



Enhancing People's Lives  
along the journey to sustainable growth

SIAM MAKRO PUBLIC COMPANY LIMITED

มาโคร  
**makro**  
Cash & Carry

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# Message from the Chairman and Group Chief Executive Officer

(Disclosure 102-14)



**Mr. Arsa Sarasin**  
The Chairman

In the past year, the Company confronted a myriad of domestic and external challenges, coupled fluctuating and low agricultural products prices and increased business competition. The Company has then prepared to carefully meet challenges. This has included conducting business impact assessment and effective risk management plan that encompasses all the Company's key business activities. It also implemented close monitoring and pertinent situation analysis procedures to prevent and reduce potential impact on business operations—enabling the Company to effectively operate under such changes and increase its competitiveness and business expansion in the long term. The Company has incorporated a sustainability approach into its short- and long-term Business-to-Business (B2B) strategic plan.

A strategic plan which the Company has placed continued importance is promoting customer growth and readiness to meet various challenges, including the expansion of country's tourism industry which now welcomes over 40 million tourists annually. The hotel, restaurant, and catering customer group (HoReCa) has increased significant demand for quality and safe food. The Company has therefore developed a strategic plan called "Makro 4.0" to drive business with technology, creativity, and innovation. It has also taken action on clean quality and safe food, with coverage throughout the supply chain to ensure traceability, providing consumers with comprehensive information on the product, source, and safety.

The Company has prepared its readiness for changing consumer behaviors resulting from the increased role that technology plays daily life, from changing demographic composition. The Company has supported improvements of its micro-enterprise stores and introduction of new business models to expand trade opportunities, such as the "Community Kitchen Project" which aims to increase micro-enterprise stores' sale of fresh foods and frozen meals.

With respect to its medium- and long-term work plan, the Company has continually improved its business operations model. Where in the past the Company only had only one model of Cash and Carry product distribution center, it now operates multiple kinds, including Foodservice, Food shop, and Frozen shop, in addition to its online sales channel called Makro Click & Collect. The development of said distribution model and channels is a factor, which will enable the Company to achieve its goal and vision: “Aspiring to be the one-stop leader in products sourcing for the professional business owners in the food industry.”

In addition to expanding products distribution centers in Thailand in 2018, the Company has also continuously expanded business overseas and extended operations following its sustainability strategy in all countries in which the Company operates. This has included implementing projects such as the “Makro Alliance with Shohuay (Micro-Enterprises)” initiative in countries’ Marko product distribution centers, and the continuing business operations that kindles and creates benefits to communities (“local love”). This is part of the Company’s 6 targets aimed at understanding cultures and local customer demands and designing socially responsible projects that create shared values that are in line with the way of life and demands of society. These initiatives are born out of the Company’s determination to be part of improving the quality of life of local communities, which will support business growth in the long-term.

Another key factor that helps the Company achieve its objectives are “employees”, which the Company has placed great importance in its “Marko 4.0” strategic plan, with the goal to improve the Company’s operations to be more agile—poised to enter foreign markets and become a leading regional organization. This is underpinned by an approach that integrates experiences of its human resources in each cohort, grounded in morality, gratitude, and decency which form the bedrock of the Company’s “Victory 7 – Values of Makro People”. These values have been inculcated as organizational culture. Successes in operations in the past year is merely the beginning of a journey in the Company’s sustainability and the joint effort to promote Sustainable Development Goals (SDGs)—the realization of which requires the concerted effort of all actors in propelling a sustainable organization.

On behalf of the Board of Directors, management team, and employees, I wish to thank all involved parties for awarding your continuous trust and support to the Company’s operations. The Company strongly believes that through cooperation among all actors, coupled with a steadfast commitment in caring for the environment, society, and the economy, the Company will be able to always grow in tandem with society.



A handwritten signature in black ink, appearing to read "Suchada Ithjarukul".

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

**“We desire to be a  
corporate that continues  
to advance, readily,  
Timely, and responsibly for  
society we operate in”**



A handwritten signature in black ink, appearing to read 'Suchada Ithijarakul'.

Mrs. Suchada Ithijarakul  
Group Chief Executive Officer



# ABOUT MAKRO

(Disclosure 102-1, 102-2, 102-3, 102-13, 102-16)

## Siam Makro Public Company

Acronym referred in Thailand's Stock Exchange is MAKRO



### Vision

To be the number one provider of product sourcing provider for entrepreneurs' one-stop food business



### Our business

Siam-Makro (Public)'s mission is to become a trusted strategic partner of our customers. The Company aims to provide selection of high quality product at good value, responding to customers's needs. This will be achieved through Makro branches throughout the country. Apart from delivering quality products at good value pricing, Makro encourages our clients to blossom through sharing of knowledge and retail entrepreneurship. This includes organizing for capacity building, social activities and public volunteering. Makro's mission comprises.



# M

Multi-format expansions: Expand through a diverse forms of stores

# A

Award: Team achievement and human capital investment

# K

Know the difference: Understand diversity and local uniqueness

# R

Responsible: Maximizing benefits for all parties involved in a socially responsible way

# O

Offer the best : Providing the best and greatest value offers to customers.



## makro food service

### HORECA

BILL & CLEAN

Headquarter Office

Siam Makro Public Limited

1468 Patthanakarn Road, Patthanakarn, Suan Luang, Bangkok 10250

Tel: 0 2067 8999 Fax: 0 2067 9888






**About Makro** (Disclosure 102-1, 102-2, 102-3, 102-16)

Ever since the company’s registration in May 1988, over 30 years that Siam-Makro Public Company Limited started a member-based wholesale center, under the trading name of “Makro.” Since then, Makro had sold consumer products to customers and retailers nationwide. This consists of small retailers; restaurant; hotels; catering business operators; government agencies; and educational institutions. Makro

is committed to be “Your Trusted Strategic Partner” for entrepreneurial customers, aiming to facilitate for effective business operations and capital management. Makro believes in growing alongside with customers. Therefore, Makro prioritized the selection and delivery process of products at the highest quality, diverse, and at competitive prices. Makro also sells products under its own brand which offers three primary product category: fresh food products; dry-food products; and non-food products.

 **Products available under Makro brand for entrepreneurs**

aro and Savepak	M&K
  <p>Ingredients and cooking equipment</p>	 <p>Snacks and drinks</p>
Q-BIZ	Protech
 <p>Stationery, office supplies, and office furniture</p>	 <p>Electrical appliances</p>

Furthermore, Makro had expanded and improved distribution centers, as well as channels of distribution to cover online, offline, and mixed. This ensures Makro is able to respond to the needs of various entrepreneurs effectively.





**Easily access, with quality products here at Makro**

Data from 31 December 2018

**Makro Cash & Carry**



Makro Cash & Carry are able to respond to entrepreneurs and micro-retailers in a wider scale

**MakroClick**



MakroClick is a production distribution channels, available both as online mixed. It is completed with delivery services <https://www.makroclick.com/>

**Makro foodservice and Makro food shop**



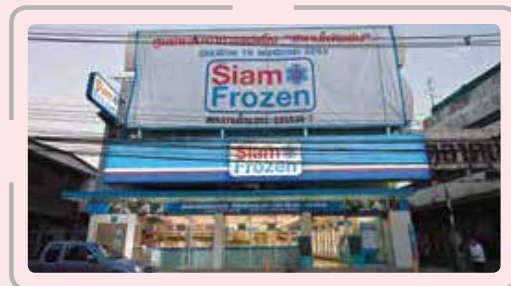
Makro food service and Makro foodshop are able to respond to entrepreneurs, restaurants and catering business (HoReCa)

**Siam food service**



Siam Food Services open online sales channel “Food Diary” in collaboration with business partners or imported and distributed premium food choices for end consumers through online marketplace, such as Happyfresh, Honestbee, Lazada and on E-Commerce website [www.fooddiaryshop.com](http://www.fooddiaryshop.com)

**Siam Frozen**



Siam Frozen is a central unit for frozen food products for all type of entrepreneurs

**Value Chain** (Disclosure 102-4, 102-6, 102-9)

Makro’s value chain begins with raw materials, which have been selected from sources that meet quality standards. Products are delivered to Makro’s product distribution centers through standardized transport systems in order to ensure quality products are brought into various distribution branches. At the same time, controls are in place to ensure that every step of the operations do not negatively impact the community and the environment.



**Local Suppliers**

**1. Growers/Producers**

Growers/Producers of safe and high quality products per relevant safety standards

**2. Product Packing Centers**

Packs products appropriately to prevent damages from delivery, leveraging post-harvest technologies to extend shelf-life of agricultural products

**3. Cold storage/Product Warehouse**

Stores products in appropriate temperature to retain quality prior to delivery, tests and monitor product contamination

**5. Makro Distribution Centers**

Organizes various products for convenient customer selection

**6. Customers**

Purchase safe and quality products at a fair price, enabling sustainable living and business operations

**4. Makro Fresh and Frozen Food Distribution Centers**

Segments the sale of fresh and frozen products to Makro Distribution Centers nationwide



## Overseas suppliers

### 1. Growers/Producers

Growers/Producers of safe and high quality products per relevant safety standards

### 2. Product Packing Centers

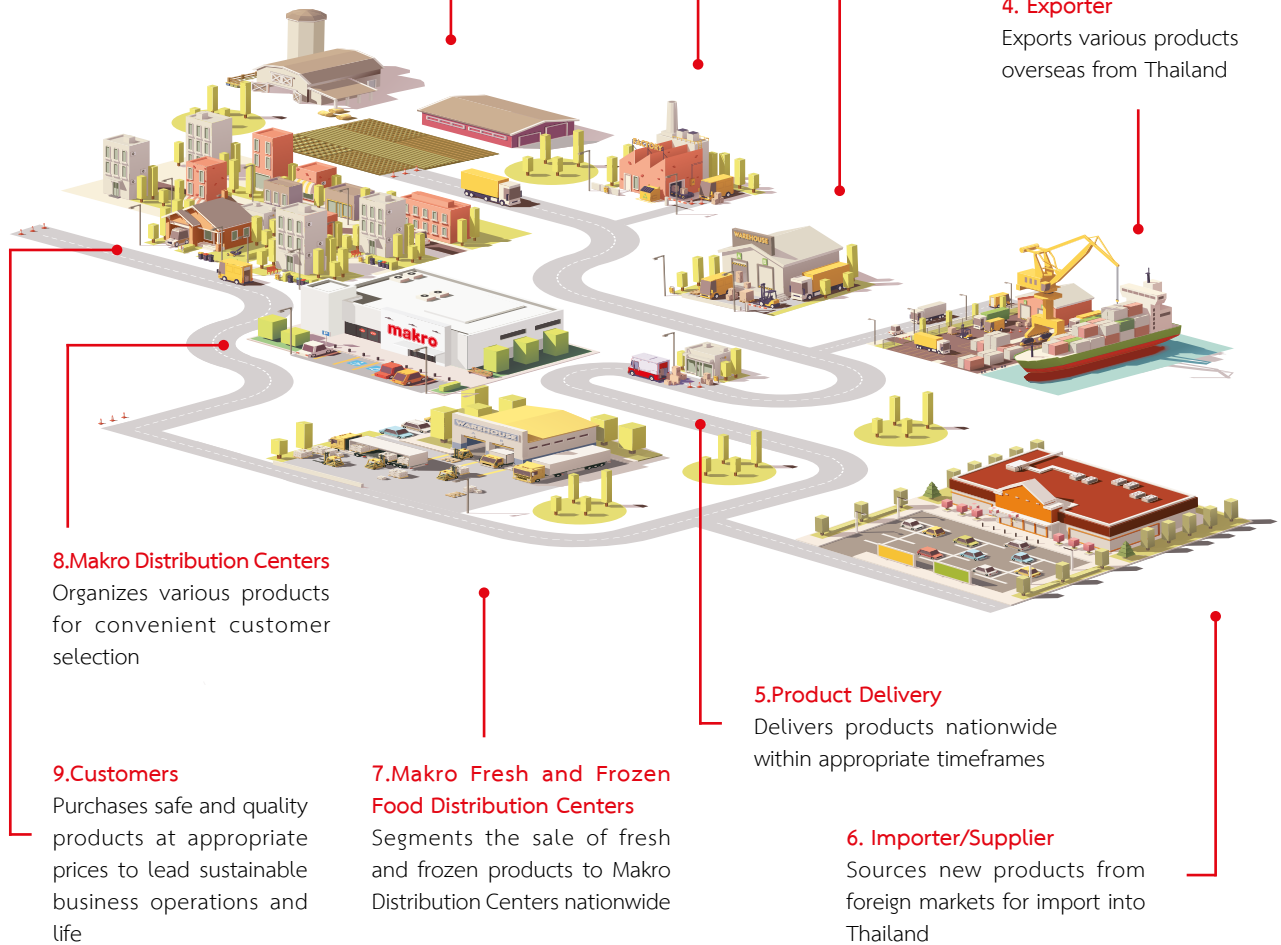
Packs products appropriately to prevent damages from delivery, leveraging post-harvest technologies to extend shelf-life of agricultural products

### 3. Cold storage/Product Warehouse

Stores products in appropriate temperature to retain quality prior to delivery, tests and monitor product contamination

### 4. Exporter

Exports various products overseas from Thailand



### 8. Makro Distribution Centers

Organizes various products for convenient customer selection

### 9. Customers

Purchases safe and quality products at appropriate prices to lead sustainable business operations and life

### 7. Makro Fresh and Frozen Food Distribution Centers

Segments the sale of fresh and frozen products to Makro Distribution Centers nationwide

### 5. Product Delivery

Delivers products nationwide within appropriate timeframes

### 6. Importer/Supplier

Sources new products from foreign markets for import into Thailand

## Organizational Changes in 2018 (Disclosure 102-10)

Following the opening of Makro Distribution Center in Cambodia in 2017, Makro has continued to expand its business throughout 2018 by expanding its business to another country through the launch of its Distribution Center in India under the brand “LOTS Wholesale Solutions” achieved through three branches. This expansion gives Makro the opportunity to respond to new challenges, in

addition to opening a market to trading partners, customers and a new market. Makro has increased its capacity to operate with even higher international standards, while responding to the multi-faceted customer demands. The expansion and compliance to higher international standards have also uplifted local suppliers’ capacity into international markets, increasing income levels and quality of life of local communities and society.



**Makro's Business Network** (Disclosure 102-7, 102-8, 102-45)

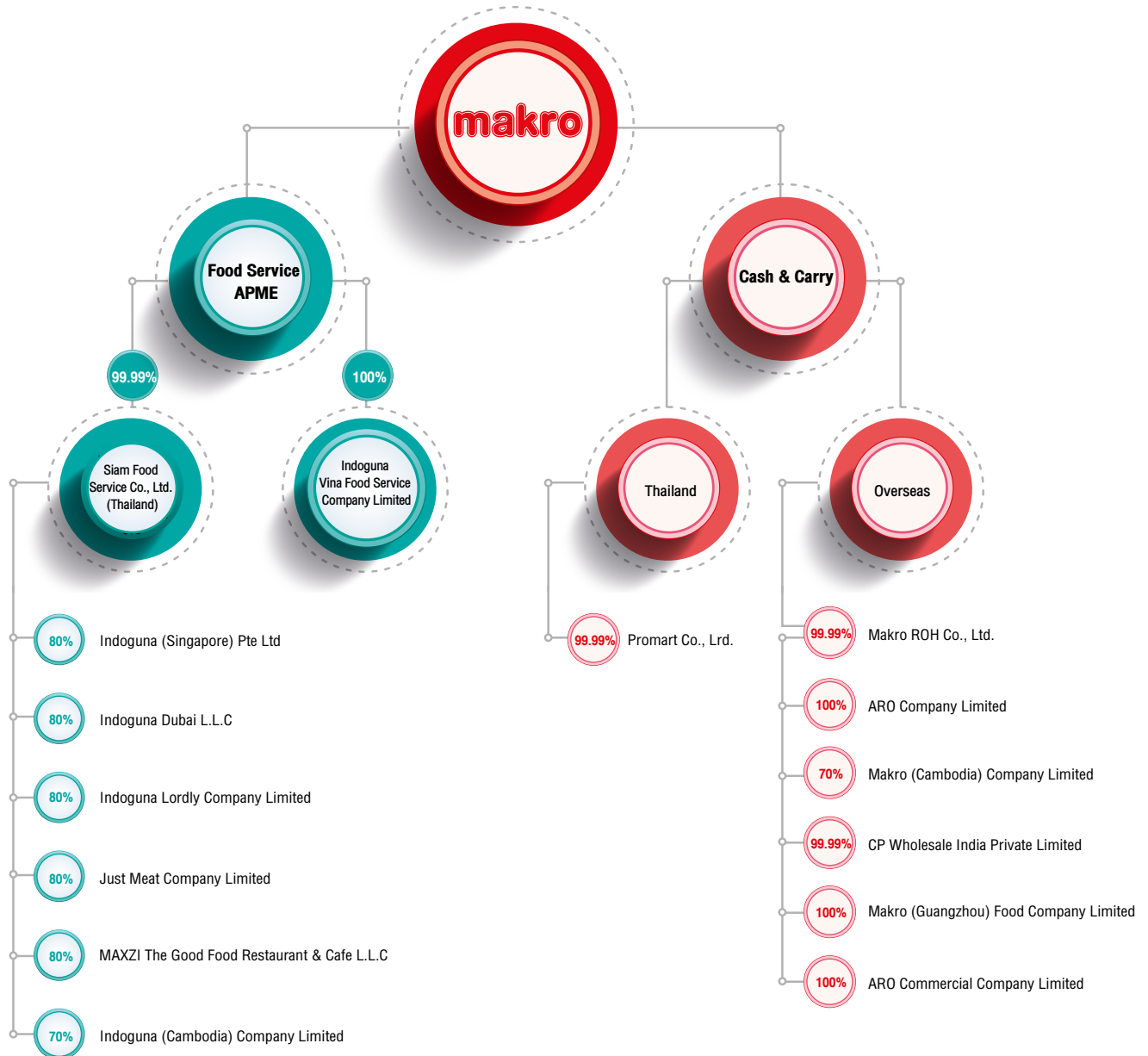
Makro Co. Ltd. (Public) has 15 subsidiaries.

Thailand	Overseas
<ul style="list-style-type: none"> <li>• <b>Siam Food Service Co., Ltd. (SFS)</b> conducts import, distribution, and delivery business of quality fresh and frozen foods</li> <li>• <b>Makro ROH Co., Ltd. (MROH)</b> conducts investments into foreign markets to increase Makro's access into foreign markets</li> <li>• <b>Promart Co., Ltd. (PRO)</b> conducts consumer products distribution business</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Indoguna (Singapore) Pte. Ltd. (INDS)</b> produces imported meat products and conducts food distribution in Singapore.</li> <li>• <b>Indoguna Dubai L.L.C (IND)</b> conducts import and distribution and delivery business of quality fresh and frozen foods in the United Arab Emirates (UAE)</li> <li>• <b>Indoguna Lordly Company Limited (LL)</b> conducts import and distribution and delivery business of quality fresh and frozen foods in the Hong Kong</li> <li>• <b>Just Meat Company Limited (JM)</b> conducts import and distribution business of quality fresh food, specifically meat and poultry, in Hong Kong</li> <li>• <b>Maxzi The Good Food Restaurant &amp; Café L.L.C. (MAXZI)</b> conducts restaurant and small retail store business in the United Arab Emirates (UAE)</li> <li>• <b>Indoguna Vina Food Service Company Limited (INDC)</b> conducts import and distribution and delivery business of quality fresh and frozen food in Cambodia</li> <li>• <b>Indoguna Vina Food Service Company Limited (INDV)</b> conducts import and distribution and delivery business of quality fresh and frozen food in Vietnam</li> <li>• <b>ARO Company Limited (ARO)</b> conducts business in marketing services and consultancy in Myanmar</li> <li>• <b>CP Wholesale India Private Limited (CPWI)</b> conducts domestic retail business in India</li> <li>• <b>Marko (Gungzhou) Food Company Limited (MGZ)</b> conducts retail, wholesale, and other related businesses in China</li> <li>• <b>Makro (Cambodia) Company Limited (MAC)</b> conducts retail, wholesale, and other related businesses in Cambodia</li> <li>• <b>ARO Commercial Company Limited (MM)</b> conducts retail, wholesale, and other other related businesses in Myanmar</li> </ul>

In order to operate effectively in every aspect and guided by the same goals, all operations and management are directed by Makro's headquarter located in Bangkok, Thailand. The headquarter sets operational directions, controls work efficiency, and supervise all units to achieve their targets and effectively move towards the same direction. It also ensures that the highest service standards to all customer groups is maintained. Nevertheless, while Thai business operations remain core and make up the highest proportion, Makro is cognizant its expansion opportunity into foreign markets, and plans to develop and expand business opportunities in other regions in the future.

The latest distribution center launch on 25-26 December 2018 in Kabinburi, Prachinburi is prepared for economic expansions in the Eastern region, reflecting Makro's continuous expansion. This has resulted in a total count of 129 branches, 1 in Cambodia, and 2 in India and 4 distribution centers in Thailand.

### Makro Group's Organizational Chart



#### Makro's List of Association Membership 2018 (Disclosure 102-13)

- GS1 Thailand
- Employers' Confederation of Thailand
- The Federation of Thai Industries
- Thai Listed Companies Association
- Thai Frozen Food Association
- Thai Retailers Association
- Netherlands-Thai Chamber of Commerce
- Germany-Thai Chamber of Commerce
- Thai Chamber of Commerce
- Thai-Russia Chamber of Commerce

# Onwards to Stability

Throughout the years, Makro aims to become a trusted strategic partner for customers and entrepreneurs everywhere. This means that we continuously strive to improve our business model and distinctive character, with capacity to best support and address our business customers in different areas. The Company is determined to become a true 'trusted strategic partner' for sustainable growth.



