



“Partner for Sustainable Society”



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MESSAGE FROM THE CHAIRMAN AND GROUP CHIEF EXECUTIVE OFFICER



GRI 102-14



Mr. Arsa Sarasin
Chairman

We are delighted to present Siam Makro's first Sustainability Report. This is a key milestone on our sustainability journey, as part of our vision to be the number one food solution provider for professional customers. Makro is dedicated to providing customers with a selection of safe, high quality food and food-related products at a competitive price. We are "your trusted partners", committed to "enhancing people's lives" so that together we achieve sustainable growth for ourselves, the local community and for Thailand.

Our vision is exemplified in the Makro 4.0 Goals: "Enhancing People's Life". In order to be truly sustainable, We have six areas of focus which drive our sustainability decisions, steering us towards continuous improvement towards;

1. Becoming the point of reference on food safety
2. Strengthening sustainable and ethical sourcing
3. Reducing negative environmental impacts
4. Local love to support communities
5. Making our customers prosper
6. Becoming the employer of choice for all generations

This report has been compiled in alignment with the Makro 4.0 Goals, guided by the United Nations' Sustainable Development Goals. Each chapter will present some of the year's highlights, as well as Makro's commitments and plans to continue our sustainability journey in 2018 and beyond. Furthermore, we would like to emphasize that we see the Goals as complementary, where we can only achieve our vision by maintaining progress for each one.

Makro have a roadmap in place to help us set targets and assess our sustainability performance to 2020. This will be a vital reference for us over the next few years, and over the coming months we will be able to share our strategies for a range of areas. We are excited to witness the hard work being overseen by our Sustainability Committee, and involving

dedicated staff members from across the company. I am also realistic about the challenges ahead, and the need to embed sustainability ideas throughout Makro and with our partners. In order to achieve this sustainability culture, we will launch an internal sustainability training program in 2018 and roll this out so that by 2020 all of our employees receive the training.

2017 was a good year for Makro and we achieved a satisfactory performance, as evidenced by our total revenues of Baht 186,754 million, a 8.1% increase, from the previous year, and a net profit of Baht 6,178 million, a 14.1% increase from 2016. This was achieved through the company's ability to adapt promptly to rapid socio-economic changes, and always being aware of the challenges, risks and opportunities for our business.

On behalf of Makro and our Board of Directors, we would like to extend our sincere gratitude to our customers and suppliers for choosing Makro as your trusted partner for the past twenty eight years. We extend this gratitude to the many other business partners, shareholders, government agencies and financial institutions for their continued support. Finally, we would like to thank our management and staff for the relentless hard work and contribution to achieving the company's objectives. Makro will continue our pursuit towards securing sustainable economic growth, leading to long-term economic, social and environmental value creation.

Mr. Arsa Sarasin
Chairman

Mrs. Suchada Ithjarukul
Chief Executive Officer



Mrs. Suchada Ithjarukul
Group Chief Executive Officer - Siam Makro

ABOUT MAKRO



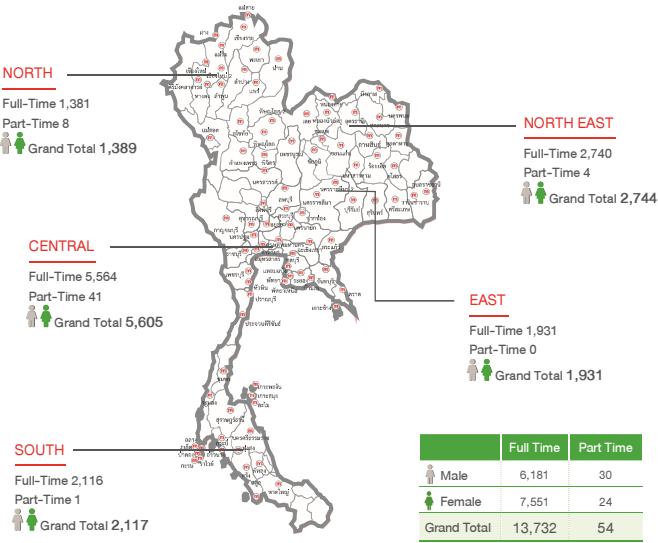
VISION

"To be number one food solution provider for professional customers"

MISSION

Siam-Makro's mission is to be the trusted business partner, by providing a diverse selection of high quality products at the most competitive price, allowing customers to manage cash flow effectively to achieve sustainable growth. Makro's mission is guided by the MAKRO principles:

- Multi-formats expansion
- Award: team achievement and investment in people
- Know the difference: Know and respect local differences
- Responsible: for society and the world
- Offer the best: value and solutions to customers



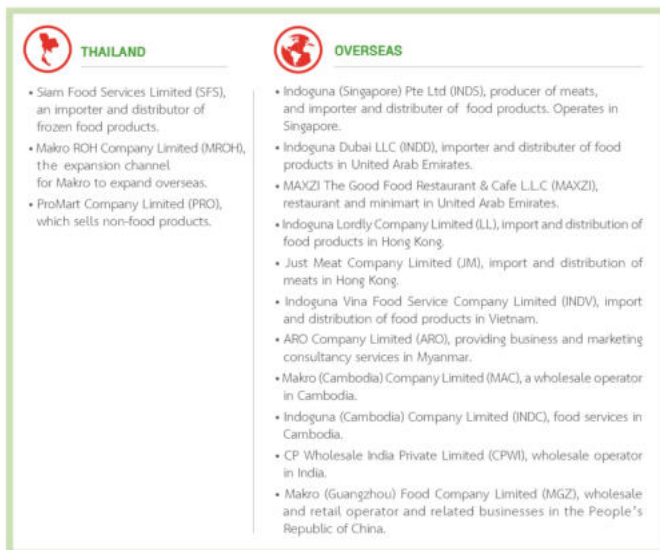
ABOUT THE COMPANY

Siam-Makro Public Company Limited ("Makro") was established in 1988, to operate as a member-based wholesale center, under the trading name of "Makro". Since then, Makro has continuously expanded its operations to provide a wide array of products to customers nationwide including: retailers; restaurants; service and catering business operators; government agencies; and educational institutions. Today, Makro remains committed to be "Your Trusted Partner" in business, by sourcing and providing a wide range of high quality products at a competitive price, allowing customers to make a profit. Makro offers three primary

product categories: fresh food products; dry-food products; and non-food products, incorporated into the three primary brand categories of: own brands developed and distributed by Makro, including the "ARO" and "Savepak" brands, commonly purchased by Makro's target customers within the HoReCa (Hotel, Restaurant, and Cafe) and professional groups; Executive brands directly imported by Makro, such as "M&K" and "Protech"; and branded products by Makro's suppliers, which include both high quality premium products and everyday low price products.

MAKRO GROUP BUSINESS STRUCTURE & ITS VALUE CHAIN

As of 31 December 2017, Makro has a total of fourteen subsidiaries:



More details on these subsidiaries can be found from page 118 of Makro's 2017 Annual Report.

All of Makro's operations and strategic decisions are managed out of the company's headquarters, located in Bangkok, Thailand. This helps to ensure effective control of all operations, aligning all business units towards a common objective and ensuring that high service standards are maintained throughout the supply chain. The main focus for Makro is operations in Thailand. However, the company recognizes new opportunities, and in 2017 established its first overseas store in Cambodia.

Makro is Thailand's leading cash and carry retailer, with locations throughout Thailand, providing a high quality service to all professionals including: food retailers; services such as schools and factories; and HoReCa.

In addition, Makro serves non-professional customers seeking high quality products at a reasonable price. Makro serves all its customers nationwide out of its 4 distribution centers (DCs), consisting of:

- DC 1: Wang Noi District, Ayutthaya – Dry foods and non-food distribution
- DC 2: Wang Noi, Ayutthaya – Fresh food, chilled and frozen products
- DC 3: Bang Sao Thong District, Samut Prakan – Dry foods and non-food products
- DC 4: Mueang District, Samut Sakhorn – Fresh, frozen and chilled food products



2017 HIGHLIGHTS AND AWARDS



Outstanding Business Award for Safety Occupational health and the working environment 2017



SH&E Seminar with CP Group



Development of Greenhouse Agriculture Technology



Food Safety Project with Consumer Protection Police



Minister of Agriculture visited Makro.



Organic Fair



Secretary General from Bureau of Agricultural Commodity and Food Standard at Makro Booth

ABOUT THIS REPORT



GRI 102-40 to 102-54



Siam-Makro Public Company Limited ("Makro") is proud to publish its FIRST annual Sustainability Report. This report has been prepared in accordance with the GRI Standard: Core options of the Global Reporting Initiative, and the company has reported on as many standards as possible. The aim of this report is to communicate our recognition and commitment towards economic, environmental and social responsibility and transparency. Unless stated, this report covers our performance and commitments toward sustainability from 1 January 2017 to 31 December 2017, of the operation of Makro and its Thailand subsidiaries, referred to as "The Company".

The primary purpose of this report is to communicate key sustainability issues material to Makro's operations. The report is intended to demonstrate Makro's commitment towards achieving sustainable business growth, while simultaneously achieving our corporate vision to be number one food solution provider for professional customers in ASEAN, through the provision of our high quality and safe products, enhancing the quality of people's lives nationwide.

SCOPE OF THE REPORT

As the first sustainability report Makro has published, this report only covers sustainability issues within Makro's Thailand operations, and therefore excludes all issues arising from international operations. Makro has prepared both Thai and English versions of this report, and has published them on the company's website: www.siammakro.co.th. Our Financial Statements can be found in our Annual Report from page 140. If you have any suggestions, concerns or seek additional information, you may contact us at our headquarters at:

1468 Phatthanakan Road, Phatthanakan Subdistrict, Suan Luang District, Bangkok 10250
Telephone: 0-2067-8999 Ext. 8992
Call Center: 02-335-5300
Email: sustain@siammakro.co.th

SUSTAINABILITY AT MAKRO

SUSTAINABILITY DEVELOPMENT VISION

To be the number one trusted partner for customers, offering safe and high quality products at the most reasonable price, allowing customers to remain competitive while making profit. To enhance the lives of today's customers without sacrificing the future generation's opportunity and access to the same resources we enjoy today.



AREAS OF FOCUS

Makro's first company-wide sustainability initiative, consisting of six areas of focus, covering all aspects of Makro's operations and beyond to customers and surrounding communities. These six areas allow Makro to efficiently integrate sustainability into day-to-day business operations, to better enhance people's lives.

1: Become the point of reference on food safety in each country in which we operate.

- This area aims to ensure that all of Makro's food products are safe for consumers.

- Initiative examples: QA process, traceability system, external certifications (e.g. GMP, HACCP).

2: Strengthen sustainable & ethical sourcing in each country in which we operate.

- Makro sustainability standards on responsible sourcing will be communicated and deployed to all tier 1 suppliers.

- Initiative examples: Certifications, Suppliers' Code of Conduct.

3: Reduce environmental impact.

- Reduce the environmental impact from the company's day to day operations.

- Initiative examples: Certifications and product development, GHG emissions, waste management, water stewardship, fuel reduction, energy saving.

4: Local love & match.

- CSR Activities aiming to support local communities in which Makro operates.

- Initiative examples: "100 stores, 100 communities", scholarships, HoReCa and Shohuay programs.

5: Make our customers prosper.

- Makro's commitment to provide the best service and maximum benefits to our customers.

- Initiative examples: Makro Retailer Alliance (MRA), Makro Shohuay, Makro click.

6: Become employer of choice for all generations (in all markets).

- Makro wants to be the best employer in the industry.

- Initiative examples: Retention and training programs, "young talent" programs.

The initiatives mentioned are explored in further detail in the chapters which follow.

STAKEHOLDER ENGAGEMENT

Makro operates under the principle of sustainable growth. To ensure that this principle is effectively implemented, and in order to safeguard the company against risks or impacts from the business operations, the company has developed and implemented a corporate code of conduct for all employees,

suppliers and business partners. Makro engages with each stakeholder differently, depending on our mutual needs. Stakeholder engagement is essential to assist in Makro's planning, strategy, and as a guide for the company's sustainability development.

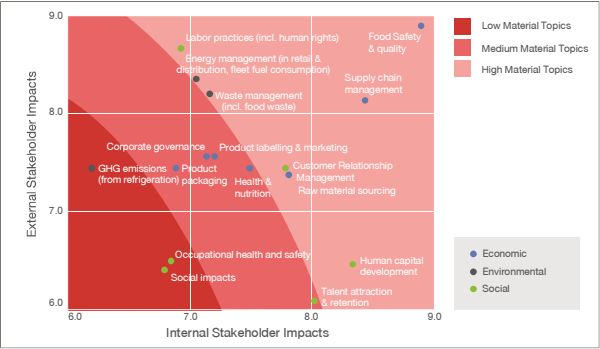
MAKRO'S STAKEHOLDERS



Stakeholder	Engagement Channels	Issues of Stakeholder Interest and Concern	Main Areas of Focus
Company Personnel or Staff (Employees)	- Annual employee satisfaction assessment - Grievance and complaint channels - Internal Intranet system to communicate relevant news - Risk assessment meetings	- Long-term work, salary and benefits - Career development opportunities - Occupational health and safety policy to manage safety and minimize stress - Good workplace environment	- Enhancing Employees - Human capital development - Talent Attraction & Retention - Labor Practice (Incl. Human Rights) - Occupational Health & Safety
Suppliers	- Meeting with suppliers - Annual sustainability surveys - Collaboration projects to drive innovation	- Supply chain sustainability e.g. human rights - Ability to deliver products - Transparent and fair negotiation process - Support for small-scale producers	- Enhancing Ethical Sourcing - Supply Chain Management - Raw Material Sourcing
Customers	- Listening to grievances and complaints - Proactively seeking opinions and interviewing customers - Makro Retailer Alliance	- Product quality and safety - Consumer health and safety - Accurate product labelling	- Enhancing Customer Values - Customer Relationship Management
Consumers	- Makro store employees - Communication channels including: websites, telephone, social media, letters - Annual events	- Product quality and safety - Consumer health and safety - Accurate product labelling - Good service & product presentation - Transparency in business operations	- Enhancing Food Safety - Food Safety & Quality - Product Labelling & Marketing - Product Packaging - Health & Nutrition

Stakeholder	Engagement Channels	Issues of Stakeholder Interest and Concern	Main Areas of Focus
Shareholders/ Investors	- Annual shareholder Meetings - Annual sustainability survey - Annual investors roadshows - Communication channels including websites, telephone, email, letters - Site visits - Analysis Meetings	Transparency in information disclosure	- Enhancing Local Love & Match - Social Impacts
Local Communities and Environment	Communication channels including: websites, telephone, social media, letters	- Environmental impacts - Social impacts	- Enhancing Environmental Well-being - Waste Management - Energy Management - GHG emissions - Enhancing Local Love & Match - Social Impacts
Regulators	- Collaborations - Annual Sustainability Surveys	- Tax transparency - Food safety - Human rights - Workers' safety	- Enhancing Food Safety - Food Safety & Quality - Enhancing Employees - Labor Practice (Incl. Human Rights) - Occupational Health & Safety
NGOs	Annual Sustainability Surveys	- Consumer health and Safety - Legal business operations - Social responsibility	- Enhancing Food Safety - Food Safety & quality - Product Labelling & Marketing - Product Packaging - Health & Nutrition

Stakeholder	Engagement Channels	Issues of Stakeholder Interest and Concern	Main Areas of Focus
Business Partners and/or Officers	- Relationship building - Grievance and complaint channels - Meetings, seminars and collaborations - Corporate policy announcements	- Acting in accordance with good corporate governance - Supporting competitive and business growth - Business relationship assurance	- Enhancing Customer Values - Customer Relationship Management



In order to identify the materiality issues in Makro's operations, a two day workshop was held in December 2017, which was attended by a range of staff members, including the CEO and functional heads, to better understand which topics are material for the company. The assessment identified 16 material topics, of which eight were of high materiality:

1. Food Safety & quality
2. Supply chain Management
3. Raw Material Sourcing
4. Waste Management
5. Energy Management

6. Customer Relationship Management
7. Human Capital Development
8. Labor Practices (incl. Human Rights)

In order to ensure that Makro's materiality issues are fully understood, external engagements were conducted, to validate the issues. The three stakeholders were; customers, suppliers and opinion leaders, all of whom conduct close business with Makro. This allowed Makro to confirm that three of the most important sustainability issues it faces are; food safety & quality; Supply Chain Management; and labor practices.

