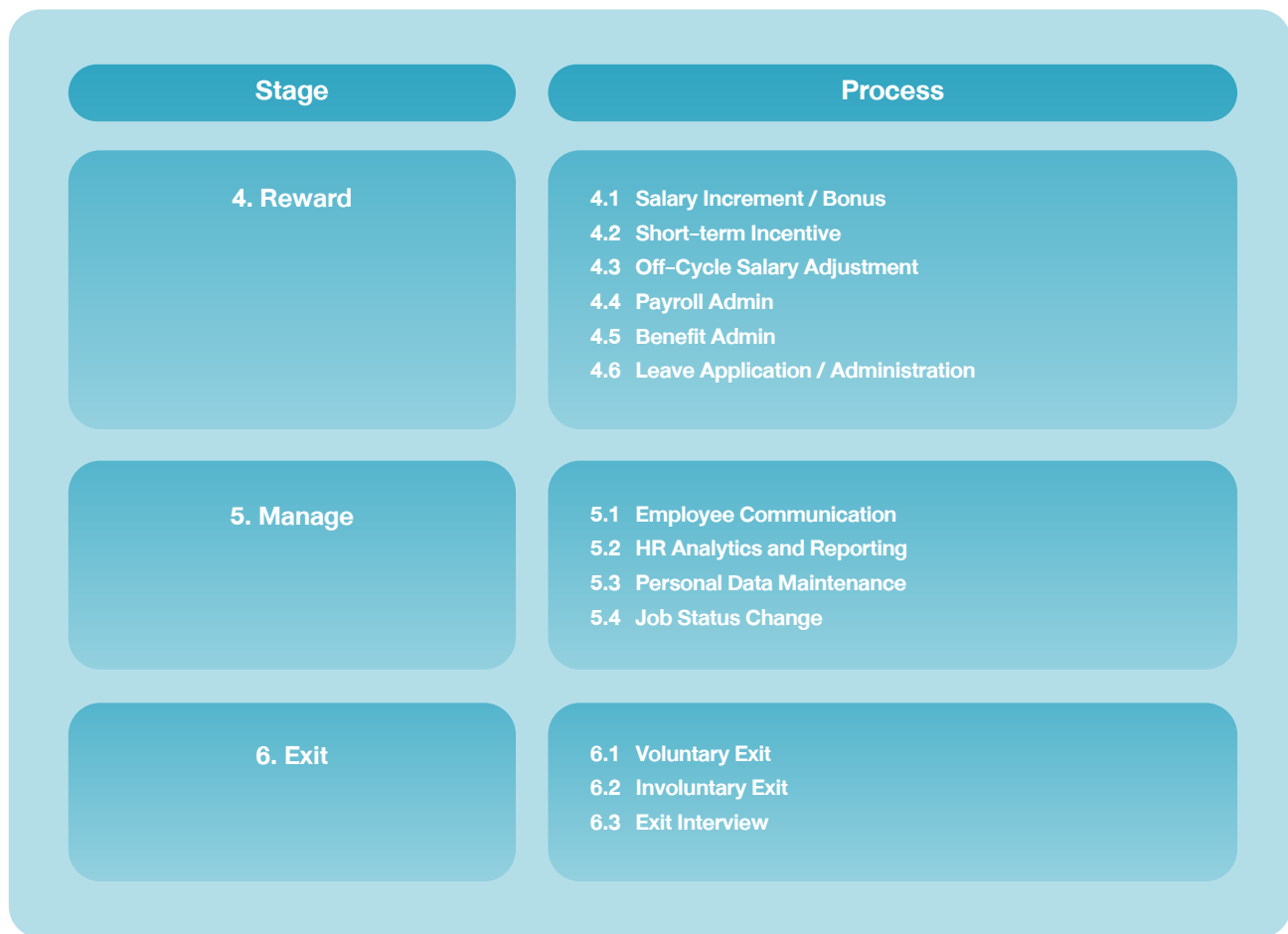
Embed a mindset for innovation, encourage open expressions of ideas and sharing platforms, and develop employees' innovation capabilities through innovation projects and hands-on implementation.

## I. Efficient Human Resources Management

(Disclosure 103-1, 103-2)

Makro remains fully aware that employees are the essential drivers of business development. Employees elevate the Company's competitive advantage, support its secure and continuous growth, and enhance Makro's sustainability and excellence in the wholesale and retail business. With this in mind, Makro has placed an emphasis on regularly enhancing the efficiency of its human resources management. The Company's human resources management approach consists of six main stages: 1) Hire/Deploy, 2) Develop, 3) Assess, 4) Reward, 5) Manage, and 6) Exit. Each stage consists of its own processes, overall totalling 33 processes.





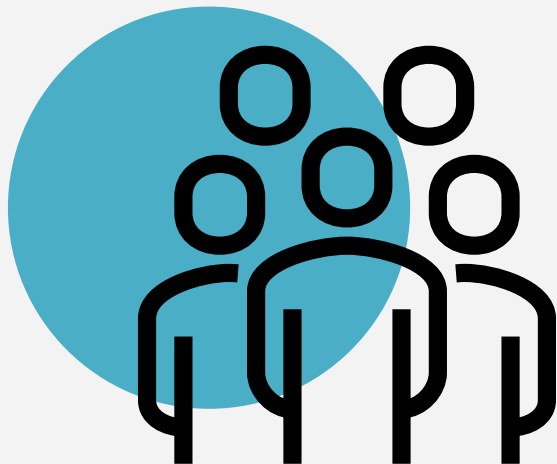
In addition, Makro has integrated digital systems into its human resources processes, as digitization enables greater convenience and efficiency in HR system management. The digitization process has been applied to all the main stages of the system, including in hiring and candidate selection, employee development and training course selection, remuneration, and in leave administration processes.

## Stage 1 : Hire

Makro is committed to hiring employees both domestically and overseas in order to achieve its objective of becoming the 'Employer of Choice.' In its hiring process, the Company applies three main approaches, consisting of 1) Employer Branding, 2) A Variety of Modern Selection Tools, and 3) Onboarding and Assimilation, to select the candidates that

are most appropriate for the advertised position who are able to deliver on the strategies and business plans of Makro. The Company assesses the efficiency of its hiring process by looking at its offer acceptance rate. In 2019, the acceptance rate was 90%.

### Offer acceptance rate



**2019**  
(2562)

Percent

**90**



## 1. Employer Branding

Creating an employer 'brand' is one way in which the Company can generate interest among external parties regarding its business operations, strategies, and social activities – and Makro as an organization. In 2019, Makro publicly communicated and disseminated information to prospective candidates through online and offline platforms, demonstrating the attractive nature of work at the organization, the challenging roles and issues to be tackled, opportunities for career advancement and trying out different types of work, and its job security benefits.



In 2019, Makro increasingly targeted its employer branding communications and information dissemination towards online channels, with the aim to attract high-potential candidates with the capabilities to support the continuous expansion of the business, such as in the areas of marketing, sales channel development, and international trade. The online channels that Makro uses for announcements include LinkedIn, which is a key recruitment platform. The Company currently has 19,350 followers on its LinkedIn page, which increased from 6,500 followers in 2018.

Meanwhile, offline recruitment will remain a key component of the Company's branding as an 'Employer of Choice.' The Company continues to work in collaboration with universities in Thailand to organize activities such as roadshows, provide internship opportunities to university students, and arrange "Open House" activities to share information about the nature of Makro's work to accepted interns.