Convenience  
near home

Branches  
of Makro

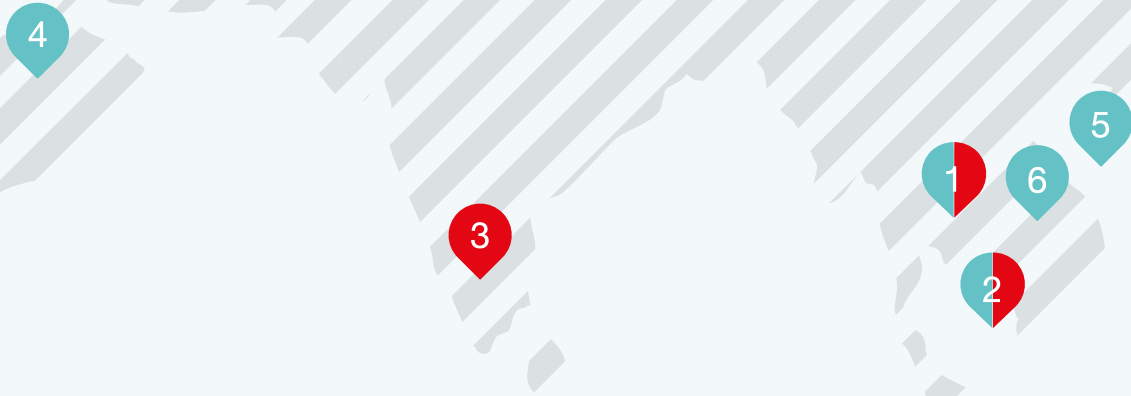
**79**

Branches of  
Makro Food  
Service

**25**

Branches  
of Eco  
Plus

**13**



- 3
- Cash & Carry
- ♥ Makro
  - 1. Thailand
  - 2. Cambodia
  - ♥ LOTS Wholesale Solutions
  - 3. India



- Food Service APME
- 1. Thailand
  - 2. Cambodia
  - 3. Singapore
  - 4. United Arab Emirates
  - 5. Hong Kong
  - 6. Vietnam



Branches of Makro Food Shop **5**



Branches of Siam Frozen **7**

Total of **129** branches  
(33 in Bangkok Metropolitan area and 96 in other provinces)

# 129 Branches

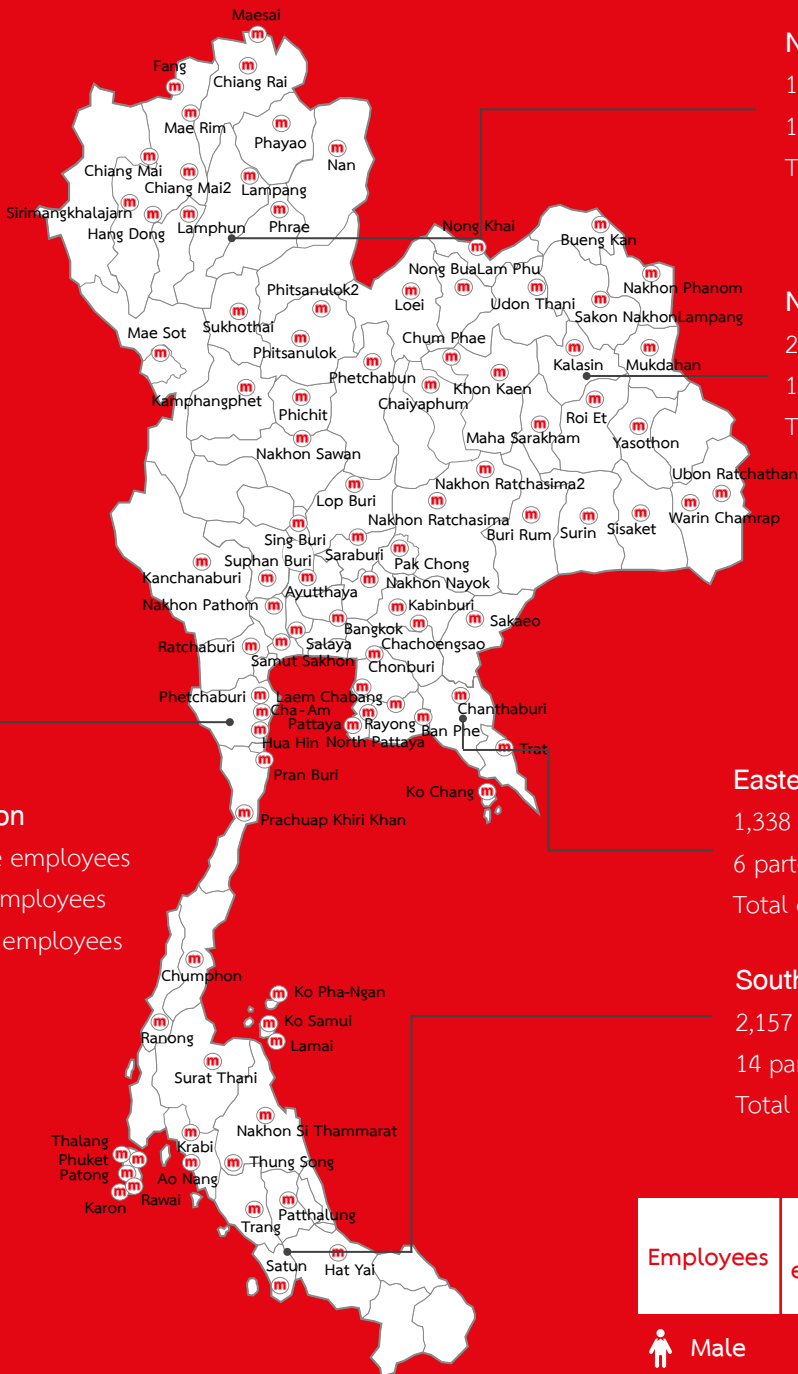
4 distribution centers

Total income of 192,930.09 Million Baht

Total of 14,560 employees

Compares to last year, Makro's employees have increased by 5.6%

With details as follows



## Northern Region

1,417 full-time employees

1 part-time employee

Total of 1,418 employees

## Northeastern Region

2,792 full-time employees

18 part-time employees

Total of 2,810 employees

## Central Region

6,780 full-time employees

37 part-time employees

Total of 6,817 employees

## Eastern Region

1,338 full-time employees

6 part-time employees

Total of 1,344 employees

## Southern Region

2,157 full-time employees

14 part-time employees

Total of 2,171 employees

Employees	Full-time employee	Part-time employee
Male	6,547	45
Female	7,937	31
Total	14,484	76



Male

6,547

45



Female

7,937

31



Total

14,484

76



# Shareholding Structure



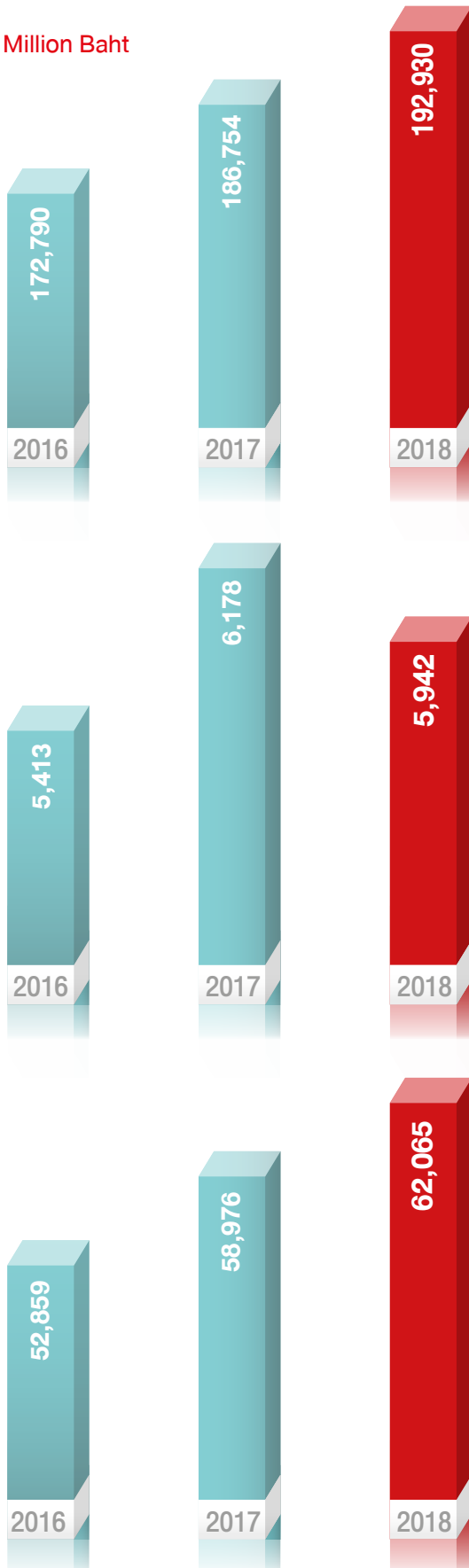
## Shareholders Structure (Disclosure 102-5)

List of 10 major shareholders as of August 23<sup>rd</sup>, 2018

Name	Number of shares (shares)	Ratio of shares (%)
1. Siam Makro Holding (Thailand) Public Co., Ltd.	2,640,302,800	55.01
2. CP All Public Co., Ltd.	1,827,598,700	38.07
3. B-LTF	40,296,000	0.84
4. BTP	25,195,300	0.52
5. B-LTF 75/25	17,688,400	0.37
6. AIA Co., Ltd. – EQ2-P	15,882,000	0.33
7. Mr. Parinya Tianvorn	15,100,000	0.31
8. HSBC (Singapore) Nominees Pte., Ltd.	11,258,900	0.23
9. BFLRMF	10,960,100	0.23
10. Mr. Surachai Boonyapratheeprat	9,195,000	0.19
<b>Total</b>	<b>4,613,477,200</b>	<b>96.10</b>

\*Note: Siam Makro Holding (Thailand) Co., Ltd. and CP All Public Co., Ltd. are companies under the CP All Group, a major shareholder with a share proportion of 93.08% of all capitals issued and paid.

Unit: Million Baht



Total income  
**↑3.3%**  
Increased compares  
to 2017

Net Profit  
**↓3.8%**  
Decreased compares  
to 2017

Total assets  
**↑5.2%**  
Increased compares  
to 2017

# Financial Highlights

As of December 31<sup>st</sup>, 2018  
 Siam Makro (Public) Co., Ltd. and subsidiary

	2016	2017	2018
<b>Financial status (Million Baht)</b>			
Total assets	52,859	58,976	62,065
Total liabilities	37,118	40,965	42,808
Fund	2,400	2,400	2,400
Shareholder's equity	15,741	18,011	19,257
<b>Overall performance (Million Baht)</b>			
Net revenue	169,226	182,753	188,583
Total revenue	172,790	186,754	192,930
Gross profit	15,504	18,401	18,944
Annual net profit	5,413	6,178	5,942
Annual earnings per share (Baht)	1.13	1.29	1.24
<b>Financial ratio (%)</b>			
Annual net profit margin	3.1	3.3	3.1
Debt-to-equity ratio ** (Multiples)	0.5	0.5	0.5
Return on equity ratio	36.2	37.1	32.8
Return on total assets ratio	10.7	11.0	9.7
Dividend payout ratio	75.4	74.6	77.5
<b>Shareholder information (Baht)</b>			
Par value	0.50	0.50	0.50
Book value	3.28	3.66	3.90
Dividend per share	0.85	0.96	0.96*

**Note :**

\* Dividend per share consists of:

- 1) Interim dividend of 0.40 Baht per share paid by the company on September 5<sup>th</sup>, 2018.
- 2) Final dividend of 0.56 Baht per share, presented to the shareholders' meeting for approval on April 23<sup>rd</sup>, 2019. This also included the annual dividend for 2018 at a total of 0.96 Baht per share.

\*\* Only liabilities with interest burden, but excluding liabilities under financial lease agreement.

# 2018 Highlights and Awards



• Certification that the company has comprehensive anti-corruption policy and guideline to prevent corruption within the company under the Collective Action Coalition against Corruption (CAC)



• Thailand Labor Management Excellence Award



• Makro Innovation Day / Makro 4.0 Innovation Award



• Pracharat Market for community



• The 13<sup>th</sup> Makro HoReCa: Food and Kitchenware Fair



• Supplier Exposition on Sustainable Business Policy and Guideline



• Award for outstanding establishment on safety, occupational health, and work environment 2018



• Makro received an honorary plaque for participation in development of energy management according to international standard (ISO 50001)



• Collaboration between Ministry of Commerce. Makro purchased fruits from farmers, co-operatives, and community enterprise



• ‘Shohuay Shosanae’ presentation. Makro organized a conference to increase Thai Shohuay’s capacity and prepare for digitalized era of Shohuay



• The 10<sup>th</sup> annual Shohuay market. ‘Shohuay 4.0 partner...for a better life’

# About this report

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



Siam-Makro Public Company Limited is proud to publish its Sustainability Report for the year 2018 as the second issue since 2017. This report has been prepared in accordance with the GRI Standard: Core options of the Global Reporting Initiative as well as other relevant standards. The aim of this report is to reflect Makro's performance on its responsibility towards the economy, society and the environment. This report covers and presents the operation of Makro and its Thailand subsidiaries ("Makro") from 1 January 2018 to 31 December 2018.

The primary purpose of this report is to communicate sustainability issues that are important for the business, particularly on economic, society, and environmental aspects, as well as present the Company's commitment, targets, and performance that help drive the business to achieve sustainable business growth. These efforts support the achievement of our corporate vision "To be number one comprehensive food solution provider for professional entrepreneurs", and continue the commitment to being a "Business Partner" in sustainable manner.

### Scope of the Report (Disclosure 102-46, 102-53)

Performance highlighted in this sustainability report covers sustainability issues within Makro’s Thailand operations, and does not include performance from international operations. Makro has prepared this report in both Thai and English, and has published them on the company’s website: [www.siammakro.co.th](http://www.siammakro.co.th)

For suggestions, concerns or additional information, you may contact us at our headquarters at:

1468 Phattanakan Road, Phatthanakan Subdistrict, Suan Luang District, Bangkok 10250

Telephone: 0-2067-8999

Call Center: 02-335-5300

Email: [sustain@siammakro.co.th](mailto:sustain@siammakro.co.th)

### Sustainability Performance at Makro

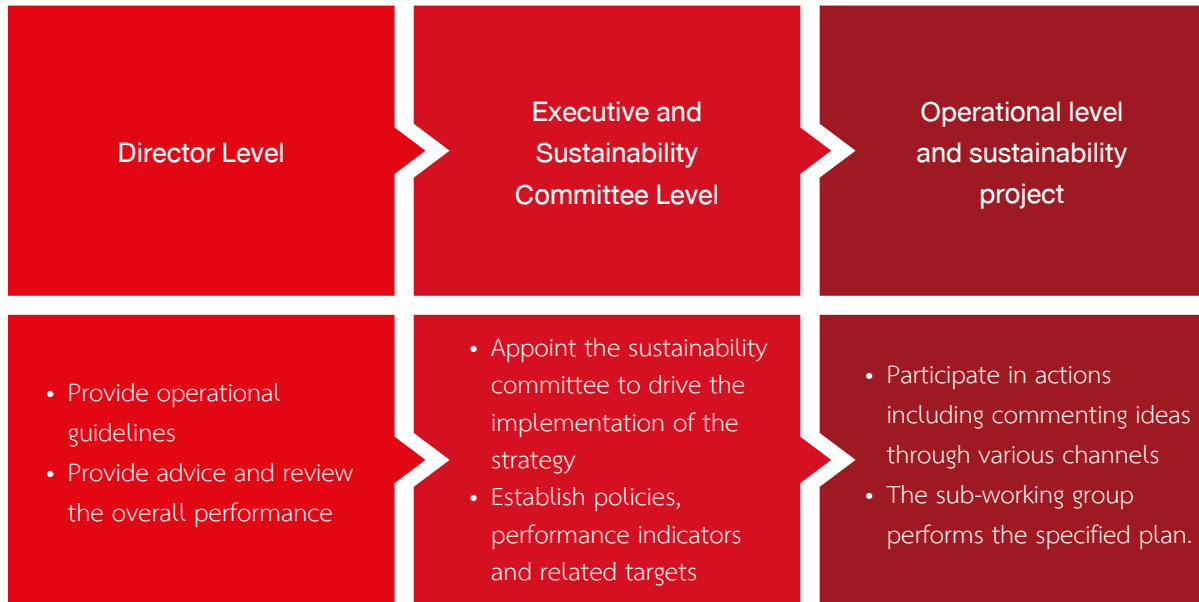
#### Sustainability Development Vision

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

Makro has integrated the sustainability management approach into the organization’s strategic framework, covering dimensions of economy, society and the environment, based on collaboration from stakeholders, driving the organization towards the goal of becoming a sustainable organization as a partner who enhances the level of quality of life for its stakeholders. The sustainability strategy framework is designed by considering factors that influence the company both from the outside and inside, including studying and incorporating the use of international approaches to sustainability management. The Makro 4.0 strategy is driven by a program that drives strategy performance in 3 levels:

#### The international approaches that Makro has studied and integrated into the Makro 4.0 strategy





**Makro 4.0 strategy**

It is an organizational strategy to integrate a sustainable business operations perspective into all aspects, along with the determination of environmental and social indicators to monitor performance against the goal of becoming a "Partner ... for a better life". This strategic plan has been implemented into the second year. It has reviewed and enhanced sustainability issues both internationally and locally in order to provide effective strategic plans suitable for the current business context and future risk management in 6 aspects.





## Key Guidelines

### Strategy 1 Food Safety

Plan	Performance Highlights	2020 Targets
<ul style="list-style-type: none"> <li>Track the source of raw materials</li> <li>Control and reduce the chance of contamination throughout the value chain</li> </ul>	<ul style="list-style-type: none"> <li>Product source information provided through the "Makro i-trace" application</li> <li>Cooperative projects in sustainable agriculture</li> </ul>	<ul style="list-style-type: none"> <li>100% traceability of main raw materials</li> <li>Management of food safety throughout the value chain</li> </ul>

### Strategy 2 Product Sourcing and Ethical and Sustainable Supply Chain Management

Plan	Performance Highlights	2020 Targets
<ul style="list-style-type: none"> <li>Risk material management of environmental, social and corporate governance dimensions.</li> <li>Sustainable selection</li> </ul>	<ul style="list-style-type: none"> <li>Analysis and assessment of the primary sustainability risks of the main partners</li> <li>Announcement of Sustainable sourcing guidelines <b>for tuna and related products</b></li> </ul>	<ul style="list-style-type: none"> <li>100% of the main business partners receive sustainability assessments</li> <li>Sustainable procurement guidelines covering risk products</li> </ul>

### Strategy 3 Environmental Impact

Plan	Performance Highlights	2020 Targets
<ul style="list-style-type: none"> <li>Waste reduction management at Makro Distribution Center</li> <li>Designing a product distribution center aimed at reducing environmental impact</li> <li>Reducing energy consumption and reducing greenhouse gas emissions</li> </ul>	<ul style="list-style-type: none"> <li>Fresh food waste processing pilot project</li> <li>Designing a Makro Distribution Center that can reduce waste water</li> <li>Energy Management System Certification (ISO 50001)</li> </ul>	<ul style="list-style-type: none"> <li>Transition to environmentally friendly product distribution center</li> <li>Reduce the amount of greenhouse gas emissions per unit, revenue by 10 percent compared to the base year 2015</li> </ul>

### Strategy 4 Locally Beloved

Plan	Performance Highlights	2020 Targets
<ul style="list-style-type: none"> <li>• Promotion of local strength</li> <li>• Involvement between Makro and local communities</li> </ul>	<ul style="list-style-type: none"> <li>• Organization of the Pracharat market</li> <li>• Promotion of local products</li> <li>• “100 stores, 100 communities” Project</li> </ul>	<ul style="list-style-type: none"> <li>• Creating a positive impact on the communities in which Makro operates</li> <li>• Creating a bond between the Makro distribution centers and surrounding communities</li> </ul>

### Strategy 5 Customers Business Growth

Plan	Performance Highlights	2020 Targets
<ul style="list-style-type: none"> <li>• Promotion of Shohuay entrepreneurs’ capacity</li> <li>• Promotion of the Horeca Group’s capacity</li> </ul>	<ul style="list-style-type: none"> <li>• Operation for the 10th consecutive year</li> <li>• HoReCa Expo for 13 consecutive years</li> <li>• Makro Shohuay Alliance Project</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing number of entrepreneurs</li> <li>• Makro Shohuay Alliance Project +</li> </ul>

### Strategy 6 Employer of Choice

Plan	Performance Highlights	2020 Targets
<ul style="list-style-type: none"> <li>• Examining risks and human rights issues thoroughly</li> <li>• Developing staff capacity and the avenues to express opinions</li> <li>• Strengthening employee engagement</li> <li>• Upgrading the quality of life, work environment of employees</li> </ul>	<ul style="list-style-type: none"> <li>• Declaration of human rights and working environment policy</li> <li>• Human rights risk assessment at the group level</li> <li>• Sustainable Development Training for executives and representatives</li> <li>• Developing and searching for potential new generation programs for the 6th consecutive time</li> <li>• Study of the application of occupational health and safety management systems (ISO 45001) to the Makro Distribution Center</li> </ul>	<ul style="list-style-type: none"> <li>• Comprehensive human rights risks assessment of all subsidiaries</li> <li>• Training for employees to provide knowledge and skills on sustainability issues</li> <li>• Increasing employee engagement scores</li> <li>• Certification of occupational health and safety management system (ISO 45001) in the Makro prototype distribution center</li> </ul>

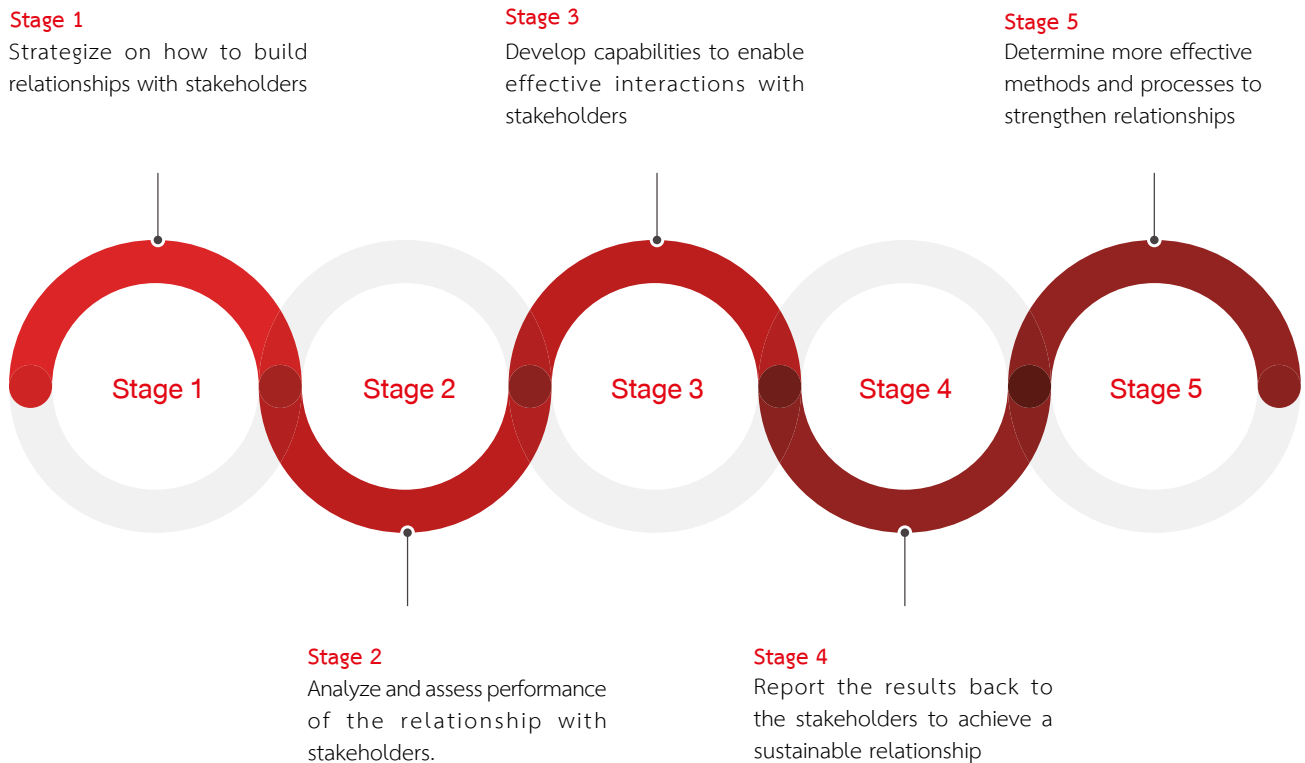
**Assurance statement (Disclosure 102-32)**

The content of this report has been reviewed by senior management to ensure that the information disclosed is accurate and complete. In addition, for transparency of the report according to GRI standards, Makro provides certification of reports and data accuracy by external independent units as detailed in the end of the report.

**Stakeholder Engagement (Disclosure 102-42)**

In conducting business, Makro places importance on sustainable growth and development. The Company has supervised and taken into account the ethical principles compliance of employees, business partners, as well as the Company’s business partners. In order to promote business operations as well as to prevent risks and impacts from business operations, the process of engaging with stakeholders will enable Makro to effectively determine guidelines and respond to stakeholders.

In the year 2018, Makro conducted a review of key stakeholders according to the stakeholder engagement manual written by the United Nations Environment Program (the UNEP) and Accountability and Stakeholder Research Associates in 5 stages.



From the review of stakeholders, the Sustainability Committee proposed to add the Bank and Creditor group to the main stakeholder list in order to be consistent with the business strategy that requires additional funding sources for business expansion. This has been approved by the Executive Committee on 24 September 2018, resulting in Makro's classification of stakeholders into 11 groups.