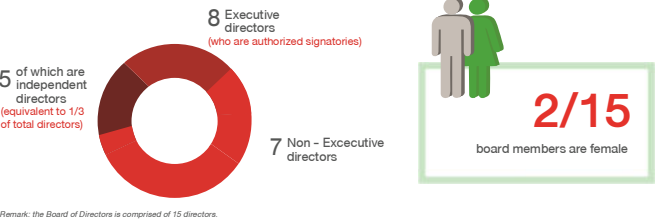
CORPORATE GOVERNANCE



Makro places great importance on conducting business in a transparent, efficient, and impartial manner. This is achieved through strict compliance to the established company-wide "Corporate Governance and Code of Conduct Manual" that lays out Makro's business objectives, as well as clear 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 also promotes sustainable growth.

GOVERNANCE STRUCTURE HIGHLIGHT 2017



MAKRO'S APPROACH TO GOOD CORPORATE GOVERNANCE

Makro firmly believes that conducting business in a fair and transparent manner will lead the company towards reliable business growth and increased confidence from communities. For this reason, the company not only ensures that it abides by local laws and regulations, but 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 signs and has the obligation to adhere to the manual; to drive the company towards achieving its objectives, vision and missions, while endorsing the highest level of ethical standards.

Makro's corporate governance policy is detailed in its 2017 Annual Report and is available on its website, www.siammakro.co.th, including descriptions of relevant governance processes and information disclosure structures. Also included are Makro's 2017 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 2017.

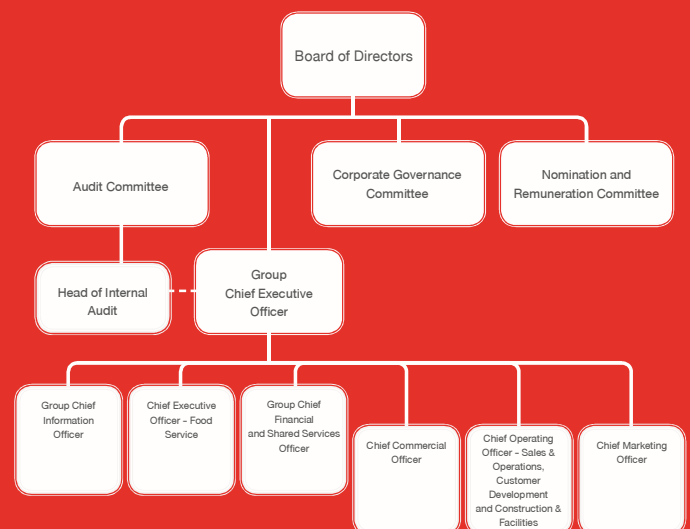
BOARD OF DIRECTORS

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 missions, and for ensuring that the company acts in accordance with the established good corporate governance. In 2017 (as at 31 December 2017), the Makro Board consisted of 15 directors (eight executive directors; seven non-executive) including two female directors and five independent directors. In the endeavor 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 the notice at least seven days ahead to allow the directors appropriate time to prepare. The chairman is also responsible for overseeing the meetings, unless a clear conflict of interest occurs. This rule is also applicable to all independent directors.

SIAM MAKRO PUBLIC COMPANY LIMITED

Organization Structure As at 31 December 2017



SUSTAINABILITY COMMITTEE

In 2017, as part of Makro's drive towards promoting long-term growth, the company established an internal Sustainability Committee. 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 of employees 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 developed the "Sustainability objectives", an initiative 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 development opportunities for new strategic sustainability actions.

CORPORATE GOVERNANCE POLICIES AND PRACTICES

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 policy, and codes of conduct for suppliers and business partners.



ANTI-CORRUPTION POLICY

Under the foundations of justice, ethics and compliance to good corporate governance, Makro's Anti-Corruption Policy provides general standards, and specific guidance 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 Audit Committee, which also reports to the Board, is responsible for ensuring that all of 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 acts of corruption.

Should any stakeholder witness any form of corruption, there are established channels of communication by which to report complaints and information (whistle-blowing). These include mail, email, telephone and fax. Informants are protected and if they wish may remain anonymous.

The Anti-corruption policy is published on the company website, available at www.siammakro.co.th



SUPPLIERS CODE OF CONDUCT

Makro's published "Suppliers Code of Conduct" provides all of Makro's suppliers with realistic and tangible guidelines to achieve Makro's expectations. It includes requirements related to: ethics, including anti-corruption and conflicts of interest; food safety and quality; traceability; business innovation; risk management; labor practices, including human rights and non-discrimination; and health & safety.

The Suppliers code of conduct is published on the company website, available at www.siammakro.co.th



BUSINESS PARTNER CODE OF CONDUCT

Beyond the commitment to conduct business in an ethical manner, the company faces the challenge of ensuring that its business partners conduct business ethically. For this reason, the company established the "Business Partner Code of Conduct" which outlines the values, principles and expectations of the company to its business partners. This code of conduct is used to align expectations and assist the company in selecting its business partners, while promoting good corporate governance and sustainability for all relevant parties.

The Business partner code of conduct is published on the company website, available at www.siammakro.co.th

EXTERNAL RECOGNITION

These implemented practices and policies have proved to be a successful driver of Makro's good corporate governance culture. This is evident from the company's achievement of its internal corporate governance goal in 2017, achieving a "Very Good" rating from the CGR assessment, implemented by IOD, an improvement from "Good" in 2016. Moreover, Makro also achieved a full score of 100 on the AGM checklist, an improvement from 2016's score of 98.75.

GRIEVANCE CHANNELS

The company recognizes that achieving good corporate governance is an incremental process, which involves positive changes to operational practices. For this reason the company has established a grievance mechanism to understand and effectively address stakeholders' concerns. In addition to continuously improving operations to match with stakeholder demands. Beyond this, the company hopes to encourage employees to report violations of the company's code of conduct.



ENHANCING FOOD SAFETY

- 22 Food Safety & Quality
- 29 Product Labelling & Marketing
- 32 Product Packaging
- 34 Health & Nutrition

PROVIDING HIGH QUALITY SAFE & HEALTHY FOODS



GRI 103-1, 103-2, 103-3, 416-1, 416-2



As the progress of globalization continues, today's consumers are exposed to an increased array of international food products and superior local ingredients, shifting consumer's food experiences and expectations dramatically. This is evident in consumers demanding a wider array of foods, and food related products from diverse sources, of higher quality, and safe & nutritious to consume. There are many challenges and opportunities for Makro to provide both its professional and non-professional customers with products matching their demands at a fair price, and also to provide them with accurate and reliable product information. Makro recognizes its responsibility and is devoted to providing customers with products which are of high quality, safe to consume, and provided in packaging with accurate labelling of nutritional values.



FOOD SAFETY AND QUALITY



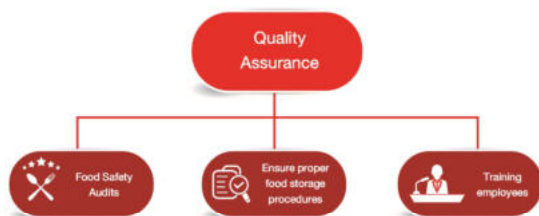
Present day consumers' needs are increasingly complex, and products must be of high quality, safe and cost-competitive. This is the consequence of the continuous trend of globalization, granting consumers with increased access to new experiences and product selection. There has been a shift in expectations, and we are committed to satisfy and exceed customers' requirements for safe and high quality food products from Makro stores. Safe and high quality food products are the building blocks to promoting good health and well-being. This allows consumers to live a happy, healthy and fulfilling life, with a positive frame of mind and additional energy levels.

Makro's commitment to "enhancing people's lives" is apparent through first area of its Makro 4.0 initiative: to **become the point of reference of food safety** in each country in which it operates. To achieve this, Makro needs to meet the specific demands of its many stakeholders.

“
Safe and high quality food products are the building blocks to promoting good health
”

As a cash and carry retailer of food and food related products, Makro has long prioritized food safety and quality as its top concern. For this reason, the company has developed and implemented many programs, initiatives and internal management systems to carefully monitor its products at every stage throughout its supply chain. This thorough inspection process includes careful and rigorous screening and selection of its suppliers to ensure that products are sourced from the best suppliers possible at a competitive price, whilst complying with internationally accepted standards and operational guidelines. Continuous contamination-testing and product data collection takes place throughout the supply chain, from farm to fork, by professionals in international-standard labs. Makro also implements customer complaint channels for product recalls in the unlikely event that customers encounter problems with Makro's products.

The strong internal management systems is implemented by the Quality Assurance (QA) department, which consists of highly trained professionals, utilizing world-class lab equipment to accurately and effectively inspect products from suppliers, in order to assure customers that all products at Makro are safe, and of high quality.



QUALITY CHECKING



At The Farm

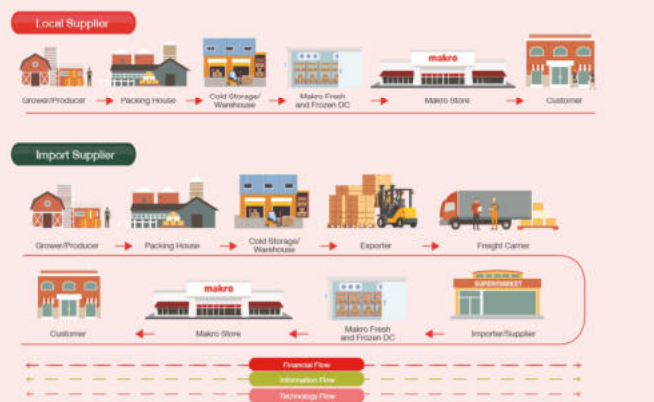


At The Distribution Centers

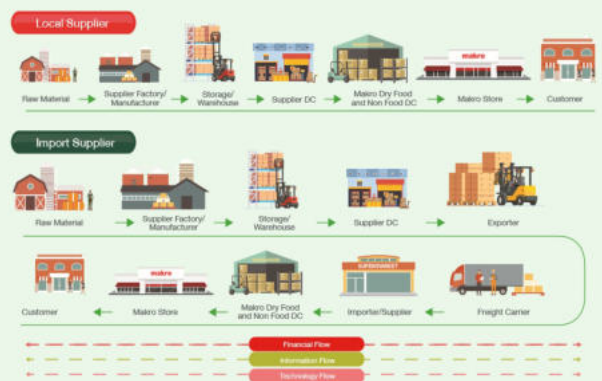


At The Makro Stores

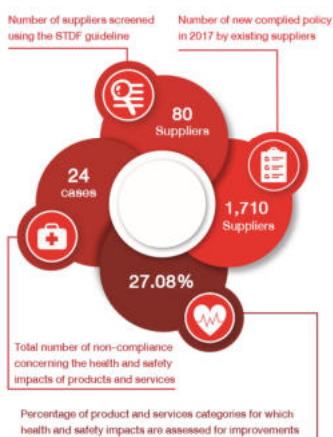
FRESH SUPPLY CHAIN FLOW



DRY FOOD AND NON FOOD SUPPLY CHAIN FLOW



SELECTING FROM THE BEST SUPPLIERS



High quality products start with a high quality supplier. This is especially true for Makro, which forms long-lasting business relationships with its suppliers, achieved through mutual business understanding and capability development. This is evident in the many high-quality suppliers Makro has dealings with, many of whom started off as a small-scale suppliers, and over the years have developed into successful and sustainable business partners to the company.

As Makro continues its expansion, the company is open to form new business relationships, to find new suppliers to cooperate with, while continuously developing the capabilities of existing suppliers. The company utilizes its "Pre-supplier audit questionnaire", which evaluates and ensures that potential new suppliers are operating at the same high standards set by Makro, even before they are selected as a supplier. Besides the conventional aspects of operational data - such as suppliers'

production capacity, delivery, and product quality - the questionnaire also seeks to ensure that potential suppliers are operating in compliance with laws and regulatory requirements, conforming to international standards. This includes Good Manufacturing Practices (GMP), the Codex standards, which Makro has long been in compliance with, and the Hazard Analysis and Critical Control Point (HACCP), first implemented in all critical tier 1 suppliers. This assurance is especially applicable for raw agriculture products, which seeks certifications such as GAP. Furthermore, Makro has also adopted the training program from the Standards and Trade Development Facility (STDF), to enhance food safety capabilities within its producers. In 2017, Makro has tested 20% of its suppliers with the STDF guideline, which enables Makro to maintain and gradually improve its high product and food safety standards, and minimize risks from potential new suppliers.

Makro regularly contacts and encourages its existing suppliers to update their compliance with relevant internationally accepted regulations, policies and practices through its "self-assessment questionnaire". This ensures that Makro is sourcing from suppliers who comply with the right policies and practices, while allowing Makro to maintain its relationships with trusted business partners to achieve sustainable growth. If the assessment identifies ESG high-risk suppliers, Makro will implement its **Sustainable Sourcing Policy** to promptly improve the supplier's level of compliance, and commit to perform audits of the supplier on a regular basis, to align them with Makro's safety standards. The policy first identifies critical tier 1 suppliers, based on the top ten highest spending for each product category, in addition to risk assessment under the ESG criteria. To ensure compliance Makro sends a Code of Conduct to suppliers to be signed and acknowledged, and consenting to complete the self-assessment questionnaire and site audits. Makro will stop business dealings with existing suppliers in non-compliance, and request that they comply with a committed action to be completed in a limited time, and Makro will perform re-audits before business dealings are re-engaged. Makro will not establish business with non-compliance new suppliers if they are unable to align compliance in a short time.



TESTING AT EVERY POINT

Once Makro receives products from its many suppliers, they are subjected to a thorough inspection process, in compliance to the quality control (QC) testing guideline, carried out at the four distribution centers (DC) across Thailand. The QC guideline complies with an independent third-party international guideline "Global G.A.P.", which outlines certification requirements, in addition to providing Makro with knowledge training to fulfill these certification requirements. The QC tests for contaminants and product distortions such as physical distortions, chemical residues and microbiological contaminants, any of which can arise at any point during the supply chain. These food safety tests and processes reduce the risk of contaminated products ending up on Makro's shelves, protecting customers from harmful foodborne diseases, and ensuring that all products sold are safe and of high quality.

Beyond that, products at Makro DCs undergo additional food safety tests, with a focus on residual pesticide. This ensures that no Makro products are contaminated with residual chemicals, promoting food safety amongst Makro customers. The clearly outlined "QC lab testing" guideline is used as a procedure checklist, to test both dry and fresh food products visually. Dry and non-food products are checked with a sampling method, to randomly sample products at stores for contaminants. It is estimated that each year, Makro conducts around 30,000 tests at its DCs, ensuring consumer health and safety.



Sample of testing at every point



ENSURING SAFETY PRODUCTS AT MAKRO STORES

Products at Makro stores undergo a similar testing process to that at its distribution centers. Makro collaborates with an external third party to conduct an average of three random product checks per year, in addition to the daily internal checks. In 2017, Makro performed over 4,300 random checks throughout its 123 stores. If test results signal any contaminations in products, Makro will implement a rigorous testing process at the store to identify the root cause of the problem, and then manage the problem accordingly.

INTEGRATE PRODUCT SAFETY INTO NEW PRODUCT DEVELOPMENT (NPD)



All food safety processes implemented by the QA department are subjected to audits, by an external third party, to establish transparency in Makro's operations. Ensuring food safety and quality is a primary concern at Makro, it is therefore fitting that the QA process, to ensure product safety, starts from the beginning of the supply chain, during its new product development (NPD) stage.