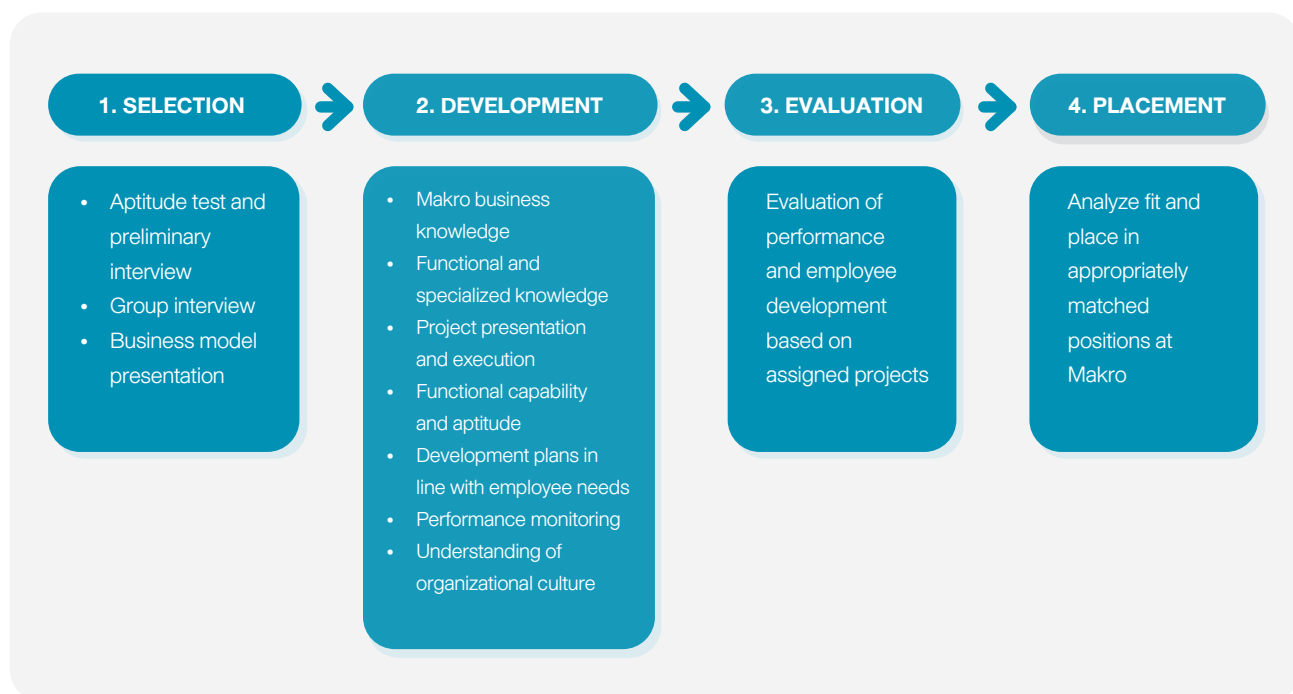
## 2. A Variety of Modern Selection Tools

In 2019, Makro began using an E-Recruitment system that facilitates the application process for prospective candidates as well as improves efficiency for the employees overseeing the hiring process, for example by reducing the number of work stages and hours required for recruitment. Following the adoption of the E-Recruitment system, Makro received the Approval Process Excellence Awards. Other tools that the Company uses for increasing its hiring efficiency in line with its mission include the Hogan Assessments and behavior-based interviews.





Furthermore, Makro continues to implement the Young Talent Program, which is now in its fifth year. The Program aims to invite the next generation of young talents with diverse knowledge bases and capabilities, who are working under a constantly evolving business landscape, to be a part of the Makro family. Participants in the Program will be trained in theory and practice in the departments that they are interested in as well as others, to ensure that they gain holistic knowledge and understanding about Makro's business, and can ultimately become key supporters of the Company's continuous development. In 2019, there were 1,726 participants in the Young Talent Program, and 42 participants accepted full-time offers to work with Makro.



By leveraging diverse and modern tools for recruiting employees, Makro has been able to successfully recruit a sufficient number of individuals with the appropriate capabilities for business and store expansions – and therefore manage any newly emerging challenges. In 2019, Makro recruited a total of 5,581 new employees.

### 3. Onboarding & Assimilation

The initial adjustment period for new employees is crucial. If a new employee is not able to appropriately adapt to their new workplace, it is possible that they might decide to leave the Makro family. For this reason, the Company places a priority on onboarding processes to help new employees adjust to their new workplace during their initial start period. The aim is to retain employees and help them to develop a proper understanding of the Company's work processes, and learn how to work effectively with their new colleagues. The efficiency of this process can be

determined by looking at the number of new employees who are able to assimilate into the organization's culture, and the decrease in turnover during employees' probation periods. In 2019, Makro organized a number of activities related to employee onboarding and assimilation, which included providing advice during their onboarding period, organizing trainings on Makro's culture and relevant codes of conduct, and evaluating new employee performance and job satisfaction during the first three months.

#### Stage 2 : Develop

(Disclosure 103-1, 103-2, 103-3, 404-1, 404-2)

Human capital development is a key strategy for increasing employees' capabilities in driving the organization forward on a secure and sustainable foundation. Similarly, it is a way of encouraging employees' growth along their desired career paths, as well as enhancing their engagement with Makro and ensuring long-term employee retention. Makro has developed training plans and courses for employees in all career paths. Focus is placed on digital skills, leadership, and language development – particularly in preparation for the Company's international growth and expansion. In 2019, Makro organized a large number of training programs and invited both internal and external experts as speakers. Examples include the Store Operations Development

Program, Cultural Sensitivity Training, and M-Learning, an online learning system. Participants are able to learn and develop diverse skills that are suited to their roles, including functional skills (i.e. management capabilities, digital and innovation knowledge), and soft skills (i.e. story-telling, business proposal presentation, and leadership).

In addition, Makro also organized various projects for retiring employees, such as the extension of employment beyond retirement age. These projects aim to ensure that Makro is able to manage all employees appropriately and with efficiency throughout their entire tenure at the Company, and that they will have good qualities of life following retirement from Makro.

01



### M-LEARNING

An online learning service that is available through audio and video formats. Besides the opportunity to learn, the M-Learning system also allows learners to take tests and evaluate their performance. Instructors, learners, and system managers are able to access the M-Learning system from anywhere and at any time through the internet. In 2019, over 12,000 employees accessed and studied on the M-Learning system.

02



### CULTURAL SENSITIVE TRAINING

A training program designed for Thai employees who will take up postings in overseas stores, or for international staff who are moving from abroad to work in Thai stores. The objective of the training is to provide opportunities for employees to learn about and be aware of the local cultures and customs of their destination country, to encourage them to communicate with confidence, understand the principles of conversation, display efficient behaviors, and foster positive relations with their future colleagues. The training covers information about their destination country, its culture, and basic language skills for everyday use. In 2019, Makro organized four trainings on the cultures of Thailand, Cambodia, China, and Myanmar.

03



### STORE OPERATIONS DEVELOPMENT PROGRAM

The Program, run by Makro's Innovation Department, has been implemented for over nine consecutive years and comprises of nine courses. The objective of the Program is to develop the capabilities of store employees and encourage internal employee promotions. In 2019, the Company developed the STAR Plus Program to increase the capabilities of managers, for example on their management skills, good leadership, and empathy, which proved to be the most popular Program. Makro also organized two more courses entitled the Staff 2 Development Program and the Super Star course.

Furthermore, the Company recognizes its role in supporting employees' advancements in their career paths, as this helps to fulfill employees' expectations as well as inspire them to maximize their own personal development. The Company organizes the "Internal Job Opening Announcement" Program, which has been implemented for more than 2 years, to give opportunities to highly knowledgeable and high-potential employees, who have the right skills, to work at Makro's overseas stores, such as in Cambodia, Myanmar, China, India.

The effectiveness of the Company's commitment to developing employees' capabilities and supporting their career growth can be determined by examining the rate of internal promotions, where the target is 80%. Overall, the two factors that influence Makro's rate of internal promotions are performance evaluations and capability building, and employee retention.





## 2016

Internal Promotions

**1,238** persons

External Hires

**944** persons



## 2017

Internal Promotions

**1,417** persons

External Hires

**894** persons



## 2018

Internal Promotions

**1,418** persons

External Hires

**923** persons



## 2019

Internal Promotions

**1,370** persons

External Hires

**536** persons

### Stage 3 : Assess

(Disclosure 404-3)

The Company continues to place a priority on assessing employees' capabilities, as this will ensure that all employees receive the opportunity to be considered for a promotion. Each year, Makro begins the employee performance assessment process with a '360 degree' feedback process, which involves gathering feedback from various parties, including from a line manager/supervisor, subordinates, colleagues, other involved parties, and an employee's own self-assessment, to formulate into a comprehensive picture of an employee's behavior and performance.

Meanwhile, employees have the opportunity to communicate their own expectations for work and career growth to their line managers and receive feedback about their past year's performance, including their strengths that

must be maintained and developed, and weaknesses that must be improved on. Afterwards, employees will jointly develop an Individual Development Plan (IDP) with their line managers, which will guide their development for the next year. In 2019, all employees developed IDPs with their line managers.

After the IDP preparation process is complete, the line manager will communicate the details of the plan to the Human Resources Department, which thereafter will be responsible for using that information for developing training courses and preparing training content that is suited to the employee. Overall, this will support all of Makro's employees in meeting the objectives set out in their IDPs, and allow them to develop the necessary skills and capabilities for their career paths.

#### Stage 4 : Reward

(Disclosure 401-2)

The Company is committed to retaining all of its employees over the long-term, as they are the key driving force for business sustainability. Given this, rewarding and compensating employees appropriately is another key approach for ensuring employee satisfaction and retention. Makro provides competitive compensation and benefits to its employees, which are comparable with other leading companies in the same industry, and adjusts salaries and provides bonuses as appropriate. The Company also recognizes the employees who meet work year milestones by gifting them with a souvenir as a form of thank you from the Company.