### Makro's Stakeholder

(Disclosure 102-40, 102-41, 102-43, 102-44)



Stakeholder	Engagement Channels	Issues of Stakeholder Interest and Concerns	Main Areas of Focus
<b>Company Personnel or Staff (Employee)</b>	<ul style="list-style-type: none"> <li>• Annual employee satisfaction assessment</li> <li>• Annual employee performance assessment</li> <li>• Grievance and complaint channel</li> <li>• Internal internet system to communicate news within the organization</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 to manage safety and minimize stress</li> <li>• Good working conditions</li> </ul>	<ul style="list-style-type: none"> <li>• Training for employees</li> <li>• Organizing a forum for employees to express their comments, such as innovation stage</li> <li>• Procurement of personal protective equipment to employees</li> <li>• Organizing recreational activities to relieve stress to employees</li> <li>• Appreciation and encouragement when employees do/perform well</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Meeting with suppliers</li> <li>• Annual sustainability survey</li> <li>• Collaboration projects to drive innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainability in the supply chain, such as human rights</li> <li>• The ability to deliver products</li> <li>• Transparency and fair negotiation processes</li> <li>• Support small manufacturers</li> </ul>	<ul style="list-style-type: none"> <li>• Social activities for small entrepreneurs and farmers</li> <li>• Project implementation with partners in the implementation of social activities</li> <li>• Analyzing partners and assessing partner risks</li> </ul>
<b>Entrepreneurs/ Customers</b>	<ul style="list-style-type: none"> <li>• Grievance and complaint channel</li> <li>• Open to comments and interview customers</li> <li>• Shohuay Alliance Activities</li> <li>• Employees in the Makro Distribution Center</li> <li>• Communication channels including websites, telephone, social media, mail</li> <li>• Annual activities</li> <li>• Marketing and sales promotion</li> <li>• Brand communication through advertising</li> </ul>	<ul style="list-style-type: none"> <li>• Product quality and safety</li> <li>• Customer health and safety</li> <li>• Proper product labeling</li> <li>• Presentation of good services and products</li> <li>• Transparency in business operations</li> </ul>	<ul style="list-style-type: none"> <li>• Shohuay Alliance Project</li> <li>• Support for shop improvement</li> <li>• Presenting new retail management concepts and training</li> <li>• Presentation of product source information</li> <li>• Selection and labeling of quality products at a cost-effective price, presented to customers</li> <li>• Quality food safety products</li> <li>• Products that promote good health</li> <li>• Accurate product information, product labels and marketing</li> </ul>

Stakeholder	Engagement Channels	Issues of Stakeholder Interest and Concerns	Main Areas of Focus
<b>Society</b>	<ul style="list-style-type: none"> <li>• Communication channels, including websites, telephone, social media, and mail</li> </ul>	<ul style="list-style-type: none"> <li>• Consumer health and safety</li> <li>• Social and environmental responsibility</li> <li>• Greenhouse gas emissions</li> <li>• Career opportunities for local people</li> <li>• Promoting quality health and life</li> <li>• Stimulate local economy, skills development</li> </ul>	<ul style="list-style-type: none"> <li>• Social Activities Project</li> <li>• Disaster Relief Support Project</li> <li>• Action to promote economic turnover</li> <li>• Buying local products and providing distribution channels</li> </ul>
<b>Local Communities</b>	<ul style="list-style-type: none"> <li>• Community participation</li> <li>• Meeting with community representatives</li> <li>• Donation</li> <li>• Sponsor</li> <li>• Interview</li> </ul>	<ul style="list-style-type: none"> <li>• Consumer health and safety</li> <li>• Social and environmental responsibility</li> <li>• Greenhouse gas emissions</li> <li>• Career opportunities for local people</li> <li>• Promoting quality health and life</li> <li>• Stimulate local economy</li> <li>• Skill development</li> </ul>	<ul style="list-style-type: none"> <li>• Social Activities Project such as 100 stores, 100 communities project</li> <li>• Employment for local workers</li> <li>• Buying local products and providing distribution channels</li> </ul>
<b>Investors</b>	<ul style="list-style-type: none"> <li>• Annual shareholder meeting</li> <li>• Annual Sustainability Survey</li> <li>• Investor Meeting Activities</li> <li>• Communication channels include</li> <li>• Website, phone, email, letter</li> <li>• Site visits</li> <li>• Analyst Meeting</li> </ul>	<ul style="list-style-type: none"> <li>• Transparency in information disclosure</li> </ul>	<ul style="list-style-type: none"> <li>• Disclosure of regulatory guidelines</li> <li>• Compliance with the regulations of the Stock Exchange of Thailand and the Securities and Exchange Commission</li> <li>• Disclosure of operating results through annual reports and sustainability reports</li> </ul>

Stakeholder	Engagement Channels	Issues of Stakeholder Interest and Concerns	Main Areas of Focus
<b>Business Partners and/or Officers</b>	<ul style="list-style-type: none"> <li>• Communication channels include email, telephone</li> </ul>	<ul style="list-style-type: none"> <li>• Tax transparency</li> <li>• Food safety</li> <li>• Human rights</li> <li>• Health and occupational health of employees</li> <li>• Compliance with laws</li> <li>• Compliance with standards</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperation with government officials and government agencies</li> <li>• Study of legal requirements</li> <li>• Compliance with regulations and laws</li> </ul>
<b>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>• Conducting business in accordance with the law</li> <li>• Corporate Social Responsibility</li> <li>• Transparency in operations</li> <li>• Social and environmental responsibility</li> </ul>	<ul style="list-style-type: none"> <li>• Communication, providing relevant performance information</li> <li>• Evaluation Feedback</li> <li>• Joint activities and cooperation projects</li> </ul>
<b>Shareholders</b>	<ul style="list-style-type: none"> <li>• Annual shareholder meeting</li> <li>• Annual Sustainability Survey</li> <li>• Organizing investor meeting events</li> <li>• Communication channels such as websites, phones, emails, letters</li> <li>• Business visits</li> <li>• Analyst Meeting</li> </ul>	<ul style="list-style-type: none"> <li>• Transparency in information disclosure</li> <li>• Business / financial performance</li> <li>• Disclosure of information related to shareholders</li> </ul>	<ul style="list-style-type: none"> <li>• Disclosure of guidelines for corporate governance and equal treatment of shareholders</li> <li>• Disclosure of operational results</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>• Communication channels including interviews</li> <li>• Press conference</li> </ul>	<ul style="list-style-type: none"> <li>• Information transparency</li> <li>• Access to public information</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>• Visiting</li> <li>• Meeting</li> <li>• Inspecting</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>• Measures to reduce and manage risks</li> </ul>

### Materiality Assessment

To identify sustainability material issues regarding business operations, Makro consolidated a list of relevant sustainability issues. This was developed through studies of sustainability report framework for wholesale business, peer benchmarking, global megatrends and social trends. Such insights were collected from international benchmarks frameworks in sustainability, such as Sustainability Accounting Standards (SASB), Dow Jones Sustainability Indices (DJSI), and Global Reporting Initiatives (GRI), and United Nation’s Development Goals. Once the overall landscape in sustainability has been created, Makro used a questionnaire to understand all stakeholders’ opinions. Questionnaires were also conducted with Makro executives. There were overall 2,133 respondents. The survey’s results were calculated and deployed into relationship chart. Afterwards, sustainability issues were examined and reviewed by both internal and external stakeholders.

The list comprises customers, employees, and corporate governance function. The review process was done by in-depth interviews, and helps verify the survey results and opinions. Lastly, the list of sustainability materiality was presented to the Board for the consideration and approval of Siam Makro’s Chief Executive Officer, along with each function’s head.

Notably, the prioritization process reveals that the Company has a total of 15 material issues. There are 6 which are identified to be of high importance to the Company, which are:

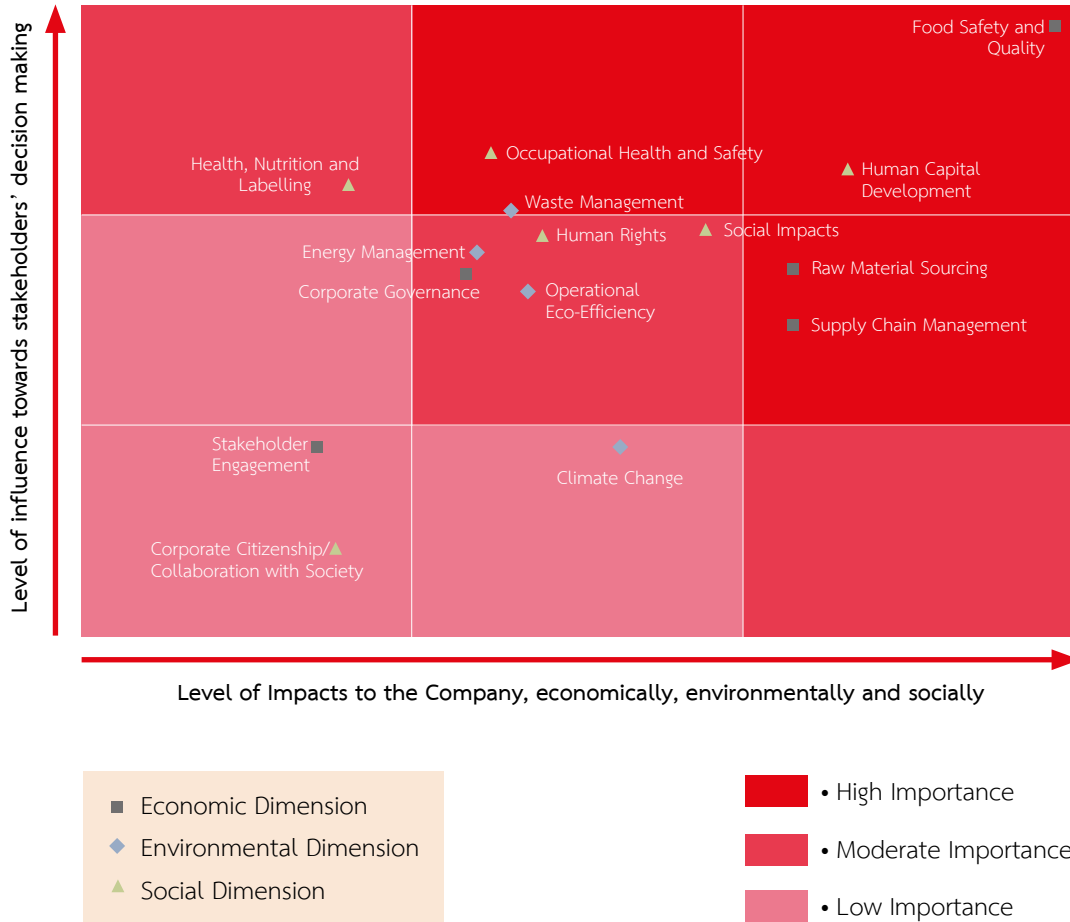
1. Food safety & quality
2. Human Capital Development
3. Raw Material Sourcing
4. Supply Chain Management
5. Occupational Health and Safety
6. Waste Management





**MAKRO 2018 MATERIALITY MATRIX**

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



Note : No information from previous reports need to be corrected or edited



# Corporate Governance

(Disclosure 102-16, 102-18)

Makro places great importance on conducting business in a transparent, efficient, and impartial manner by encouraging and restricting the operation of the Company in accordance with the “Corporate Governance and Code of Conduct Manual” that lays out Makro’s business objectives, as well as guidelines, corporate structure, and monitoring plan to achieve its goals. Good corporate governance fosters integrity and transparency, which increases trust amongst shareholders and stakeholders, and promotes sustainable growth.

## GOVERNANCE STRUCTURE HIGHLIGHT 2018



**15**

Directors In Total



**5**

Independent Directors



**8**

Executive Directors



**2**

Female Directors

### **MAKRO'S Approach to Corporate Governance**

Makro firmly believes that conducting business in a fair and transparent manner will lead the Company towards reliable business growth and increased trust from communities. For this reason, the Company not only ensures that it abides by local laws and regulations, but also strives towards a high standard of business professionalism through its company-wide "Corporate Governance and Code of Conduct Manual". This manual is available in Thai, English and Cambodian and provides a tangible and realistic assurance to enhance confidence amongst investors, shareholders, staff, customers and all stakeholders about Makro's commitment to good corporate governance. Every Makro employee at every level of the organization has signed and acknowledged the obligation to adhere to the manual, to drive the company towards achieving its objectives and vision and mission, while committed to the highest level of ethical standards.

Makro's corporate governance policy is detailed in its 2018 Annual Report and is available on its website, [www.siammakro.co.th](http://www.siammakro.co.th), which includes descriptions of relevant corporate governance processes and information disclosure structures. Also included are Makro's 2018 operating results and guidelines for developing sustainable organizational relations between Board members, executives, and shareholders. Beyond that, Makro also regularly coordinates organizational training on relevant regulations and legal issues, in accordance to the fifteen principles of good corporate governance set out by the Stock Exchange of Thailand (SET) and the Securities and Exchange Commission, Thailand (SEC) in its "Compass for Good Corporate Governance" principles. Adhering to these principles not only aligns Makro's practices with SET, but also with international standards. In addition, Makro implements training from the Institute of Directors (IOD) to ensure that its employees do not violate any of its principles. This is further ensured by the internal Corporate Governance Committee, which held two meetings in 2018.

### **Board of Directors**

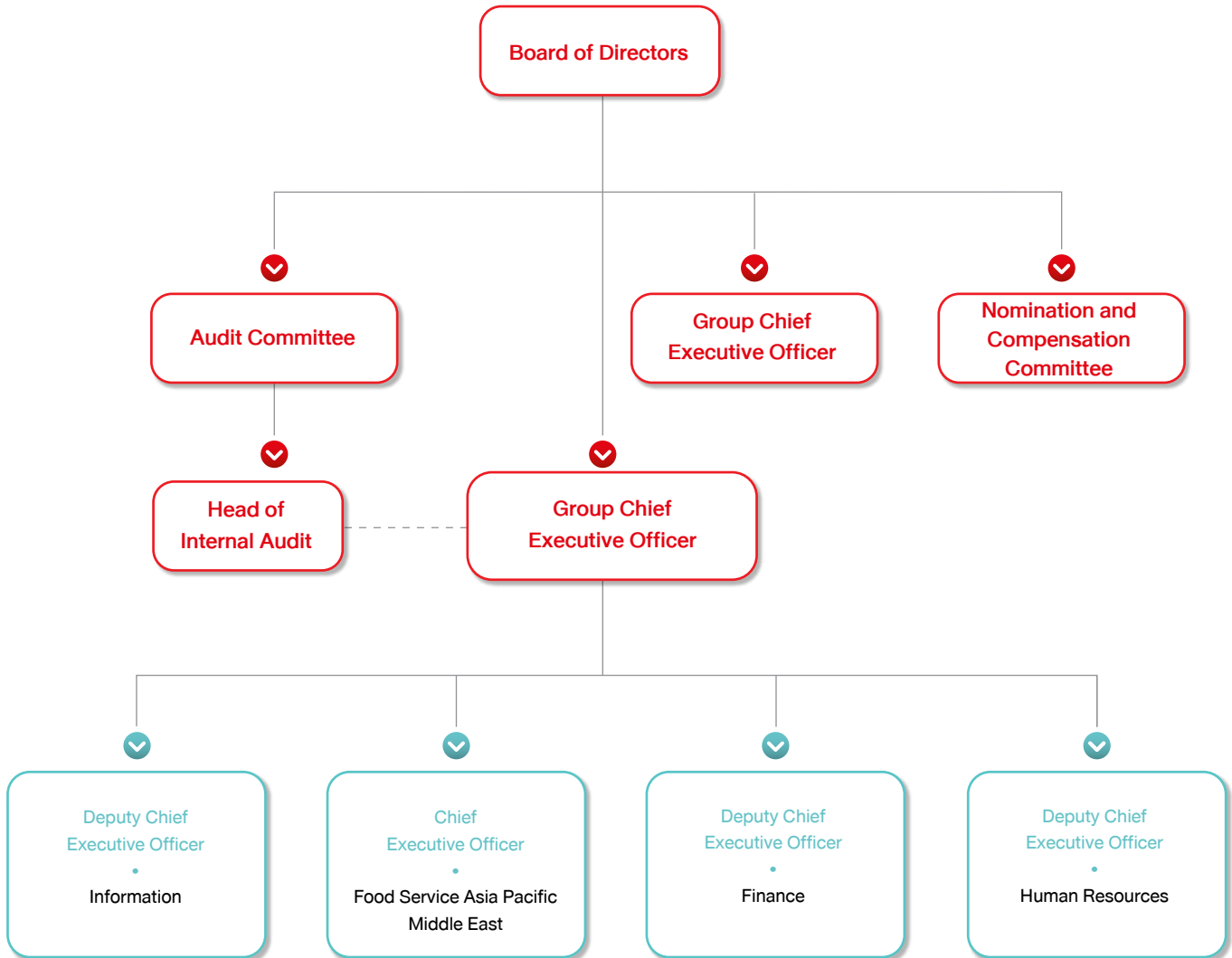
The Board of Directors is responsible for the selection and appointment of the chairman and vice chairman. In addition, the Board is responsible for steering Makro towards its corporate vision and mission, and for ensuring that the company acts in accordance with established good corporate governance. In 2018 (31 December 2018), the Makro Board consisted of 15 directors (eight executive directors; seven non-executives) including two females directors and five independent directors. In addition to foster transparent and impartial business operations, each director will serve as a director for no more than five listed companies.

In order to organize meetings, the chairman is required to send a notice at least seven days in advance to allow the directors appropriate time to prepare. The chairman is also responsible for overseeing meetings, unless otherwise specified. This rule is also applicable to all independent directors.

### Siam Makro Public Company Limited

### Organization Structure

As of 31 December 2018





### Sustainability Committee

In 2017, the Company has established an internal Sustainability Committee as part of Makro’s drive towards promoting long-term growth. The committee is responsible for the development, implementation, and review of the company’s performance affecting matters relating to the environment, communities, customers, and other stakeholders. The Committee consists of executive and senior management level representing all parts of the organization.

The establishment of the Sustainability Committee is evidence of Makro’s devotion towards a path of sustainable growth. In 2017, the committee has determined “Sustainability objectives”, and initiated a project to integrate sustainability into its operations and drive future sustainability efforts. As a result, the company has developed a sustainability roadmap to be achieved by the year 2020. In order to effectively monitor the company’s performance towards sustainability, the committee shall meet monthly in order to discuss potential improvement opportunities for new strategic sustainability actions.



In 2018, the Sustainability Committee met 100% of its meeting target.

12 | 12 Times



### Corporate Governance Policies and Practices (Disclosure 205-1, 205-2, 205-3)

In order to ensure that the organization adheres to implement good corporate governance in all of its business operations, Makro has developed and implemented an anti-corruption and corporate governance policies for supplies and business partners.



### Anti-Corruption Policy

On the foundations of justice, ethics, and compliance to good corporate governance, Makro's Anti-Corruption Policy provides general standards, and specific guidelines relating to political donations, charitable contributions and sponsorship; and gifts and hospitality. The chairman and CEO are responsible for the implementation and monitoring of an effective anti-corruption culture, reporting to the Board. Makro's activities are in compliance with the Anti-Corruption Policy. Makro's Internal Audit Department assists the Audit Committee by ensuring that an appropriate system of internal controls is in place in order to prevent any potential act of corruption in the organization.

Should any stakeholders witness any form of corruption, there are established whistle-blowing channels to report grievances and information. These channels include mail, email, telephone and fax. The Company accords adequate and just whistle-blower protection.



### Business Partner Code of Conduct

Makro has established and provided the "Business Partner Code of Conduct" for every business partner which to be a guideline for supervising operations in line with Makro's expectations, which includes requirements related to: ethics (Anti-corruption and conflict of interest); Safety and Food Quality; Traceability; Business Innovation, Risk Management, Labor Practices (Human rights and non-discrimination); and Health & Safety. In the year 2018, Makro has announced a policy of sustainable business practices and business ethics to more than 1,500 business partners.



### Donation or Support in Public Activities

In order to ensure that all activities related to donations of goods or support in public activities are carried out transparently with the objective of providing relief and support for projects that are truly beneficial to the public, without ulterior motive, Makro has issued a policy on donations, which provides guidelines to evaluate and monitor this issue. It also communicates to employees and stakeholders to guide appropriate action, which will protect the Company's image and promote credibility.



### No Gift and Donation Policy

Makro is committed to conducting business with transparency and integrity by adhering to and complying with its defined anti-corruption policy. In order to ensure that the Company complies with and is free from corruption, the Company has issued its No Gift and Donations policy by soliciting cooperation against giving gifts to employees during New Year and other occasions. In the event that the Company receives a gift, the Company will return it to the senders with a notification of the policy. In the case of non-returnable gifts, the company shall collect and donate them to charitable organizations for public benefit.



### Success in Governance

The implemented practices and policies have proved to be a successful driver of Makro's good corporate governance culture. In 2018, Makro succeeded in implementing the corporate governance goals within the organization achieving an 'Excellent' rating from the Corporate Governance Report of Thai Listed Companies: CGR which is the highest rating. Moreover, Makro achieved a full score of 100 on the AGM Checklist for the second consecutive year.



### Business Ethics

Apart from the commitment to conducting business with ethics, supervising business partners to comply with good corporate governance is a challenge of Makro. For this reason, the company has determined 'Business Code of Conduct' consisting of Makro's values, principles and expectations towards business partners. The alignment of this code of conduct, together with the Business Partner Code of Conduct, helps Makro select business partners, as well as promote good corporate governance and sustainability of all relevant sectors.



### Grievance Channels

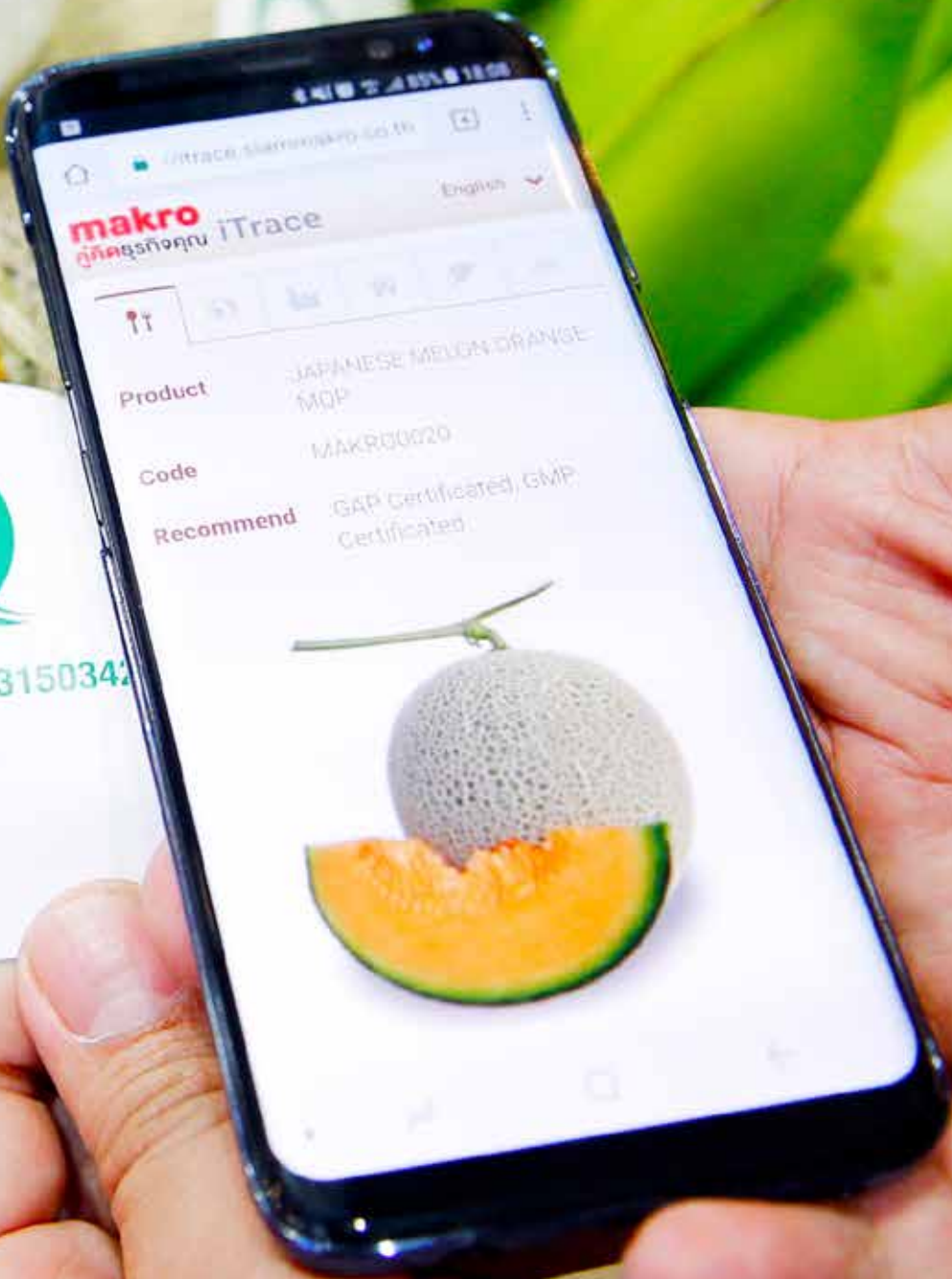
Makro recognizes that achieving good corporate governance is process that changes the foundation of business operations, which may cause concerns among stakeholders. For this reason, the Company has established a grievance mechanism to understand and effectively address all types of complaints including ones related to anti-corruption, in order to encourage employees to report suspicious actions that may not be consistent with the Company's policies and requirements.