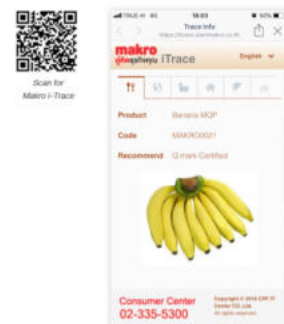
COMPLAINT CHANNELS

Makro realizes that due to the highly unpredictable presence of foodborne contaminants, contaminations can occur at any point throughout the supply chain. Even though Makro has a degree of control, contaminations can still arise due to reasons outside of Makro's control. In order to further minimize this risk, Makro has put in place complaint channels, allowing customers to voice their concerns and - if need be - return products to Makro under the **"Customer complaint handling and product recall procedure"**. When customers voice their complaints, Makro follows its internal policy to promptly acknowledge the problem with the customer, identify what the problem is and where it originates within the supply chain, before implementing a solution to foster change. In 2017 there are a total of 225 complaint cases, 97 fewer than in 2016.

FUTURE OF FOOD SAFETY AT MAKRO

In its continuous pursuit towards achieving the pledged Makro 4.0 focusing area 1 on food safety, Makro is committed to advance its progress through the use of technological advancements. Today, Makro has developed its internal traceability system, known as "Makro i-Trace" system, allowing the company's own brand products, such as ARO products to be accurately traced back through the supply chain, in order to identify any problems should they occur. This allows accurate and timely problem identification at the source, for an effective and appropriate solution to be implemented. The system allows Makro to trace its products back to the source. Customers are also able to view this system, providing them with an assurance that they are consuming products sourced from a supplier which complies with the best international

food safety standards, tests products with the use of international certified labs, and re-tests products at stores on a regular basis. This devotion is further solidified by Makro's projection to be 100% traceable in all its products by the end of 2018, an increase from its current 80% traceability (equivalent to 1,467 items currently). At present the system only allows customers to trace products back to the lot number and country of origin, but further in-depth information will soon be available through QR codes, which will be labelled on product packaging by 2018.



PRODUCT LABELLING & MARKETING



In its endeavor to be the number one food solution provider for ASEAN, Makro sources a diverse range of products from around the world. This results in a variety of product selection options. Makro strives to ensure customers can shop in a timely manner, with access to full information. They ensure this through an effective product labeling and marketing strategy, to promptly assist customers to locate the right products.

PRODUCT LABELLING & MARKETING HIGHLIGHTS 2017



100%
of Makro products provide accurate information



AIDING PRODUCT SELECTIONS

Makro stores are home to an extensive collection of products. Makro recognizes the importance of accurate product labeling, and strives to ensure that all of its products are labelled accurately.

The devotion to provide accurate product labelling information is applied to all of Makro's three focused brands categories: 1) **own brands**, which are products developed and distributed by Makro, including the "ARO" brand and "Savepak", products which are commonly utilized by Makro's target HoReCa customers; 2) **Exclusive brand**, which are products directly imported by Makro, such as "M&K", and "Protech"; and 3) **branded products**, which includes products imported by Makro's suppliers, which includes premium products and everyday low price products. Although Makro has a higher degree of control of product labelling and marketing with its own brand products, Makro aims

to continue its transparent labelling commitment to the other brand categories, ensuring consistency in customer experience at Makro stores.

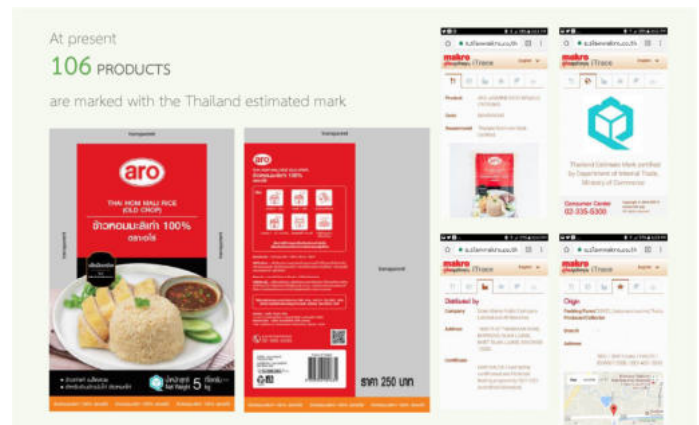
Customers have learned to rely on product packaging, with a focus on labeling to aid their decision-making, to gain accurate and relevant product information. This serves as a consumption guideline and warning for individuals with specific food allergies. In addition, packaging allows customers to fully utilize the products, in accordance with its intended design and specifications.

As a result of Makro's transparent product labeling and marketing initiatives, Makro's customers are able to shop in its stores with ease and efficiency. This shopping experience is further enhanced by the policy to ensure that all Makro stores have a standard layout, ensuring consistency for shoppers. Beyond this, since 2016 Makro

has collaborated with the Central Bureau of Weights and Measures (CBWM) to develop the "Thailand Estimated Mark". The mark is an initiative to assure customers that the product labeling - with a particular focus on products' net weight - are accurate. This increases customer trust in Makro's products, enhancing their loyalty towards the company. All types of products are eligible to be certified with the mark, and Makro currently has 106 "Thailand Estimated Mark" products in its stores. The mark is commonly used in products such as vegetable oil, rice, seasoning sauces, salad dressing, detergent, and dishwashing, shampoos & conditioner, and fabric softeners.

PRODUCT LABELLING REQUIREMENTS

- The name of the food
- List of ingredients
- The quantity of certain ingredients (QUID)
- Instruction for use
- "use by" or "best before" dates
- Special storage instructions
- Name and address of the manufacturer
- Packer or seller
- Place of origin or provenance



PRODUCT PACKAGING



Reference: <http://toproadrunner5.info/assore-gme.asp>

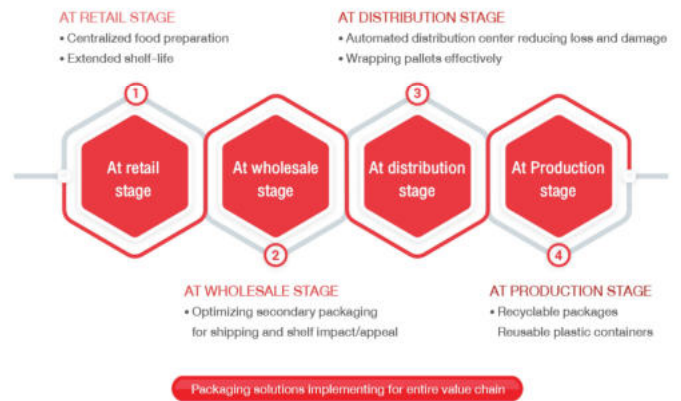
As product consumption increases, packaging can contribute to the global sustainability issue of waste. Companies worldwide are alert to the issue, heightened by the increased environmental concerns from many stakeholders, urging companies to take accountability in their operations. Makro admits its contribution to the creation of waste, resulting from its single-use product packaging, and recognizes its responsibility to transition its packaging policies to contribute to a sustainable future.

PRODUCT PACKAGING AT MAKRO

Through its experience for the past 28 years as a retailer to professional customers within the food retailer sector, Makro has observed a shift towards a more sustainable business approach amongst its target customers. This is evidenced by an increased number of environmentally conscious customers in recent years, actively seeking and demanding products which are environmentally friendly. In addition to the increased importance of global sustainability issues, such as waste, Makro recognizes the need to transition its operations towards sustainability. This is evident by its commitment towards its third area of focus to reduce environmental impacts from its operations.

“
Makro is collaborating with strategic clients and suppliers to reduce raw material content from their product packaging
”

To achieve our targets, Makro plans to reduce packaging waste by implementing collaboration initiatives with both suppliers and clients, ensuring sustainable packaging solutions through the entire value chain.



Makro is committed to reducing the negative effects of packaging waste, through its own operations as well as upstream and downstream; coordinating between retailers and wholesalers. This commitment is solidified through Makro's strong belief that it has the capability to develop and implement tangible changes within its operations, in addition to affecting change in its suppliers' and customers' operations. Makro aims to strategically replace the use of environmentally harmful packaging, such as plastics and Styrofoam, commonly used in today's products. This corporate supported commitment has resulted in the development of new waste reduction policies for Makro, applied to own brand products, such as ARO, certified as a "Green Label". Biodegradable food containers, including the supply of ARO and Gracz.

The sustainable packaging policies implemented have yielded positive results for Makro. This is evident from its 2017 performance, achieving a total company waste reduction of 88,598 tonnes of from its operations. This reduction is achieved through 45,600 tonnes of food waste 42,941 tonnes of paper and 57 tonnes of styrofoam through the 3R's program, which aims to reduce operational packaging by 20% by the year 2020.

HEALTH & NUTRITION PRODUCTS



GRI 416-1 416-2



Healthy and nutritious products grant consumers with a multitude of essential vitamins, minerals, and nutrients. Makro observed that end consumers are showing increasing demand for healthy products, looking for ways to increase consumption in their everyday lives. This indicates a development and expansion of the niche market into a high potential mass market. For this reason, Makro places great importance on ensuring that it sources a diverse range of healthy and nutritious products, making them available in stores for the increasing number of health-conscious customers.

HEALTH & NUTRITION AT MAKRO

With over 28 years of experience working with high quality business partners including professional customers and suppliers, Makro remains driven to assist the food service industry to achieve the highest standards of professionalism. This goal is implemented with an initial focus on high quality products, and an expansion towards healthier and more nutritious options to consumers, at every Makro store.

In 2017, Makro has collaborated with external governmental agency, the National Bureau of Agricultural Commodity and Food Standards (ACFS) to design shelves in Makro stores, especially for high quality organic products. This collaboration caters to the increasingly health-conscious customer groups, who are highly selective in their product selection criteria. Furthermore, this allows for the promotion of high quality products from local producers, enhancing the lives of both customers and local farmers. This provided up to 40 local farmers from the organic project with an estimated 10 times increase in sales.

In addition to the dedicated shelving for organic health and nutritious products, Makro also has in place initiatives to easily identify premium products. This is done through its "Makro Quality Pro Mark" (MQP), an internal certification developed in 2016, which ensures customers that products with the MQP have been tested and graded by the internal quality assurance department, in compliance to international standards, concluding that the product is of the premium grade. The MQP provides customers with a product quality assurance for both food professionals who cater to health-conscious consumers and to niche customers such as schools, hospitals, and nutritionists, who are often highly selective of food products served to their customers. Furthermore, Makro only sources its raw materials from producers who comply with international policies, which do not violate forest encroachments, cause environment damage or employ illegal labor: products with the MQP are of high quality and ethical to consume.

In 2017, Makro has committed itself to increase the number of health and nutrition products in its stores for customers to choose from, contributing to area of focus1 of becoming the point of reference of food safety, providing customers with the means to an enhanced quality of life. At Makro, health and nutrition products are defined by the production methods utilized in its production. Health and nutrition products give importance to production and hygiene, products are of high quality, evident by its compliance to local and international safety regulations. Products will clearly provide energy and nutritional values, in addition to recommended serving portion.





ENHANCING ETHICAL SOURCING

- 38 Supply Chain Management
- 43 Raw Material Sourcing

SUPPLY CHAIN MANAGEMENT



GRI 102-9, GRI 103-1 to GRI 103-3, GRI 306-1, GRI 414-1



Supply chain management (SCM) shapes a company's ability to operate efficiently, and its ability to effectively provide products and services to its customers. Good SCM enables a company to procure sufficient products and prudently manage relevant risks throughout the supply chain. Good SCM is necessary to ensure that customers are consistently provided with high quality products at a competitive price, and also to minimize social, environmental and economic impacts from a company's operations.

SUPPLY CHAIN MANAGEMENT AT MAKRO HIGHLIGHTS 2017



In 2017, **100%** of all new suppliers are screened using the social and environmental criteria.

In 2017, **40.2%** of critical tier 1 suppliers have been screened using the criteria.

SUPPLY CHAIN MANAGEMENT AT MAKRO

With 28 years of experience in the retail sector, Makro has formed business relationships with a diverse range of partners, including highly capable local suppliers and international suppliers of premium products. These relationships have enabled Makro to provide customers with a vast variety of products at a competitive price, ensuring that all customer demands are met in a timely manner. Inadequate supply chain management (SCM) processes could lead to shortage (or excess surplus) of products; it could lead to products not matching customers' specifications. Poor SCM could increase operational costs and damage business and customer relationships. For this reason, Makro regards SCM as essential to its success, and takes great pride to nurture relationships with suppliers, many of whom have worked in partnership with Makro for decades. Makro's SCM approach not only safeguards the company's reputation, but has contributed to the company's ability to achieve its corporate vision to be the number one food solution in the ASEAN region, while maintaining its position as "your trusted partner".

CATEGORIES OF SUPPLIERS AT MAKRO

Makro divides its suppliers into categories for accurate management, and in order to reduce its supply chain risks. Categorizing suppliers into tiers is a beneficial process for Makro, allowing the company to identify and prioritize suppliers, hence maintaining operational standards and minimizing risks. Makro identifies "critical tier 1" suppliers, who are those suppliers which the company cannot operate without. They supply Makro with the most essential products and are categorized based on:

- Spending: critical tier 1 suppliers are the top ten highest spending for each product category
- They are high risk suppliers, identified by Makro's risk matrix

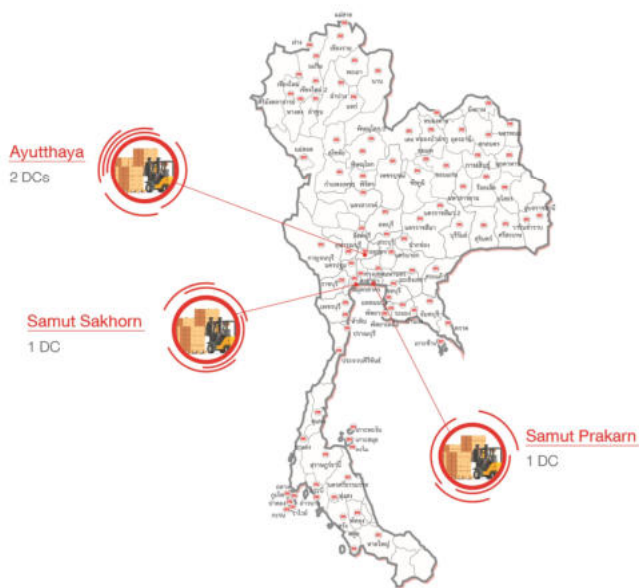
CRITICAL TIER 1 SUPPLIER



CRITICAL TIER 1 SUPPLIER CRITERIA

- Indispensable supplier
- High buying volume
- Risk product group

One of the key ways Makro minimizes its supply chain risks is through standardization. This is done through avoiding major product variations in the supply chain, and implementing a consistent approach to SCM for all stores. This not only results in decreased operational expenses, but also increases efficiency allowing the company to reduce lead time, and maximize customer satisfaction.



	DC 1: Wang Noi District, Ayutthaya – Dry foods and non-food products		DC 2: Wang Noi, Ayutthaya – Fresh food, chilled and frozen products
	DC 3: Bang Sao Thong District, Samut Prakan – Dry foods and non-food products		DC 4: Mueang District, Samut Sakhorn – Fresh food, chilled and frozen products

Makro's SCM approach has resulted in the establishment of a robust supply chain network throughout Thailand, allowing Makro to conduct its business in a timely manner, ensuring that customer demands at all of the company's 123 stores are met. Key to Makro's operations are Makro's four distribution centers (DCs), where products are checked for safety and quality before they hit the shelves of Makro stores.

- Makro have a due diligence process in place to monitor the whole supply chain. The company evaluates risks with suppliers throughout the supply chain before it signs agreements. In addition Makro has a "Product Monitoring Program" in place to sample products at stores.
- Distribution Centers (DCs) are responsible for product quality assurance to foster food safety and quality for all customers. This is achieved through lab certifications at Fresh DCs by the Department of Medical Science (DMSC).
- Makro stores provide Makro with a channel to communicate with its suppliers. To ensure food safety, Makro stores are certified under the GMP Codex and HACCP, in addition to conducting chemical residue testing, similar to that at DCs.