#### Stage 5 : Manage and Communicate

Makro has adopted the use of digital systems within the organization for data management and employee communication, as this will increase the efficiency of its human resources management process, as well as foster employee engagement. The digital systems will help Makro to analyze and report on basic information about employees, such as the number of work hours and leave days, efficiently and accurately. Meanwhile, with regard to employee communications, Makro has made available a variety of channels for employees to express their opinions and feedback, including by posting announcements, communicating through the Makro Connect application, and e-mail. Furthermore, the Company has also gathered information on employees' needs and expectations, which will be used for discussions with relevant departments, in order to design approaches for best responding to these needs and expectations. Overall, this helps to build trust in the Company's dedication to its employees. In 2019, there were five issues of interest amongst employees that were brought to the Company's attention: career path advancement, Senior Leadership, Learning Development, Reward and Recognition and Employee Availability. Makro has responded to these issues by implementing various projects such as leadership development of senior employees. Makro has provided training for Top 50 employees in Makro Leadership 4.0 project and the Top 300 level in the Star and Star Plus program, and created online learning systems (M-Learning) for employees to learn anywhere, anytime, reviewed a manpower in the major departments of the business and created the succession planning for the key positions.

#### Stage 6 : Exit

(Disclosure 401-1)

The Company's turnover rate is one indicator of the effectiveness of the organization's human resources management process, and in 2019 this was at 77.5%. Upon an employee's resignation, Makro carries out exit interviews with them to determine their satisfaction, issues, recommendations, as well as reasons for leaving the Company. The feedback received from this process will be used for improving and developing the organization going forward, and for developing approaches for long-term employee retention.

## II. Human Rights and Labor Practices

(Disclosure 103-1, 103-2, 103-3)

People across the world today are placing greater importance on human rights, in particular on the prevention of human rights violations, which can occur anywhere, no matter if it is in the public sector, private sector, or among the general public. For this reason, Makro ensures that there is an awareness of and action on human rights and labor practices in all of its stores. In 2019, the Company's efforts focused on implementing relevant processes to prevent human rights violations against its employees, in all positions, and on maintaining proper labor practices. Overall, Makro believes that a robust human rights approach and strong labor practices will ensure that employees remain with the organization over the long term.

Meanwhile, Makro evaluates the effectiveness of its human rights and labor practices approach by looking at the number of grievances received through the Company's various channels, such as the Opinion Box and Customer Service Center. In 2019, the Company did not receive any grievances related to human rights issues or labor practices.

### 1. Human Rights

(Disclosure 103-2, 412-1, 412-2)

Makro adopts a strict approach to human rights protection. This begins with ensuring respect for human rights and preventing human rights violations against all employees, in all positions, in alignment with the Company's Human Rights Policy. Additionally, the Company organizes human rights training for employees and conducts human rights risk assessments across all of its business activities.

#### Human Rights Policy

Over the past year, Makro has operated its business and engaged with all stakeholders while upholding the Human Rights Policy, which was developed in accordance with the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the UN Human Rights Principles, and the Principles of the UN Global Compact. The Human Rights Policy was first formally announced in 2017, and serves as the operating guideline on this issue for Siam Makro PCL and its subsidiaries. In addition, given the diverse nationalities of Makro's personnel, the Human Rights Policy has been translated into multiple languages to ensure that all stakeholders have an equal understanding of the Policy.

#### Human Rights Due Diligence Process

Given that a human rights risk assessment constitutes one part of the human rights due diligence process, in 2019, Makro conducted a human rights risk assessment together with its subsidiaries. The salient human rights issues with high residual risks that were relevant for Makro concern store employees' occupational health and safety. With the understanding that proper management is required to manage the human rights risks associated with this issue, Makro has put in place additional monitoring and control measures, as appropriate, to manage the aforementioned risks. Examples include implementing more intensive training for employees and developing technologies to improve safety. (For more information about the management measures for this issue, please refer to the chapter on occupational health and safety, pages 97-98).

Makro plans to operate according to the human rights due diligence process every year in order to increase the Company's efficiency in managing the human rights risks that impact its business operations.

- Remediation of cases of human rights violations
- Establishment of grievance mechanism for human rights violations

#### Remedies and complaints

#### Engagement with stakeholders

- Initiate engagement with various internal and external stakeholders such as employees, communities, government agencies and civil society to communicate results of the Company's human rights performance

#### Communications

- Design preventive measures and reduce the impact on human rights risks.
- Implement preliminary measures to be used for related agencies
- Monitoring and evaluation process

#### Monitoring

#### Commitment

- Human rights policy

#### Organizational Inculcation

#### Impact Assessment

- Identification of past and potential human rights risks in business operations.
- Identification of stakeholders who may be affected by human rights violations, including consideration of vulnerable groups, such as women, children, migrant workers, people with disabilities and the elderly.
- Human rights risk assessment

### Human Rights Monitoring Process





## 2. Labor Practices

Disclosure 102-41, 103-2, 401-2)

Since its establishment, Makro has operated in strict accordance to national and international labor standards. This has ensured that the organization's labor practices are fair, and that there are appropriate hiring conditions in place, for instance appropriate work hours, working environments, and employee benefits. In 2019, Makro built upon these measures further by benchmarking its hiring conditions with other industry peers and against relevant laws. This led to the development of the Company's Welfare Committee, which was in line with the stipulations of the Labour Protection Act B.E. 2541. The Welfare Committee is the central entity responsible for informing and receiving recommendations and feedback from employees regarding welfare issues. Furthermore, employees are able to express their opinions and concerns through Makro's various grievance channels, which include the Opinion Box, Customer Service Center, and Makro Application.

Throughout, Makro has operated its business while upholding the highest respect for employees' rights. All employees must be treated equally and not be discriminated against on any basis including by race, skin color, nationality, disability, age, gender, sexual orientation, or other conditions as outlined in the Human Rights Policy. In 2019, Makro implemented various projects that integrated content promoting the equal treatment of employees and the rights and leadership roles of female employees. Examples include the STAR Development course, implemented under the Management and Operational Employee Development Program, which aimed to develop participants' capabilities and prepare them for promotions, and was attended by ten female employees and five male employees in 2019. Overall, female employees at the management level comprise 57.82% of all management-level employees at Makro.

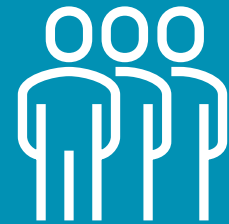
# 55.48%

Total  
female employees



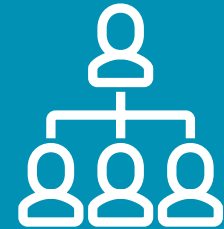
# 58.33%

Female  
employees at  
Top Management level



# 57.82%

Female employees  
at all management  
levels (Management  
and Top Management)



# 58.06%

Female employees  
at Junior  
Management level



# 51.57%

Female employees  
at the management  
level in revenue  
generating departments



When compared with companies in the same industry sector and against relevant laws, the welfare that Makro provides to its employees falls within a good standard. Indeed, in 2019, the Company's full-time and part-time employees in Thailand received a wide range of benefits, for example health benefits, disability benefits for employees with disabilities, parental leave, and maternity leave.

Nevertheless, Makro will continue to identify opportunities for improving its labor practices. This is due to the recognition that good and appropriate labor practices are key to improving the efficiency of Makro's human resources management, which will help to retain employees with Makro over the long term, and especially promote respect and protect employees against human rights violations. It is this commitment to enhancing fair labor practices that will fully transform Makro into the 'Employer of Choice.'

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### III. Occupational Health and Safety

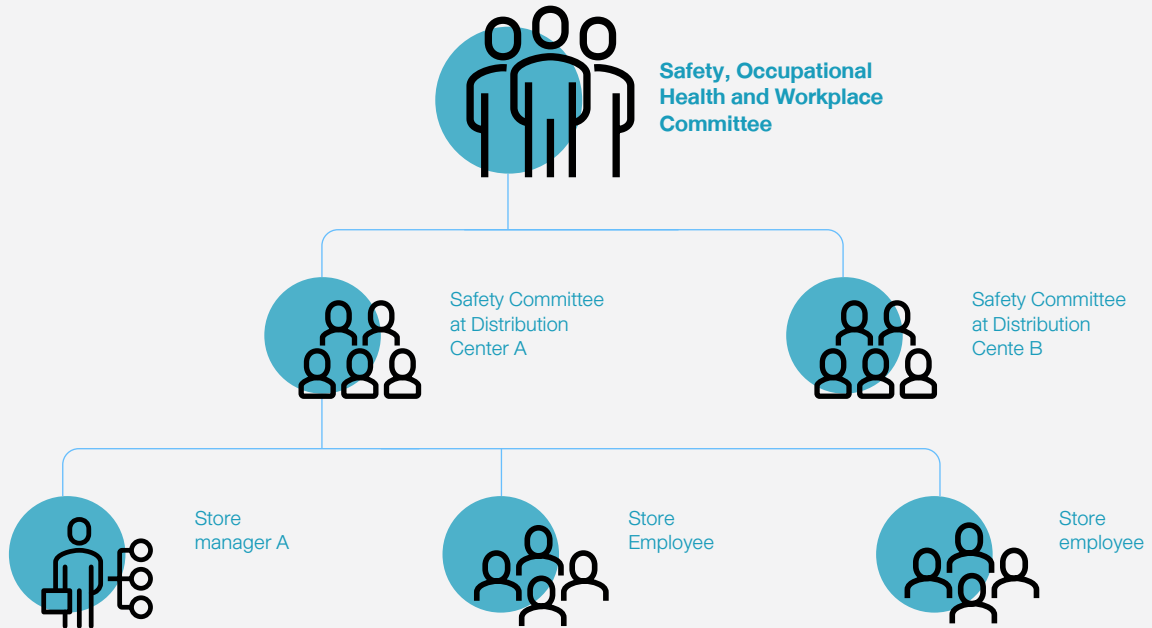
(Disclosure 103-1, 103-2, 103-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-9)