Providing high quality and  
safe foods for important  
people like you







**makro**  
ผู้ให้บริการ

iTrace

English

Product

JAPANESE MELON ORANGE  
MQP

Code

MAKRO0020

Recommend

GAP Certified, GMP  
Certified



-2552-3707315034

## Providing high quality and safe foods for important people like you

The business operations in a society that progresses towards complete digitization results in shifts in consumer food experience and expectation. Access to raw materials and a wider array of foods from different corners of the globe has become convenient and quick. Makro values the importance in selecting food of the highest quality and safety from various global sources. Customers have access to products through various channels such as Makro Catalogue and electronic channels such as the website Makroclick.com, Makro Application, Makro Mail and Makro Line Official.

Part of the challenge encountered in services expansion for Cash and Carry stores to include electronic service channels is the consistency in the highest standards for food quality and safety delivered to consumers and entrepreneurs

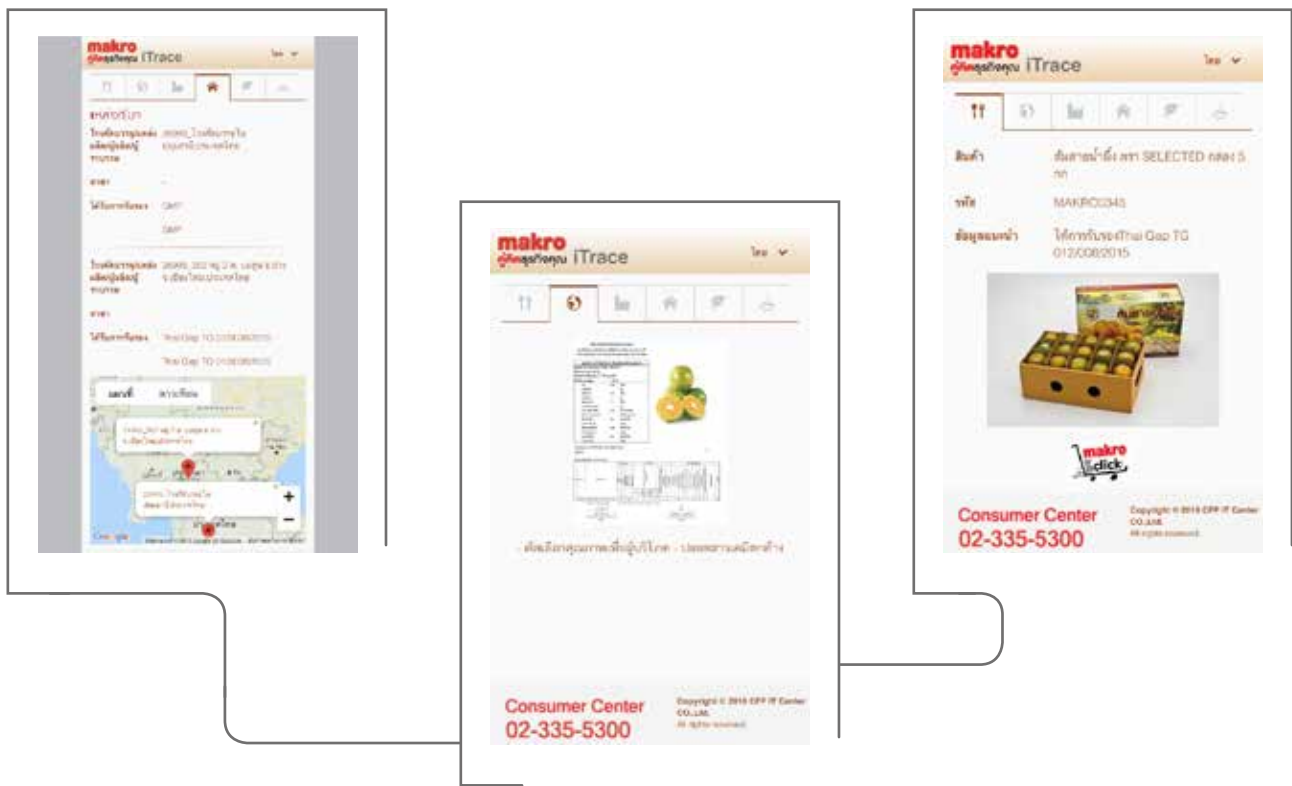


Makro has continuously approached management operations with emphasis on food safety, quality and value as the ultimate priority. In collaboration with suppliers, primary producers, and stakeholders throughout the supply chain, Super Food products were selected and developed. These products are certified under GMP, CODEX, HACCP, FSSC from internationally recognized certifiers and premium products are affixed with the Quality Pro seal. Consumers can be assured that Makro products are fresh, clean, safe and nutritious. Additionally, Makro has stressed the importance of product source and traceability and therefore have developed “Makro iTrace”, a method where consumers can determine the product origin through the QR code displayed on the product label.

Makro have continuously expanded the product database through the **Makro iTrace** application to allow product traceability.

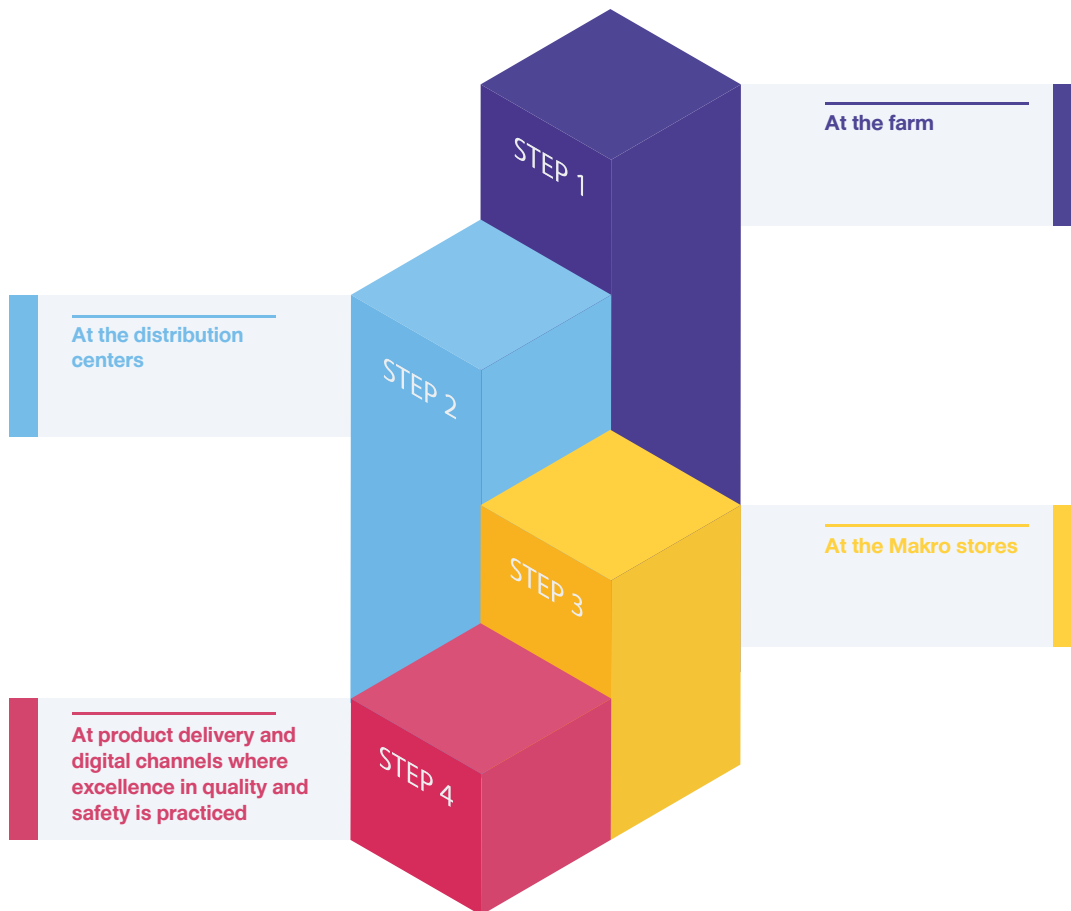
**Year 2017** product coverage of **628** items

**Year 2018** product coverage of over **1,467** items



*Shown here is an example of the product information through the Makro iTrace application. In addition to product source, product nutritional value and a recommended cooking menu, displaying ingredients, which are Makro's products.*

**Management Approach for food quality and safety throughout the supply chain**



**STEP 1**

Makro provide farmers and suppliers with knowledge in practices for food safety, supports certification in accordance to international standards and provides laboratories for product quality screening

**STEP 2**

Makro laboratories are certified by government organizations for the detection of contaminants in products. They inspect products before they are shipped to distribution centers across the country

**STEP 3**

Makro utilizes innovative methods and the latest technology in food preservation, quality retention and contaminant detection. This helps ensure delivery of quality and safe products to customers

**STEP 4**

Makro employees receive training for capacity and knowledge enhancement in product selection to enable delivery compliance to customers and distributors

Makro have developed small scale agriculture suppliers for vegetable and fruit products and collection centers in over 347 locations in 2018. This enables close collaboration and enhance food quality and safety controls at the source and throughout the entire supply chain

Makro have played a role in promoting food safety knowledge. Food quality and safety inspections take place from the beginning of the supply chain until delivery to customers.

In terms of digital expansion, Makro have experienced exceptional growth. Makro have provided employees with training for food and product quality and safety to enable better knowledge, attention and delivery of quality products in a manner one would to a member of family.

Every food product delivery by Makro is via temperature-controlled vehicles. There are plans in place to evaluate temperature control performance through certification by authorized departments to ensure that international standards of quality for the packaged and delivered product are met.

Additionally, delivery vehicles undergo inspections on a regular basis. Data Logger, used to record temperature during the delivery, are installed to ensure that customers receive excellent quality and safe food.



“Every Makro employee requires training and testing for skills development, knowledge and expertise in food quality and safety. The Verification and Evaluation processes for quality, safety, storage temperature suitability and product delivery distance aims to create the highest level of customer satisfaction”

Makro strives to continuously develop by adopting and implementing international standard requirements for management in food safety or ISO 22000 in the Makro supply chain. There are plans to request for accreditation in pilot areas in 2019 to maintain the position as a leader in food safety.

The ISO 22000 standard for food management system directly relates to business operators in the food industry and the supply chain which complies with GMP, HACCP, ISO9000 and organizational management requirements. This system enhances business performance in additional to satisfying customers with emphasis on food safety, displays information, improves communication, and enables traceability to ensure product safety throughout the supply chain.



Unite to create value  
and social responsibility  
throughout the supply  
chain for sustainable  
development





**makro**  
ผู้คิดธุรกิจคุณ

**makro**  
ผู้คิดธุรกิจคุณ

หัวใจ  
ของ  
ความ  
ดี  
คือ  
การ  
ให้  
โอกาส  
แก่  
ทุกคน

**makro**  
ร้านสิ่งแวดล้อม  
ที่ใส่ใจ  
ทุกคน

**แม็คโคร** มอบถังขยะรีไซเคิล  
มอบตามลำน้ำพาด อ.สิเกา  
เนื่องในวันสิ่งแวดล้อมโลก



# Unite to create value and social responsibility throughout the supply chain for sustainable development

Successful business operations in terms of quality and time depends on supply chain management performance

Work transparency in conjunction with collaboration between manufacturers, distributors, suppliers and business partners throughout the process enhances the supply chain strength and significantly enables satisfying consumer demand. However, supply chain management to create balance between quality, price and distribution alone is not sufficient for the enablement of sustainable business operations.

Risk management within the supply chain extends to factors relating to the environment, society, supervision, conservation, and the maintenance of economic balance. There are aims to achieve responsible business practices, the reduction of environmental and societal impact throughout the supply chain, to provide the highest level of satisfaction for customers and entrepreneurs





Risk management within the supply chain extends to factors relating to the environment, society, supervision, conservation, and the maintenance of economic balance.

### Management Approach and Performance

Makro have specified 3 main guidelines in the operations framework for sustainability risk management throughout the supply chain

- **Specification of operations framework, setting expectations and guidelines must be communicated to suppliers**

Makro have assembled a business operations manual for suppliers and have communicated this with 100% of the suppliers. The manual distribution available on the Makro website and through QR code allows new suppliers to evaluate and understand the framework.

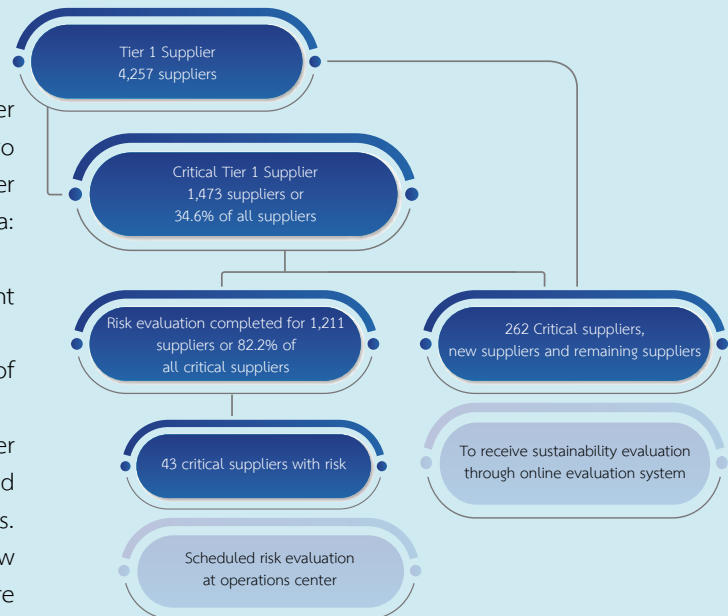


- **Risk evaluation and impact towards sustainability**

Makro have analyzed suppliers in order to categorize 100% of the suppliers into groups and have determined critical Tier 1 Suppliers through the following criteria:

- 1) High buying volume
- 2) Critical supplier / Suppliers of important raw ingredients
- 3) Product groups at risk / Suppliers of few products

1,211 out of 1,473 of Makro's Critical Tier 1 Suppliers have been risk evaluated and totals to 82.2 percent of all suppliers. Another 262 important suppliers, new suppliers and remaining suppliers require risk evaluation.



- **Risk management and supplier capability enhancement**

Makro have initiated many projects focusing on enhancing suppliers' capability, especially towards agricultural groups and upstream production groups as they are considered significant starting points for the supply chain and will produce a resulting effect downstream within the supply chain. The strengthened collaboration between suppliers and Makro results in outstanding products.

### Example Project for Farmer Support

#### Makro have elevated Thai farmers, assisted hill tribe farmers and have professionally developed products

Makro have provided farmers with mentoring, knowledge, production advice and planning. Thus, farmers are able to increase the production yield of quality vegetables supplied to Makro stores nationwide.

“I would like to continue with the profession of my ancestors and expand the vegetable market but never considered doing business with the middle man due to fear of being taken advantage of. A friend has recommended Makro and this started my business relationship with Makro. Makro employees have always provided advice including vegetable trimming and vegetable transportation methods to avoid bruising, rotting, spoiling and more importantly, I have never been taken advantage of.”

Mr Witya Wanseung

One of the farmers expanding business alongside Makro



Mr Witya Wanseung



Mrs Phensri Wuthiwatanakul

#### “Makro” supports Thai farmers, distributing quality cocconuts at Makro stores nationwide.

In addition to purchasing produce from farmers, which increases their income, Makro have provided advice for improving crop growth, preservation, production management and development of GMP (Good Manufacturing Practice or methods to produce safe food) standards along with advice for environment friendly agriculture.

“The working relation alongside Makro is based upon understanding, opportunities and joint focus to produce quality products which are safe, uphold standards and are able to be sold in every Makro store. I have to admit that we are both physically and spiritually dedicated to achieving the goal of producing Makro standard foods. Although at times there were various difficulties and obstacles, we were able to succeed and Makro employees have always provided advice and have been alongside us.”

Mrs Phensri Wuthiwatanakul

One of the farmers expanding business alongside Makro

**“Makro invites you to consume chili to support chili farmers in Phatthalung”**

Makro welcomed and prioritized the assistance towards 93 chili farmers with plantations covering over 140 rai in Phatthalung. The purchased produce includes fresh chili, green chili, red chili and Karen peppers at prices acceptable to farmers. The Phatthalung chili caravan activity links the market to 14 Makro stores in the south of Thailand. The chili will require inspection for chemical residue and approval by the provincial public health authorities.



*Makro invites you to consume chili to support chili farmers in Phatthalung*

**Makro initiated sustainable produce sourcing**

In 2018, Makro announced, “Guidelines for sustainable raw ingredients and products relating to tuna fish product sourcing,” which contains traceability information for raw ingredients, fisheries origin, fishing ship information and catch method. Additional information about tuna species and information regarding labor and human rights provide guidelines for responsible and ethical sourcing.



Makro recognizes the importance of conserving the planet and environment. We have selected the specific tuna species Skipjack caught by safety certified trawlers and nets which cause no harm to dolphins. Skipjack are caught in their natural habitat in the western and central pacific oceans



**“For the planet, for us and for sustainable resources”**

*The guidelines for additional information have been communicated to consumers to provide assistance in the product purchasing decision-making.*

Living Together and  
Supporting One Another  
Makro for the Environment  
and Quality of Life





ro  
ต้าเพื่อชุมชน  
ยุทธยา

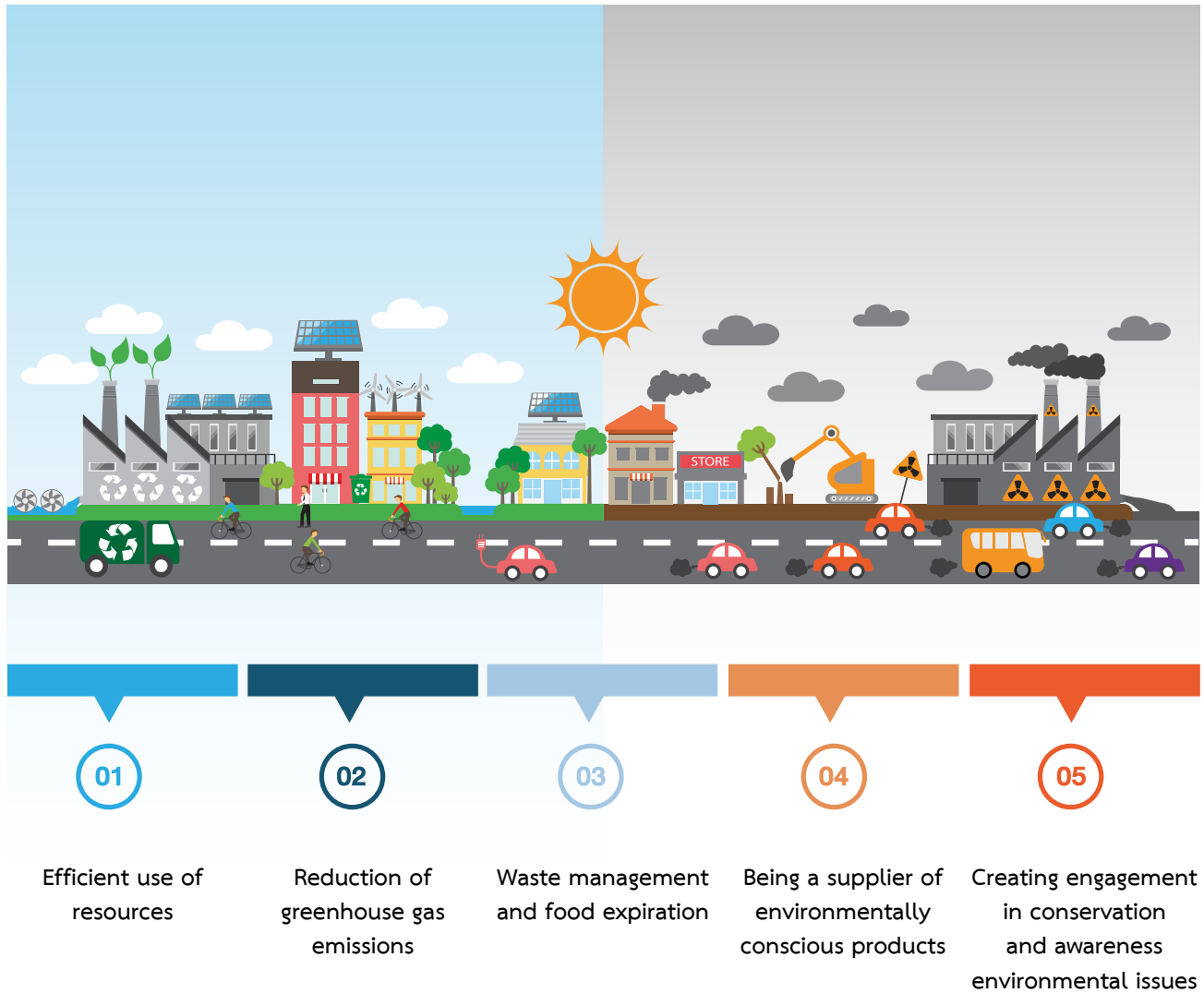
# Living Together and Supporting One Another Makro for the Environment and Quality of Life

Effective environmental management partly relies on preparation and planning from the design of the distribution center to the monitoring of environmental management. These steps are important factors to responsible business operations and the overall strength of Makro.



**Environmental Management (Disclosure 103-2, 103-3)**

The level of current environmental issues around the world evidently requires a unified effort to deter environmental deterioration as well as other issues that may occur as a consequence and intensify in the future. These actions must be coupled with an urgency to restore the environment so that it may be passed on to the next generation. With the intention of conducting business with responsibility, Makro has analyzed and prioritized the importance of various environmental issues while assessing risks and business opportunities. The role and ability of Makro in its shared efforts shape it toward a sustainable organization that creates smiles and inspires customers, communities, fellow members of Makro, and stakeholders. These efforts are directed toward the following environmental issues.



## Efficient Use of Resources

Under the sustainable development goals of the company, effective resource management and efficient use are crucial factors in achieving the company's goals. Simultaneously, it promotes cost management and opportunities for business expansion.

**In 2018, Makro aimed to reduce energy consumption by 1.8% as compared to basis of 2017. This translates to saving more than 29.48 million Baht per year, which is the first phase of the initiative.**

In order to manage energy with efficiency, accuracy, international acceptance in 2018, Makro has participated in projects to establish energy management systems at the international level (ISO 50001). The company implemented the energy management system or ISO 50001 as a guideline at the head office and distribution centers. A total of 5 locations (the head office, Nakhon In branch, Nakhon Nayok branch, Khlong Luang branch, and Salaya branch) have implemented policies to reduce energy consumption and initiated efficient energy management. Through its continuous efforts, it has successfully passed for the certification of energy management systems from external auditors and received the award for energy management system according to international standards (ISO 50001) from the Department of Alternative Energy Development and Energy Conservation within the Ministry of Energy.



*Makro received the award for international standard energy management system (ISO 50001).*

Under its management approach, Makro has appointed an Energy Committee and driven the implementation of its energy management policy. The policy encompasses energy consumption reduction targets, energy management, selection of technology with high energy efficiency and compatibility to Makro, and experimentation with new technologies. Additionally, it takes into account business possibilities and emphasizes the participation of all employees in energy management.

**The energy management policy can be read on the website <https://www.siammakro.co.th/> and the public relations center for Makro distribution centers at all branches and the headquarter.**

## Makro Energy Board

The Makro Energy Board consists of representatives from various departments to ensure that it will be able to effectively drive operations. The board consists of:

- Mr. Anan Watcharapongvinij, Chairman of the Board of Directors
- Mr. Thanasak Mongkolkheha, Vice Chairman of the Board of Directors
- Mr. Anan Santisathaporn, Board of Directors
- Ms. Samonrat Mongkolphanasuk, Board of Directors
- Mr. Natthakit Jitt-at, Board of Directors
- Mr. Santi Wachirasittisathien, Board of Directors

To suggest energy management ideas, Contact Khun Samonrat Mongkolphanasuk  
 email: [smongkon@siammakro.co.th](mailto:smongkon@siammakro.co.th)



### Makro Energy Conservation Project

The energy efficiency enhancement project at the distribution center is a continuing project in its second year. In this project, Makro selected energy conservation technologies and added an increased energy efficiency scheme into the maintenance plan for its distribution center. Makro’s goal is to use high-performance electrical equipment in all its distribution centers by 2023.