ENHANCING RISK MANAGEMENT IN SUPPLY CHAIN

If left unmanaged, supply chain risks can devastate a company's ability to operate efficiently. In the case of Makro, supply chain risk is mitigated through its selection of suppliers: Makro assess all suppliers according to their ability to comply with the code of conduct and good governance principles, and also their ability to maintain their product quality, yield and delivery times.

To safeguard Makro from violating the company's internal principles and external laws and regulations, Makro utilizes a rigorous screening criteria to the company's suppliers. This screening process starts even before suppliers are selected by Makro, through the "Pre-Audit Questionnaire for site vetting". The questionnaire is divided into three sections, covering all aspects of a supplier's operations, to ensure good practice and compliance to Makro's good corporate governance. Section one covers all general details about the suppliers, while section two seeks to understand the supplier's internal operations and scope of coverage, extending to include the supplier's own supply chain. Section two also seeks to identify if suppliers can identify GMO products in its supply chain, emphasizing agriculture products and chemical uses. In 2017, 100% of new suppliers were screened using environmental criteria. Section two also asks if companies are already in compliance with international standards for quality management, food safety and manufacturing practices, and that they are not violating human rights. Finally, Section three seeks supporting documents to confirm suppliers' claims.

Once suppliers are selected and are official business partners with Makro, the company then ensures compliance with its "Suppliers Code of Conduct", which incorporates sustainability principles incorporating ethics including anti-corruption; food safety and quality; traceability; risk management; labor practices including human rights; health and safety; and environmental performance including pollution and resource use. This

provides Makro with a clear and transparent guideline for screening suppliers, monitoring and progressively improving performance. Makro also implements internal and external training programs to ensure that both Makro procurement staff and suppliers are proactively implementing the code of conduct. Over 1,710 suppliers have been invited to join the training for the Makro Code of Conduct.

NEW SUPPLIERS

Makro utilizes its pre-supplier audit questionnaire to screen all potential new suppliers, to ensure that they adhere to the same standards as Makro. In 2017, 100% of all suppliers were screened using the questionnaire before Makro formed a new business relationship with the supplier.

EXISTING SUPPLIERS

Makro has an auditing process in place to ensure that a high operation standard is maintained from the company existing suppliers. In 2017, Makro performed 100% Audits to its 4,257 suppliers, a performance which the company aims to maintain as it expands.

MONITOR AND IMPROVEMENTS

Makro conduct supplier risk reviews annually and determines the most appropriate measures to mitigate those risks in order to improve performance for suppliers which fail the assessment.

TRAINING PROGRAMS

Beyond ensuring compliance to strict internal policies in accordance to good corporate governance and external laws and regulations, Makro also provide training to stakeholders through its program, to ensure that all suppliers have equal understanding of the suppliers code of conduct requirements. This is conducted by an external third-party, to foster transparency at Makro.

RAW MATERIAL SOURCING



GRI 103-1 to GRI 103-3



Raw material sourcing policy is a critical part of the supply chain, not only because it determines product quality, but also as a crucial tool for mitigating negative impacts on society and the environment. Makro is committed to provide all of its customers with safe and high quality products, and has developed a robust raw material sourcing policy setting out expectations and standards on sourcing products, integrating local and international standards.

RAW MATERIAL SOURCING HIGHLIGHTS IN 2017

- Safety orange from 66 farmers, a total of 3,200 hectares (20,000 rai)
- Orange traceability by work collaborate with Kasetsart University, Maejo University, GISDA and Ministry of agricultural.



RAW MATERIAL SOURCING AT MAKRO

Makro is a committed leader of food solutions in the ASEAN region, and this includes ensuring that all of its products' raw materials are sourced safely and are of the highest quality. With reference to Makro's internal compliance to laws and regulations – as well as international food safety standards – the company is devoted to maintaining high food safety and product quality standards, ensuring customer safety and satisfaction.

As part of Makro's "Pre-Audit Questionnaire for site vetting", there is an evaluation checklist of current production practices, allowing Makro to identify improvement gaps. The questionnaire identifies when sub-contractors are used, enabling Makro to gain a full insight of the supplier's supply chain, allowing for informed decision making, and the minimization of risks from across the supply chain. As noted in the "Supply Chain Management" section, there is special emphasis in the questionnaire on suppliers' utilization of Genetically Modified Organism (GMO) products and compliance to Good Agricultural Practice (GAP) and international chemical policies, such as the Hazardous Substance Act. Makro is committed to expanding the current raw material policy as it continues towards more sustainable operations. This includes expanding the scope of the questionnaire to be more comprehensive, and ensuring that Makro are able to procure more products with Marine Stewardship Council (MSC) and Aquaculture Stewardship Council (ASC) certifications.

In addition to the vigilant supplier screening criteria, Makro also conducts a "Factory Audits Report", to assess suppliers' factories, in order to ensure that high food safety standards are implemented. The report assesses factories based on: quality management systems in-place; current environmental standards; and process control & HACCP systems. Suppliers' factories are graded based on the performance and level of compliance. Factories which fail to score above 60% are not accepted, and all critical and illegal violations will result in the immediate halt of business dealings where Makro will request that they undergo corrective

and preventive actions, in order to align compliance standard to that of Makro's. The audit is a key driver to continuously improve suppliers' compliance and performance, towards more sustainable operations.

Makro recognizes the importance of a long-term relationship with its suppliers. This belief is demonstrated by the company's agreement with suppliers to maintain purchase of products at the same quantity, no matter the economic conditions. In addition, Makro is committed to increase product demand annually, fostering growth for both parties. This belief in fostering a long-term relationship goes beyond a simple business partnership. During the flooding in 2011, Makro had to relocate both the company's headquarters and Distribution Centers to Chon Buri overnight. Despite this, the company's suppliers were able to promptly accommodate these changes and maintain supplies to the company, reducing supply chain risk.

SCREENING CRITERIA FOR SUPPLIERS OF AGRICULTURE PRODUCTS

In order to ensure that all agriculture products sold at Makro stores are safe and of the highest quality, all suppliers are subjected to undergo the six part "Makro-Agri Raw Material Questionnaire", which encourages suppliers to disclose information regarding their production processes and product quality, enabling Makro to assess if the supplier's products meet the requirements set internally by Makro. Section two of the questionnaire identifies the location and size of the supplier's farm, in order to identify the risk of environmental impacts. Section three assesses the internal control mechanisms suppliers have in place. Section four seeks to assess suppliers' compliance with relevant international standards, while Sections five and six seek the supplier's point of contact and supporting documents to confirm their claims. Makro aims to screen 100% of its suppliers with the questionnaire by 2020. By assessing suppliers' current compliance level to international standards, Makro is able to prioritize frequency of engagements with suppliers, and align their performance to Makro's standards.

RAW MATERIAL SOURCING TRAINING

In order to continuously enhance the capabilities of the company's suppliers (while reducing environmental impacts from production), since 2012 Makro has encouraged suppliers to reduce environmental impacts, in accordance to the "Think Green Initiative" (TGI) training procedures. The training assesses facilities based on the following areas: Environmental Legal Compliance Overview; Environment Management Systems (EMS); Water; Energy; Air Emissions; Noise Emissions; Hazardous Materials, Equipment and Waste; and Sustainable Production.

The training develops the capabilities and knowledge of environmental criteria for high impact suppliers, with a focus on suppliers of Makro's own brand products. The key driver of the initiative is Makro's devotion to incorporate and share knowledge of green practices to the company's suppliers, with an end goal to reduce environmental impacts from its extended supply chain. Beyond that, Makro's suppliers will improve operational efficiency and enjoy cost savings. Furthermore, customers will benefit from safe and high quality products.

Makro implemented the training with a focus on the requirements of TGI. In addition, on-site training is conducted at Makro stores, to share best practice and trouble shooting. The success of the training will be measured through the establishment of an effective environmental management system and certification to the TGI standards by suppliers. This efforts have proven successful for Makro, evident from one of its facilities receiving a TGI "Achievement Award", which was assessed by an independent third-party, Intertek. The award is the result of the training course and site visits, including consultation of 11 suppliers who joined the campaign.

NOTABLE RAW MATERIAL SOURCING INITIATIVES

In 2014, Makro established the company's safety orange farm initiative. The initiative is a collaboration between Makro, Kasetsart University in Bangkok, and Maejo University in Chiang Mai. The aim is to assess the Good Agricultural Practice (GAP) and align with international standards regarding food safety and production capability. Makro is working with local organic orange farmers at "Saitong Orange Orchard" in Chiang Mai, Thailand, under the project "Safe Thai smile orange", covering over 3,200 hectares. The project aims to educate local orange farmers and ensure good production practices and product safety, with a special focus on minimizing residual chemicals. Additionally, through the provision of safe and high quality products, farmers will be able to penetrate new customer markets. The program is well-received by local farmers, with over 60 farmers participating annually. In addition, Makro has applied the "Makro i-Trace" program on these oranges, allowing customers to trace products back to the farm, further ensuring operational transparency.



RAW MATERIAL SOURCING IMPROVEMENTS

Makro is committed to improving every aspect of its raw material sourcing. In 2018, we will update our policy and set out clear KPIs. Our policy will include clear definitions of GMO, organic and "certified" products, and will also include Makro's position on GMO and animal welfare issues. Our expectation is that the new guidelines will be applied for all critical and high-risk suppliers, including traceability. We will monitor progress against our KPI targets.



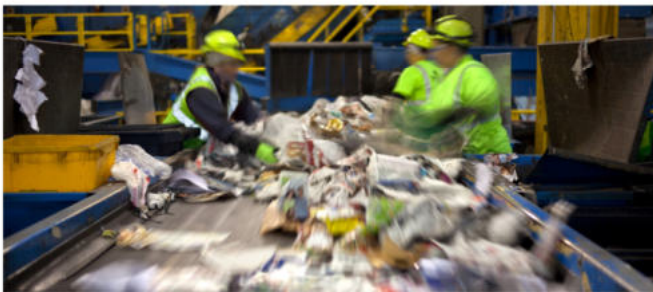
ENHANCING ENVIRONMENT WELL-BEING

- 48 Waste Management
- 52 Energy Management
- 56 GHG Emissions

WASTE MANAGEMENT



GRI 301-1, GRI 306-2



As Makro continues its corporate growth and expansion, it contributes to the creation of waste and waste products as a result of its day-to-day operations. Makro recognizes the potential benefits of good waste management as part of a sustainable strategy, granting benefits to communities, society and the economy. Furthermore, Makro fears the impact from a poor waste management, including attracting disease-harboring pests, and greenhouse gas emissions.

MAKRO WASTE MANAGEMENT 2017 HIGHLIGHTS

Fresh food waste **18,254.06** metric tons per year

OTHER TYPES OF WASTE PER YEAR

- Foam boxes **57.07** metric tons per year
- Paper **42,942** metric tons per year

18,254.06 metric tons



Fresh food waste

57.07 metric tons



Foam

42,942 metric tons



Paper



Plastic, Foam



Paper



Fresh food waste

FOAM BOXES RECYCLE

2015: 41.90 metric tons
2016: 53.52 metric tons
2017: 57.07 metric tons

PAPER RECYCLE

2015: 32,810.60 metric tons
2016: 36,814.72 metric tons
2017: 42,941.88 metric tons

FRESH FOOD WASTE RECYCLE

2015 = 27.30 metric tons
2016 = 46.75 metric tons
2017 = 45.60 metric tons

WASTE AT MAKRO

As a retailer of food and food-related products, Makro sources a wide variety of products from a diverse range of suppliers, providing both professional and non-professional customers with high quality local and international products at a reasonable price. Due to the perishable nature of products sold, such as fresh foods, the company has strict internal food safety standards and is committed to comply with international food safety guidelines (including the Good Manufacturing Practice (GMP), and the Hazard Analysis and Critical Control Point (HACCP)), beginning with all critical tier 1 suppliers.

As part of its Standards and Trade Development Facility (STDF), Makro removes all contaminated, out of date, and irregularly specified products from its stores. However, this commitment to safety and quality contributes towards the global sustainability issue of waste, particularly to food waste from fresh foods. Makro recognizes the many opportunities a good waste management strategy presents, and is committed to reducing its impact on the environment.

SOURCES OF FOOD WASTE IN MAKRO'S SUPPLY CHAIN



SOURCES OF WASTE FROM SUPPLIERS:

- Product not matching specifications (QA & QC screening)
- Spoilage
- Contamination

SOURCES OF WASTE FROM MAKRO STORES:

18,254.06 metric tons from,

- Spoilage (End of shelf life)
- Out of date foods
- Contaminations

SOURCES OF WASTE FROM CUSTOMERS:

- Storage
- Spoilage
- Contamination
- Packaging

Makro believes that the most effective waste management approach is waste prevention. The impacts of waste present a significant risk to Makro and its surrounding communities, including the attraction of potential disease-harboring pests (such as rats and insects), in addition to greenhouse gas emissions from fresh food waste decomposition. Makro recognizes the risk of poor waste management, and have implemented a number of programs and initiatives to reduce the company's operational waste, driving the company closer to its corporate goal of enhancing people's lives.

ZERO WASTE APPROACH

On average, each Makro store incurs costs of approximately 10,000THB per month on waste disposal. Makro has implemented a "Zero Waste" initiative to drive the company towards a future without waste. The reasons for this initiative go beyond cost savings, and relate also to mitigating the negative environmental impacts of waste.



Non-hazardous



Hazardous

WASTE TO COMPOST INITIATIVE

As mentioned, Makro has identified that the most significant operational waste it creates arises from food, through spoilage and contaminations. To remedy this problem, Makro launched the "Fresh waste to compost" initiative in 2018. The initiative complements the 3R campaign ("Reduce, Reuse, and Recycle") and aims to reduce wet garbage collection, reuse sugar and rice bags, while recycling garbage from Makro's operations, through conversion into high quality biotic compost. The pilot project will be implemented in three stores from June 2018. The systematic implementation allows for other stores to easily replicate the program efficiently. Wastes are first collected from the operations, before being placed in the machine, which "cooks" the waste at a temperature of 80°C, killing all harmful bacteria, while continuously mixing the waste with active microbes. The mixing of prepared waste with microbial organisms is essential because the process inhibits anaerobic digestion and promotes aerobic processes, eliminating odor and GHG emissions from the heap. The process ends with a chemical-free biotic compost which can be easily utilized by Makro and its suppliers. The machine was an innovation from Eco-Wiz Group pte Ltd. and has the working capacity of 500 kg/day (250kg/9 hour).

The initiative is a demonstration of effective management of fresh food waste, which if left untreated would not only act to attract hazardous pests, but would emit up to 2.5 kg of CO₂ equivalent per 1kg of fresh food waste. Other direct benefits include a potential reduction in operational cost.



FRESH FOOD SGM EMPOWERMENT SPEED CHANGE

Makro has developed a "Fresh Food SGM Empowerment Speed Change" initiative in 2017. The initiative aims to reduce the amount of food waste from operations as a result of: product mismatch with specifications; products which got cut during shelf arrangements; products waiting to be labelled with prices; and products waiting to be disposed. The initiative aims to reduce the product processing stages and it can increase employee satisfaction levels from the simplified work process.

WASTE MANAGEMENT ASSURANCE

Makro's Sustainability Committee, established in 2017, oversees and manages the company's sustainability efforts. Makro is determined to expand its waste management programs, in addition to expanding its environmental programs.

ENERGY MANAGEMENT (IN RETAIL & DISTRIBUTION, FLEET FUEL CONSUMPTION)



Makro Salaya, first trial store using renewable energy.