Employees are the organization's invaluable resources; they are behind the success of our efficient business operations. For this reason, the Company places the highest importance on employees' occupational health and safety. The Company has enacted an Occupational Health and Safety (OHS) Policy that covers the issues of employees' working conditions, work systems, risk prevention and control measures, employee training, health and sanitation management, and workplace facilities. As a result of this Policy, the Company has been able to elevate its occupational health and safety management system, across all operational sites, in accordance with the ISO 45001 Standard.

The Company has set up the Safety, Occupational Health and Workplace Committee to assess and manage risks, train employees, promote employee health, and receive complaints concerning safety, occupational health, and the environment.

In addition, the Company has also set up Safety Committees at each Distribution Center. The Committees are made up of employee representatives from each store and at each work level, from store employees to managers, and they are responsible for monitoring and communicating the safety performance of their respective work areas on a monthly basis during the "SGM Safety Talk" activity. The goal is to build awareness on safety, seek the cooperation of employees in implementing safe practices, and better improve the efficiency of Makro's occupational health and safety management.

### Framework of Responsibility for Occupational Health and Safety Management



### Occupational Health and Safety Management System



**Risk Assessment and Management**



**General Health Promotion**



**Employee Training**



**Grievance Process**

## 1. Occupational Health and Safety Risk Assessment and Management for Employees

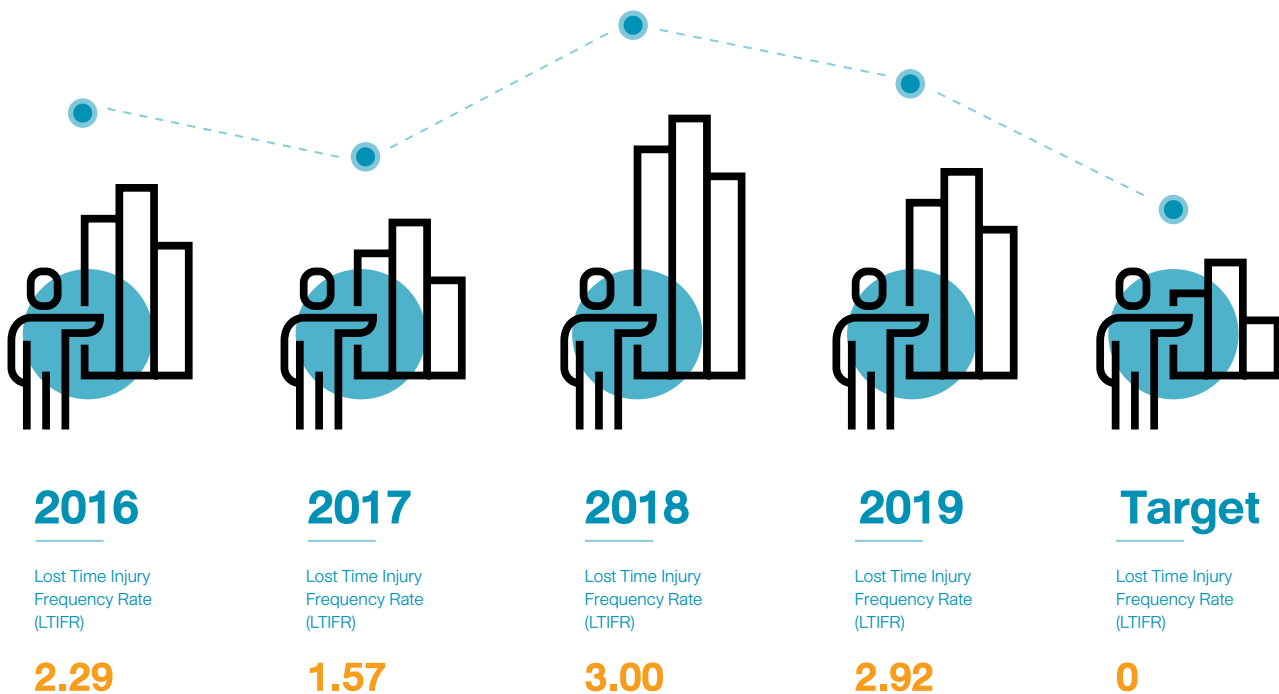
The Company's duty managers, who are based at stores, are responsible for assessing occupational health and safety risks on a daily basis using a 'Duty Checklist.' The Checklist covers all activities that take place within the store, as well as all other related activities under normal and emergency situations. The results of the risk assessment are then used for designing improvements to the occupational health and safety system.

Should employees find themselves in any situation that poses a higher than permitted level of risk, they are able to notify or report any such risks immediately to their line managers, who will then make a decision, evaluate the situation, and order an immediate termination of the task. In 2021, Makro plans to apply the Stop Work Authority Policy, which is used in situations that pose high risks to

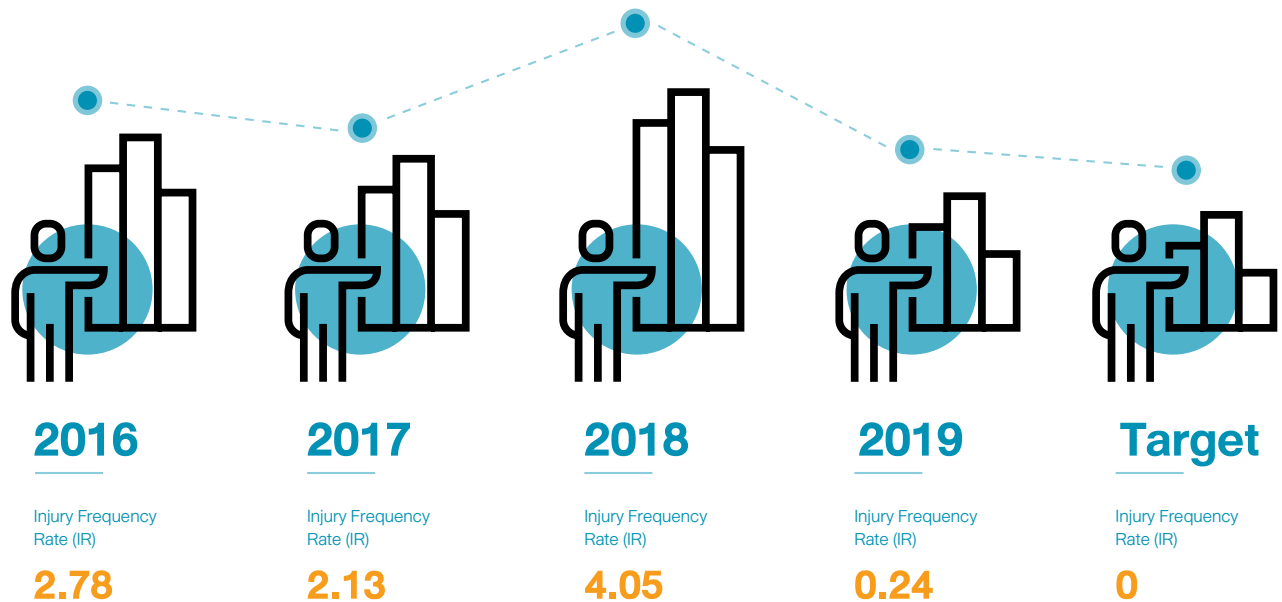
employees' health and safety, for any accidents that impact operations at Makro's stores. Under such circumstances, Makro will undertake an investigation of the accident and file a report within 24 hours to notify all involved parties, which include the line manager, relevant departments, and top executives, of the situation and the prevention and remediation measures taken following the accident.

