Enterprise Risk Management

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The company places strong emphasis on Enterprise Risk Management (ERM) by establishing a comprehensive and robust risk management framework aligned with best practices. This enables the company to manage risks effectively, support strategic decision making, and instill confidence among all stakeholders.

Over the past year, the company's risk management activities have fully encompassed the key components of a sound ERM system, including:

- Defining Risk Appetite and Risk Tolerance levels
- Conducting risk assessments and analyses using a Risk Matrix, considering both likelihood and impact
- Establishing Key Risk Indicators (KRIs) to monitor emerging and evolving risk exposures
- Continuously tracking and evaluating risk management performance, with regular reporting to executive management and the Board of Directors

These initiatives underscore the company's commitment to embedding risk management as an integral part of its long term sustainable business operations.

Defining Risk Appetite and Risk Tolerance levels

» **The company defines its Risk Appetite within the green zone of the Risk Matrix only. For any risks that fall outside the green zone, risk owners are required to implement additional risk mitigation measures to reduce the risk level to an acceptable threshold.**

It is outlined in the Risk Management Manual, pages 10 and 18.

Accordingly, the company defines its acceptable risk level based on the established risk assessment criteria and risk matrix, with the following parameters:

1. Risks within the acceptable level: These are risks assessed as Low. While considered acceptable, such risks must still be monitored and controlled to ensure they do not escalate beyond the company's defined risk tolerance.

2. Risks exceeding the acceptable level: These include risks assessed as Significant or Material.

Risk Map

Following the risk identification process, the Company plots the identified risks on a Risk Map based on the assessed likelihood of occurrence and potential impact, using the predefined risk severity criteria outlined above.



The color-coded areas on the Risk Map correspond to the Company's acceptable risk levels, with different risk management approaches applied based on the severity level of each risk, as outlined below:

Risk Ranking	Assessment Score	Status Code	Definition and Meaning
Low	1-3	Green	• Acceptable risk level, with no need for additional control or mitigation measures
Moderate	4-9	Yellow	• Monitor and keep under observation to prevent escalation • Internal reporting only
High	10-16	Orange	• Unacceptable risk, requiring reduction and periodic monitoring • Report directly to the Chief Executive Officer (CEO)
Critical	20-25	Red	• Immediate action required before proceeding with operations • Report to the CEO and the Risk Management Committee

Risk Assessments and Analyses Using a Risk Matrix

» **The company has established a Risk Matrix and defined the criteria for assessing risks based on both likelihood of occurrence and potential impact, as outlined in the Risk Management Manual, pages 17 and 18.**

Risk Map
Following the risk identification process, the Company plots the identified risks on a Risk Map based on the assessed likelihood of occurrence and potential impact, using the predefined risk severity criteria outlined above.



Risk Likelihood Assessment Criteria
The likelihood of risk occurrence and its potential impact are categorized into 5 levels, with definitions assigned to each level as follows:

Rating	Rare (1)	Unlikely (2)	Possible (3)	Likely (4)	Almost certain (5)
Qualitative	Quite certainly will not occurred, or difficult to occur.	Not likely to occur in a normal situations, there must be many driving factors.	Likely to occur in normal situations, there must be many driving factors.	Have occurred often, or ever occur monthly period.	Quite certainly to occur, or high frequency occurs.
Frequency	Never occurred, or up to once in 3 or more years.	Once in 1 to 3 years.	Once in a year.	Once in 6 months up to 1 year.	Once in a monthly basis.
Possibility	<10% chance of occurrence	10-40%	41-60%	61-90%	>90%