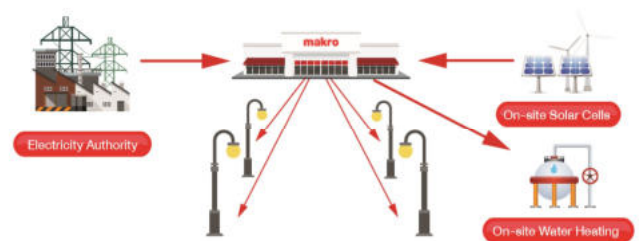
Energy is the driving force of progress. Without the discovery and development of fossil fuels and electricity today's modern marvels - including technologies utilized in modern food production - would not be possible. However, as the impacts of climate change intensify, an effective and reliable energy management plan is needed to minimize companies' contributions towards climate change. Makro is aware of these adverse impacts, and have long developed its capabilities to minimizing its energy intensity. The most prominent initiative is the Automated Storage/Retrieval System (ASRS), implemented at the Mahachulalongkornrajavidyalaya Distribution Center.

ENERGY MANAGEMENT HIGHLIGHTS

Reduced cost by approximately in 2017
29,375,420 THB saving



MAKRO ENERGY SOURCES AND SUPPLY CHAIN



ENHANCING ENERGY OPERATIONAL ECO-EFFICIENCY

As world development progress continues towards globalization, nations are escalating their search for reliable sources of additional and alternative energy, not only satisfy economic growth but to also provide energy security. The need to identify reliable energy sources is further intensified by many governments' commitment to reduce reliance on fossil fuels and monopoly electricity generators. In addition, as the risk of climate change grows from a globally increased level of energy consumption, global food production is at risk. The risk of climate change impacting food production and quality presents Makro with a key risk. For this reason, Makro have put the development of comprehensive energy management towards the top of their agenda.

An effective energy management initiative will grant Makro with a number of benefits, including a significant reduction of its operational expenses, deriving from the lower energy expenses.

Makro has a robust commitment towards a development and implementation of energy efficiency management. The company has identified and complied with an international energy conservation guideline, known as "The Sustainable Energy Management Program", under the "3Rs" framework to: i) reduce energy consumption within operations, and ii) reuse energy where possible, and iii) recycle fresh food waste. In 2017, Makro has committed to maintain energy consumption 0% increase year on year on same stores. Makro plans to achieve this through the implementation of energy efficiency management projects, including the utilization of LED lighting in its facilities, and by transition into renewable energy. As a result of these implemented initiatives, Makro has achieved an energy reduction of 6,700,388 kWh from its 2017 operations, which equivalent to 29,375,420 million THB cost saving.

Beyond that, Makro has plans to be certified under the International Organization for Standardization, with a focus on ISO 50001 for four stores and Head Office by the year 2018.

EFFICIENT LIGHTING AT ALL STORES



The installation of LED bulbs

33.532 million THB
invested in the installation

Save more than **2,112,280 kWh** each year

Save **7,815,436 million THB** each year

On average, one Makro store consumes up to 7,000 - 8,000 kWh of energy per day. This equates to around 2,555,000 - 2,920,000 kWh per year, costing Makro around 10 million THB annually. Today, Makro has 123 stores nationwide, representing an estimate total energy consumption of up to 350 million kWh or 1.3 billion THB per year from its stores alone. Lighting represents a simple opportunity which can greatly contribute towards sustainable operations. One of the many ways to reduce emissions from lighting is to utilize LED light bulbs, which consume considerably less energy, in comparison to conventional compact fluorescent lights bulbs (CFLs). Furthermore, LED light bulbs have a utility lifespan 2 to 4 times greater than CFL.

Makro has initiated its LED lighting program, which aims to install and replace LED lighting, including LED Tube and LED high bay lights at its stores and distribution

centers (DC), such as the Wangnoi fresh food DC in May 2013, and the Mahachai fresh food DC in December 2016 in order to reduce its long term electricity expense. The company invested 33.532 million THB into this installation projects, including 8,024 sets of 20 watt LED tube lights, and 1,417 sets of 160 watt LED high bay lights and has committed that all of its new stores will operate under 100% LED lighting systems. Presently, since the program was first launched in 2016, 10% of existing stores had been retrofitted with the LED bulbs. Makro aims to continue retrofit 38% of existing stores with LED bulbs by 2020.

As a result of this project, Makro achieved a savings of 7,815,436 THB from the reduction of electricity consumption or 848,348 kWh per year for LED Tube and 1,263,931 kWh per year for LED high bay lights in 2017.

GREEN ENERGY PROGRAM



16,870 kWh
generated from renewable sources

In order for Makro to effectively and efficiently achieve the goals committed, to reduce energy consumption from its operations, the company has committed itself to improve energy efficiency and increase utilization of alternative and renewable energy sources, such as solar power. This is evidenced by the development and launch of its renewable energy program. As an initial program, Makro installed 6.3 kWp Solar cell panels on its buildings at the Salaya in 2014, with a capacity of 10,000 kWh of electricity per year. This is an energy saving of around 16,870 kWh per year (9,820 kg of CO₂) and the solar panels power street lights around the premises and heat water for equipment's cleaning in the distribution centers. Makro aims to expand solar cell initiatives to two more stores in 2018.

Makro has also invested an estimated 240 million THB into its frozen food storage technologies, utilized at its fresh food Mahachai distribution center (DC). The DC is equipped with the "Automated Storage/Retrieval System" (ASRS), housed in its 30-meter-high refrigeration building. The ASRS system helps Makro to automatically place and retrieve loads and reduces Makro's energy consumption by up to 30% per pallet location, achieved through the elimination of the need for employees to manually store and retrieve products. In addition, the DC shelf spacing are reduced, further maximizing energy efficiency. Beyond this, Makro has initiated its "Air trap doors" storage system, to support temperature control. This contributes to an additional energy saving of 30% per square meter during the product transferring process.

ENERGY MANAGEMENT BEYOND 2017

Makro is committed to continue to improve its performance towards sustainability. This commitment is expressed through Makro's "Zero Discharge Store" initiative, aiming to discharge zero waste from all of its stores, distribution centers and headquarter. As of 2017, Makro has 31 zero discharge stores, and plans to implement water recycling to 47 stores in 2018. Furthermore, Makro plans to launch additional

energy management programs in 2018, including, LED tube replacement, and Solar rooftop to continuously promote energy efficiency throughout its operations. Makro plans to develop and award stores which achieve the highest energy savings with its own awards, as recognition of good behavior in order to promote employees' behavior change as part of the move towards more sustainable operations.

GREENHOUSE GAS EMISSIONS

GRI 302-1 to 302-5



Solar Rooftop at Makro Sakaya

As a consequence of development and business growth, demand for energy and associated Greenhouse Gas emissions have moved beyond a sustainable level. This results in a range of environmental problems relating to climate change. This represents a serious risk to companies like Makro, who rely on nature to provide high quality raw materials for its operations.

GREENHOUSE GAS EMISSION INTENSITY MANAGEMENT HIGHLIGHTS:



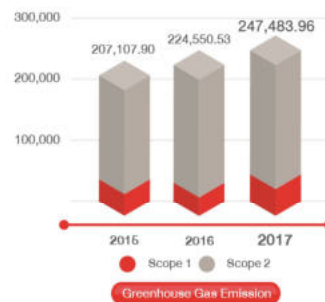
Makro's GHG Emission Intensity Target in 2017

1.325 tonCO₂e



3,951,218.8 kgCO₂e
equivalent emission reduced in 2017

(Ton CO₂e)



makro
your trusted partner



In 2014, Makro collaborated with the NextGen Compliance, to reduce its emissions intensity.

In 2014, Makro received the Carbon Neutral Certificate from Thailand Greenhouse Gas Management Organization

As a side-effect of global progress and development, companies are demanding and utilizing more energy to keep up with the increasing demands for its products and services. At present, the majority of energy comes from non-renewable sources, including coal and natural gas. This surge in energy consumption from non-renewable sources has resulted in a rise in greenhouse gas (GHG) emissions, driving the risk of climate change impacts, including extreme weather events which can impact food production quantity and quality.

Makro has identified a number of great opportunities to develop its business towards GHG reductions, including from its supply chain. The company estimated that it emits a total of 247,484 tCO₂ in 2017, arising from its 123 stores, and 4 distribution centers across Thailand. In 2017, Makro distribution centers achieved an emission reduction of 10,538 tCO₂ from its operations, and have since set up an annual emission reduction targets of 11,000 tCO₂ emission reduction, to be achieved by 2018. To ensure that this target is achieved, Makro has in place a number of GHG reduction management initiatives with emphasis on emission reduction from its distribution and packaging.

EMISSION REDUCTION FROM CONTAINER ENLARGEMENT AND BACKHAULING INITIATIVES

As a retailer of food and food related products to both professional and non-professional customers nationwide, a large portion of Makro's GHG emissions arise from truck exhaust fuels within its transport fleet. Each year, using 40ft containers, Makro operated an estimated 80,000 trips per year, which is accountable for up to 54,910 tonnes CO₂. Between 2013 to 2017 (with the transport regulatory change increasing the maximum container size on Thai roads from 40 ft to 45 ft), Makro took advantage of this change and invested over 361 million THB, to enlarge 405 container units of its transport containers to 45 ft, allowing for more product loads per trips, subsequently reducing the number of trips needed to distribute its products nationwide. This has resulted in an estimated reduction of over 14,000 trips per year, equivalent to an emission reduction of 10,538 tonnes CO₂ per year, an 18% decrease, associated with 92 million THB savings annually. With the evident success of the initiative, the company has plans to invest in an additional 30 container units in 2018.

Beyond this, Makro also utilizes a "backhauling" initiative, combining customer deliveries with supply collection to ensure that Makro's fleet do not return to Bangkok with an empty container from its trips. This adds value to returning containers, which would otherwise be empty. Backhauling also provides a service to Makro's business partners and CPG subsidiaries, as evident from Makro's current backhauling of consumer goods for the 7-ELEVEN group.



ENHANCING
LOCAL LOVE & MATCH

60 Social Impact

SOCIAL IMPACTS



GRI 102-12, GRI 201-1, GRI 413-1



Makro has always placed its responsibilities and accountability towards society at the top of its agenda. The company acknowledges the importance of ensuring that society receives positive impacts from its operations, enhancing quality of lives through community activities and education, while preserving knowledge of local cultures, and embracing religion. To achieve this, Makro has adopted the 17 Sustainable Development Goals of the United Nations as a sustainable driver to enhance people's lives.

SUSTAINABLE DEVELOPMENT GOALS



ENHANCING SOCIETY SUSTAINABLY

Companies are able to achieve sustainable operations through the continuous development of products and processes, and today's companies are increasingly encouraged to ensure that surrounding communities and society are not negatively impacted from business operations. In 2017, Makro implemented a diverse range of social development initiatives. These programs are implemented across all Makro stores, enhancing people's lives nationwide.



"100 STORES, 100 COMMUNITIES"

In 2017, Makro continued its annual "100 Stores, 100 Communities" program for the 3rd consecutive year. The program's primary objective is to encourage Makro employees at all stores nationwide to commit one good deed per store for the development of the local community. This year, Makro conducted six good deeds, achieved through participation from over 5,000 employees from Makro. The program provides Makro with a channel to give back to the communities which have supported its operations for the past 28 years. Types of good deeds are determined based on the geographical location of each store, and the specific needs of local communities. For example, in 2017, Makro joined hands with local government agencies to provide training and knowledge about retail management to shohuay retailers nationwide.



MAKRO RETAILER ALLIANCE (MRA)

Makro's most well-known program is Makro Retailer Alliance (MRA). This is a platform which allows Makro to share the in-depth knowledge and experience it has accumulated over the past 28 years in the retail sector, to any interested professional and non-professional customers, in order to enhance their retail capabilities. The program has been implemented for over ten years, assisting an average of over 39,000 customers annually in the process.

“
To strengthen Thai retailers' abilities is our goal
”

The MRA program provides interested customers with professional retailing management guidance at all levels. Customers with limited retailer knowledge and experience are welcome to start from basic guidance. More knowledgeable customers often seek the means to improve their product and service offerings. The program provides knowledge for a variety of topics, from choosing an appropriate store location to stock management. In 2017, Makro has seen an increase in the number of non-professional customers participating in the program, demonstrating the success of the program as a point of reference for food retailer knowledge.



In addition to the MRA program, in 2017, Makro also organized the "Enhancement of Thai Retailers" Capabilities Training' throughout many different regions of Thailand including Nakorn Ratchasima, Lampang and Surat Thani. This training is well-received from local retailers, government agencies, and retail business instructors. In addition, over 4,000 students nationwide participated in the program in 2017, receiving education about the retail sector, including location selection, product selection, product merchandising, cost setting, store decoration, marketing promotion, inventory management and store differentiations.

Beyond 2017, Makro has plans to expand its MRA program to provide customers with more retailer knowledge and information. This initiative has been implemented in its Lat Phrao branch, which conducts monthly seminars in addition to daily information sharing with interested individuals.

Makro has observed that an increased number of seminar participants are of the younger generation, compared to previous years. This has prompted the company to develop an annual "New Gen Sho Huay" contest at the "Makro Retailer Expo" to inspire and enhance capability and knowledge in retail management in future generations.

MAKRO RETAILER EXPO & MAKRO HORECA EVENTS

Two highly anticipated annual events organized by Makro are the "Makro Retailer Expo" and "Makro HoReCa", which have been running for eight and 12 years respectively. The events provide Makro with a channel to share and demonstrate the emerging trends and practices within the retail sector and food industry, along with its acquired know-how and experience to both professional and non-professional customers. This provides customers with a creativity boost and tools to spark their interest in the sector, encouraging information and experience sharing. This also allows Makro to build trust and loyalty within its customer base, contributing to the company's aim to become a trusted partner to professional customers.

A highlight from this year was Makro's 12th "Makro HoReCa" event in Chiang Mai under the name "The Creativity: Increase Business Value through Creative Ideas". The event focused on increasing business values through innovative ideas driving the company towards sustainability. The event consisted of Northern food professional cooking challenge, competing to win Her Royal Highness Princess Soamsawali's Royal Trophy. There were also presentations and demonstrations of innovation and creative business for HoReCa operators, to spark ideas for their own businesses, as well as workshops on various retail related topics for professional businesses.



“ Makro supports the sustainable growth of local retailers, ”

Furthermore, Makro has established the "Makro beside ShoHuay" event since 2006, an event which draws over 250,000 participants, emphasizing the importance of local retailers ("Shohuay") as the driving force of Thailand's economic growth. In 2017, Makro organized its "9th Makro Retailer Expo", a platform which aims to enable local retailers to realize and understand the emerging global trends including technologies and shifting customer behaviors. Makro also provides management guidance to effectively manage these emerging trends accordingly, enabling local retailers to grow sustainably.



MAKRO AND THE "PRACHARATH MARKET" POLICY



The Pracharath policy is initiated by the Thai Government, aiming to stimulate public spending and strengthen the grass roots of economy in a sustainable manner. The policy is an initiative between ten key government sectors to establish a channel for small local producers to sell their products, at a fair price.

Makro recognizes the importance of the policy, viewing it as an effective channel to enhancing the lives of communities. For this reason, Makro has joined the intergovernmental policy, under the "Modern Trade Market" and commits to dedicate a portion of Makro's parking space for local producers to sell their products, free of rental charges. In 2017, Makro has implemented the Pracharath Market prototype in six of its stores, and aims to have at least five Makro stores participate in the campaign annually.



ADDITIONAL INITIATIVES:



EDUCATION ACTIVITIES

In addition to enhancing the capabilities of professional and non-professional customers, Makro also recognizes the importance of grass roots education. For this reason, In 2017, Makro has awarded a total of 55 scholarships to underprivileged student in the communities. Makro intends to expend its scholarship activities over the next few years, and to provide clear and consistent criteria guidelines for applicants. Makro will track students' progress and measures benefits of the scholarship on communities.



DISASTER RELIEF

Makro participate in disaster relief efforts in hazardous areas around Thailand. In 2017, Makro has donated over 300,000 THB to help flood victims in Sakon Nakhon Province, and organized delivery of relief supplies to flood victims in the South of Thailand.