## Changing to High-performance LED Light Bulbs

Implemented in 42 branches, representing a total investment of 73.72 million Baht and saving 10.96 million units of electricity equivalent to 41.53 million Baht.



# LED

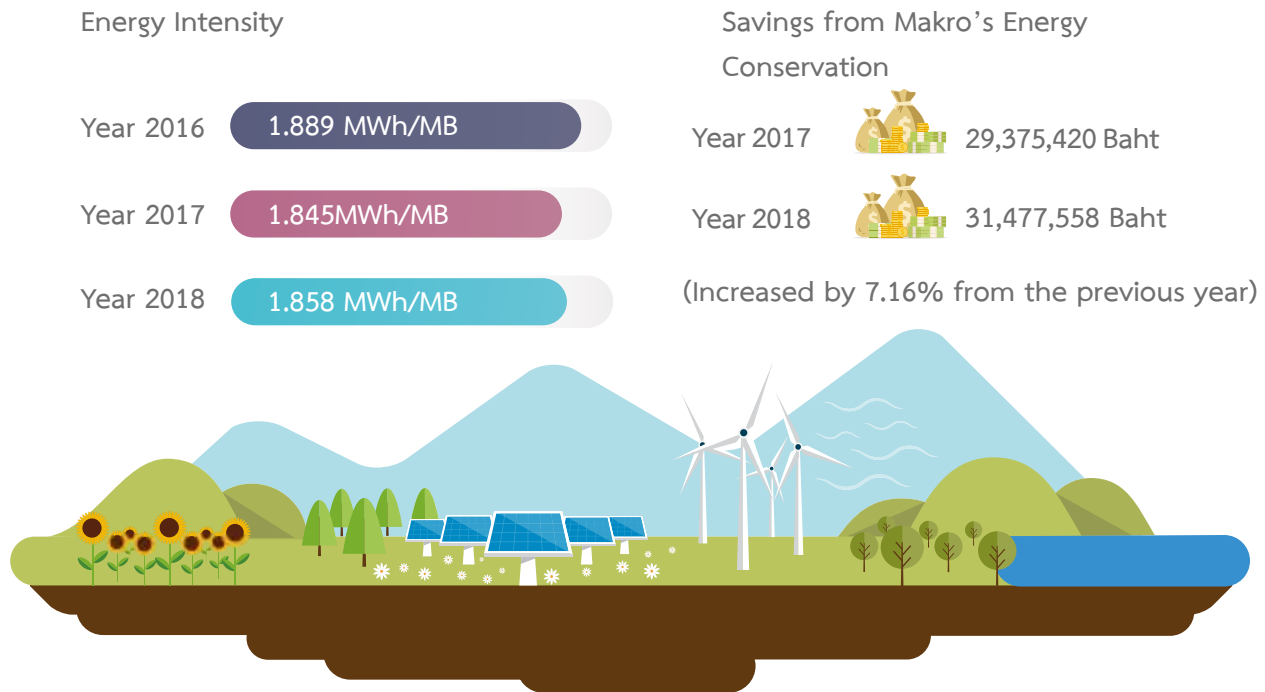
Increasing the proportion of renewable energy heightens Makro’s energy security and helps to reduce greenhouse gas emissions for the society as a whole. Increasing the proportion of renewable energy that can be produced within Makro’s operations is an important step that will help Makro achieve the goal of reducing greenhouse gas emissions by 10% compared to the base year of **2015** as well.

In 2018, Makro implemented the installation of a roof-mounted solar power panel, with a total generation capacity of **1,500** kilowatts which is capable of producing **1.8** million units of electricity (unit: kilowatt-hour: kWh). In the first phase, Makro will install solar panels equivalent to a total of **10,000** kilowatts in **20** Makro distribution centers. By 2019, it is estimated to achieve a power generation capacity of **12** million units (kilowatt-hour: kWh) per year. These increments are a foundation to the goal of increasing the proportion of renewable energy to **7-8%** of the total energy consumption by **2020**.



### Energy Management Results

The energy intensity is at a value of 1.858 megawatts-hour per million Baht (MWh / MB), which indicates that the trend in energy consumption is increasing. The factors influencing the energy intensity of Makro stem from its increased business activities, including the opening of new distribution centers, higher revenue, and Makro’s systematic energy management.

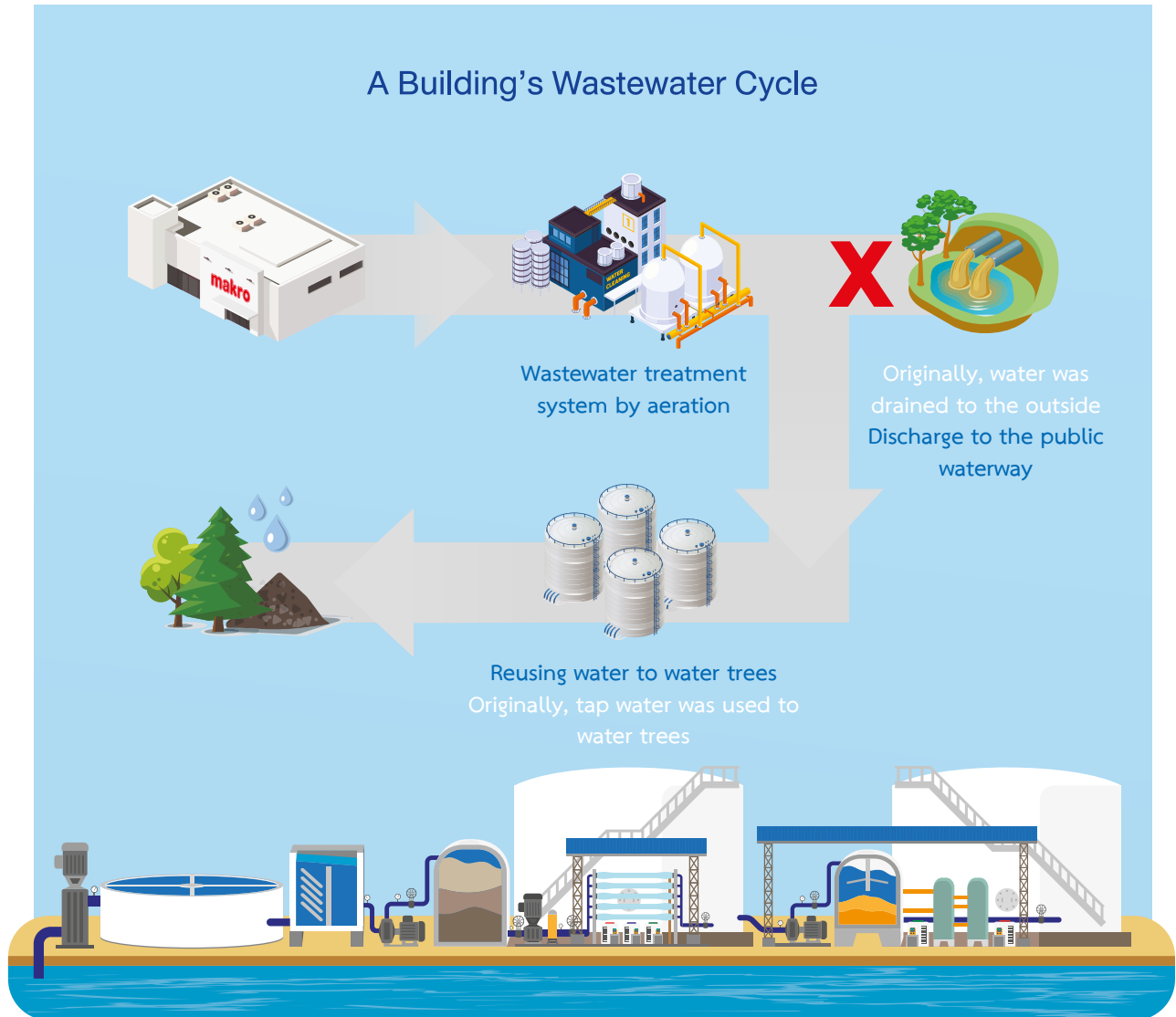


### Water Resource Management

One of the intentions of effectively using resources manifests as the management of water resources and water pollution. These are important issues that Makro gives priority to since the design of the distribution center. Consequently, the company adopts effective use of resources in every country that Makro operates in.

Makro’s Building and Resource Management Department is aware of its ability to manage water resources efficiently. Therefore, it emphasizes water resource management as a vital point that Makro must give importance to since the design of the distribution center. Water support systems from wastewater treatment systems to automatic watering systems were designed and installed to reuse water that has been treated in watering plants at the Makro product distribution center. The purpose is to reduce the amount of water used to take care of the green area within the distribution center and to achieve zero water discharge into the public waterway. The management program was able to save up to 15 cubic meters of water per day per branch or 5,400 cubic meters per year per branch.

At present, there are 85 distribution centers that have completed the project. There has been an increase of 54 branches from 2017 that produced zero wastewater discharge. This is a water supply of up to 459,000 cubic meters measured through the use of tap water that is reduced compared to before the project was implemented.



### Reduction of Greenhouse Gas Emissions

(Disclosure 103-2, 103-3)

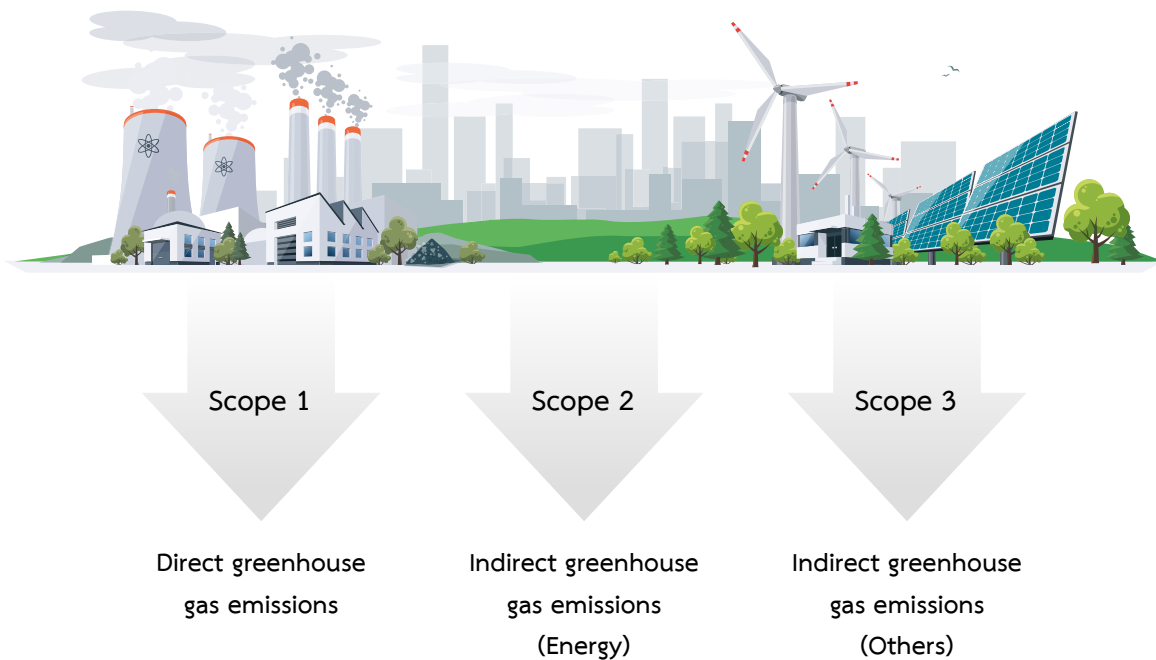
The fundamental factor that affects climate change is the increased amount of greenhouse gases in the atmosphere. The impact of climate change has manifested itself around the world in the form of severe weather conditions, including severe droughts. These extreme conditions result in long-lasting effects and a wide range of consequences, including a lack of clean water for consumption and insufficient supplies for agriculture. When it does rain, the downpours exceed the water absorption capacity of the land and lead to floods. These manifestations directly disrupt the living conditions of humans and nature as well as business operations.

Makro recognizes the importance of contributing to the reduction of greenhouse gas emissions in all sectors. In order to effectively mitigate the effects of climate change and to be a part of the global community to control the increase in the average global temperature to below 2 degrees Celsius, the company has set goals for reducing its greenhouse gas emissions.

**Greenhouse gas emission reduction targets**  
Makro has set a 10% reduction in greenhouse gas emissions by 2020 compared to the basis in 2015.

Under the supervision of the Sustainability Committee, Makro has monitored the amount of greenhouse gas emissions and the relevant environmental index every month. This allows them to know the trend of change compared with the goal of reducing greenhouse gas emissions. The data then provides insights for the implementation of greenhouse gas management. In 2018, Makro controlled greenhouse gas emissions covering all three scopes of management by beginning with Scope 3. As the topic of air travel, implementation is in its first year and preparations are being made to expand the scope of management in the next year.

### Scope of Greenhouse Gas Emissions

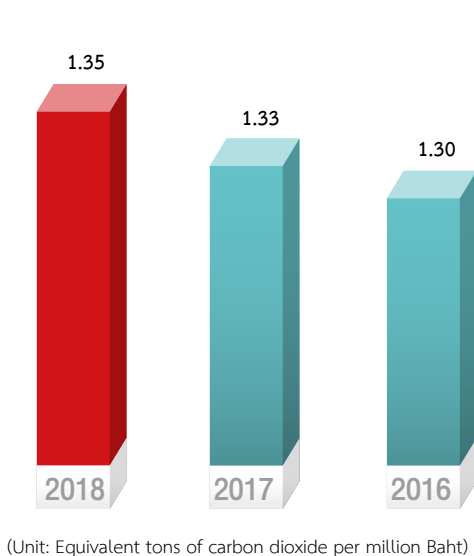


### Greenhouse Gas Management Performance

In 2018, the overall concentration of greenhouse gas emission in Scopes 1 and 2 is likely to be stable, with an increase of 1.5 percent from the previous year (from 1.33 to 1.35 tons of carbon dioxide which is equivalent a million Baht income). The increased emission is due increased business, such as opening a new distribution center, higher energy efficiency, and the increasing use of renewable energy. However, greenhouse gas emission efficiency is likely to increase by 10% compared to the basis of 2015 and accordingly for business as usual with the final goal of reducing greenhouse gases. In addition, Makro has planned to increase the proportion of renewable energy usage as specified, which is the implementation of measures to reduce greenhouse gas emissions by 2020.

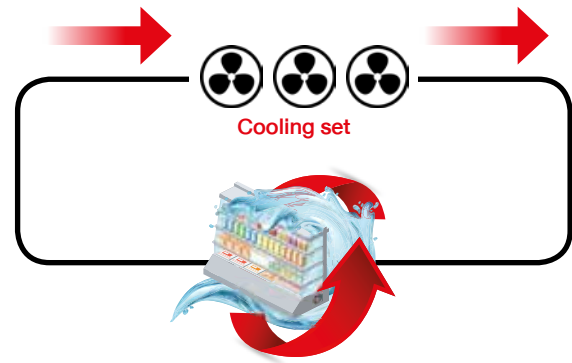
The company has a greenhouse gas emission within Scope 1 equivalent to 50,214.93 tons carbon dioxide. The main proportion is from the addition of refrigerants from normal operation. Nonetheless, Makro has proceeded to select an environmentally friendly refrigerant that has a low Global Warming Potential (GWP) and low emission factor. Furthermore, the company plans to include new technology reduces the need for refrigerants, such as the water loop. As for the greenhouse gas in Scope 2, Makro emitted a total equivalence of 209,408.29 tons of carbon dioxide, which originates from the use of electricity.

### GHGs Emission Intensity



### Water Loop Technology in Air Conditioning Systems

The technology reduces the need for refrigerant in air conditioning systems and results in long-term savings.

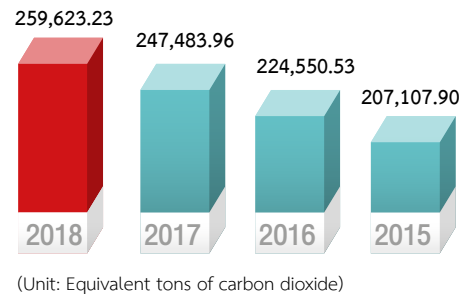


Overview of the Water Loop System



Makro received a plaque from the Ministry of Natural Resources and Environment.

### Greenhouse Gas Emissions in Scopes 1 and 2



Greenhouse gas emissions from air travel (Scope 3) at an equivalent of 486.87 tons of carbon dioxide

### Management of Waste and Expired Food

The program is a continuous operation based on Makro's intention on managing its waste and expired food. The operation can be classified into 2 main approaches: 1) Reducing product loss from upstream stages (producers), midstream stages (Makro), and downstream stages (consumers), including the participation of various stakeholders throughout the supply chain. 2) The management of waste and expired food through researching the utilization of these wastes and their appropriate handling methods. The program complements the sustainable management of the Makro distribution centers.

### Performance Highlights in 2018

Makro has implemented substantial waste management, especially at the Makro distribution centers. Distribution centers nationwide have carried out waste sorting according to the 3Rs: Reduce, Reuse, and Recycle. With the amount of waste that Makro has implemented under this management approach, Makro has sorted 422,890.63 metric tons of waste.

### Processing of Waste and Expired Food as Soil Mixture Project

The pilot project is holding tests on the processing of waste and expired food as a material for mixing with soil. It has been continuously implemented since June 2018 to January 2019.

### The success of the first phase of operation

The project processed about 1,000 kilograms of waste and expired food and produced over 100 kilograms of soil mixture which has reduced an equivalent of 1 ton of carbon dioxide. In addition, Makro will collect key operational data for the next stage.

### The "Reduce Steps to Increase Profits" Innovative Project

In this innovative project, Makro applies the concept of continuous development. The process of reducing product prices is a decisive step that must be carried out correctly, accurately and ethically. However, time factors are similarly essential in increasing the efficiency of the process. To make the process faster, a method to increase operational flexibility, stimulate product turnover, and reduce losses was conceived. As a result, Makro has developed the E-Speed Change program to help operations become up to 6 times faster.

### The Success of the Operation

The program reduced waste and expired food by 67% or 1,847 metric tons, worth over 133 million Baht per year.



The amount of foam returned to the manufacturer: **103.02** metric tons



The amount of paper and crates that have gone through the process of reuse: **422,701.04** metric tons



The amount of expired food that is processed into a bio-fermented solution and soil mixture: **86.58** metric tons

Total amount of waste and expired food that Makro has managed is **422,890.63** metric tons, representing an economic turnover value of waste and expired food of over **170** million Baht.

## Being a Supplier of Environmentally Conscious Products

The awareness of environmental conservation has resulted in a rising demand for environmentally friendly products. However, when comparing price factors with traditional products, there is still a wide price gap that is affecting the profits of entrepreneurs and consumers. Makro recognizes the needs of such customers and has, therefore, set a goal of being a supplier of products that are concerned with the environment with plans and operations as follows:

- Implementing product traceability information to customers through the QR code Makro i-Trace. Customers can trace the product back to environmentally friendly production sources and obtain other information for selecting a product.



QR code  
Makro i-Trace

- Promotion of products in the environmentally conscious product group, including biodegradable packaging products. The promotions stimulate consumption and nurture familiarity with this product group. The food packaging products are made from natural materials instead of foam, or bio-based. Since they are produced from natural plant pulp, such as bagasse, bamboo pulp, pure wood pulp, the products are safe, non-toxic, not harmful to health, and can be completely decomposed. More than 40 items, such as plates, bowls, cups, boxes, are available with ongoing special price promotions. Furthermore, the space for selling packaging products and biodegradable plastic packaging is increased.

### Project Highlights in 2018

- Makro together with the Department of Environmental Quality Promotion collaborated in activities to dissuade the use of plastic bags and a campaign for donating medicine bags on the Thai Environment Day in 2018.



*"Deeds from the Heart, Don't Take, Don't Give, Don't Use Plastics Bags" Project*

"For the past 29 years, Makro has been the only wholesale center in Thailand that has a clear policy of refusing to provide plastic bags to customers and has organized a project to encourage all branches to campaign for refraining from using plastic bags as well as reducing plastic waste, which is the cause of waste problems in Thai society and in the global society."

**Ms. Siriporn Dechsingha**  
Chief Marketing Officer

- Makro organized the "Makro environmental conservation project to reduce plastic waste on the beach" project. The company donated recycling bins to local administrative organizations in areas where a Makro branch is located near the beach. The project included 14 branches: Ao Nang, Trang, Hua Hin, Phuket, Thalang, Rawai, Patong, Karon, Satun, Koh Phangan, North Pattaya, South Pattaya, Rayong, and Cha-am. The participants placed recycling bins in the beach area to provide services to both Thai and foreign tourists visiting while they collected garbage on the beach and campaigned for people to collect garbage and separate plastic.



*Makro environmental conservation project to reduce plastic waste on the beach*

For Better Lives,  
Together







## For Better Lives, Together

Fostering relationship between Makro and communities is one of the important factors that further encourages future sustainability. Any business that balances business growth with reduced environmental impacts and increased social development is a sustainable global organization.

### You Exist, Therefore We do (Disclosure 103-1)

For more than 29 years, Makro works towards its mission - to be the trusted strategic partner. Makro acknowledges the importance of employment and stable income in local communities as the founding ground in developing country sustainably. Thus, Makro wants to take part to achieve the 17 Sustainable Development Goals of the United Nations by empathizing communities through engagement process.



To ensure that Makro appropriately answers to the need of the community effectively, Makro operates with its core skills and business identity which result back fruitfully. Makro did a stakeholder analysis and studied ways of life, beliefs, cultures of the community, then suggested a development idea to strengthen the community. One important task is to engage in the development of local retailers so that the community will have a strong economy, independent, and involved in other community development projects to improve living quality as a result. Up to today, Makro believes that its business operation takes part in empowering communities and be a part of local communities. Makro will firmly proceed and operate in this manner to ensure its understanding of the community's needs in this complex scene and fast changing time. We will continue to create knowledge for future retailers and support local communities.

**The Understanding Partner** (Disclosure 103-2, 103-3)

Makro acknowledges the significance in developing community while thriving business in sustain manners which is the key reason for Makro to study the economic and social scenes beforehand. In order to learn about their needs as well as the potential risks and negative impacts that might cost the community in the target area, to assess the needs of the community, the types and the services of local retailers and the lack of supplies in the target areas. Moreover, Makro executed a Risk Assessment for the community so that the company will learn the patterns of the problem the community is facing and identify how to prevent it from happening or making a negative impact to the community and society. All to prove that Makro is and can be the real Understanding Partner.

Now that Makro is a part of the community, Makro will enhance its policy in building a relationship with communities, including appropriate outreach and supports in social activities. For example, Makro gives support and promote sale, product and service outreach to the community to create opportunity and increase income in the area. With “Buy local Sell local” management system, it will encourage and support locals to purchase goods and services that were made in the area by the local while also promote the sustainable economic strength for community's future.

In 2018, Makro set a mission in implementing community activities in every wholesale center and well achieved the goal.

In 2018, 100% of Makro wholesale center implement civic engagement, risk assessment, and development projects for local communities in its area.



**In 2018,**  
**100% of Makro wholesale store implement civic engagement risk assessment, and development projects for local communities in its area**

## Makro's Hands to Community's Hearts

### Makro Do Good '100 Stores, 100 Communities' Initiative

One of the many projects that make Makro well-understood communities' needs was initiated in 2016 with a goal to give Thai Makro staff the opportunity to support and engage with the local community. It's been 4 consecutive years since each store will send Makro staff into the community to develop and carry out social service projects. Starting off with Makro staff visiting locals to see their everyday lives and if there's any problem they want Makro to help with, then organizing the activities that answer the need of the community. This year, 2018, Makro has generated a total of 297 community projects with 8,900 Makro staff is equivalent to 26,730 hours of participation, which the number grew from the previous year 197 engaged communities and 3,900 participated employee. Some examples of 2018 project are cleaning up public spaces such as temples, schools, organizing a community blood drive, organizing trees planting events.