In 2019, Makro successfully achieved its occupational health and safety management targets from occupational health and safety management system such as employee training and the risk assessment and management. In 2019, the Lost Time Injury Frequency Rate (LTIFR) for employees was 2.92 cases per one million work hours, and the Injury Frequency Rate (IR) was 0.24 cases per million work hours.

### Makro Safety Index for all workers

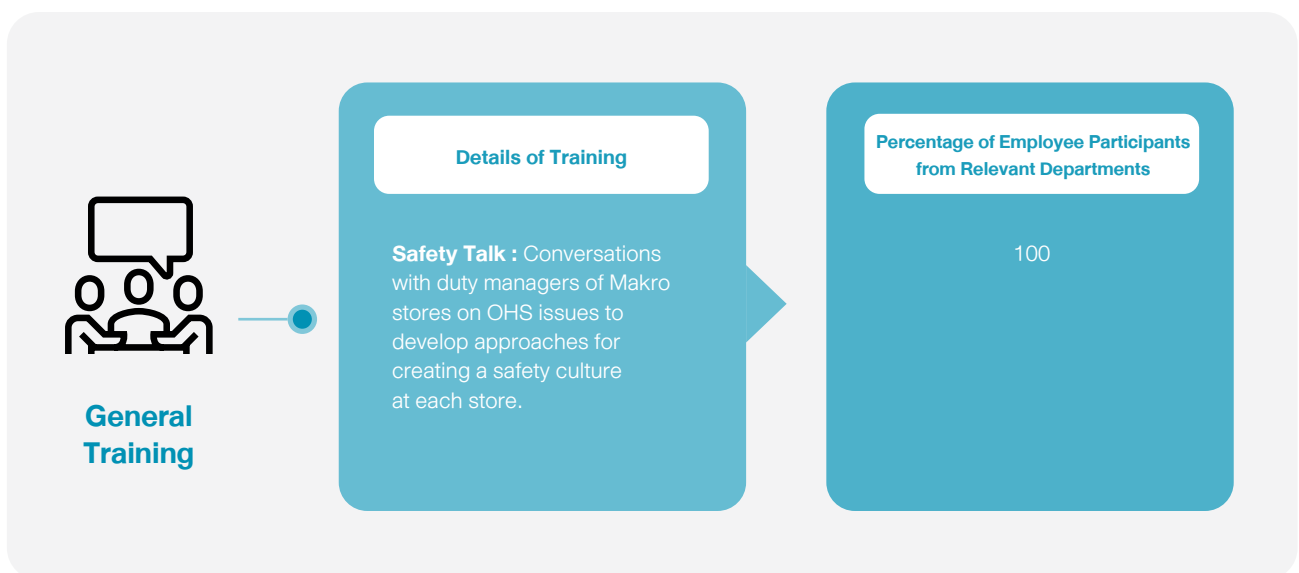






## 2. Occupational Health and Safety Training

Makro is dedicated to creating awareness and building employees' skills and capabilities on occupational health and safety management, and has organized general and job-specific trainings on this issue. In 2019, the Company revised and added additional training content to reflect current risks and challenges on occupational health and safety, as follows.





### General Training

#### Details of Training

Create a culture of safety awareness amongst all employees at all levels, as well as managers and contractors at the Head Office, to embed a safety culture and maintain good operational standards on safety, occupational health, and workplace environment for the organization's personnel.

#### Percentage of Employee Participants from Relevant Departments

100



### Job-Specific Training

#### Details of Training

Safe Forklift Driving

#### Percentage of Employee Participants from Relevant Departments

100

#### Details of Training

Electrical Safety

#### Percentage of Employee Participants from Relevant Departments

100

#### Details of Training

Lock out-Tag out System Safety

#### Percentage of Employee Participants from Relevant Departments

100

## 3. General Employee Health Promotion

Makro organizes annual health check-ups for employees, which are provided on-site by hospitals that have been internationally-certified. Interpreters are available for international staff, and the Company further provides health care benefits to all employees according to the requirements of the laws and regulations of each country of operation. For at-risk employees, Makro arranges for an occupational health and safety specialist to conduct an examination and provide recommendations for monitoring

for occupational illnesses, as well as to care for the occupational health of all employees. The results of employees' health check-ups are protected by the Data Privacy Policy, and employees' health conditions will not in any way affect their employment conditions. In addition, Makro organizes health promotion activities and facilities for employees throughout the year, for example exercise activities, sports days at each store, and exercise facilities at the Head Office.

#### 4. Feedback and Grievance Channels

Stakeholders are able to communicate and report any opinions concerning occupational health and safety to Makro employees via all available Company communications channels.

#### IV: Embedding an Innovation Mindset

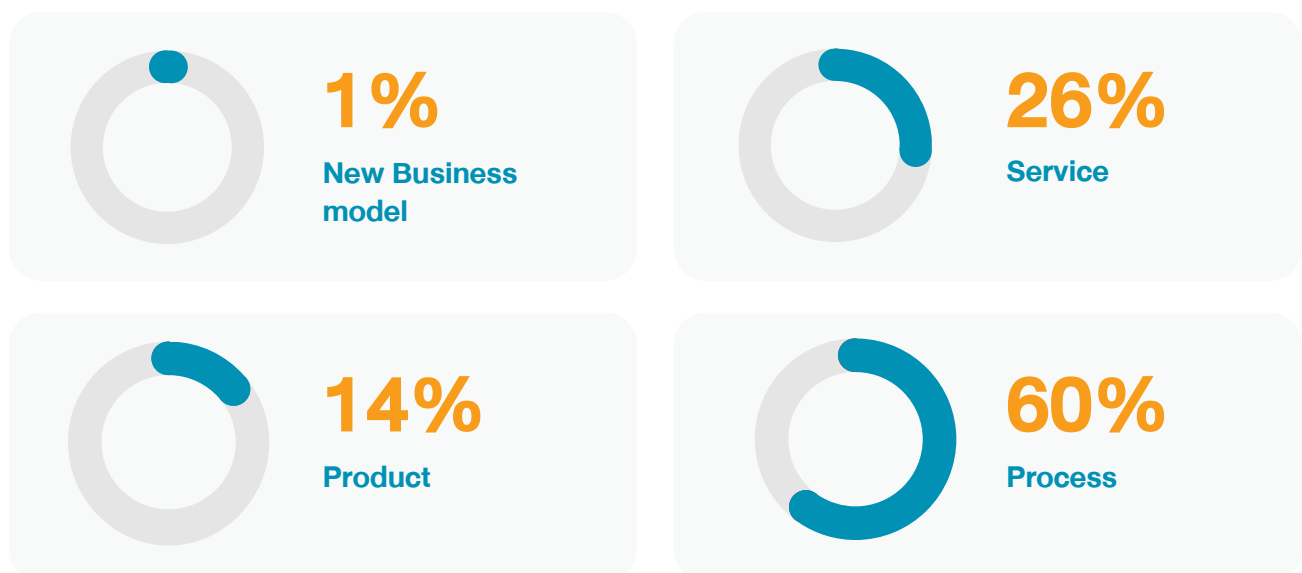
(Disclosure 103-1, 103-2, 103-3)

The technological challenges within the retail and wholesale industry and the embedding of an innovation mindset amongst employees, both in Thailand and overseas, are essential for stimulating the greater integration of modern technology into Makro's business operations. Likewise, it will help Makro to maintain its competitive advantage within the industry by leveraging the opportunity to expand into new markets and step up as a leader in the retail and wholesale industry.

In the year 2019, there were 692 innovation projects. A total of 1,461 employees have participated in the project. Moreover, Makro held the activities for employee both inside and outside the organization throughout the year. As a result, a total of 4,331 employees participated.

Finally, Makro has assessed the effectiveness of its approach to embedding an innovation mindset and its efforts in this regard by using the number of innovator. In 2019, there were 316 innovators, which are divided into 244 new assistant innovators, 52 innovators - level 1, 20 innovators - level 2

Proportion of Projects by Innovation Type





**ANNEX**





## ABOUT THIS REPORT

(Disclosure 102-50, 102-51, 102-52, 102-54)

Siam Makro Public Company Limited is pleased to publish its 2019 Sustainability Report, the Company's third consecutive sustainability report, and a continuation from 2018. This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards, Core option, and other relevant standards. It serves as a way for Makro to communicate on our performance and reflect on our responsibility to the economy, society, and environment. This report covers the performance and sustainability commitments of Makro and its Thailand subsidiaries ("the Company") from 1 January to 31 December 2019.

The objective of this report is to communicate on the sustainability issues that are material to the business, covering economic, social, and environmental dimensions, and to present our commitments, targets, and achievements in pursuit of sustainable business growth. All of this is in line with the Company's vision, "To be the number one food solution provider for professional customers," and is a confirmation of our commitment to being "Your Trusted Partner."