ENHANCING CUSTOMER VALUES

68 Customer Relationship
Management

CUSTOMER RELATIONSHIP MANAGEMENT



GRI 103-1, 103-2, 103-3



Makro has long understood the importance of retaining a good relationship with its diverse customer groups, from professional customers, such as HoReCa and service sectors, to individual customers. An in-depth understanding of customer needs is the foundation to establish mutual trust with customers. Makro is committed to maintaining a robust relationship with all customer groups, evident through the various programs implemented.

CUSTOMER RELATIONSHIP MANAGEMENT 2017 HIGHLIGHTS:

Makro have a dedicated team in each store who contact customers every day in order to understand their needs and to gain customer insight in order to improve our assortment and services to match with customer needs.



BUILDING RELATIONSHIP WITH OUR CUSTOMERS

Makro serves millions of active customers. Makro specifically assigns and utilizes a dedicated team in every store, working to promote bespoke products and services to active customers, through the implementation of the **Customer Development Concept**. This includes monthly customer visits to personally provide special privileges, through to tailored recommended promotions of new products through a wide array of communication channels (including mail, telephone and online). This enables the establishment of mutual trust between customers and Makro, fostering mutual growth and understanding, leading to a sustainable business growth. In 2018, Makro aims to maintain fundamentals related to price and quality, while improving its communication through a mix of digital apps and an expansion of services to serve customer's needs.

MAKRO'S CUSTOMER LOYALTY PROGRAM



Makro is devoted to effectively implement its customer centric approach. This is done through gaining an in-depth understanding of customer demands and specific product requirements. This accurate in-depth understanding is maintained through the use of primary research, including customer satisfaction surveys and focus groups, providing Makro with qualitative and quantitative data in order to determine the best strategic loyalty program to serve customers. The company uses a **Membership Card** as a way to understand customers. This allows Makro to choose the right promotion to the customers, better meeting their specific demands and thus enhancing satisfaction. In 2018, Makro aims

to make membership programs more accessible and sustainable.

In 2017, the customer Loyalty Survey, conducted found that Makro's current communication channels were broadly in line with professional customers' preferred channels: 60% of communication is done via a dedicated team in each individual store and/or Makro Mail, and this is what customers want. There is a desire from customers for more online communication (for example through the Makro App; see more detail on the app below), and this is something Makro will expand in 2018.



Food retailers use the "Jadhai" program, a campaign which supports them, Makro and suppliers: 1. Food retailers, to sustain and develop the capabilities of food retailer businesses, such as traditional grocery stores (sho huay), and minimarts. To be used as a promotional tool in order to compete with today's modern businesses. 2. Makro. The program is a key strategic program, allowing the business to provide solutions to customers, through sustaining and developing food retailers, while maintaining a high level of sales, resulting in a long-term customer loyalty. And 3. Suppliers, the program allows for an expansion of traditional grocery stores distribution centers, increasing suppliers' brand visibility and awareness, and increasing market share.

Makro Click was started in 2015 to solve professional customers with online channel convenience. A pilot free delivery service for six months was implemented in 2017. This program was reasonably well-received by customers, and more than half of orders took advantage of the free delivery option. There is an opportunity for Makro Click to improve its service in the future.

CUSTOMER SURVEYS

Makro takes great pride in its customer-centric approach, and uses "Customer Surveys" to conduct interviews (with both existing and new customers) in all new Makro stores through Grand opening / Post opening survey. This helps Makro to understand the needs of the customers, and identify gaps the company can serve. In 2017 Makro found that, according to customers, the quality of Makro's products (especially fresh food) performs highest in terms of customer satisfaction followed by price and services offered. There is an opportunity for improvement in terms of product stock availability.

COMPLAINT CHANNELS

Makro accepts that by implementing new strategies and initiatives, in its path towards enhancing relationships with customers, it cannot satisfy all customers and that the changes may be of concern to some. For this reason, Makro has grievance channels in place, for customers with concerns or seeking additional information and clarification. Channels include: at stores; through social media, including Facebook and the Makro App; and by telephone or mail. Approximately half of current complaints relate to service standards, availability and product quality.

ONLINE CRM

Makro has long observed the emergence and rapid advancement of technologies. In 2015 Makro developed the company's first mobile application, the "Makro App", acting as a direct online communication channel between Makro and its customers, enabling Makro to: promote its products and services, along with product details; alert customers about Makro news and activities; provide customers assistance to find the nearest store; and help customers make purchases products at a touch of their fingertips. The Makro App includes the Makro i-Trace system, allowing customers to trace products back to the lot number and country of origin, ensuring good manufacturing practices and food safety & quality, while fostering transparency in the company. Makro is committed to improving the Makro App, while also developing other online communication channels.





ENHANCING EMPLOYEES CAPABILITIES

- 74 Human Capital Development
- 78 Talent Attraction & Retention
- 82 Enhancing People's
Management,
Ensuring Human Rights
- 85 Occupational Health & Safety

HUMAN CAPITAL DEVELOPMENT



GRI 401-1 to 401-3 and GRI 404-1 to 404-3

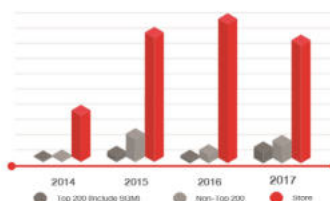


A company can achieve its objectives only through contributions from a diverse and talented workforce. High-quality employees provide companies with superior problem solving skills, leading to the development of exceptional innovation. For this reason, human capital development is one of the most important driving forces behind a company's ability to grow sustainably. This is true for Makro, who acknowledges the importance of human capital development to strengthen the capabilities of its employees in a rapidly changing economy, helping them to support their families and enhancing their quality of life.

HUMAN CAPITAL DEVELOPMENT HIGHLIGHTS IN 2017

"Research suggests that a direct employee replacement costs can reach as high as 50% to 60% of an employee's annual salary"

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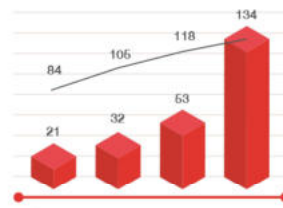


2014 - 2017 Training Hours

	2014	2015	2016	2017
HO				
- Top 200 (include SGM)	1,690	11,787	5,767	15,314
- Non Top 200	4,573	32,101	10,947	23,244
Total Hours	6,263	43,888	16,754	38,538
Store	64,223	163,878	180,089	135,121
Grand Total Hours	70,846	207,766	196,843	193,679
MP	10,014	11,941	13,400	15,699
Training hours / persons	7.04	17.40	14.69	14.14

	2014	2015	2016	2017
Training Expenses (M)	20.25	35.46	32.45	35.25
Training Expenses compared with previous year	75%	-8%	1%	7%
Submit to DSD (M)	18.02	25.1	21	22.84
Net Expenses	51%	77%	64%	65%
Tax Refund 200%	36.04	30.21	42.01	45.68
Man Power	10,014	11,941	13,400	15,699
Cost/person	3,590	2,700	2,451	2,573

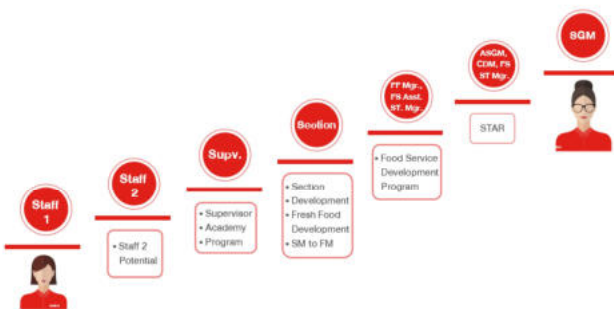
Training Cost and DSD Tax Refund



Compare Budget Vs. Actual Handicap

TYPE AND SCOPE OF PROGRAMS IMPLEMENTED AND ASSISTANCE PROVIDED TO UPGRADE EMPLOYEES SKILLS.

- BEST's Fresh Food and "OJT Teaching Skill" for Manager
- Safety Training
- New Store Training Program
- Own Brand Training
- Product Knowledge Training
- TMI Training
- CDM Training
- Bakery Training
- Halal Training
- HRIS Training for new HR & Payroll Workshop
- Internal Control & Operation Training
- E Ordering and Credit Sales
- Full stock take
- Knowledge of weight and measure according to weight and measure law
- Mandatory Training (Orientation + CG & Code of Conduct + Anti-Corruption)
- Safety Training
- System Training
- Compliance Training
- Functional Training
- Basic Management Training (for non Top200)
- Leadership Training (for Top200)



ENHANCING EMPLOYEE CAPABILITY

Human Capital Development (HCD) is one of the most important contributors to business success in today's highly competitive economy. An effective HCD program requires companies to create a workplace environment where individual employees can comfortably learn and apply new knowledge innovatively, incorporating new skills and abilities into their day-to-day activities. This leads to the development of an inclusive working environment, granting companies a multitude of benefits, such as: enhanced employee satisfaction, providing companies with a better performance; improved cross-functional organizational communication; and enhanced employee retention, as a result of a more satisfied employee.

Makro understands the importance of implementing HCD program. The company is devoted to ensuring that all of its employees have access to professional training, and are able to operate effectively and competitively in the global economy. Beyond this, HCD program provides companies with valuable insights to understand each of its employee's interests and goals, enhancing trust between the company and its staff, contributing to Makro's ambition to be the employer of choice by 2022.

Makro has a number of strategic HCD initiatives in place, to ensure that employees are able to develop

the necessary competencies within the rapidly shifting economy. This allows employees to have an enhanced quality of life, fostering employee satisfaction and sustainable growth with the company. The "Just-in-Time" training approach is utilized by Makro to provide its employees with relevant and up-to-date training on emerging knowledge, skills and abilities (KSAs), conducted upon immediate business needs. This ensures that Makro instills employees with the relevant KSAs to mitigate risks, and explore potential opportunities which may arise.

HUMAN CAPITAL DEVELOPMENT

In 2017, Makro invested over 35,242,000 million THB to develop a total of 21 main programs to improve the capabilities of its employees' knowledge, skills and abilities (KSAs). These programs include training employees at store and head office at all levels, ensuring that all employees possess the capabilities to operate successfully in the market. These are selected based on specific skills and capabilities the job required, and emerging market trends, ensuring that skills learned are translated into applicable business KSAs. Furthermore, the top management's (Top 200) Individual Development Plan (IDP) determines which

course an employee is eligible to take, ensuring that training is focused on the most beneficial areas.

In relations, the level of satisfied employees as a result of Makro's HCD is evidenced through Makro's inaugural "Employee Engagement Survey". In 2017, Makro conducted survey to almost 7,000 to employees at all levels, in order to assess the overall employee engagement levels, and identify improvement opportunities. The result indicates that 59% of Makro employees are satisfied with the current learning & development opportunities at Makro which stands at about the same rate as Thailand Average and Asia-Pacific Retailing (APAC) Average. These results provides Makro with a range of realistic and tangible future improvement opportunities, in order to make appropriate changes. Makro is committed to an action plan for improvement, and will track change in future Employee Engagement Surveys.

GROW OUR PEOPLE FOR GROWTH

Since 2016, Makro's HCD programs have put an emphasis on leadership development for employees at all levels through the company's "Grow our People for Growth" approach. Wherever possible, Makro aims to develop internal employees for new positions available, rather than recruiting externally. In 2017, 69% of all available positions were filled internally. Makro recognizes that the program is a process which requires continuous review and improvements to gradually expand its coverage. Makro aspires to fostering new capacities and on providing the necessary support to all potential employees, so that employees can successfully achieve their personal and professional goals to successfully become the firm's upcoming leaders.

Makro's "Young Talent Program" has been implemented since 2016. The program identifies high potential young graduates from the pool of local and overseas applicants to develop into future leaders as well as to cater for the prospective international expansion through cross-functional training between departments and sharing of knowledge to create a positive working culture promoting high employee

productivity and innovative solutions. This provides Makro with a pipeline for Makro's next generations, who will become future leaders for the company. The program's participants are divided into groups, focusing on a different aspect identified by Makro which will have a positive contribution towards sustainable growth. As of 2017, there have been four batches of "young talents", involving 19 employees, whom have completed diverse rotational training periods ranging from 4 – 6 months inclusive of both classroom and on-the-job training. Each program is tailored with a myriad of learning approaches.

The program has proven to be well received by program participants, evident in 2017 by the 100% retention of program partakers continuing to work with Makro which to develop better quality of work through innovative solutions. To sustain the trend of grooming these young talents as a robust force equipped with inventive capabilities to efficiently propel the firm forward in any challenging economic battle; Makro is aiming to recruit the cumulative total of 100 young prospective talents by 2021.



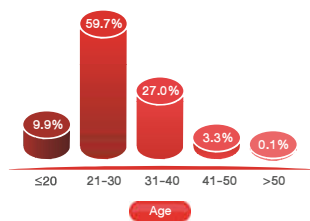
In 2015 Makro founded a specialized Capability Development Department to provide all employees with opportunities to develop professionally. The Department has notably delivered 21 main programs. The Company aims to develop a systematic performance assessment method for human capital development and respective KPIs by 2018.

TALENT ATTRACTION & RETENTION



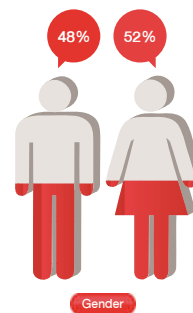
HIRING

2017 Makro hired
5,490 employees



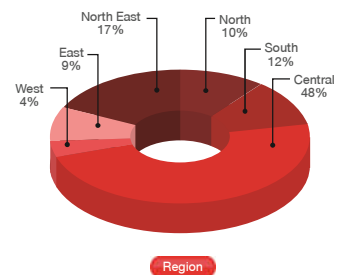
Hiring by age

Age	Total	%
≤20	542	9.9%
21-30	3278	59.7%
31-40	1483	27.0%
41-50	183	3.3%
50+	4	0.1%



Hiring by gender

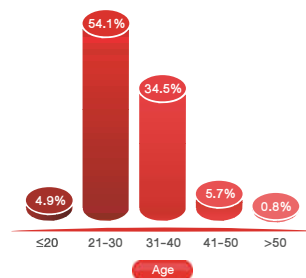
Sex	Total	%
Female	2881	52%
Male	2609	48%



Hiring by region

Region	Total	%
North	551	10%
South	650	12%
Central	2610	48%
West	245	4%
East	516	9%
North East	918	17%

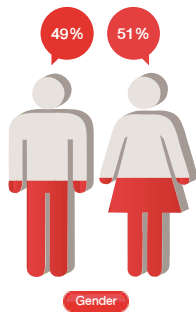
2017 Turnover rate
4,573 employees



Turnover by age

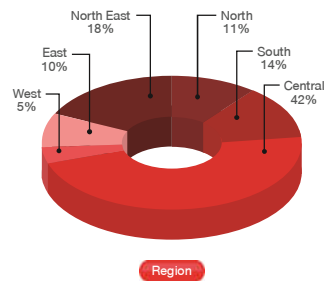
Age	Total	%
≤20	222	4.9%
21-30	2474	54.1%
31-40	1577	34.5%
41-50	262	5.7%
50+	38	0.8%

TURN OVER



Turnover by gender

Sex	Total	%
Female	2326	51%
Male	2247	49%



Turnover by region

Region	Total	%
North	495	11%
South	622	14%
Central	1928	42%
West	232	5%
East	469	10%
North East	827	18%

EMPLOYEE ATTRACTION AND RETENTION

With the variety and increased complexity of jobs available in the market, attracting the right person for the job is not always an easy task. For this reason, companies need to develop an effective attraction and retention program. The Young Talent Program serves as both an attraction and retention tool to attract prospective leaders, by offering exceptional entrepreneurial skill sets through the intensive cross functional training and individual projects supported by the CEO throughout the process. The distinctive program opportunities, combined with a clear career development path, has so far resulted in 100% retention of program's participants. Furthermore, the Capabilities Development Programs are administered in order to maintain Makro's existing experienced and capable force that has been incessantly steering Makro to a sustainable growth.