*Supporting Chiang Rai  
cave Tham Luang rescue mission*



*Cleaning up the office area*

## Supporting today's businesspersons and local retailing to prepare for the future of retailing

### 'Makro Shohuay' Initiative

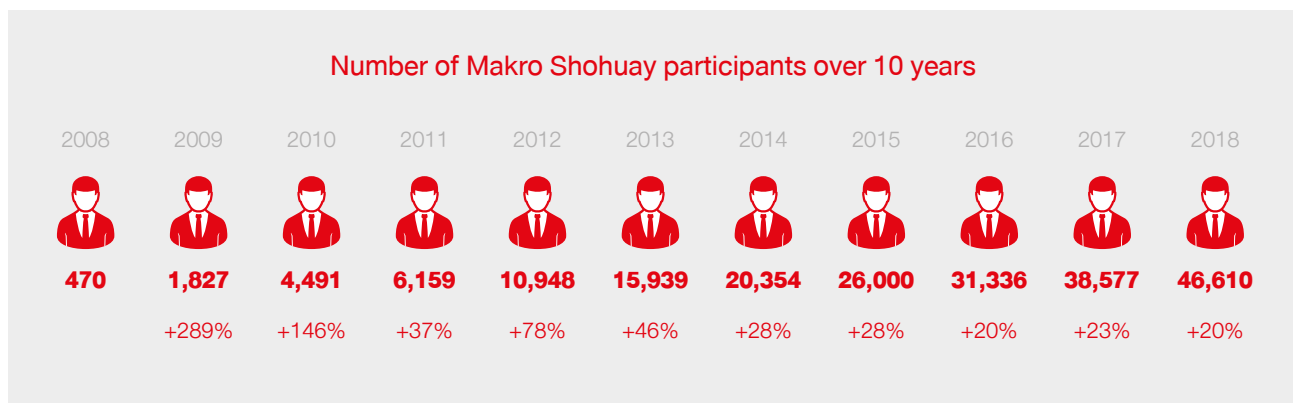
In the past 3 decades, the retailing scene in Thailand has changed rapidly. The increasing number of modern shop branching and new merchandising channels bring about higher competitions, resulted in the uncompetitiveness and decrease in the number of small retailers, Shohuay and traditional Thai stalls.

Not only the shift in Thai trading scene but there are more reasons that make small retailer 'backed away' and closed their business or was challenged by the lack of a successor. The lack of knowledge and insights in managing the modern business in the modern world, financial struggle, the lack of access to monetary resources, and the lack of entrepreneurship in a new generation of Shohuay, to name a few.

"Makro Store" acknowledge the situation and the challenges these small retailers, onto f the main customers of Makro's, are facing. Makro then works on the idea that Makro is a part of Thai society and set a goal to develop and scale side by side with the community it's in. Though Cooperate Social Responsible projects (CSR), Makro would support and enhance small retailers and help break barriers to competitiveness.



Therefore, with the earnest mission to support Shohuay, “Makro Trusted Shohuay Partner” was initiated in 2007 to continuously support Shohuay with appropriate retail management knowledge, provide guidance and recommendations on ‘trading mechanism’ that lead to ‘lifelong’ increased in Shohuay’s sales and competitiveness. Plus, Makro supports the building and strengthening independent retailers network through Makro Shohuay workshops on apprenticing basic retail management to accomplishing insights for professional entrepreneurs. The basic Shohuay management program featured “8 Steps to Retail Success” covering topics from seeking store location, selection of merchandize goods, setting up prices for largest profit, shop and shelf planning, interior design, marketing, warehouse management, and lastly building unique character or branding. With strong connection in Shohuay network, a small retailer can operate more efficiently and expand sustainably amongst aggressively competitive trading setting.



**U-project (Enhance partnership, enhance business)**

Aside from the need to adapt to compete in the modern trading scene, the role that Shohuay played as a cultural icon that implicates lifestyles and social meeting place of every community has become less and less significant. The lack of consideration from the new generation and lack of successor are the two most crucial problems that are challenging Thai Shohuay’s existence. Even though they have high chances to succeed in the modern trade if they were passed on and make use of the next generation such as the accomplished story of turning Shohuay into new beauty stores.

Makro recognizes and willing to take part to address the issue as it strongly believed that Shohuay has high potential when adapt to change in order to compete in the modern trade world. Thus, Makro invited new generations or the “future of the nation” to join “Enhancing Local Retail” workshops and in July of 2009 Makro signed MOU in supporting local retailers with 33 leading universities in Thailand to start “Enhancing Local Retail, from students to communities” under “Makro Trusted Shohuay Partner”.

Over 5 months of workshops and lectures, participated in university students completed with theoretical and practical knowledge of retail management that was taught by Makro executives and staff. Followed by hands-on activity for students assigned to help Shohuay to achieve their business goal. It was a chance for students to learn from hands-on working experience with Makro staff alongside as mentors.

The project was an opportunity for students to take part in community services and become the voice inviting locals to together support retailers to sustainability, while also protects Thai traditional trading shops. It was one way to effectively support the local community.

# Enhance more efficiency in Thai retail is our goal

“It’s connecting people across generations, planting the concepts of the hands-on learning process in the new generations and aiming to create new entrepreneur”

## Main Stakeholders



Educational institute and student

Retail

Makro and partners

STEP 01

STEP 02

STEP 03

- Extend the knowledge in managing retail shops, learn from the hands-on working experience, and cultivate the support system for retailers.
- Have access to Makro’s knowledge and training and hands-on experience. Success assessed by the number of students participating in the project.
- Have access to source of knowledge in retailing, exchange ideas with new generations to increase opportunity in developing business sustainably.
- Create a business development plan that will increase value in the economy and more sales.
- Promote activities and create a sense of relationship via engaging in community services concretely.
- Makro staff have the opportunity to exchange their broaden perspectives with the new generations while also gain knowledge on retail business, fit to Thai context.

### Continuity in implementing U-project

**Preparation** - U-Project coordinator under Makro Trusted Partner will contact educational institutes that have management schools, retail management or other related courses. The universities will be provided with project details, purpose and how to participate. While Makro staff will seek and select qualified retail shops, contact and give out information about the project, goals, registration if they are interested.



**1<sup>st</sup> Phase** - The partnering educational institutes will gather interested students to join the workshop and training to get the students ready for fieldwork. Students will be equipped with knowledge and ideas that were prepared by Makro before the actual concretion with the retails. Students will have to understand specific information about the participated retail and create a development plan for them. There will be experts and mentors from Makro working closely with the students and check on their progress. After the first development plan was created and proved, the plan will be pitched to the retail owner to get feedback. Followed by the updates and the final plan will be given to the owner.



**2<sup>nd</sup> Phase** - After the development and mutual approval of the three stakeholders (scholars, Makro and the business owner), the plan will proceed to new changes and the outcome that be recorded and submit to a competition which 3 plans will be chosen by professors, experts, and Makro staff to be the top 3 finalists for national round.



**3<sup>rd</sup> Phase** - Follow up on the output and communicate the stories with mass media.







Lectures



On-field

### 2018 Project Outputs

**6,300** participated in retail shops since the initiation of the project

**33,600** students learned and gained experience in retailing

**85** educational institutes in partnership

**343** million baht generated from the increased sales

Not only that Makro organized workshops for retailers ‘Trusted Partner’ but also act as the support systems for the retailers. Supports include knowledge, space to learn and share, exposure, and strengthen Thai retailers network. The website “โชห่วยไทย.com” (Shohuay Thai) provides knowledge, technique or ideas to run small retails, serves as online learning and sharing space for retailers, and lastly provides “Shohuay Maps” to help people easily access destination to shohuay all over the country.

### ‘Shohuay’s Charm’ Initiative

Shohuay’s Charm Initiative is scaled from the “Shohuay New Gen, started in 2018, to serve the retail business heir who wants to develop their family retail business to accomplish the potential to compete. The project is organized as a contest to find the most progressive and improvement plan. Starting with the acceptance the application from new generation retail owners, the owners pitch the project proposal to the board judging on 3 criteria: the possibility of project proposals, benefits to be received from the project based on the concept of “Buy local Sell local” and the appropriate budget proposed. Not only the winner will get access to consult an interior designer, but the support financial resources in building or adjusting the shop according to the proposal. Makro hopes that this project will help strengthen local retails competitiveness and enable self-sufficiency in the community as planned.



‘C. Charoen Panich’  
Best Performance Retail 2018

### Activities to Support Community Products

Makro understands the challenges and difficulties faced by the farmers who lived in areas far from the city. The limitation of market access and transportation costs have effects on income and quality of life. As a result, Makro took part and started projects to alleviate such problems, such as the Public Market project and promotion of local products project.



The Public Market is a collaboration with the Thai government to promote and give market access for local manufacturers to show and sell products. This idea aims to display products in local areas and stimulate the local economy, promote long-term development and improve quality of life. In 2018, Makro operated 11 civil markets, attracting more than 1,100 domestic manufacturers. In 2019, Makro also aims to operate as a distribution center through new cooperation projects with government agencies and other Makro activities to continue supporting manufacturers in Thailand.



*Customer of 'Krau Chumchon'*

### Community Kitchen (Krau Chumchon)

In addition to supporting the capacity of the retailers, local entrepreneurs and farmers, Makro continues to carry out projects that will bring in more parties and various stakeholders. One of the projects to improve the quality of life for the community. Community kitchen is a project that aimed at supporting local communities by creating employment and serving safe food products and preservation through a distribution center that showcase and sells products in a very professional manner. Locals can be sure that the products will be well preserved with a reasonable price in the quality freezer. The year 2018 marks the first year that Makro operates the project by delivering over 4,000 freezers.



*Public Market Project and local product sale support*

### Makro joins disaster relief

Due to the fact that Makro has the resources and transportation that suitable to travel through the flood. In 2018, Makro has given out reliefs in terms of donation and goods worth over 2 million baht. Makro also helped with the restoration and rebuild of local retails so that they can return to their usual business as soon as possible, and the result was priceless.

Representatives of Makro Nakhon Si Thammarat and Thungsong together delivered survival kits, improved local grocery shops in the area of disaster, after being affected by the storm of Pabuk.



*Representatives of Makro Nakhon Si Thammarat and Thungsong together delivered survival kits, improved local grocery shops in the area of disaster, after being affected by the storm of Pabuk.*





# Branching Creativity for Value Added to Customers and Entrepreneurs

For the past 29 years in Thailand, Makro have always prioritized creating a strong relationship with customers and entrepreneurs, the concept of ‘You exist, Therefore We Do’. The Company truly believe that enhancing customers and entrepreneurs’ wealth will strengthen overall community’s economy. It is the Company’s pride to be a part of this effort for greater strength.

We continuously strive to bring creativity, innovation, and inspiration to all customers and entrepreneurs. In 2018, annual events such as “Makro HoReCa” and “Makro Shohuay (Micro-Enterprise) Expo” were hosted by Makro for the 13th and 10th time, respectively.



### Makro HoReCa #13 “The inspiration, sparking your business ideas”

Makro HoReCa is an expo focused on bringing creativity and innovation to entrepreneurs who wish to bring their food industry business to new height in all areas. This effort ensures Makro is able to meet consumers’ demand, regarding nutrition, values, and consumption experience. Makro HoReCa consists of countless booths displaying cooking equipment and other products. There was also a plethora of workshops hosted by professionals, open to anyone interested. Furthermore, the “Makro HoReCa Challenge” was also highly anticipated.

### Makro HoReCa Challenge 2018

Makro HoReCa challenge is an intense and professional cooking competition that is endorsed by the World Association of Chefs' Societies (WACS) and widely accepted by international standards. The winners of the Makro HoReCa Challenge will get a chance to train with the Thailand Culinary Academy and represent the country in the Asian-wide upcoming competition.



*Chef Hassaphong Metheewatthanaporn, winner of the professional tier in the Makro HoReCa Challenge*

Both contestants must follow strict rules according to WACS standards, and a series of challenging tests to showcase their skills as professional chefs. The Chief Judge role was served by Chef Willment Leong, who will not only judge the contestants on their creations, but to also keep the rules and regulations as professional and up to international standards as possible.

### Panel of judges and experts

1. Chef Willment Leong
2. Chef Booncherd Sornsuan
3. Chef Prachan Vingutaiphan
4. ML. Pasan Sawasdiwat
5. Chef Ake Charttrakul
6. Chef Santos Zoppis



### The 10<sup>th</sup> Makro Retailer Expo “Retail 4.0 – Strategic Partner for Greater Life”

“Makro is determined to support Shohuay (micro-enterprise)’s sustainable growth, Coincide with our goal to ‘Enhance Thai Shohuay (micro-enterprise).”

Makro is committed in fostering capacity of Thai Shohuay (micro-enterprise). This was conceptualized from the belief that Makro is part of Thai society, whose aim is to grow in tandem with Thai society. This stems from the belief that Makro is part of Thai society, whose aim is to grow in tandem with Thai society. Not only that, we are determined to provide knowledge about business management, how to adapt to the increasing demands of the customers, and to finally strengthen retail business as a whole. Makro also introduces tools to increase sales and profits to entrepreneurs and owners of said retail stores. This exposition is part of the Company’s effort to achieve this goal.

### The 8<sup>th</sup> Makro Shohuay Legacy Expo

K. Ramchan Maneegiat, owner of Chor Chareonpanich 2018 in Chiang Mai. She is a retail entrepreneur that stood tall throughout all the changes, and was ready to adapt into the next generation of retail stores. She has successfully expanded her business and impressed customers by integrating in various services like having digital e-payment systems, payment systems for utility bills (such as water and electricity), and bringing in both fresh and frozen food products to sell.



The 10<sup>th</sup> Makro Retailer Expo  
“Retail 4.0”



K. Ramchan Maneegiat, owner of a retail store 4.0

“We take no breaks from improvement, because our customers are our priority”





### Operating under project Operation Excellent Platform (OEP)

We aim to be the best product distributor in Thailand. OEP 2018’s outstanding strategy mainly focuses on elevating the standards of efficiency of Makro in all areas, and in a stable manner, too. We hope to increase accessibility and therefore increase pleasant customer experiences in our stores everywhere.

The start of project OEP in 2018 within all 129 branches of Makro distribution centers in Thailand has enhanced all 6 areas of excellence, leading to a specific target of increasing the efficiency of operations by 95% or more. The top 3 developed areas in the past year are:

- OEP Silver Store Walk with efficiency of operations at 87% and aim to increase to 95% in 2019
- OEP SGM Store Walk with efficiency of operations at 88% and aim to increase to 95% in 2019
- OEP CD Walk with efficiency of operations at 89% and aim to increase to 95% in 2019

Furthermore, the use of Operation Excellent Platform, or OEP, allowed us to focus on other areas that need improvement, such as increasing sales channels, allowing preorders, effective human resource management right at the distribution centers, and more. We collect data to analyze and use it to improve the OEP to make the project even more effective in the future. Everything we strive to improve are on the basis of the highest customer and entrepreneur satisfaction, as well as the spread of local businesses to other countries.

### The 6 areas of excellence under Operation Excellent Platform (OEP)



# Inspiring Our Employees



makro

365 Days  
**Innovation**  
Around You

สินค้าคุณภาพ เพื่อมืออาชีพ  
Quality Brand for Professional  
by makro

makro  
สินค้าคุณภาพ

**Thailand 4.0**  
(Smart Industry+Smart City+Smart People)

- ประเทศไทย 4.0  
เพิ่มขีดความสามารถ
- ประเทศไทย 3.0  
อุตสาหกรรมนำเทคโนโลยี
- ประเทศไทย 2.0  
อุตสาหกรรม
- ประเทศไทย 1.0  
สังคมเกษตร

**Makro 4.0**

- new s-curve  
- More Smart  
- Sustainability
- 2560
- นวัตกรรม  
- More Smart  
- Sustainability
- สินค้าคุณภาพ  
- More Smart  
- Sustainability
- สินค้าคุณภาพ  
- More Smart  
- Sustainability
- สินค้าคุณภาพ  
- More Smart  
- Sustainability
- สินค้าคุณภาพ  
- More Smart  
- Sustainability



## Inspiring Our Employees

Individuals with potential are key to business operations. They are the foundation of the Company's competitiveness and sustainability business practice. Makro is committed to becoming a leading organization that can attract capable individuals with strong moral values. Makro is also committed to developing its employees so that they are more capable and grow with Makro in the long run. The Company believes that the employees, when acting in line with the Company's strategical and innovation plans, are a crucial force in driving the business forward and adding value to the business. They can also strengthen the organization in every dimension and benefit every stakeholder from every industry.

In the past year, retail and wholesale businesses have been greatly affected by the rapid changes in technology. This results in lower barriers to enter the markets, an expansion of existing markets, and new market developments. Technological changes also demand a different approach to resource allocation and a new recruitment process of employees with the right technological capabilities. With Makro's goals to expand both domestically and



internationally, the Company seeks to be the organization that can attract and retain employees so that they can add value to and sustainably grow with Makro.

Thus, Makro has laid out the human resource management plans in 3 areas as follows:

- **System** to enhance the capability, flexibility and adaptability of the human resource management when it comes to responding to changes and needs. In addition, the System plan aims to reduce workload, commuting time, and job duplication.
- **Development** to equip employees with relevant knowledge and skills and increase their capability to effectively respond to changes. The Development plan also encourages employees to be action-oriented and confident in expressing and executing on their innovative thoughts, in line with the organizational values of “VICTORY” which prioritizes innovation excellence.
- **Protection** to look after the quality of life of employees and devise human rights protection measures. The Protection plan also monitors the occupational health and safety of employees and manages the appropriate compensation and welfare system.



### Effective Human Resource Management Plan

Develop knowledge, skills and potential of every employee for an innovative and sustainable business

### Protection of Employees' Occupational Health and Safety

Promote the awareness of the importance of conducting the work environment risk surveys and a risk evaluation in compliance to local laws. Ensure that the employees' occupational health and safety meet international standards.



### Protection of Human Rights

Ensure that international and national labor practices are met and that every employee receives equal and fair treatments



### Effective Human Resource Management (Disclosure 103-2, 103-3)

Effective Human Resource Management Plan is comprised of Recruitment and Selection, Training and Development, and Employee Engagement and Satisfaction. The Plan does not only guarantee that employees will be satisfied with their work responsibilities and the Company but will also lead to longer retention and higher productivity.

#### Recruitment and Selection

Makro's strategy to create a more effective recruitment and selection process is designed to promote and recruit individuals who have the abilities and values that fit with Makro. It is also designed to prepare for the business expansion of Makro both in Thailand and overseas. The recruitment and selection process begins with Employer Branding. Then, the process employs a variety of Recruitment and Selection Tools and runs an Onboarding and Orientation for new-joiners. The 3-part process allows Makro to find employees whose capabilities match with the business needs.

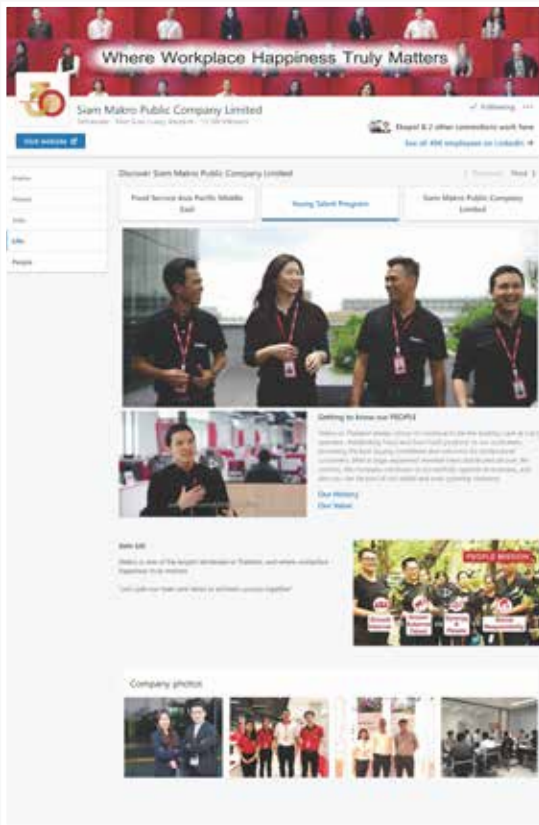
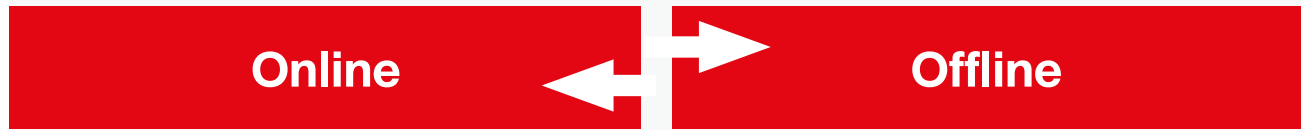
#### 1. Employer Branding

Makro promotes its employer brand through offline and online channels. It provides interesting and relevant information to encourage job seekers to apply to Makro. The content highlights aspects such as the challenging work responsibility at Makro, career progression and opportunities, Makro's reputation, and its organizational stability. Makro also partners with educational institutions and lecturers in order to provide information about the organization more directly. Student internships and Open House visits at Makro are also additional channels to provide candidates with information necessary to apply and work at Makro.



Recruitment solution framework

**Business demand**



**Onboarding**

With continuous and elaborate efforts to promote its employer branding, Makro has increased its followers on LinkedIn from 4,575 in 2017 to 12,013 in 2018. Such efforts, combined with other recruitment channels, have contributed to the increase in the number of Makro job applicants by 162.6%, a rate which is on an increasing trend every year. The increase in job candidates allows Makro to prepare a ready workforce for business expansion and new branch openings with speed.

### Full-time Employees by Region

## 2015



	North	North East	West	Central	East	South
%	12%	22%	5%	38%	8%	14%
Employees	793	1,435	343	2,518	528	930

## 2016



	North	North East	West	Central	East	South
%	8%	17%	6%	43%	10%	15%
Employees	624	1,357	467	3,452	810	1,227

## 2017



### Temporary Employees by Region

	North	North East	West	Central	East	South
%	0%	27%	0%	44%	4%	24%
Employees	0	12	0	20	2	11

## 2018



	North	North East	West	Central	East	South
%	3%	19%	0%	55%	13%	10%
Employees	1	6	0	17	4	3

In addition, Makro plans to continue its partnerships with educational institutions in the following year. It will increase the number of roadshows, contact more institutions, and give more internship opportunities to students.



## 2. A Variety of Up-to-date Selection Tools

Besides employer branding, up-to-date recruitment and selection tools will allow Makro to access the right talent pool and screen for skills that match with organizational needs with greater accuracy. The tools can also increase recruitment efficiency and decrease the length of application process. Makro uses recruitment and selection tools such as the Hogan Test which evaluates candidates in 5 dimensions. The test results provide a holistic understanding of an individual's profile in the following areas.



360 Evaluation is an employee evaluation that gathers advice and suggestions from the manager, the subordinate, a colleague, and another person involved in the work operation. It also includes the employee's self-evaluation. 360 Evaluation provides a more complete perspective about work behaviors and performance of an employee, compared to a traditional evaluation.

Behavior-based Interview is an assessment process which probes a candidate's past work experiences in order to evaluate their work behaviors, achievements, and how they handle optimal and difficult situations. It also assesses how they respond to and resolve problems, the outcome of their solutions and their ability to think conceptually.

### 3. Onboarding & Orientation

After the completion of the recruitment and selection process, new employees will begin the onboarding and orientation. The employees will receive relevant training and suggestions to ease them into the new work environment. The training includes topics about the organizational culture and values, company ethics, the overview of each department, work operation guidelines, safety standards, and company rules. They will also get to visit branches and distribution centers in order to understand the Makro business. Such intensive onboarding will help the new-joiners adjust to their new workplace, mix-and-match new ways of working with their work preferences, and shine through their best potential. The onboarding process also includes a close monitoring, a performance evaluation and a satisfaction check in the first three months after their start date. Makro believes that this onboarding and orientation process will help newcomers adjust to the new workplace and retain them in the long run.

#### “Gratitude: A Key to Being a Good Person in Makro

Gratitude always begins at the smallest unit of any society: family. Parents are givers who provide for their children with the best intentions. The parental act of giving touches the children with the warmth of altruism and teaches them to do the same, passing from one generation to the next generation. The act of altruistic giving and the subsequent feeling of thankfulness transcend family boundaries, form a greater circle of influence in the society, and create a positive and never-ending cycle of altruistic giving and gratitude in the society. Gratitude is a principal way of life in the East which greatly influences Makro’s organizational culture.