## Scope of Report

(Disclosure 102-46, 102-53)

The sustainability performance outlined in this report covers the issues that are relevant to Makro's Thailand business. This report is available in Thai and English, and is accessible on the Company's website, [www.siammakro.co.th](http://www.siammakro.co.th). Our Financial Statements can be found in our Annual Report, pages 152.

Should you have any suggestions, questions, or requests for additional information, please kindly contact the Company's Head Office at :

:

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## SUSTAINABILITY

### PERFORMANCE SUMMARY

#### Employee and Training Data

GRI Standard	Required Data	Unit	2016	2017	2018	2019	Remark
102-8	<b>Number of employees</b>						
	Total employees	Person	13,365	13,786	14,560	15,212	
	• Male	Person	6,069	6,211	6,592	6,773	
	• Female	Person	7,297	7,575	7,968	8,439	
	<b>Permanent employees by region</b>						
	• North (Male)	Person	725	761	793	800	
	• North (Female)	Person	645	620	624	629	
	• Northeast (Male)	Person	1,370	1,374	1,435	1,443	
	• Northeast (Female)	Person	1,336	1,366	1,357	1,366	
	• West (Male)	Person	323	302	343	351	
	• West (Female)	Person	447	440	467	465	
	• Central (Male)	Person	2,181	2,365	2,518	2,605	
	• Central (Female)	Person	2,909	3,199	3,452	3,698	
	• East (Male)	Person	502	472	528	631	
	• East (Female)	Person	705	717	810	1,007	
	• South (Male)	Person	930	907	930	940	
	• South (Female)	Person	1,223	1,209	1,227	1,265	
	<b>By employment contract</b>						
	Permanent	Person	13,296	13,732	14,484	15,200	
	• Male	Person	6,031	6,181	6,547	6,770	
	• Female	Person	7,265	7,551	7,937	8,430	
	Part-time/Temporary	Person	69	54	76	67	
	• Male	Person	37	30	45	43	
	• Female	Person	32	24	31	24	

GRI Standard	Required Data	Unit	2016	2017	2018	2019	Remark
<b>Diversity and Equal Opportunity</b>							
<b>405-1</b>	<b>Employee breakdown by level</b>						
	Top Management level	Person	20	20	27	24	
	• Male	Person	11	11	14	10	
	• Female	Person	9	9	13	14	
	Middle Management level	Person	184	190	202	203	
	• Male	Person	85	79	85	87	
	• Female	Person	99	111	117	116	
	Management level	Person	975	1,023	1,112	527	
	• Male	Person	426	446	478	221	
	• Female	Person	549	577	634	306	
	Officer level	Person	12,114	12,515	13,155	14,458	
	• Male	Person	5,507	5,646	5,973	6,455	
	• Female	Person	6,607	6,869	7,182	8,003	
	<b>Breakdown by age group</b>						
	Under 30 years old	Person	4,979	5,200	5,493	5,735	
	• Male	Person	2,355	2,446	2,671	2,734	
	• Female	Person	2,624	2,754	2,822	3,001	
	30-50 years old	Person	8,027	8,224	8,637	9,075	
	• Male	Person	3,543	3,600	3,724	3,892	
	• Female	Person	4,484	4,624	4,913	5,183	
	Over 50 years old	Person	287	324	366	457	
	• Male	Person	131	136	155	187	
	• Female	Person	156	188	211	270	

GRI Standard	Required Data	Unit	2016	2017	2018	2019	Remark
401-1	<b>New employee hires</b>						
	Total new employees	Person	5,633	5,701	6,131	5,581	
	• Male	Person	2,589	2,700	2,944	2,586	
	• Female	Person	3,044	3,001	3,187	2,995	
	Breakdown by age group						
	Under 30 years old	Person	3,555	3,673	3,963	3,585	
	• Male	Person	1,636	1,752	1,969	1,726	
	• Female	Person	1,919	1,921	1,994	1,859	
	30-50 years old	Person	2,072	2,019	2,160	1,982	
	• Male	Person	948	944	971	851	
	• Female	Person	1,124	1,075	1,189	1,131	
	Over 50 years old	Person	6	9	8	14	
	• Male	Person	5	4	4	9	
	• Female	Person	1	5	4	5	
	<b>Employee turnover</b>						
	Total employee turnover (Permanent employees)	Person	4,587	5,281	5,110	4,617	
	• Male	Person	2,121	2,558	2,457	2,246	
	• Female	Person	2,466	2,723	2,653	2,371	
	Breakdown by age group						
	Under 30 years old	Person	2,548	2,899	2,918	2,609	
	• Male	Person	1,143	1,401	1,407	1,334	
	• Female	Person	1,405	1,498	1,511	1,275	
	30-50 years old	Person	2,024	2,344	2,158	1,961	
	• Male	Person	970	1,135	1,034	881	
	• Female	Person	1,054	1,209	1,124	1,080	
	Over 50 years old	Person	15	38	34	47	
	• Male	Person	8	22	16	31	
	• Female	Person	7	16	18	16	



GRI Standard	Required Data	Unit	2016	2017	2018	2019	Remark	
404-1	Training and Education							
	Average training hours by gender							
	• Male	hours/ person/year	8.45	6.35	8.78	10.79	Training hours by level first disclosed in 2019.	
	• Female	hours/ person/year	9.44	6.66	9.13	10.58		
	Average training hours by level							
	Top Management level	hours/ person/year	NA	NA	NA	67.49		
	• Male	hours/ person/year	NA	NA	NA	66.77		
	• Female	hours/ person/year	NA	NA	NA	70.86		
	Middle Management level	hours/ person/year	NA	NA	NA	48.78		
	• Male	hours/ person/year	NA	NA	NA	49.01		
	• Female	hours/ person/year	NA	NA	NA	48.61		
	Management level	hours/ person/year	NA	NA	NA	42.69		
	• Male	hours/ person/year	NA	NA	NA	37.34		
	• Female	hours/ person/year	NA	NA	NA	46.54		
	Officer level	hours/ person/year	NA	NA	NA	8.85		
	• Male	hours/ person/year	NA	NA	NA	9.28		
	• Female	hours/ person/year	NA	NA	NA	8.51		
	Average training costs per employee equivalent	Baht per employee equivalent	2,467.23	2,259.68	2,553.34	2,527.60		

#### Remarks

NA refers to data that is unavailable, or unable to be collected.

#### Scope

The scope of data covers Siam Makro PCL's Thailand operations only.

## Occupational Health and Safety Data

GRI Standard	Required Data	Unit	2016	2017	2018	2019	Remark
<b>Employees</b>							
<b>GRI 403-2 (2016)</b>	Absentee rate	%	1.34	0.62	1.50	1.54	
	• Male	%	1.30	0.55	1.46	1.53	
	• Female	%	1.37	0.69	1.54	1.54	
<b>403-9 a (2018)</b>	Lost time injury frequency rate (LTIFR)	Case/million work hours	2.29	1.57	3.00	2.92	
	• Male		3.92	2.68	4.41	4.16	
	• Female		0.95	0.67	1.86	1.91	
	Injury frequency rate (IR) - Employees	Case/million work hours	2.78	2.13	4.05	0.24	
	• Male		4.50	3.43	6.03	5.68	
	• Female		1.36	1.07	2.44	2.37	
	Fatalities from work-related injury						
	• Male	Person	0	0	0	0	
	• Female	Person	0	0	0	0	
<b>403-10 a (2018)</b>	Fatalities from work-related ill health						
	• Male	Person	0	0	0	0	
	• Female	Person	0	0	0	0	
	Occupational illness frequency rate (OIFR)	Case/million work hours					
	• Male		0	0	0	0	
	• Female		0	0	0	0	

GRI Standard	Required Data	Unit	2016	2017	2018	2019	Remark
<b>Other workers (excluding employees)</b>							
<b>403-9 b (2018)</b>	Lost time injury frequency rate (LTIFR)	Case/million work hours	5.10	2.60	1.60	6.68	
	• Male		6.48	3.48	1.94	7.91	
	• Female		2.93	1.80	1.30	5.68	
	Injury frequency rate (IR)	Case/million work hours	5.79	3.10	2.30	0.28	
	• Male		7.30	3.93	2.64	4.01	
	• Female		3.41	2.30	2.07	1.49	
	Fatalities from work-related injury						
	• Male	Person	0	0	0	0	
	• Female	Person	0	0	0	0	
	Fatalities from work-related ill health						
<b>403-10 b (2018)</b>	• Male	Person	0	0	0	0	
	• Female	Person	0	0	0	0	
	Occupational illness frequency rate (OIFR)	Case/million work hours					
	• Male		0	0	0	0	
	• Female		0	0	0	0	

#### Remarks

NA refers to data that is unavailable, or unable to be collected.

#### Scope

The scope of data covers Siam Makro PCL's Thailand operations only.