Companies with an ineffective attraction and retention strategy often have a high staff turnover rate, resulting in a loss of valuable knowledge, which will not be passed down to the next generation of employees. A consequence of this is increased training costs for new employees, plus time and resources spent for employee development. In 2017, Makro has an overall employee turnover rate of 30%, an increase from 27% in 2016. However, when compared to the retail industry, Makro is amongst the firms with the lowest turnover rates in the market. Nevertheless, we are continually attempting to counteract this phenomenon by setting an internal retention target of 5% aimed to be achieved by 2018.

In order for Makro to improve its retention strategy and gain a better insight as to why employees leave the company, the human resources department carries out and analyses results from exit interviews, allowing the company to identify the root causes of why employees quit, in order to rectify the problem and effectively retain its talents. The peculiar resignation cases are tackled on a case by case basis to reach an appropriate remedial solution, with findings reviewed by the Human Resource Director and integrated into the company strategy, allowing for an improved retention strategy.

ENHANCING PEOPLE'S MANAGEMENT, ENSURING HUMAN RIGHTS



GRI 412-1, GRI 412-2



Labor practices are the policies a company has in place which governs how it selects, treats and rewards its employees. Companies with good labor practice policies often possess a diverse talent pool, giving the company superior problem solving skills and insights, leading to advanced solutions and innovations. Makro values all of its employees, and is committed to treat all individuals with dignity and respect.

LABOR PRACTICES

Good labor practice is a key foundation to achieving sustainable growth. Labor practices govern the company's corporate culture and set behavior norms about how the company treats its employees. It plays a key role in a company's ability to attract and retain its talent, through fostering an inclusive culture. Consequences of ineffective labor practices can include: decreased productivity, as employees are marginalized and excluded from improvement dialogues; a lack of personal accountability, leading to an unmotivated workforce dissatisfied with their working conditions; increased operating costs, through additional investments to meet minimum and new

labor standards; and increased turnover rate, as employees join companies with better labor practices. Makro recognizes the need to continuously improve its labor practice policies, and is committed to doing so, guided by its sustainability roadmap to 2020 and Makro 4.0 Goal 6, to become the employer of choice.

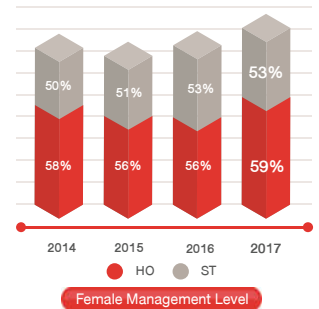
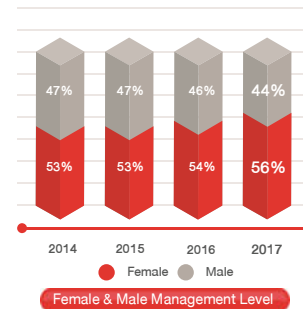
“
Good labor practice is a foundation
to achieving sustainable growth
”

The firm respects its employees' right to freedom of association and collective bargaining, within the limits of the law and be able to achieve good labor practices through its compliance with the company-wide “Corporate Governance and Code of Conduct Manual” (“the manual”), providing the company with a transparent guide to treat all its employees in a respectful and in an impartial manner, in accordance with local laws and regulations. This initiative safeguards Makro from all forms of potential human rights violations, including abusive treatments or restriction of individual freedom. In addition, the manual ensures that Makro does not segregate employees based on their individual characteristics (such as age, gender, religion, nationality, disabilities), but instead encourages treatment based on the individual's competencies and job fit. Furthermore, the manual promotes equality and ensures that all individuals receive equitable and rightful remuneration, in accordance to the law.

To ensure that the document is successfully integrated into Makro's operations, the company has aligned training programs to the Manual and Code of Conduct, to foster equal understanding and compliance in all employees. All the newcomers mandatorily undergo these trainings through the orientation program administered on the very first day of their employment. While, 75% of the existing employees have currently participated in these trainings and the rate will continue to accelerate until the overall training participation is achieved. This ensures that the company does not violate these policies, and maintains high operation standards.

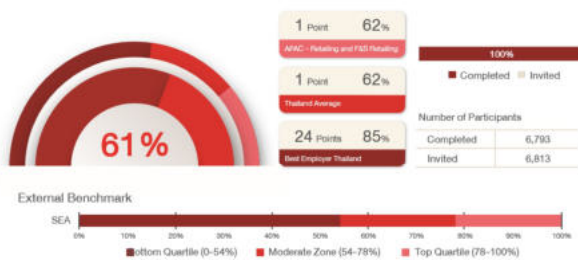


RATIO OF FEMALE MANAGEMENT



Makro also conducted an "Employee Engagement Survey" in 2017, supervised by a third-party. The survey was completed by 100% of Head Office staff and Store Section Managers (and above), and 50% of store supervisors and other staff. This lower participation rate is attributed to staff turnover (the survey only includes staff members who have at least six months' service). The Survey found an overall employee engagement rate of 61% in 2017, providing the company with a tangible measure of its current performance, and an opportunity to identify gaps for future improvements. Makro has committed to create a governance structure to apply findings from the employee surveys, and to develop a robust action plans both corporate and for each function in order to improve employee engagement. Specific actions will include competitive rewards and recognition to performance, career progression, and training tailored to individual employee needs. Action plan results will then be monitored and continuously improved.

ENGAGEMENT SCORE



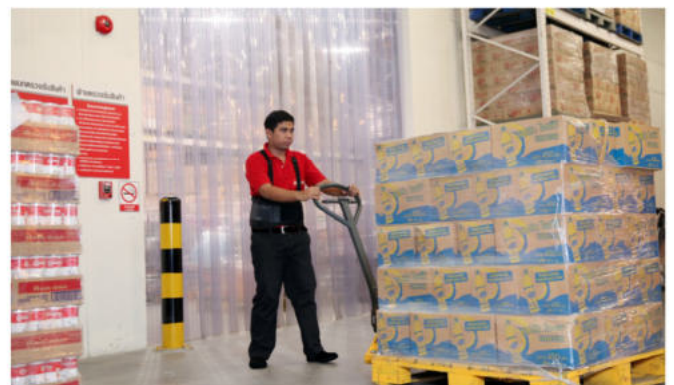
HUMAN RIGHTS

Human Rights are universal legal guarantees protecting individuals and groups against actions which interfere with fundamental freedoms and human dignity. Makro is devoted to ensuring that all stakeholders are treated with respect and in an unbiased manner. Makro aims to achieve this through full compliance with the manual and Code of Conduct, which guides Makro and its business partners to avert all forms of potential human rights violations. As it continues its growth, Makro will be renewing its Human Rights policies, and is committed to improving its standards in line with international standards.

“
In 2017, Makro has completed a part of Human Rights Due Diligence process by performing Human Rights Risk Assessment of its main business.
”

In 2017, Makro has completed a part of the Human Rights Due Diligence (HRDD) process as part of the CP Group by performing a rigorous human rights risk assessment subject to an overview manner by nominating representatives from all divisions taking into account the stores and distribution centers (DCs). The assessment covered all stakeholder groups including: children; vulnerable groups such as indigenous people, migrant labors and disabled individuals; external sub-contractors; and local communities. The assessment aimed to identify potential human rights violations in Makro's operations and its supply chain, ranking them in order of importance to stakeholders and the company. Ensuing, the qualitative action plans are generated to minimize or completely eradicate the assessed risks. This process is customarily performed annually, once the term is completed the next round of human rights risk assessment will be conducted to ensure that human rights are respected and to avoid any impending risks of violations.

OCCUPATIONAL HEALTH & SAFETY



Makro is meticulously pursuing safety, health and workplace environmental best practice, to ensure that all of our employees are happy and safe every day of their working lives with Makro.

Although implementation of good labor practices leads companies towards an inclusive workplace, this alone is not sufficient to foster employee productivity. An increasing number of employees, especially those working in harmful and hazardous environments, are actively looking at companies' Occupational Health & Safety policies, to safeguard and ensure their health and well-being. Makro acknowledges the importance of a safe workplace, and attempts to achieve a truly inclusive working environment which protect its employees from all injuries.

S.H.E 2017 HIGHLIGHTS



SAFETY CULTURE AT MAKRO: S.H.E POLICY



SAFETY

Makro provide and maintain a work environment that is safe for all the workforce. The company engages the leadership and has accountability to all store management taking the role of safety ownership. Makro has established the "SMART" safety committee to implement the management of the occupational health & safety and work environment which leads to reduced injury cases for the workforce and customers in the company's area. The safety key performance indicator is Lost Time Injury Frequency Rate (LTIFR), monitored to ensure that safe conditions are maintained. Makro conduct verification of conditions to align with the minimum requirement of Thai law by third party under safety audit program and implement the CP-S.H.E model.



HEALTH

Makro realize the health of workforce is a key function to business success, and have established the health promotion program to contribute to good health and well-being. Specific activities include: establishing the facility for exercising; sport day; and annual checkup including a special health checkup program to ensure the program aligns with employee needs.

In term of working conditions, Makro engage specialists to conduct health assessments in terms of occupational health, including an evaluation to ensure the related risk factors are assessed and controlled.



WORKPLACE ENVIRONMENT

Makro realize that a safe workplace environment contributes to the safety and well-being of workforce. The company has established a proper safe work environment, with risk factors monitored such as illumination, sound and temperature. This helps to ensure the working conditions are within standards and maintained in a proper condition for our workforce.

Occupational Health & Safety (OHS) is essential for companies striving to achieve a sustainable business. OHS allows companies like Makro to protect the well-being of its employees, through the provision and promotion of a safe working environment. A culture of safety throughout the company fosters employees' sense of security, leading to a more productive working environment. In contrast, neglecting OHS policies might lead the company towards countless problems, including accidents, and demotivated employees who feel unsafe in their jobs. Makro cares about and accepts its responsibility to provide all employees (including sub-contractors) with a safe working environment, ensuring that their personal well-being and health is protected at all times. In 2017, this dedication is implemented through the company's "Safety Culture" annual theme, with a particular emphasis on the organization of safety within stores.

Makro has an internal corporate-wide OHS policy, known as the "Safety, Health & Environmental policy" ("S.H.E policy"). The policy ensures compliance with all basic laws and regulations, and provides the workforce with all of the basic workplace safety rules.

The Makro workforce is encouraged to have a safety-first mentality, and apply the "Think Incident Free (TIF)" practice, which trains and urges workforces to: plan their work safely; effectively manage any potential issue; have action plans in mind to resolve any issues when they occur; and possess the relevant knowledge to utilize the proper tools accordingly. This policy is fostered from the first day of employment at Makro, where all workers are provided with training sessions, to understand and comply with the corporate safety policy, to ensure safety and successful integration of the "TIF" mentality. Furthermore, compliance with the policy is ensured through specifically assigned human resource business partners (HRBP), to oversee all human resource processes at each store. HRBP's responsibilities include overseeing the capability development department, which are accountable for employee training, such as: the S.H.E policy training; food safety training; leadership competency; and employee capability and knowledge training about emerging trends which could be of benefit to the company, including e-commerce. This allows Makro to actively identify performance safety gaps, and convert them into potential opportunities for the company and its employees.

“ Implement safety KPI to include employee, contractor and customer index ”

In 2017, Makro established a "Safety Index", which applies to all employees and contractors at i) Head Office; ii) Stores; and iii) Distribution Centers (including DHL). The index includes KPIs from absentee rates, injury rates, lost time injury frequency rates, as well as compliance and audit rates. Makro plans to expand the index's coverage in 2018, to ensure alignment with CP Group and international standards.

Furthermore, Makro is in the process of developing the company's Incident Investigation Report (IIR) from a paper-based process, into an online application, to be utilized from 2018. This will allow Makro to better monitor its safety performance in a more efficient and consistent manner. Where customers have any complaints about health and safety, this is dealt with in the first instance by store managers. The majority of complaints are dealt with in-store, but where this is not possible, an IR is sent to the Head Office within 24 hours. The S.H.E policy provides all of Makro's employees with a clear action guidance to when accidents occur on the premises of Makro. At head office employees promptly report the incident in accordance to the CP Facility Management procedure (CPFM), to seek assistance or to alert relevant parties.

Though Makro has long implemented its S.H.E policy throughout its supply chain, Makro is aware of the increased occupational risk complexity arising from operation expansion and growth. The implemented S.H.E policy, which predominantly focuses on complaints, is no longer sufficient to effectively promote and ensure a safety culture in Makro. For this reason, Makro is committed to improve, as evidenced by its 2018 S.H.E strategy plans, promoting "the year of S.H.E sustainability and safety culture" throughout Makro. Key actions which have already begun and which will continue in 2018 include: all stores to establish a 2018 OHS plan; development of an e-learning module to improve Makro's safety culture; carrying out a safety audit at all stores; and the establishment of a Health Safety Committee to identify main impacts and implement a plan for improvements. Makro is working to align its KPIs for S.H.E with international standards and with CP Group.

Furthermore, Makro recognizes that as an additional consequence of the continuous corporation growth and complexity, its S.H.E policy cannot always be applied outside of its own operations. Thus Makro is open to adopt safety rules, which promotes OHS from its business partners, as evident from its utilization of the DHL safety policy for its distribution centers.



In 2017, 59% (67 stores) of Makro stores achieved Lost time injury frequency rate (LTIFR) target. Other store still have safety indicator over the target. All stores will put more effort to prevent the injury incident in order for the company to achieve the safety indicator target.

In 2017, Makro implemented its section safety talk with over 107 Store General Managers (SGM) who assigned to safety committee chairman, this section to contribute safety culture of organization and cascade expectation of company direct to all workforce level.



In 2017, 100% of Makro stores completed safety committee meetings under Thai law requirement. All committees conduct a monthly meeting for implementing the safety management system, reviewing the unsafe acts, unsafe condition and injury incidents to provide appropriate protection and prevention. All committees conducted the safety committee survey to ensure that unsafe acts, unsafe conditions and near misses are recognized and under control.