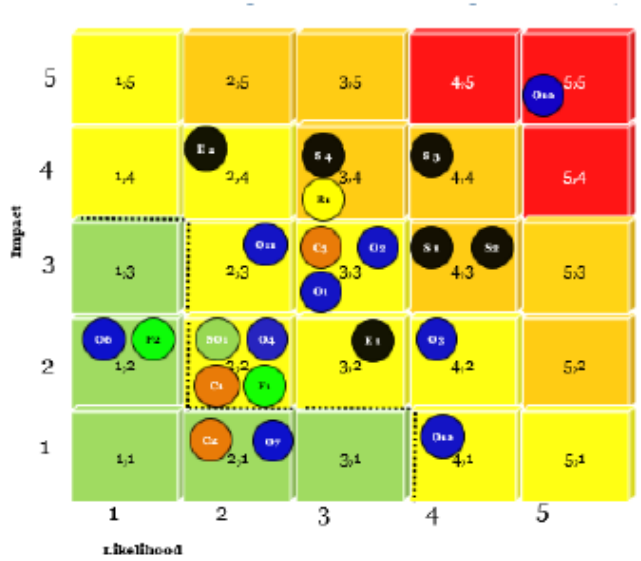
Risk Impact Assessment Criteria
The levels of impact from a risk event are categorized across 8 dimensions, as follows:

Impacts	Insignificant (1)	Minor (2)	Medium (3)	Major (4)	Critical (5)
Financial					
Financial loss	Up to 5MB	>5-10MB	>10-15MB	>15-20MB	>20MB
Impact on profit	Decrease <1%	1-2%	>2-5%	>5-10%	>10%
Cash flow impact	No impact	Can cover by operating	May be affected	Imminent cash flow problems	Has cash flow problems
Non – Financial					
Image & Reputation	Local media attention, no impact	Local media coverage in a few days	National negative media coverage 1-3 days	National negative media coverage >3 days	International negative media coverage, and social media
Law & Reputation	No report to regulator	Reportable incident to authorised parties, no follow up actions	Report to local governor with immediate actions	Report to regulator for corrective actions	Significant prosecution & fines
Safety & Environment	First aid treatment	Medical treatment injury	Single lost time injury	Multiple lost time injuries	Fatalities
Environment	Very low impacts	Low impacts	Moderate and internal impacts	Major impacts	Severe impact incidents, affect to external parties
Community	Isolated complaint	Sporadic or multiple complaints	Repeatable or serious of complaints	Ongoing complaints from concerned parties	High concern from various parties

Risk Assessments and Analyses Using a Risk Matrix

» **As outlined in the Risk Management Manual, the company utilizes risk assessment data to evaluate key risks and presents the findings to the Board of Directors and executive management during the Quarterly Risk Management Committee meetings.**





Key changes:

- **Risk rating**: Cyber security risk adjust rating to 5,5
- **Risk Owner**: Revise risk owner to align with current organization

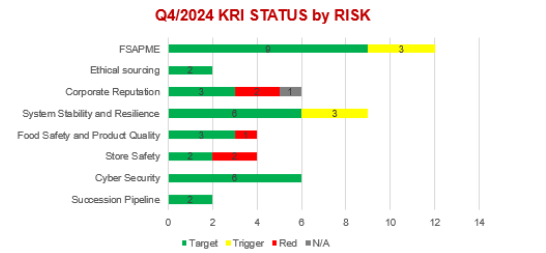
Risk	Q4 2024 (LxI)	Q3 2024 (LxI)	Change
E1 Economic environment [K. Saowaluck]	3,2	3,2	⟷
E2 Environment Social Governance (ESG) [K. Wilairat]	2,4	2,4	⟷
S1 International expansion (Cambodia, Myanmar and India) [K. Saksit]	4,3	4,3	⟷
S2 Food Services APME [K. Louis]	4,3	4,3	⟷
S3 Digital transformation capability [K. Tirayu and K. Wasun]	4,4	4,4	⟷
S4 Makro PRO [K. Tirayu]	3,4	3,4	⟷
O1 Succession pipeline [K. Wasun]	3,3	3,3	⟷
O2 E2E Operations [K. Aue-Aungkul]	3,3	3,3	⟷
O3 Store safety [K. Montree]	4,2	4,2	⟷
O4 Food safety and product quality [K. Jutarat]	3,2	3,2	⟷
O6 Distribution disruption (DHL and DC) [K. Kittinan]	1,2	1,2	⟷
O7 Business Discontinuity [K. Saowaluck and K. Suparat]	2,1	2,1	⟷
O10 Cyber security [Dr. Viriya and K. Sakrit]	5,5	2,3	↑
O11 System stability and resilience [Dr. Viriya and K. Sakrit]	2,3	2,3	⟷
O12 Data Governance across Company [Dr. Viriya and K. Aitsanart]	4,1	4,1	⟷
SO1 Ethical sourcing [K.Tanit, K. Jutarat]	2,2	2,2	⟷
F1 Exchange rate fluctuation [K. Thanyamas]	2,2	2,2	⟷
F2 Funding and liquidity [K. Thanyamas]	1,2	1,2	⟷
C1 Non-compliance leads to regulatory fines, paid out, and complaints [K.Prakasit]	2,2	2,2	⟷
C2 Non-compliance with laws in other countries [K.Prakasit]	2,1	2,1	⟷
C3 Non-compliance to PDPA [K.Suparat]	3,3	3,3	⟷
R1 Corporate reputation [K. Siripom]	3,4	3,4	⟷