## Environmental Data

GRI standard	Required Data	Unit	2016	2017	2018	2019	Remark
<b>Energy</b>							
<b>302-1 (a)</b>	Non-renewable sources	GJ	3,506.21	3,591.01	36,365.39	37,251.58	Does not include electricity.
	• Diesel	GJ	3,506.21	3,591.01	24,519.85	23,948.63	In 2018, scope of data was expanded to include travel-related fuel consumption.
	• Benzine	GJ	NA	NA	11,845.54	12,510.95	
	• Liquid Petroleum Gas (LPG)	GJ	NA	NA	NA	792.00	In 2019, scope of data was expanded to include LPG use.
<b>302-1 (b)</b>	Renewable sources	GJ	68.54	60.73	54.36	10,094.12	
	• Solar energy	GJ	68.54	60.73	54.36	10,094.12	
<b>302-1 (c)</b>	Electricity purchased	GJ	1,184,763.85	1,250,896.92	1,295,086.52	1,358,380.22	
<b>302-1 (e)</b>	Total energy consumption	GJ	1,188,338.60	1,254,548.66	1,331,506.27	1,405,725.92	
<b>302-3</b>	Energy intensity per unit of revenue	GJ/million baht	6.88	6.72	6.90	6.67	

## Water Resources

GRI Standard	Required Data	Unit	Water Volume				Water from High-Risk Areas <sup>1</sup>	Remark
			2016	2017	2018	2019	2019	
<b>303-3 (a)</b>	Total water withdrawal (from all sources)	m <sup>3</sup>	1,816,229.00	2,040,724.00	2,158,271.65	2,367,793.53	1,204,008.53	Does not include recycled and reused water.
<b>Water withdrawal by source</b>								
	• Surface water	m <sup>3</sup>	N/A	N/A	N/A	0	0	
	• Ground water	m <sup>3</sup>	NA	NA	73,203.21	84,641.00	66,790.00	In 2018, scope of data was expanded to include groundwater withdrawal.
	• Seawater	m <sup>3</sup>	0	0	0	0	0	
	• Water from production processes	m <sup>3</sup>	0	0	0	0	0	
	• Water from external organizations (Municipal water supply)	m <sup>3</sup>	1,816,229.00	2,040,724.00	2,231,474.86	2,283,152.53	1,137,218.53	
	Water with suspended or dissolved solids level below 1,000 mg/L	m <sup>3</sup>	1,816,229.00	2,040,724.00	2,158,271.65	2,367,793.53	1,204,008.53	
	Water with suspended or dissolved solids level above 1,000 mg/L	m <sup>3</sup>	0	0	0	0	0	



GRI Standard	Required Data	Unit	Water Volume				Water from High-Risk Areas <sup>1</sup>	Remark
			2016	2017	2018	2019	2019	
	Water recycled and reused	m <sup>3</sup>	NA	167,400	459,000	0	0	Results from the Water Conservation Project.
	Water use intensity per unit of revenue	m <sup>3</sup> /million baht	10.51	10.93	11.19	11.24	5.72	

#### Remarks

<sup>1</sup> Based on the Aqueduct Water Risk Atlas, as required by GRI.

GRI Standard	Required Data	Unit	2016	2017	2018	2019	Remark
<b>Effluents and Waste</b>							
306-1 (a)	• Water discharge	m <sup>3</sup>	1,452,983.21	1,632,579.07	1,785,179.89	1,894,234.82	Calculated based on 80% water use.
306-2 (b)	Non-hazardous waste	Metric ton	14,641.88	18,299.67	62,327.58	91,391.23	
	• Reused	Metric ton	0.00	0.00	0.00	0.00	
	• Recycled	Metric ton	0.00	0.00	42,033.21	70,175.21	
	• Composting	Metric ton	46.73	45.61	86.59	118.20	
	• Recovery (including energy recovery)	Metric ton	0.00	0.00	0.00	0.00	
	• Incineration	Metric ton	0.00	0.00	0.00	0.00	
	• Deep well injection	Metric ton	0.00	0.00	0.00	0.00	
	• Landfill	Metric ton	14,595.15	18,254.06	20,207.78	21,097.82	Calculated from total waste.
	• On-site storage	Metric ton	0.00	0.00	0.00	0.00	
	• Other (e.g. agricultural use)	Metric ton	0.00	0.00	0.00	0.00	

GRI Standard	Required Data	Unit	2016	2017	2018	2019	Remark
<b>Greenhouse gas emissions</b>							
305-1 (a)	Direct emissions (Scope 1)	tCO <sub>2</sub> e	34,851.39	52,290.98	50,214.93	43,232.95	Data covers the use of refrigerants and fuel for business operations.
305-2 (a)	Indirect emissions (Scope 2)	tCO <sub>2</sub> e	189,699.14	195,192.98	209,408.29	219,642.54	Data covers electricity purchased from external electricity producers.
	Total emissions (Scope 1 + 2)	tCO <sub>2</sub> e	224,550.53	247,483.96	259,623.22	262,875.49	
305-4 (a)	Emissions intensity per unit of revenue	tCO <sub>2</sub> e /million baht	1.30	1.33	1.35	1.25	Calculated emissions cover Scopes 1 and 2.

#### Remarks

##### Definitions

NA refers to data that is unavailable, or unable to be collected.

##### Standards and Calculations

- Calculations are made using the approach of the GRI Sustainability Report Standards, 2018.
- Energy consumption (joules) is calculated by multiplying the volume of fuel with a conversion factor, based on the type of fuel used. (Reference: The Department of Alternative Energy Development and Efficiency).
- Total energy consumption includes consumption from non-renewable sources, renewable sources, and external electricity purchases.
- Greenhouse gas emissions are calculated by multiplying data from emissions-generating activities with an emission factor (Reference: Thailand Greenhouse Gas Management Organization and Intergovernmental Panel on Climate Change (IPCC)), and is reported in a Global Warming Potential (GWP) format, in line with the IPCC approach.
- Emissions intensity per unit of revenue includes both direct and indirect greenhouse gas emissions.



## GRI CONTENT INDEX

### Global Reporting Initiative: Core Standards

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102-3	Location of Headquarters	About Makro		
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102-5	Ownership and legal form	About Makro		
102-6	Markets served	About Makro		
102-7	Scale of the organization	About Makro		
102-8	Information on employees and other workers	<ul style="list-style-type: none"> <li>- About Makro</li> <li>- Employer of Choice</li> <li>- Annex</li> </ul>		
102-9	Supply Chain	About Makro		
102-10	Significant changes to the organization and its supply chain	About Makro		
102-11	Precautionary Principles or approach	<ul style="list-style-type: none"> <li>- Product Sourcing and Ethical Sourcing and Sustainable and Supply Chain Management</li> <li>- Locally Beloved</li> </ul>		
102-12	External initiatives	Locally Beloved		
102-13	Membership of associations	About Makro		

Disclosure	Disclosure	Chapter	Page/Website/Omission	External Assurance
Strategy				
102-14	Statement from senior decision-maker	Message from the Chairman and Group Chief Executive Officer		
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102-16	Values, principles, standards, and norms of behavior	About Makro		
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102-18	Governance Structure	About Makro		
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102-41	Collective bargaining agreements	Employer of Choice		
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Disclosure	Disclosure	Chapter	Page/Website/Omission	External Assurance
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## Material Topics

GRI Standards	Disclosure	Chapter	Page/Website	Omission/Note	External Assurance
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GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its boundary	About Makro			
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	103-3 Evaluation of the management approach	About Makro			
GRI 201 Economic Performance 2016	201-1 Direct Economic value generated and distributed	About Makro			
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GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its boundary	Customer Business Growth			
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GRI 203 Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Customer Business Growth			



GRI Standards	Disclosure	Chapter	Page/ Website	Omission/ Note	External Assurance
Procurement Practices					
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its boundary	Product Sourcing and Ethical Sourcing and Sustainable and Supply Chain Management			
	103-2 The management approach and its components	Product Sourcing and Ethical Sourcing and Sustainable and Supply Chain Management			
	103-3 Evaluation of the management approach	Product Sourcing and Ethical Sourcing and Sustainable and Supply Chain Management			
GRI 204 Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Product Sourcing and Ethical Sourcing and Sustainable and Supply Chain Management			
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GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its boundary	About Makro			
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GRI 205 Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	About Makro			
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GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its boundary	Environmental Impact			
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GRI Standards	Disclosure	Chapter	Page/ Website	Omission/ Note	External Assurance
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	303-2 Management of water discharge-related impacts	Environmental Impact			
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GRI Standards	Disclosure	Chapter	Page/ Website	Omission/ Note	External Assurance
GRI 305 Emissions 2016	305-1 Direct (Scope 1) GHG emissions	- Environmental Impact - Annex			
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GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its boundary	Environmental Impact			
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GRI 306 Effluents and Waste 2016	306-2 Waste by type and disposal methods	Annex			
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GRI Standards	Disclosure	Chapter	Page/ Website	Omission/ Note	External Assurance
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GRI 401 Employment 2016	401-1 New employee hires and employee turnover	- Employer of Choice - Annex			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employer of Choice			
	401-3 Parental leave	Employer of Choice			
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GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its boundary	Employer of Choice			
	103-2 The management approach and its components	Employer of Choice			
	103-3 Evaluation of the management approach	Employer of Choice			
GRI 403 Occupational Health and Safety 2018	403-1 Occupational health and safety management systems	Employer of Choice			
	403-2 Hazard identification, risk assessments, and incident investigation	- Employer of Choice - Annex			
	403-3 Occupational health services	Employer of Choice			
GRI 403 Occupational Health and Safety 2018	403-4 Worker participation, consultation, and communication on occupational health and safety	Employer of Choice			
	403-5 Worker training on occupational health and safety	Employer of Choice			
	403-6 Promotion of worker health	Employer of Choice			