Since the first day of joining the Makro family, a new employee will receive knowledge and enriching work experiences. The employee can express his or her gratitude to the Company in many ways, one of which is to uphold the VICTORY values of the company. When we live in a joyful environment where we share moments of happiness with each other, we will feel joyful as part of the society, a meaning of a mental stability.”

### Young Talent Program

Three years have passed since the beginning of the Young Talent Program which has seen 6 batches of graduates. The program’s aim is to attract young generation of talents to join the Makro family. Those who pass the program selection will gain development opportunities in multiple areas, all of which will prepare them for roles crucial to the future of the business. For the purpose of gaining a holistic business understanding and knowledge, they will receive trainings both from within their departments and other cross-functional teams. The trainings also seek to enable them to develop themselves and innovate new business practices that can drive the Company forward. In 2018, the Company has accepted 21 high potential candidates who passed the selection process. All of them received full-time offers with Makro.



**Training and Development** (Disclosure 103-2)

Makro creates training curricula according to the needs of employees across different work functions. The curricula aim to equip employees with knowledge and skills necessary for the progression of their respective careers. The direction of the curriculum development utilizes information from key areas such as performance evaluation, work behaviors, suggestions from managers, career progression planning, and skill- and capability-building for future jobs. Each employee is informed about their strengths and areas of improvement in their Individual Development Plan.

“Makro has established the Store Development Program since 2010 with an aim to train high potential employees from different branches to become knowledgeable in branch management, particularly in 8 areas. In 2018, Makro has trained 10 batches of 713 employees, an increase from 150 trainees in 2017.”

Star Program is a part of the Store Development Program which is a curriculum aimed at preparing and promoting middle managers at various branches to become branch managers. It seeks to equip them with the understanding of retail business and the ability to manage and grow the business. It also builds understanding of leadership behaviors. The training program is 15-day long and includes in-class learning, site visits, hands-on operations and project implementation, all of which culminate in a presentation to executives.

The human resource management team analyzes employee development data to design an appropriate training plan for employees. They emphasize skills and capabilities that can increase business competitiveness. Furthermore, the Company arranges a variety of training curricula across different topics which are taught by internal and external experts alike. The curricula aim to inform learners about the foundational job knowledge, updates on new innovation and technologies, management practice, leadership skills, product training, safety training, leadership training and people-development training.

**Average Training Hours** (Disclosure 404-1)



**Average Hours in Training**  
**9.06 hours per person per year**



**Gender**

**Male**  
**8.78 hours per person per year**



**Female**  
**9.13 hours per person per year**



*Halal Training  
Halal Food and Industrial Practice*

Makro, in collaboration with the Halal Department of the Central Islamic Council of Thailand, launched the Halal Training in 2018 to educate employees involved in the Halal food process about the Muslim provisions and build trust among Muslim consumers.

Furthermore, Makro gives its employees ample opportunities to gain diverse work experiences such as the opportunities to work in a cross-functional role or a multi-nationality team. Options also include overseas placements in the “Internal Job Opening Announcement.”



*Internal Job Opening  
Announcement*



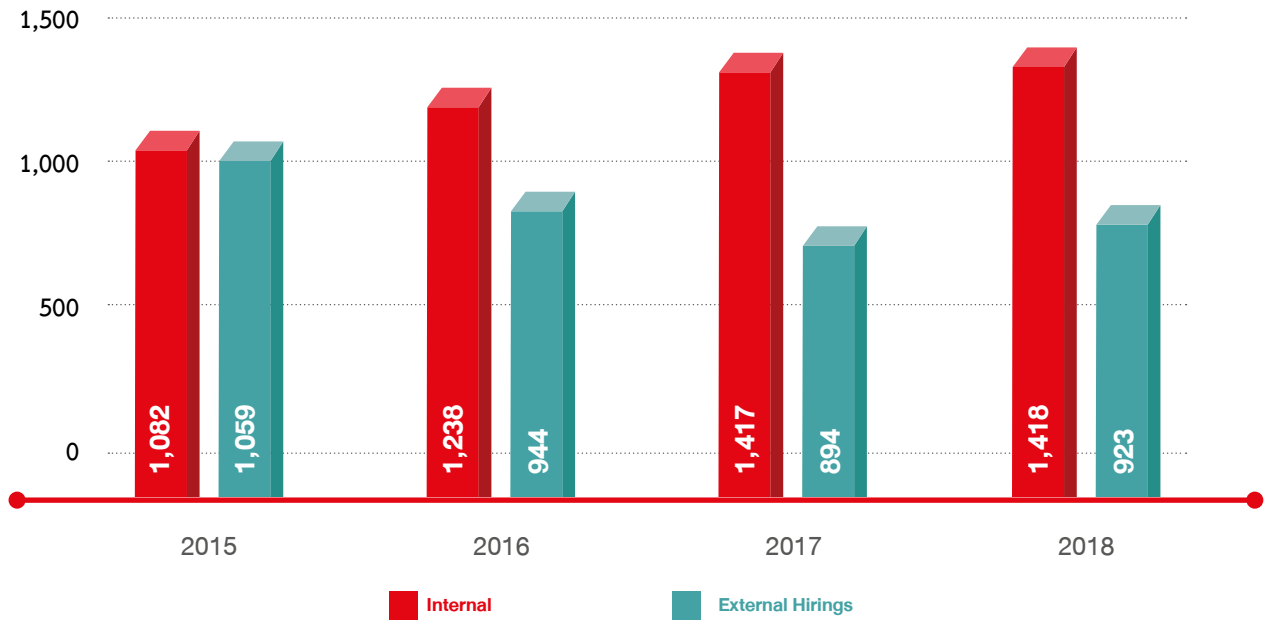
*Internal Job Opening  
Announcement*

### **Internal Job Opening Announcement**

In line with Makro’s expansion plan, the Internal Job Opening Announcement is a program that aims to provide overseas work opportunities to employees with the right capabilities. In 2018, Makro has filled in as many as 14 new openings. The opening fulfilment shows that Makro is ready for expansion and that employees are able to adapt to new challenges.

Based on the employee training and development results, Makro is able to effectively build employee skills, resulting in a high number of employees getting promoted and growing with the Company.

**Rates of Internal Promotions and External Hirings from 2015-2018** (Disclosure 103-3)





**Employee Engagement and Satisfaction** (Disclosure 103-2, 103-3)

Apart from giving employees with career progression and growth opportunities, Makro also builds employee engagement and enhances employee satisfaction. This will allow Makro to become an organization that people aspire to work with and a workplace where employees come to work with joy, energy, and smiles.

Examples of company initiatives for building employee engagement, employee participation and employee satisfaction are as follows:

- Bonding activities in different departments such as exercises, Sports Day, community volunteering, and Happy Hour on every last Friday of the month
- Opportunities for employees to showcase their ideas and receive constructive feedback for further developments such as the Innovation Stage event, the Makro 4.0 project, and acknowledgements and appreciation of laudable actions
- Resource allocation and the use of technology with aims to improve productivity, accommodate to employees' requests and reduce administrative workload



*Activity for Employee Engagement and Satisfaction*



*Activity for Employee Engagement and Satisfaction*

### The Path to Becoming an Innovative Organization

Businesses now operate under the changing contexts of the global society with an increasing integration of technology in daily life and with Thailand’s aging population. Creation of innovative outputs can help organizations be aware of upcoming changes and enable them to address such changes effectively. Innovative outputs can also raise the Company’s capability in conducting business in new markets.

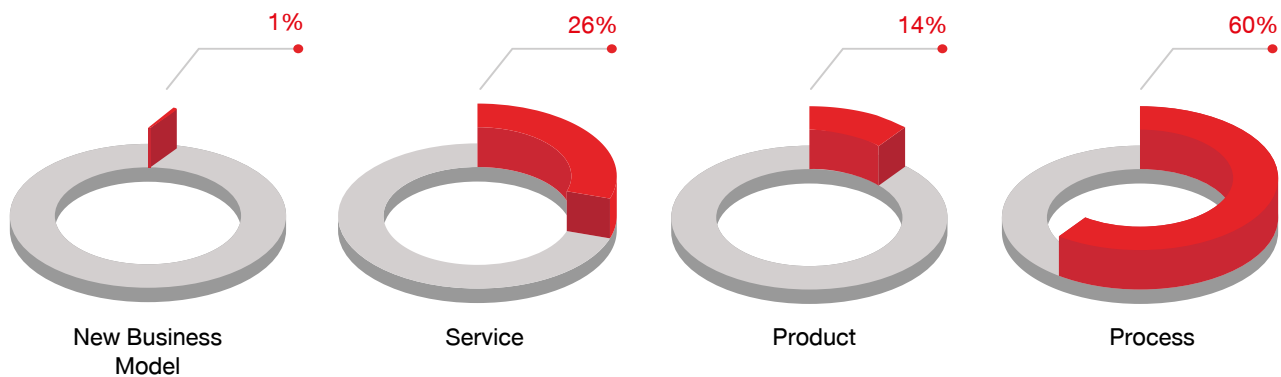
because of the groundworks of innovative culture and the innovation ecosystem. Participation of employees who “Dare to Think, Dare to Change, and Dare to Present” is also crucial in moving forward. In 2018, 9,960 employees participated in activities that promoted organizational innovation. They submitted their ideas and innovation project proposals, resulting in a group of employees who drive innovation at Makro as follows:

2018 is another year which saw a great move forward for Makro in its path to becoming an innovative organization

1. 149 of New Assistant Innovators
2. 34 of Level 1 Innovators
3. 5 of Level 2 Innovators

Out of 412 shortlisted projects in 2018, 313 of them are completed. 99 projects are in progress.

### Proportion of Projects by Innovation Type



## Occupational Health and Safety Management

(Disclosure 103-1, 103-2, 103-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-8, 403-9)

Makro provides occupational health and safety for employees according to the company’s policies on safety, health and environment. The policies cover workplace environment, working systems, risk control and mitigation, employee training, hygiene and facilities management in operation areas. In order to effectively maintain the health and safety of employees and avoid negative impacts on both employees and the company, at present, the company has focused on improving the establishment of occupational health and safety management systems which complies with international standards (ISO 45001) for all operation areas.

The proposed system includes evaluation and risk management, employee safety and health awareness training, employee well-being as a whole and requests under the supervision of the "Occupational Safety, Health and Working Environment Committee". As for the "Safety Health and Environment" under the "Operation Support and Compliance Division", the organization acts as a central agency for the operation of Makro branches nationwide. All in all, Makro believes that the occupational health and safety care system would not be complete without the promotion of safety awareness and employee cooperation.

Makro, therefore, has designed a method for employees to participate and perform in such a system by having a safety team for each distribution center or "Safety Committee", consisting of staff representatives from all store positions from storefront staff to managers in order to monitor operations in the area and representative of the branch. There is regular feedback communication with all staffs on a monthly basis through an activity called "SGM Safety Talk".

In 2018, the Safety Committee representatives from all distribution centers organized monthly conferences within the year. Safety committees from each branch would arrange monthly meetings with the purpose of reviewing incidents associated with workplace risk and accidents that have occurred. Countermeasures are devised to prevent recurrent incidents. In addition, safety committees have the right to implement the prevention plans in each branch.



### 1. Evaluation and risk management of occupational health and safety

All workplace areas within the company will be evaluated on a daily basis for risk and will be assessed by a "Duty Checklist". Risk assessment is carried out by each branch’s duty manager. All aspects of risk will be considered for each branch, all activities including special activities, abnormal and normal situations and emergencies. The results will be used to design the health and occupational safety management system for improved safety.



As a company in Thailand, where there are risks of floods, the hazard is evaluated and included as part of the occupational health and safety process which also concerns employee safety. Information is gathered from government and private data sources to report daily forecasts and alert the branch to cope in the event of an incident.

All employees are part of the risk evaluation process in safety and health and able to report directly to the safety committees or send notice through online means to the Safety, Health, and Environment division for efficiency and transparency of the report.

In each year, Makro will review risk evaluations by the main unit and safety committee, gather observations obtained from employees and set safety measures corresponding to the risks found. This secures workplace safety, business growth and the increasing number of employees within the past year.

The company therefore provides means to develop, inspect and personal protective equipment (PPE) for better efficiency to ensuring all employees are appropriately protected for their workplace duties and work environment. Protective equipment is distributed through an App acting as a central database to accurately forecast the needs of each type of equipment in each branch.

In the past year, risk analysis results indicated the main employee risk concern is from cashier fatigue due to long hours of standing. Upon encountering this issue, special placemats were provided for cashiers to reduce employee health risk.





If employees find themselves in any situation that involves risk greater than the acceptable levels, Makro encourages employees to report the risk immediately so that supervisors could proceed in making a decision. Nevertheless, Makro is in the process of establishing and approving the “Stop Work Policy” which provides downtime policies concerning employee safety and health risk. The expected date of the policy approval is 2021.

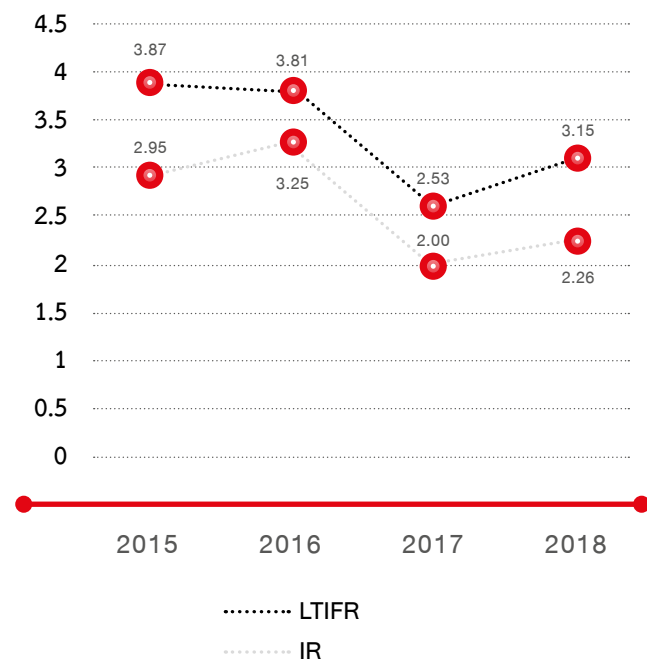
**2. Process of investigating workplace risk events**

In case of work-related incidents, Makro provides a reporting and investigating process to clarify threats and risks to work resulting in an event and allocating guidelines for solving problems or risks (corrective actions) as such incidents could affect workflow at the distribution centers.

Makro provides accident reporting and investigation to inform relevant parties, including department supervisors, related departments and top executives to acknowledge events, corrective and preventive measures within 24 hours from the incident.

For 2018, the company developed an easier method to investigate work-related events by compiling evidence from previous analysis reports in an online format of “Incident Investigation Report (IIR)” which provides easier access on the latest information for the employees.

**Makro Safety Index for all worker**



### 3. Occupational Health and Safety Training

To strengthen awareness for occupational health and safety including increasing skills and potentials for managing this issue for employees, Makro provides training in the field of occupational health and safety for employees, which includes general and specialized training. In 2018, additional training was provided to match the risks and challenges in maintaining health and safety encountered within the year as follows:

	General Training	Percentage of Participants Joined from Relevant Fields	Training Hours per Person per Year
	Safety Talk: Discussing occupational health and safety issues with the branch manager to plan guidelines in order to create the branch's safety culture.	100%	2 Hours
<b>General Training</b>	Training is used to create Safety Culture Awareness for all employee levels, managers, regular contractors and personnel at the head office. Safety culture is cultivated as a standard practice for safety, occupational health and work environment conditioning for the organization's personnel.	100%	1 Hour
<b>Job-Specific Training</b>	Training for forklift driving safety	78%	12 Hours
	Training for electrical safety	45%	6 Hours
	Training for lock out - tag out safety	94%	6 Hours

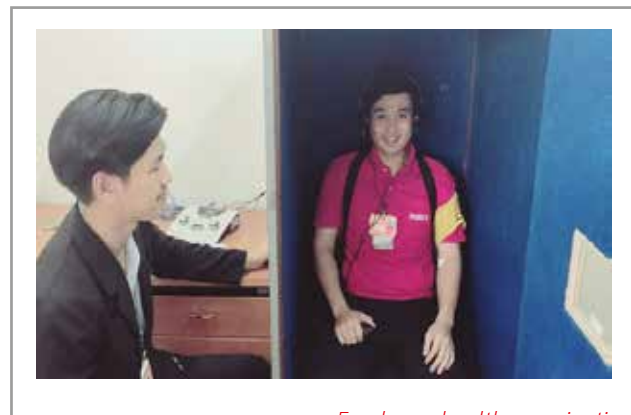


#### 4. General Employee Health Promotion

Makro provides annual health examinations and medical benefits for employees according to the country's laws and standards. These benefits are catered to all Makro employees. Annual health services are provided by standard hospitals in the area during work hours for all employees to use. For foreign employees, translation services are available for convenience.

Health data from employees are sent back to the company while ensuring personal data privacy policies of Makro are being followed. Under no circumstances will the employee's health information affect the employment status however, regarding health care related to work, Makro has arranged for occupational health examinations. For employees with work-related risk, advice and examinations will be provided to employees by specialized occupational health professionals to help monitor work-related ailments and care for the physical health of employees.

Furthermore, Makro encourages activities that promote employee health such as exercising. There are annual sport events for all branches and a fitness facility at the head office, to name a few.



*Employee health examination*

### Full-Time Employees

	2015	2016	2017	2018	Target for 2019
Amount of work-related deaths	0	0	0	0	0
Injuries	3.02	2.78	2.13	4.05	<4.05
Rate of injuries resulting in absence from work	1.94	2.29	1.57	3.00	<3.00
Rate of work absence	0.85	0.945	0.455	0.79	-
Work hours	27,738,769	30,870,892	32,362,294	34,301,065	-

### Outsourced workers other than employees

	2015	2016	2017	2018	Target for 2019
Number and rate of work-related fatalities	0	0	0	0	0
Injury Rate	5.2	5.79	3.1	2.3	<2.3
Rate of injuries resulting in work absence	4.5	5.1	2.6	1.6	<1.6
Work hours	17,683,712	15,872,344	20,914,386	37,850,962	-

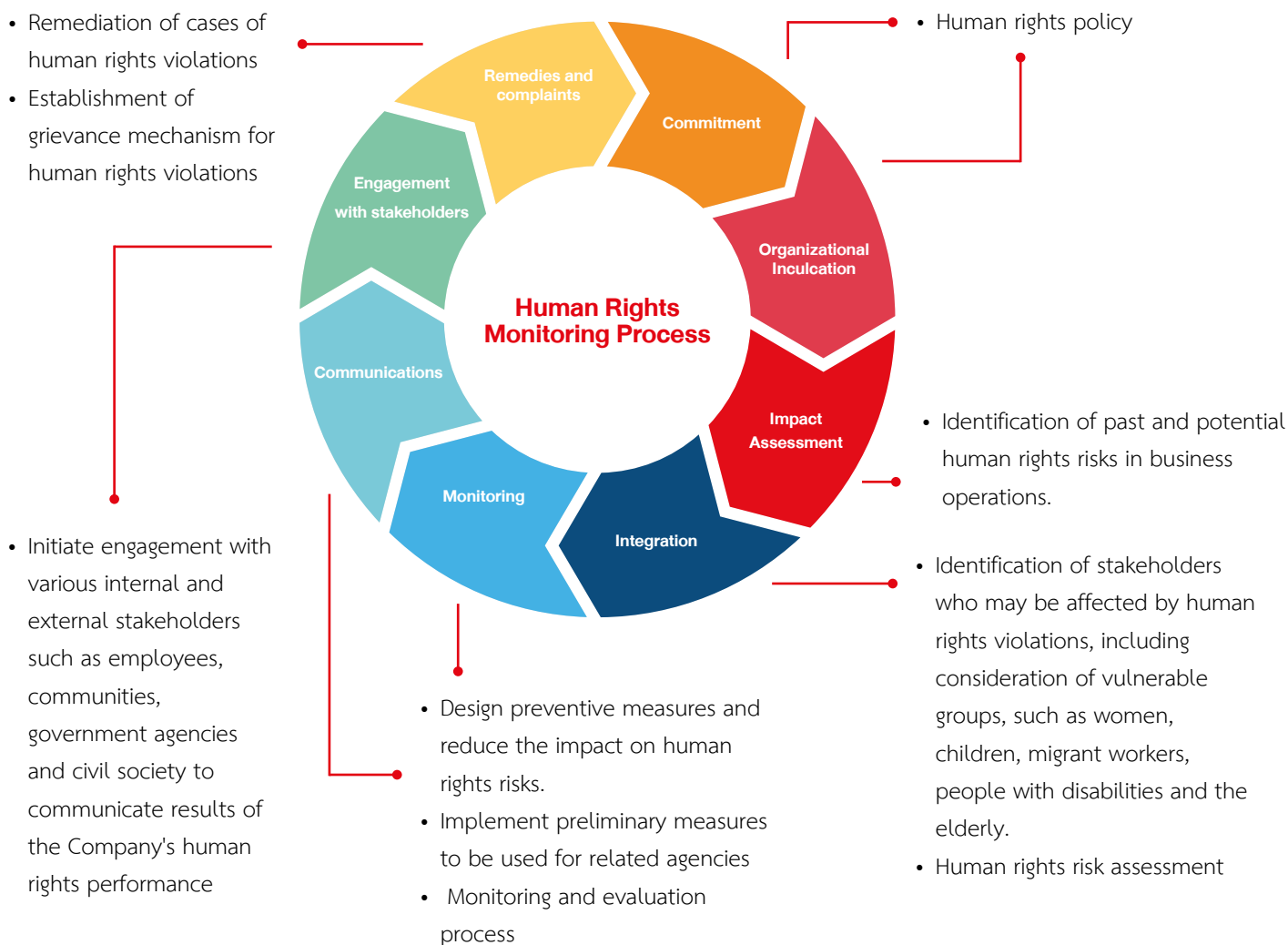
## Human Rights Protection

The protection of employees' human rights is carried out per Makro's human rights policy and the Human Rights Due Diligence process in accordance with the UN Guiding Principles on Business and Human Rights in order to manage business activities that respect human rights of all stakeholders.

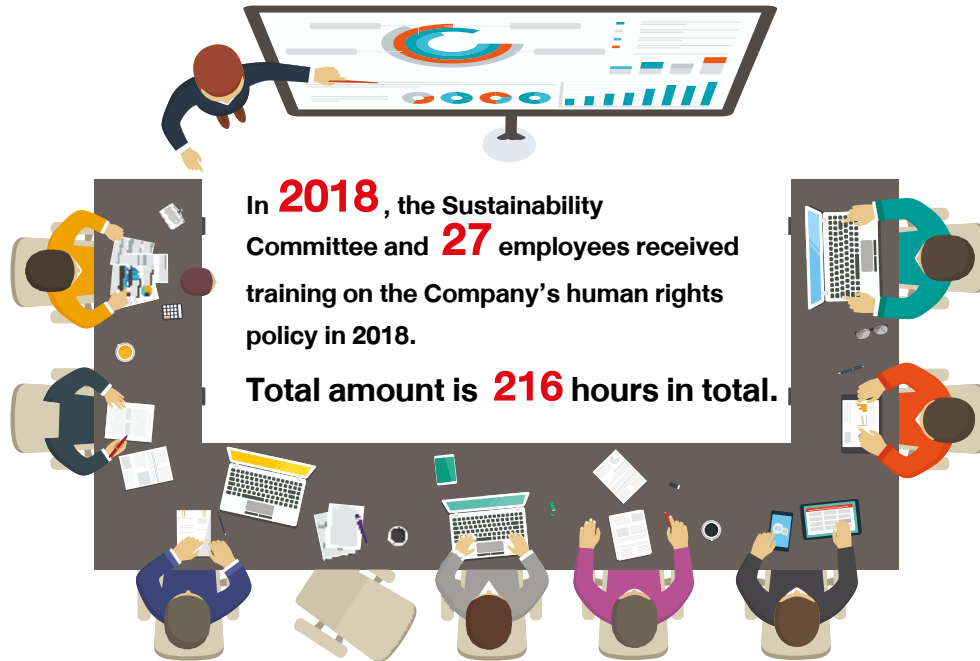
As a result, Makro has announced its human rights and labor practices policy since 2017, encompassing the Siam Makro Public Company Limited group and its subsidiaries, by defining policies and processes in accordance with the UN Guiding Principles on Business and Human Rights, the UN Global Compact, and the International Labor Organization (ILO) Declaration on Fundamental Principles and Right at Work.