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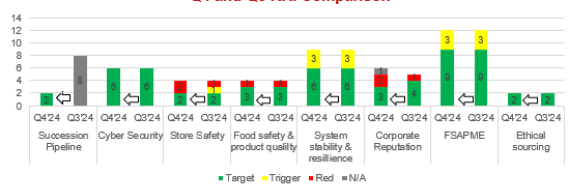
Establishing Key Risk Indicators (KRIs)

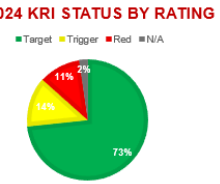
» In addition to assessing and identifying key risks in accordance with the Risk Matrix and reporting them to the Risk Management Committee, the company has also established Key Risk Indicators (KRIs) for each risk to enhance the effectiveness of the risk assessment process. The details of these KRIs are presented to the Risk Management Committee on a quarterly basis.

KRI Dashboard



We collaborate with risk owners to review Key Risk Indicators (KRIs) to ensure alignment with the company's strategy, goals, and targets





Focus on RED KRIs

Risks	Overall risk rating (Likelihood x Impact)	KRI (How to measure success?)	Red threshold	Amber threshold	Green threshold	Actual result Q4/2024	Result	Mitigation Action
Corporate Reputation	**3 x 4**	% Negative share of voices about product quality	0.9% Negative	0.5% negative	Below 0.5% negative	Makro **1.79%** Lotus's **2.49%**		• The team has been closely monitoring and ensuring the first response to customers within 5 minutes to prevent cases from escalating. Once complete information is received from customers, the cases are immediately coordinated with the branch and QA team. Additionally, reports are sent to relevant departments daily and weekly.
		% of crisis cases stabilized within 6 hours (social media engagement stabilization)	70%	80%	85%	76%		• In Q4, there were 4 additional crisis cases. All cases were stabilized within six hours, but the percentage still couldn't increase to meet the 85% target as they are under investigation for the root causes.
Food safety and product quality	**3 x 2**	Number of punishment case by law and regulation agency that related to food safety	>2	1-2	0	8		• Every shipment Full report ISO 17025(250 parameters) • Establish Packing house Certificate • Establish farm / packing crops update • Product monitoring program on supplier performance
Store safety	**4 x 2**	Work related lost time injury rate (LTI) (Case)	>156	104-156	0-103	272 (LFL Y23=174)		• Build Safety culture : Implement KYT • Control Safety Condition : OEP Daily Checklist monitor and follow up by Area manager • Enforcement for safety rule violation and unsafe behavior
		Customer injury rate *(Customer Case/Number of Store)*	< 0.46 (<76)	0.46-0.62 (76-102)	>0.62 (>102)	0.76 (125) LFL Y23=114		

Continuously Tracking and Evaluating Risk Management Performance

The company conducts systematic and ongoing monitoring and evaluation of risk management performance on a quarterly basis. This includes the preparation of a risk status summary report and the presentation of outcomes related to the implementation of risk control measures to:

- Risk Management Committee (RMC)





- Audit Committee (AC)