GRI Standards	Disclosure	Chapter	Page/ Website	Omission/ Note	External Assurance
GRI 403 Occupational Health and Safety 2018	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Employer of Choice			
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GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its boundary	Employer of Choice			
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GRI 404 Training and Education 2016	404-1 Average hours of training per year per employee	- Employer of Choice - Annex			
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GRI Standards	Disclosure	Chapter	Page/ Website	Omission/ Note	External Assurance
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GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its boundary	Employer of Choice			
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GRI Human Rights Assessment 2016	412-1 Operations that have been subject to human rights reviews or impact assessments	Employer of Choice			
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GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its boundary	Locally Beloved			
	103-2 The management approach and its components	Locally Beloved			
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GRI 413-1 Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Locally Beloved			
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GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its boundary	Product Sourcing and Ethical Sourcing and Sustainable and Supply Chain Management			
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GRI Standards	Disclosure	Chapter	Page/ Website	Omission/ Note	External Assurance
GRI 414 Supplier Social Assessment 2016	414- 1 New suppliers that were screened using social criteria	Product Sourcing and Ethical Sourcing and Sustainable and Supply Chain Management			
	414-2 Negative social impacts in the supply chain and actions taken	Product Sourcing and Ethical Sourcing and Sustainable and Supply Chain Management			
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GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its boundary	Food Safety			
	103-2 The management approach and its components	Food Safety			
	103-3 Evaluation of the management approach	Food Safety			
GRI 416 Customer Health and safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Food Safety			
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Food Safety			
Sector-specific Indicator 2014	G4-FP5 Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards	Food Safety			
	G4-FP6 : Percentage of total sale Total sales volume of consumer products, by product category that are lowered in saturated fats, trans fats, sodium and added sugars (in total and with sugar substituted by artificial sweetener)	Food Safety			
	G4-FP7: Percentage of total sales volume of consumer products in each product category, that contain increased nutritious ingredients like fiber, vitamins, minerals, phytochemicals or functional food additives	Food Safety			

# LR Independent Assurance Statement

## Relating to SIAM MAKRO Public Company Limited's Sustainability Report for the calendar year 2019

This Assurance Statement has been prepared for SIAM MAKRO Public Company Limited (SIAM MAKRO) in accordance with our contract but is intended for the readers of this Report.

### Terms of engagement

Lloyd's Register Quality Assurance Ltd. (LR) was commissioned by SIAM MAKRO Public Company Limited (SIAM MAKRO) to provide independent assurance on its Sustainability Report 2019 "the report" against the assurance criteria below to a moderate level of assurance and at the materiality of the professional judgement of the verifier, using AccountAbility's AA1000AS (2008)<sup>1</sup>, where the scope was a Type 2 engagement.

Our assurance engagement covered SIAM MAKRO's subsidiaries in Thailand only, and specifically the following requirements:

- Evaluating SIAM MAKRO's adherence to AA1000 AccountAbility Principles (2008) of Inclusivity, Materiality and Responsiveness.
- Confirming that the report is in accordance with:
  - GRI Standards (2016) and core option
- Evaluating the reliability of data and information for only the selected indicators listed below:<sup>1</sup>
  - *Environmental:*  
GRI 302-1 Energy consumption within the organization, GRI 302-3 Energy intensity, GRI 303-3 Water withdrawal (2018 edition), GRI 305-1 Direct (scope 1) GHG emissions, GRI 305-2 Energy indirect (scope 2) GHG emissions, GRI 305-3 Other indirect (Scope 3) GHG emissions (Upstream transport and distribution and business travel only), GRI 305-4 GHG emissions intensity, GRI 306-2 Waste by type and disposal method.
  - *Social:*  
GRI 403-9 to 10 Work-related injuries and ill health (2018 edition).

Our assurance engagement excluded the data and information of SIAM MAKRO's subsidiaries within Thailand where it has no operational control, all operations and activities outside of Thailand and suppliers and any third-parties mentioned in the report.

LR's responsibility is only to SIAM MAKRO. LR disclaims any liability or responsibility to others as explained in the end footnote. SIAM MAKRO's responsibility is for collecting, aggregating, analysing and presenting all the data and information within the report and for maintaining effective internal controls over the systems from which the report is derived. Ultimately, the report has been approved by, and remains the responsibility of SIAM MAKRO.

### LR's Opinion

Based on LR's approach nothing has come to our attention that would cause us to believe that SIAM MAKRO has not, in all material respects:

- Met the requirements above
- Disclosed reliable performance data and information as no errors or omissions were detected
- Covered all the issues that are important to the stakeholders and readers of this report.

The opinion expressed is formed on the basis of a moderate level of assurance and at the materiality of the professional judgement of the verifier.

**Note:** The extent of evidence-gathering for a moderate assurance engagement is less than for a reasonable assurance engagement. Moderate assurance engagements focus on aggregated data rather than physically checking source data at sites. Consequently, the level of assurance obtained in a moderate assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

### LR's approach

LR's assurance engagements are carried out in accordance with our verification procedure. The following tasks though were undertaken as part of the evidence gathering process for this assurance engagement:

- Assessing SIAM MAKRO's approach to stakeholder engagement to confirm that issues raised by stakeholders were captured correctly. We did this by interviewing SIAM MAKRO's management who engage directly with stakeholder groups as well as reviewing documents and associated records.
- Reviewing SIAM MAKRO's process for identifying and determining material issues to confirm that the right issues were included in their report. We did this by benchmarking reports written by SIAM MAKRO and its peers to ensure that

<sup>1</sup> GHG quantification is subject to inherent uncertainty.

sector specific issues were included for comparability. We also tested the filters used in determining material issues to evaluate whether SIAM MAKRO makes informed business decisions that may create opportunities which contribute towards sustainable development.

- Auditing SIAM MAKRO's data management systems to confirm that there were no significant errors, omissions or mis-statements in the report. We did this by reviewing the effectiveness of data handling process, and systems, including those for internal verification. We also spoke with key people in various departments responsible for compiling the data and drafting the report.
- Visiting SIAM MAKRO's operations as business representative (Siam Makro – Satorn) to sample performance data and information for the selected specific standard disclosures to confirm its reliability.

## Observations

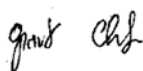
Further observations and findings, made during the assurance engagement, are:

- Stakeholder inclusivity: We are not aware of any key stakeholder groups that have been excluded from SIAM MAKRO's stakeholder engagement process. However, SIAM MAKRO should consider arranging dialogue with all of its stakeholders to understand every parties' growing expectations.
- Materiality: We are not aware of any material issues concerning SIAM MAKRO's sustainability performance that have been excluded from the report. It should be noted that SIAM MAKRO has established extensive criteria for determining which issue/aspect is material and that these criteria are not biased to the company's management.
- Responsiveness: SIAM MAKRO has addressed the concerns of stakeholders in relation to GHG and food related safety. However, we believe that future reports should;
  - disclose safety statistics for suppliers under works and workplaces control.
  - discuss further how SIAM MAKRO has managed food waste as well as reuse/recycle of packaging.
- Reliability: Data management systems are considered to be well defined, but the implementation of these systems varies across SIAM MAKRO's operational facilities. SIAM MAKRO should consider interim verification to further improve the reliability and timeliness of its disclosed data and information.

## LR's standards, competence and independence

LR ensures the selection of appropriately qualified individuals based on their qualifications, training and experience. The outcome of all verification and certification assessments is then internally reviewed by senior management to ensure that the approach applied is rigorous and transparent.

This verification is the only works undertaken by LR for SIAM MAKRO and as such does not compromise our independence or impartiality.



Opart Charuratana  
LR Lead Verifier

Dated: 12 March 2020

On behalf of Lloyd's Register Quality Assurance Ltd.  
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