In order to ensure stakeholders' access to this policy, Makro has translated its human rights policy into Cambodian language in 2018.

In addition to its policy announcement, Makro has conducted a human rights risk assessment in business activities at the CP All Group levels in 2017 and 2018. As a result, the Group is aware of human rights risks and has issued appropriate risk management measures. In pursuing continuous improvements, Makro plans to conduct a comprehensive human rights assessment process to ensure greater effectiveness.



Moreover, Makro has organized trainings on labor and human rights policies for employees. In the year 2018, there were 16 training courses. Makro plans to expand its human rights policy training coverage to all employees in 2020.



With respect to human rights risks assessment in the Company's business activities in 2018, there was a workshop participated by representatives from CP All Group companies. Makro sent representatives from various departments including Human Resources, Customer Relations, Health Safety and Environment (HSE) and Purchasing to conduct a comprehensive assessment of the entire value chain.

Discussions on human rights risks identified the health and safety of branch employees as a salient human rights issue. Further discussions took place to identify preventive measures to reduce risks, which include intensive staff training or development of technology for higher security. (Please read further about the issue on Occupational Health and Safety Management, pages 94-99) As for other human rights issues, such as discrimination, it is found that there is effective management and a low level of risk.

# Annex





## GRI Content Index

Global Reporting Initiative: Core Standards

Global Reporting Initiative		Chapter/
GRI 102: General Disclosures		
<b>Organizational Profile</b>		
GRI 102-1	Name of the Organization	About Makro
GRI 102-2	Activities, brands, products, and services	About Makro
GRI 102-3	Location of Headquarters	About Makro
GRI 102-4	Location of operations	About Makro
GRI 102-5	Ownership and legal form	About Makro
GRI 102-6	Markets served	About Makro
GRI 102-7	Scale of the organization	About Makro
GRI 102-8	Information on employees and other workers	<ul style="list-style-type: none"> <li>• Inspiring Our Employees</li> <li>• Annexure</li> </ul>
GRI 102-9	Supply Chain	<ul style="list-style-type: none"> <li>• Value Chain</li> <li>• Providing High Quality and Safe Foods for Important People Like You</li> <li>• Unite to create value and social responsibility throughout the supply chain for sustainable development</li> </ul>
GRI 102-10	Significant changes to the organization and its supply chain	<ul style="list-style-type: none"> <li>• About Makro</li> <li>• Organizational Changes in 2018</li> </ul>
GRI 102-11	Precautionary Principles or approach	About Makro
GRI 102-12	External initiatives	<ul style="list-style-type: none"> <li>• About Makro</li> <li>• For Better Lives, Together</li> </ul>
GRI 102-13	Membership of associations	Makro's List of Association Membership 2018
<b>Strategy</b>		
GRI 102-14	Statement from senior decision-maker	Message from Board Director and Group Chief Executive Officer
<b>Ethics and Integrity</b>		
GRI 102-16	Values, principles, standards, and norms of behavior	Corporate Governance
<b>Governance</b>		
GRI 102-18	Governance Structure	Corporate Governance
GRI 102-32	Highest Governance Body's Role in Sustainability Reporting	Sustainability Committee

Global Reporting Initiative		Chapter/
<b>Stakeholder Engagement</b>		
GRI 102-40	List of stakeholder groups	Makro's Stakeholder
GRI 102-41	Collective bargaining agreements	Stakeholder Engagement
GRI 102-42	Identifying and selecting stakeholders	Stakeholder Engagement
GRI 102-43	Approach to stakeholder engagement	Stakeholder Engagement
GRI 102-44	Key topics and concerns raised	<ul style="list-style-type: none"> <li>• Stakeholder Engagement</li> <li>• Materiality matrix</li> </ul>
<b>Reporting Practice</b>		
GRI 102-45	Entities included in the consolidated financial statements	About Makro
GRI 102-46	Defining report content and topic boundaries	Materiality Assessment
GRI 102-47	List of material topics	Materiality Assessment
GRI 102-48	Restatements of information	Materiality Assessment
GRI 102-49	Changes in reporting	Materiality Assessment
GRI 102-50	Reporting period	About Makro
GRI 102-51	Date of most recent report	About Makro
GRI 102-52	Reporting cycle	About Makro
GRI 102-53	Contact point for questions regarding the report	About Makro
GRI 102-54	Claims of reporting in accordance with the GRI Standards	About Makro
GRI 102-55	GRI content Index	GRI Content Index
GRI 102-56	External Assurance	Independent Limited Assurance Report
<b>GRI 103: Management Approach</b>		
GRI 103-1	Explanation of the material topic and its boundary	Makro 4.0 strategy
GRI 103-2	The Management approach and its components	Makro 4.0 strategy
GRI 103-3	Evaluation of the management approach	Makro 4.0 strategy
<b>GRI 201: Economic Performance</b>		
GRI 201-1	Direct Economic value generated and distributed	About Makro
<b>Indirect Economic Impacts</b>		
GRI 203-2	Significant indirect Economic Impacts	Supporting today's businesspersons and local retailing to prepare for the future of retailing
<b>Procurement Practices</b>		
GRI 204-1	Proportion of spending on local suppliers	Unite to create value and social responsibility throughout the supply chain for sustainable development
<b>Anti-Corruption</b>		

Global Reporting Initiative		Chapter/
GRI 205-1	Operations Assessed for risks related to corruption	Corporate Governance
GRI 205-2	Communication and training about anti-corruption policies and procedures	Corporate Governance
GRI 205-3	Confirmed incidents of corruption and actions taken	Corporate Governance
<b>Energy</b>		
GRI 302-1	Energy Consumption within the organization	Living Together and Supporting One Another, Makro for the Environment and Quality of Life
GRI 302-3	Energy Intensity	Living Together and Supporting One Another, Makro for the Environment and Quality of Life
GRI 302-4	Reduction of Energy Consumption	Living Together and Supporting One Another, Makro for the Environment and Quality of Life
<b>Water and Effluents</b>		
GRI 303-1	Integrations with water as a shared resource	Living Together and Supporting One Another, Makro for the Environment and Quality of Life
GRI 303-3	Water Withdrawal	Living Together and Supporting One Another, Makro for the Environment and Quality of Life
<b>Emissions</b>		
GRI 305-1	Direct (Scope 1) GHG emissions	Living Together and Supporting One Another, Makro for the Environment and Quality of Life
GRI 305-2	Energy Indirect (Scope 2) GHG emissions	Living Together and Supporting One Another, Makro for the Environment and Quality of Life
GRI 305-4	GHG Emissions Intensity	Living Together and Supporting One Another, Makro for the Environment and Quality of Life
GRI 305-5	Reduction of GHG Emissions	Living Together and Supporting One Another, Makro for the Environment and Quality of Life
<b>Effluents and Waste</b>		
GRI 306-1	Water Discharge by Quality and Destination	Annexure
GRI 306-2	Waste by type and disposal methods	Annexure

Global Reporting Initiative		Chapter/
GRI 401: Employment		
GRI 401-1	New Employee hires and employee turnover	Inspiring Our Employees
<b>Occupational Health and Safety</b>		
GRI 403-1	Occupational Health and Safety Management Systems	Occupational Health and Safety Management
GRI 403-2	Hazard identification, risk assessments, and incident investigation	Occupational Health and Safety Management
GRI 403-3	Occupational health services	Occupational Health and Safety Management
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	Occupational Health and Safety Management
GRI 403-5	Worker training on occupational health and safety	Occupational Health and Safety Management
GRI 403-6	Promotion of worker health	Occupational Health and Safety Management
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Health and Safety Management
GRI 403-8	Workers covered by an occupational health and safety management system	Occupational Health and Safety Management
GRI 403-9	Work-related injuries	Occupational Health and Safety Management
GRI 403-10	Work-related ill health	Occupational Health and Safety Management
<b>Training and Education</b>		
GRI 404-1	Average hours of training per year per employee	Inspiring Our Employees
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	<ul style="list-style-type: none"> <li>• Inspiring Our Employees</li> <li>• Annexure</li> </ul>
<b>Diversity and Equal Opportunity</b>		
GRI 405-1	Diversity of Governance bodies and employees	Human Rights Protection
<b>Human Rights Assessment</b>		
GRI 412-1	Operations that have been subject to human rights reviews or impact assessments	Human Rights Protection
GRI 412-2	Employee training on human rights policies or procedures	Human Rights Protection
GRI 412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Human Rights Protection

## Sustainability performance : Employee; Training and Development

GRI Standard	Indicator	Unit	2015	2016	2017	2018	Remark
<b>Number of employee</b>							
102-8	<b>Total employee</b>	person	12,277	13,365	13,786	14,560	
	• Male	person	5,579	6,069	6,211	6,592	
	• Female	person	6,698	7,297	7,575	7,968	
<b>Full-time employees by regions</b>							
	• Northern (male)	person	647	725	761	793	
	• Northern (female)	person	579	645	620	624	
	• Northeastern (male)	person	1,299	1,370	1,374	1,435	
	• Northeastern (female)	person	1,280	1,336	1,366	1,357	
	• Western (male)	person	275	323	302	343	
	• Western (female)	person	394	447	440	467	
	• Central (male)	person	1,912	2,181	2,365	2,518	
	• Central (female)	person	2,528	2,909	3,199	3,452	
	• Eastern (male)	person	505	502	472	528	
	• Eastern (female)	person	652	705	717	810	
	• Southern (male)	person	926	930	907	930	
	• Southern (female)	person	1,212	1,223	1,209	1,227	
<b>Employees by type of contract</b>							
	<b>Full-time employees</b>	person	12,209	13,296	13,732	14,484	
	• Male	person	5,564	6,031	6,181	6,547	
	• Female	person	15	7,265	7,551	7,937	
	<b>Part-time employees</b>	person	68	69	54	76	
	• Male	person	15	37	30	45	
	• Female	person	53	32	24	31	

GRI Standard	Indicator	Unit	2015	2016	2017	2018	Remark
<b>Employee diversity</b>							
405-1	<b>Employees by levels</b>						
	<b>Top management</b>	person	19	20	20	27	
	• Male	person	10	11	11	14	
	• Female	person	9	9	9	13	
	<b>Middle Management</b>	person	167	184	190	202	
	• Male	person	78	85	79	85	
	• Female	person	89	99	111	117	
	<b>Management</b>	person	879	975	1,023	1,112	
	• Male	person	390	426	446	478	
	• Female	person	489	549	577	634	
	<b>Officer</b>	person	11,147	12,114	12,515	13,155	
	• Male	person	5,087	5,507	5,646	5,973	
	• Female	person	6,060	6,607	6,869	7,182	
	<b>Employees by age</b>						
	<b>Lower than 30 years</b>	person	4,515	4,979	5,200	5,493	
	• Male	person	2,142	2,355	2,446	2,671	
	• Female	person	2,373	2,624	2,754	2,822	
	<b>30-50 years</b>	person	7,474	8,027	8,224	8,637	
	• Male	person	3,326	3,543	3,600	3,724	
	• Female	person	4,148	4,484	4,624	4,913	
	<b>Over 50 years</b>	person	223	287	324	366	
• Male	person	97	131	136	155		
• Female	person	126	156	188	211		

GRI Standard	Indicator	Unit	2015	2016	2017	2018	Remark
401-1	<b>New hired</b>						
	<b>Total new hired</b>	person	5,524	5,633	5,701	6,131	
	• Male	person	2,490	2,589	2,700	2,944	
	• Female	person	3,034	3,044	3,001	3,187	
	<b>Employees by age</b>						
	<b>Lower than 30 years</b>	person	3,264	3,555	3,673	3,963	
	• Male	person	1,463	1,636	1,752	1,969	
	• Female	person	1,801	1,919	1,921	1,994	
	<b>30-50 years</b>	person	2,253	2,072	2,019	2,160	
	• Male	person	1,022	948	944	971	
	• Female	person	1,231	1,124	1,075	1,189	
	<b>Over 50 years</b>	person	7	6	9	8	
	• Male	person	5	5	4	4	
	• Female	person	2	1	5	4	
	<b>Resignation</b>						
	<b>Total full-time employee resignation</b>	person	4,097	4,587	5,281	5,110	
	• Male	person	1,783	2,121	2,558	2,457	
	• Female	person	2,314	2,466	2,723	2,653	
	<b>Employees by age</b>						
	<b>Lower than 30 years</b>	person	2,337	2,548	2,899	2,918	
	• Male	person	992	1,143	1,401	1,407	
	• Female	person	1,345	1,405	1,498	1,511	
	<b>30-50 years</b>	person	1,737	2,024	2,344	2,158	
	• Male	person	780	970	1,135	1,034	
	• Female	person	957	1,054	1,209	1,124	
	<b>Over 50 years</b>	person	23	15	38	34	
	• Male	person	11	8	22	16	
	• Female	person	12	7	16	18	

GRI Standard	Indicator	Unit	2015	2016	2017	2018	Remark
404-1	<b>Training and development</b>						
	<b>Average training and development hours</b>						
	• Male	Hour per person per year	7.75	8.45	6.35	8.78	
	• Female	Hour per person per year	8.00	9.44	6.66	9.13	
	<b>Average training and development expense per FTE</b>	Baht per FTE	2,632.98	2,467.23	2,259.68	2,553.34	

Note : NA means data is not available

Scope : Data coverage for Siam Makro PCL. Thailand businesses only



**Sustainability performance : Occupational Health Safety**

GRI Standard	Indicator	Unit	2015	2016	2017	2018	Remark
<b>Employee</b>							
GRI 403-2 (2016)	<b>Absentee rate</b>	%	1.31	1.34	0.62	1.50	Calculation
	- Male	%	1.23	1.30	0.55	1.46	method
	- Female	%	1.38	1.37	0.69	1.54	adjusted
403-9 a (2018)	<b>Lost Time Injury Frequency Rate (LITFR)</b>	Cases per 1,000,000	1.94	2.29	1.57	3.00	Calculation method
	- Male	working hours	3.49	3.92	2.68	4.41	adjusted
	- Female		0.66	0.95	0.67	1.86	
	<b>Injury Rate (IR) – Employees</b>	Cases per 1,000,000	3.02	2.78	2.13	4.05	Calculation method
	- Male	working hours	5.16	4.50	3.43	6.03	adjusted
	- Female		1.26	1.36	1.07	2.44	
<b>Work-related fatalities</b>							
	- Male	person	0	0	0	0	
	- Female	person	0	0	0	0	
403-10 a (2018)	<b>Occupational fatalities</b>						
	- Male	person	0	0	0	0	
	- Female	person	0	0	0	0	
<b>Occupational Illness</b>							
	<b>Frequency Rate (OIFR)</b>	Cases per 1,000,000					
	- Male	working hours	0	0	0	0	
	- Female		0	0	0	0	

GRI Standard	Indicator	Unit	2015	2016	2017	2018	Remark
<b>Other workers exclude employee</b>							
403-9 b (2018)	<b>Lost Time Injury</b>	Cases per	4.50	5.10	2.60	1.60	
	<b>Frequency Rate (LITFR)</b>	1,000,000					
	- Male	working hours	6.13	6.48	3.48	1.94	
	- Female		2.93	2.93	1.80	1.30	
	<b>Injury Rate (IR)</b>	Cases per	5.20	5.79	3.10	2.30	
	-- Male	1,000,000	7.16	7.30	3.93	2.64	
- Female	working hours	3.27	3.41	2.30	2.07		
<b>Work-related fatalities</b>							
	- Male	person	0	0	0	0	
	- Female	person	0	0	0	0	
403-10 b (2018)	<b>Occupational fatalities</b>						
	- Male	person	0	0	0	0	
	- Female	person	0	0	0	0	
	<b>Occupational Illness</b>	Cases per					
	<b>Frequency Rate (OIFR)</b>	1,000,000					
	- Male	working hours	0	0	0	0	
	- Female		0	0	0	0	

Note : NA means data is not available

Scope : Data coverage for Siam Makro PCL. Thailand businesses only

**Sustainability performance : Environment**

GRI Standard	Indicator	Unit	2015	2016	2017	2018	Remark
<b>Energy</b>							
<b>302-1 (a)</b>	Total fuel consumption within the organization from non-renewable sources	Gigajoule	1,046,975.23	1,188,270.06	1,254,487.93	1,331,451.91	
	• Diesel	Gigajoule	3,047.38	3,506.21	3,591.01	24,519.85	Transportation data was included in 2018
	• Gasoline	Gigajoule	NA	NA	NA	11,845.54	
<b>302-1 (b)</b>	Total fuel consumption within the organization from renewable sources	Gigajoule	0	68.54	60.73	54.36	
	• Solar PV (Electricity)	Gigajoule	0	68.54	60.73	54.36	
<b>302-1 (c)</b>	Electricity purchased from outside	Gigajoule	1,043,927.85	1,184,763.85	1,250,896.92	1,295,086.52	
<b>302-1 (e)</b>	Total energy consumption within the organization	Gigajoule	1,046,975.23	1,188,338.60	1,254,548.66	1,331,506.27	
<b>302-3</b>	Energy intensity per revenue	Gigajoule per million baht	6.71	6.88	6.72	6.90	

GRI Standard	Indicator	Unit	2015	2016	2017	2018	Remark
<b>Water resource</b>							
<b>303-3 (a)</b>	Total volume of water withdrawn	Cubic meter	1,591,100.00	1,816,229.00	2,040,724.00	2,158,271.65	Excluding reuse and recycle
	• Ground water	Cubic meter	NA	NA	NA	73,203.21	Ground water data was included in 2018
	- Tap water	Cubic meter	1,591,100.00	1,816,229.00	2,040,724.00	2,231,474.86	
<b>Management Approach</b>	Volume of water reuse and recycle	Cubic meter	NA	NA	167,400	459,000	Results from water conservation program
<b>Effluents and Waste</b>							
<b>306-1 (a)</b>	• Water discharge	Cubic meter	1,272,880.10	1,452,983.21	1,632,579.07	1,785,179.89	Calculated by 80% of total volume of water withdrawn
<b>306-2 (b)</b>	<b>Total weight of non-hazardous waste</b>						
	• Landfill	Metric ton	7,155.00	14,595.15	18,254.06	20,207.78	Landfill
	• Composting	Metric ton	27.30	46.75	45.60	86.59	
	Total weight of waste	Metric ton	7,182.30	14,641.90	18,299.66	20,294.37	Excluding valuable, reusable, recyclable waste that has been managed
<b>GHG emission</b>							
<b>305-1 (a)</b>	Scope 1 emission	tCO <sub>2</sub> e	39,196.80	34,851.39	52,290.98	50,214.93	Data coverage included fugitive emission from refrigerants and fuel combustion for our operation

GRI Standard	Indicator	Unit	2015	2016	2017	2018	Remark
305-2 (a)	Scope 2 emission	tCO <sub>2</sub> e	167,911.10	189,699.14	195,192.98	209,408.29	Data coverage included electricity purchased from outside
	Total GHG emission (Scope 1 + 2)	tCO <sub>2</sub> e	207,107.90	224,550.53	247,483.96	259,623.22	
305-4 (a)	GHG intensity per revenue	tCO <sub>2</sub> e per million baht	1.33	1.30	1.33	1.35	Calculated from scope 1 and 2 emission
	GHG intensity per revenue	tCO <sub>2</sub> e per million baht	1.33	1.30	1.33	1.35	Calculated from scope 1 and 2 emission

#### Note

##### 1. Definition

- NA means data is not available

##### 2. Scope and calculation methodology

- Calculation follows GRI Standard 2018
- Conversion factors were referred to Department of Alternative Energy Department and Efficiency, Ministry of Energy, Thailand
- Total energy consumption was calculated from summation of non-renewable sources, renewable sources, and energy purchased from outside
- GHG emission was calculated from unite of activities multiply with emission factor which referred from Thailand Greenhouse Gas Management Organization (Public Organization) (TGO) and Intergovernmental Panel on Climate Change (IPCC). Global Warming Potential: GWP announced by IPCC was followed.
- GHG emission intensity per revenue was calculated from direct and indirect emission (scope 1 + 2).



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# Independent limited assurance report

To the Directors of Siam Makro Public Company Limited (“Siam Marko”)

## Conclusion

Based on the procedures performed, as described below, nothing has come to our attention that causes us to believe that the selected subject matters (“Subject Matters”) identified below and included in the Sustainability Report 2018 (the “Report”) for the year ended 31 December 2018 and disclosures regarding their adherence to the three AccountAbility Principles of Inclusiveness, Materiality and Responsiveness under AA1000APS (2008), and reliability of Subject Matters, are not, in all material respects, prepared in compliance with the reporting criteria (the “Criteria”).

## Our Responsibilities

We have been engaged by Siam Makro and are responsible for providing a limited assurance conclusion in respect of the Subject Matters for the year ended 31 December 2018 to be included in the Report as identified below.

Our assurance engagement is conducted in accordance with the International Standard on Assurance Engagements ISAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information* and ISAE 3410 *Assurance on Greenhouse Gas Statements*. We have also conducted our engagement in accordance with the Accountability Assurance Standard of Sustainability AA1000AS (2008) at moderate level that corresponds to a limited assurance as per ISAE 3000 with a Type 2 engagement, which covers not only the nature and extent of the organisation’s adherence to the AA1000APS, but also evaluates the reliability of Subject Matters as indicated below. These standards require the assurance team to possess the specific knowledge, skills and professional competencies needed to provide assurance on sustainability information, and that we plan and perform the engagement to obtain limited assurance on whether the Subject Matters are prepared, in all material respects, in compliance with the Criteria. We have complied with the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants to ensure their independence. The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have not been engaged to provide an assurance conclusion on any other information disclosed within the Report.

## Subject Matters

Subject Matters comprised of the following data expressed numerically or in descriptive text for the year ended 31 December 2018:

- GRI 302-1 Energy consumption within organization (2016 version)
- GRI 302-3 Energy intensity (2016 version)
- GRI 303-3 Water withdrawal (2018 version)
- GRI 305-1 Direct (Scope 1) GHG emissions (2016 version)
- GRI 305-2 Energy indirect (Scope 2) GHG emissions (2016 version)
- GRI 305-4 GHG emissions intensity (2016 version)
- GRI 306-2 Waste by type and disposal method (2016 version)
- GRI 403-4 Worker participation, consultation, and communication on occupational health and safety (2018 version)
- GRI 403-9 Work-related injuries (2018 version)
- GRI 403-10 Work-related ill health (2018 version)
- Percentage of workers whose work, or workplace, is controlled by organization, that are represented by formal joint management-worker health and safety committees (in accordance with GRI 403-1 (b) (2016 version))

## Criteria

The Subject Matters were assessed according to the following criteria:

- The Sustainability Reporting Standards of the Global Reporting Initiative (“GRI Standards”); and
- AA1000 AccountAbility Principles Standard (2008) (“AA1000APS”).

## Directors’ and management’s responsibilities

The directors and management of Siam Makro are responsible for the preparation and presentation of the Subject Matters, specifically ensuring that in all material respects the Subject Matters are prepared and presented in accordance with the Criteria. This responsibility also includes the internal controls relevant to the preparation of the Report that is free from material misstatement whether due to fraud or error.

## Procedure performed

In forming our limited assurance conclusion over the Subject Matters, our procedures consisted of making enquiries and applying analytical and other evidence gathering procedures including:

- Interviews with senior management and relevant staff at corporate and operating sites;
- Inquiries about the design and implementation of the systems and methods used to collect and process the information reported, including the aggregation of source data into the Subject Matters;
- Inquiries about managements practices and procedures related to identifying stakeholders and their expectations, determining material sustainability matters and implementing sustainability policies and guidelines;
- Visits Siam Makro head office and Srinakarin 2 branch, selected on the basis of risk analysis including the consideration of both quantitative and qualitative criteria;
- Agreeing the Subject Matters to relevant underlying sources on a sample basis to determine whether all the relevant information has been included in the Subject Matters and prepared in accordance with the Criteria.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Accordingly, we do not express a reasonable assurance opinion.

## Inherent limitations

Due to the inherent limitations of any internal control structure it is possible that errors or irregularities in the information presented in the Report may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation and presentation of the Report, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

## Restriction of use of our report

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than Siam Makro, for any purpose or in any other context. Any party other than Siam Makro who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than Siam Makro for our work, for this independent limited assurance report, or for the conclusions we have reached.



**KPMG Phoomchai Audit Ltd.**

Bangkok

12 April 2019

**makro**  
your trusted partner

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