MAKRO EMPLOYEE 2017 INJURY RATE

Types of injuries/ injury rate (IR)	Occupational disease Rate (ODR)	Lost day rate (LDR)	Absentee Rate (AR)	Work-Related Fatalities	Region	Gender
2.13	0	8.46	0.91	0	Thailand	Male&Female
3.4	0	5.37	0.36	0	Thailand	Male
1.07	0	3.09	0.55	0	Thailand	Female

MAKRO WORKERS (EXCLUDING EMPLOYEES) 2017 INJURY RATE

Types of injuries/injury rate (IR)	Work-related fatalities	Region	Gender
3.15	0	Thailand	Male&Female
3.9	0	Thailand	Male
2.3	0	Thailand	Female

APPENDIX

GRI CONTENT INDEX

UNIVERSAL STANDARDS

Global Reporting Initiative Standards	GRI Standard Titles	Chapters	Page	Remark/Omission	External Assurance	SDG Mapping
GRI 102-1	Name of the organization	About Makro	4			
GRI 102-2	Activities, brands, products, and services	About Makro	4			
GRI 102-3	Location of headquarters	About Makro	4			
GRI 102-4	Location of operations	About Makro	4			
GRI 102-5	Ownership and legal form	About Makro	4			
GRI 102-6	Markets served	About Makro	4			
GRI 102-7	Scale of the organization	About Makro	4			
GRI 102-8	Information on employees and other workers	About Makro	4			
GRI 102-9	Supply Chain	About Makro	4			
		Supply Chain Management	38			
GRI 102-10	Significant changes to the organization and its supply chain	About Makro	4			
GRI 102-11	Precautionary principles or approach	Supply Chain Management	38			
GRI 102-12	External initiatives	Product Labelling & Marketing	29			
		Raw Material Sourcing	43			
GRI 102-13	Membership of associations	Please refer to company website at www.siammakro.co.th	-			
GRI 102-14	Statement from senior decision-maker	Message from the Chairman & Group Chief Executives Officer	2			
GRI 102-16	Values, principles, standards and norms of behavior	Corporate Governance	15			16, 17

Global Reporting Initiative Standards	GRI Standard Titles	Chapters	Page	Remark/Omission	External Assurance	SDG Mapping
GRI 102-18	Governance Structure	Corporate Governance	15			16, 17
GRI 102-40	Lists of stakeholder groups	About this Report	9			
GRI 102-41	Collective bargaining agreements	About this Report	9			
GRI 102-42	Identifying and selecting stakeholders	About this Report	9			
GRI 102-43	Approach to stakeholder engagement	About this Report	9			
GRI 102-44	Key topics and concerns raised	About this Report	9			
GRI 102-45	Entities included in the consolidated financial statements	About this Report	9			
GRI 102-46	Defining report content and topic boundaries	About this Report	9			
GRI 102-47	List of material topics	About this Report	9			
GRI 102-48	Restatements of information	About this Report	9			
GRI 102-49	Changes in reporting	About this Report	9			
GRI 102-50	Reporting period	About this Report	9			
GRI 102-51	Date of most recent report	About this Report	9			
GRI 102-52	Reporting cycle	About this Report	9			
GRI 102-53	Contact point for questions regarding the report	About this Report	9			
GRI 102-54	Claims of reporting in accordance with the GRI Standards	About this Report	9			
GRI 102-55	GRI content index	GRI content Index	91			
GRI 102-56	External assurance	External Assurance	100-101			
GRI 302-1	Energy consumption within the organization	Energy Management	52		✓	7, 8, 11, 12, 13
GRI 302-2	Energy consumption outside the organization	Energy Management	52			7, 8, 11, 12, 13
GRI 302-3	Energy intensity	Energy Management	52		✓	7, 8, 11, 12, 13

Global Reporting Initiative Standards	GRI Standard Titles	Chapters	Page	Remark/Omission	External Assurance	SDG Mapping
GRI 302-4	Reduction of energy consumption	Energy Management	52			7, 8, 11, 12, 13
GRI 302-5	Reductions in energy requirements of products and services	Energy Management	52			7, 8, 11, 12, 13
GRI 305-1	Direct (Scope 1) GHG emissions	Energy Management	52		✓	7, 8, 11, 12, 13
GRI 305-2	Energy indirect (Scope 2) GHG emissions	Energy Management	52		✓	7, 8, 11, 12, 13
GRI 305-4	GHG emissions intensity	Energy Management	52		✓	7, 8, 11, 12, 13
GRI 306-2	Waste by type and disposal methods	Waste Management	48		✓	6, 12, 14
GRI 308-1	New suppliers that were screened using environmental criteria	Supply Chain Management	38			12, 13, 14, 15
GRI 401-1	New employee hires and employee turnover	Human Capital Development	74			4, 5, 8, 10
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Human Capital Development	74			4, 5, 8, 10
GRI 401-3	Parental leave	Human Capital Development	74			4, 5, 8, 10
GRI 403-1	Workers representation in formal joint management-worker health and safety committee	Occupational Health & Safety	85		✓	
GRI 403-2	Types of injury and rate of injury, occupational disease, lost days, and absenteeism, and number of work-related fatalities	Occupational Health & Safety	85		✓	
GRI 404-1	Average hours of training per year per employee	Human Capital Development	74			4, 5, 8, 10
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	Human Capital Development	74			4, 5, 8, 10

Global Reporting Initiative Standards	GRI Standard Titles	Chapters	Page	Remark/Omission	External Assurance	SDG Mapping
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	Human Capital Development	74			4, 5, 8, 10
GRI 412-1	Operations that have been subject to human rights review or impact assessments	Labor Practice	82			1, 5, 8, 10
GRI 412-2	Employee training on human rights policies or procedures	Labor Practice	82			1, 5, 8, 10
GRI 412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human right screening	Labor Practice	82			1, 5, 8, 10
GRI 414-1	New suppliers that were screened using social criteria	Supply Chain Management	38			12, 13, 14, 15
GRI 416-1	Assessment of the health and safety impacts of product and service categories	Food Safety & Quality	22			1, 2, 3, 12

PERFORMANCE SUMMARY 2017

SUSTAINABILITY PERFORMANCE: ENVIRONMENT

GRI	Required Data	Unit	Summary				Remark
			2014	2015	2016	2017	
GRI 302-1	Energy Intensity						
	Stationary Combustion	GJ					
	Fossil fuels (Coal, oil, natural gas, etc.) purchased and consumed (for energy purposes)						
	- Bunker oil	GJ	-	-	-	-	
		Liter	-	-	-	-	
	- Diesel	GJ	2,465.66	3,047.38	3,506.21	3,591.01	
		Liter	67,700.81	83,673.19	96,271.67	98,599.85	
	- LPG	GJ	-	-	-	204.90	
		Kg	-	-	-	4,080.00	
	- Natural Gas	GJ					
		MMBTU					
	Total non-renewable energy purchased	GJ	864,913.91	1,043,927.85	1,184,763.85	1,250,896.92	
		MWh	240,253.86	289,979.96	329,101.07	347,471.37	
		tCO ₂ e	139,852.00	168,797.00	191,570.00	202,263.00	
GRI 302-3	Total renewable energy consumption	GJ	0	0	68.54	60.73	
		MWh	0	0	19.04	16.87	
	- Solar Energy	GJ	-	-	68.54	60.73	
		MWh	-	-	19.04	16.87	
GRI 302-4	Reduction of energy consumption	kWh					
GRI 303-3	Water						
	Water Consumption						
	Total water consumption	m ³	1,342,755.00	1,591,100.00	1,816,229.00	2,040,724.00	
	Total volume of fresh water consumption	m ³	1,342,755.00	1,591,100.00	1,816,229.00	2,040,724.00	

GRI	Required Data	Unit	Summary				Remark
			2014	2015	2016	2017	
GRI 305-1	GHG Emissions	tCO ₂ e					
	Direct (Scope 1) GHG emissions	tCO ₂ e					
	Operational Emissions	tCO ₂ e					
GRI 305-2	Energy indirect (Scope 2) GHG emissions						
	GHG Emission from Grid Electricity	tCO ₂ e					
GRI 305-3	Other indirect (Scope 3) GHG emissions	tCO ₂ e					
GRI 306-1	Effluents and Waste						
	Wastewater discharge by quality and destination	m ³					
	Volume of wastewater discharged	m ³	1,074,204.19	1,272,880.10	1,452,983.21	1,632,579.07	
GRI 306-2	Waste by type and disposal method						
	Non-hazardous Waste Disposal Method						
	Composting (Fresh Food)	Metric Ton	-	27.30	46.75	45.60	
	Quantify to Landfill	Metric Ton	-	7,155.00	14,595.15	18,254.06	

PERFORMANCE SUMMARY 2017

SUSTAINABILITY PERFORMANCE: SOCIAL

GRI	Required Data	Unit	Summary				Remark
			2014	2015	2016	2017	
GRI 102-7	Total Employees						
	Permanent Employees	Person	10,534	12,212	13,296	13,732	
	Total Employees	Person	10,633	12,277	13,365	13,786	
GRI 102-8	Board of Directors/Supervisory Board						
	- Male	Person	4	4	4	4	
	- Female	Person	2	2	2	3	
GRI 102-8	Total number of employees by level		10,627	12,271	13,359	13,779	
	Top Executives Level		5	5	5	4	
	- Male	Person	2	2	2	2	
	- Female	Person	3	3	3	2	
	Management Level		913	1,054	1,168	1,222	
	- Male	Person	401	472	516	530	
	- Female	Person	512	582	652	692	
	Non-Management Level		9,709	11,212	12,186	12,553	
	- Male	Person	4,365	5,101	5,546	5,675	
	- Female	Person	5,344	6,111	6,640	6,878	
GRI 401-1	New employee hires and employee turnover						
	Total new hires	Person	4,837	5,524	5,633	5,701	
	- Over 50 year	Person	8	7	6	9	
	- Age 30-50 year	Person	1,886	2,253	2,072	2,019	
	- Under 30 year	Person	2,943	3,264	3,555	3,673	
	Total turnover	Person	3,089	4,097	4,587	5,281	
	- Over 50 year	Person	17	23	15	38	
	- Age 30-50 year	Person	1,270	1,737	2,024	2,344	
	- Under 30 year	Person	1,802	2,337	2,548	2,899	

GRI	Required Data	Unit	Summary				Remark
			2014	2015	2016	2017	
GRI 403-2	Absentee Rates						
	- Male	%	0.54%	0.73%	0.83%	0.36%	
	- Female	%	0.72%	0.97%	1.06%	0.55%	
	Absentee Rates	%	1.26%	1.70%	1.89%	0.91%	
	Lost Days Rates						
	- Male	%	70.7%	93.5%	73%	63.5%	
	- Female	%	29.1%	6.5%	27%	36.5%	
	Lost Days Rates	%	8.6%	9.4%	9.7%	8.4%	
	Fatalities (Employees)						
	- Male	Person	0	0	0	0	
	- Female	Person	0	0	0	0	
	Fatalities (Contractors)						
	- Male	Person	0	0	0	0	
	- Female	Person	0	0	0	0	
	Injuries Frequency Rate (IR) – Employees	Case/million work hours	1.83	3.03	2.79	2.13	
	- Male	Case/million work hours	2.71	5.16	4.50	3.43	
	- Female	Case/million work hours	1.10	1.26	1.36	1.07	
	Injuries Frequency Rate (IR) – Contractors	Case/million work hours	3.64	5.20	5.80	3.16	
	- Male	Case/million work hours	5.33	7.16	7.30	3.93	
	- Female	Case/million work hours	1.93	3.27	3.41	2.30	
	Lost-Time Injuries Frequency Rate (LTIFR) – Employees	Case/million work hours	34.73	28.84	25.91	24.72	
	- Male	Case/million work hours	54.82	59.34	41.67	34.88	
	- Female	Case/million work hours	18.37	3.44	12.81	16.41	
	Lost-Time Injuries Frequency Rate (LTIFR) – Contractors	Case/million work hours	1.83	3.03	2.79	2.13	
	- Male	Case/million work hours	2.71	5.16	4.50	3.43	
	- Female	Case/million work hours	1.10	1.26	1.36	1.07	

GRI	Required Data	Unit	Summary				Remark
			2014	2015	2016	2017	
GRI 403-2	Occupational Illness Frequency Rate (OIFR) – Employees	Case/million work hours					
	- Male	Case/million work hours	0	0	0	0	
	- Female	Case/million work hours	0	0	0	0	
	Occupational Illness Frequency Rate (OIFR) – Contractors	Case/million work hours					
	- Male	Case/million work hours	0	0	0	0	
	- Female	Case/million work hours	0	0	0	0	
GRI 404-1	Training & Development						
	By Level						
	- Executive Level	Hour/person					
	- Officer Level	Hour/person					
GRI 405-1	- Staff Level	Hour/person					
	Total Employee by age	Person	10,633	12,277	12,365	13,786	
	<30 years	Person	4,086	4,567	5,029	5,217	
	- Male	Person	1,889	2,148	2,378	2,458	
	- Female	Person	2,197	2,419	2,651	2,759	
	30-50 years	Person	6,363	7,483	8,044	8,235	
	- Male	Person	2,801	3,330	3,554	3,609	
	- Female	Person	3,562	4,153	4,490	4,626	
	>50 years	Person	184	227	292	334	
	- Male	Person	82	101	136	144	
	- Female	Person	102	126	156	190	



ASSURANCE STATEMENT

SGS (THAILAND) LIMITED'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE SIAM MAKRO PUBLIC COMPANY LIMITED'S SUSTAINABILITY REPORT FOR 2017

NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS (Thailand) Limited was commissioned by SIAM MAKRO Public Company Limited (hereinafter referred to as SIAM MAKRO) to conduct an independent assurance of the Sustainability Report for 2017 (hereinafter referred to as Sustainability Report). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and data in accompanying tables, contained in this report.

The information in the Sustainability Report of SIAM MAKRO and its presentation are the responsibility of the directors or governing body and the management of SIAM MAKRO. SGS (Thailand) Limited has not been involved in the preparation of any of the material included in the Sustainability Report.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification with the intention to inform all SIAM MAKRO's stakeholders.

The SGS protocols are based upon internationally recognized guidance, including the Principles contained within the Global Reporting Initiative (GRI) Sustainability Reporting Standards (2016) for accuracy and reliability and the guidance on levels of assurance contained within the AA1000 series of standards and guidance for Assurance Providers.

This report has been assured at a moderate level of scrutiny using our protocols for:

- evaluation of content veracity;
- Type 2 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008); and
- evaluation of the report against the Global Reporting Initiative (GRI) Sustainability Reporting Standards (2016).

The assurance comprised a combination of pre-assurance research; interviews with relevant employees at SIAM MAKRO headquarter in Thailand; documentation and record review and validation with external bodies and/or stakeholders where relevant.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS (Thailand) Limited affirm our independence from SIAM MAKRO, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors experienced in one or more of the following standards; AA1000, GRI, OMS, EMS, SMS, EnMS, Carbon Footprint, Water Footprint, GHG Validation - GHG Verification Lead Auditors and experience on the SRA Assurance service provisions.

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VERIFICATION/ ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within Sustainability Report verified is accurate, reliable and provides a fair and balanced representation of SIAM MAKRO sustainability activities from 1st January 2017 to 31st December 2017.

The assurance team is of the opinion that the Report can be used by the Reporting Organisation's Stakeholders. We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting. In our opinion, the content of the report meet the requirement of GRI Standard (2016) and AA1000 Assurance Standard (2008) Type2, Moderate level assurance.

AA1000 ACCOUNTABILITY PRINCIPLES (2008) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Inclusivity

SIAM MAKRO has demonstrated a good commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement effort such as survey and communication to employees, customers, investors, suppliers, CSR experts, and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns. For future reporting, SIAM MAKRO may consider having more direct involvement of stakeholders during future engagement.

Materiality

SIAM MAKRO has established effective processes for determining issues that are material to the business. Formal review has identified stakeholders and those issues that are material to each group and the report addresses these at an appropriate level to reflect their importance and priority to these stakeholders.

Responsiveness

The report includes coverage given to stakeholder engagement, as well as the response to the material issues concerned by the stakeholders.

GLOBAL REPORTING INITIATIVE REPORTING GUIDELINES CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

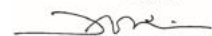
The SIAM MAKRO's Sustainability Report of 2017 is presented in accordance with the core option for GRI Standard (2016) and fulfills all the required content and quality criteria for the identified aspects listed below:

- GRI 302 - Energy 2016; (302-1 Energy consumption within the organization, 302-3 Energy intensity)
- GRI 303 - Water 2016; (303-1 Water withdrawal by source)
- GRI 305 - Emission 2016; (305-1 Direct (Scope 1) GHG emissions, 305-2 Energy indirect (Scope 2) GHG emissions, 305-4 GHG emission intensity)
- GRI 306 - Effluents and Waste 2016; (306-2 Waste by type and disposal method)
- GRI 403 - Occupational Health and Safety 2016; (403-1 Workers representation in formal joint management-worker health and safety committees, 403-2 Type of injury and rates of injury occupational disease, lost days, and absenteeism and number of work-related fatalities)

The material aspects and their boundaries within and outside of the organization are properly defined in accordance with GRI's Reporting Principles for Defining Report Content. Disclosures of identified material aspects, boundaries, are correctly located in context index and report. It is recommended to have more identifications and disclosure of their subsidiary's material aspects in the next report. Disclosure on Management Approach components, such as goals and targets, specific actions taken to achieve the expected result, may be further enhanced. It is encouraged to emphasize on the specific management practices undertaken for each identified material aspect next year.

Signed:

For and on behalf of SGS (Thailand) Limited



Sompong Kiatiporn, General Manager
Bangkok, THAILAND
17 May, 2018 WWW.SGS.COM

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