



GROWING FROM OUR STRENGTHS

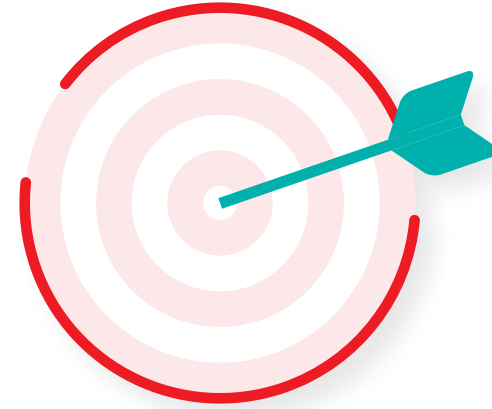
Siam Makro Public Company Limited

Annual Report 2021 (56-1 One Report)



VISION

To bring about **change** for how
life could be **better** fulfilled with
good health, love, joy
and **wellbeing**



MISSION

To **become the number 1**
B2B and B2C retailer in Asia,
combining **both online and offline**,
by fulfilling our customers' daily needs
with **technology, innovation** and
operation excellence; together
with **people and partners**
in **sustainable** way

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Appendix for Annual Report 2021 (56-1 One Report) are disclosed on our website

<https://www.siammakro.co.th/pdf/meeting-2022/Appendix-mk-EN.pdf>  or Scan here





DEFINITIONS

In this One Report, unless otherwise specified or the context otherwise requires:

B2B	Referred to	Business to Business
B2B2C	Referred to	Business to Business to Consumer
B2C	Referred to	Business to Consumer
COVID-19	Referred to	Coronavirus disease
CPALL	Referred to	CP ALL Public Company Limited
CPF	Referred to	Charoen Pokphand Foods Public Company Limited
CPG	Referred to	Charoen Pokphand Group Company Limited
CPH	Referred to	Charoen Pokphand Holding Company Limited
CPM	Referred to	C.P. Merchandising Company Limited
CPRH	Referred to	C.P. Retail Holdings Company Limited
Ek-Chai	Referred to	Ek-Chai Distribution System Company Limited
Lotus's or CPRD	Referred to	C.P. Retail Development Company Limited, a company with limited liability registered in Thailand, and its subsidiaries on a consolidated basis; because Lotus's completed its acquisition of Lotus's Thailand and Lotus's Malaysia on 18 December 2020, references in this Offering Memorandum to Lotus's for the period from 1 January 2019 to such date of acquisition are to Lotus's "as-if" Lotus's Thailand and Lotus's Malaysia had been consolidated subsidiaries of Lotus's on a pro forma basis from 1 January 2019; for the avoidance of doubt, where the reference is to C.P. Retail Development Company Limited on a stand-alone entity basis, we use the term "Lotus's Ltd".
Lotus's Ltd	Referred to	C.P. Retail Development Company Limited only not including subsidiaries of C.P. Retail Development Company Limited
Lotus's Malaysia	Referred to	Lotuss Stores (Malaysia) Sdn. Bhd., including its predecessor entity Tesco Stores (Malaysia) Sdn. Bhd. and subsidiaries.
Lotus's Thailand	Referred to	Lotus's Stores (Thailand) Company Limited including its predecessor entity Tesco Stores (Thailand) Limited and subsidiaries.
Makro PCL	Referred to	Siam Makro Public Company Limited

O2O	Referred to	Offline to Online Business
Tesco	Referred to	Tesco PLC, a company with limited liability registered in the United Kingdom;
SEC	Referred to	The Securities and Exchange Commission
CP Group	Referred to	CPG and its affiliate companies, including CPALL, CPH and CPM
Lotus's Group	Referred to	(a) Lotus's (b) Lotus's Thailand (c) Ek-Chai and (d) Lotus's Malaysia
LPF Fund	Referred to	Lotus's Retail Growth Freehold and Leasehold Property Fund
Lotus's Acquisition	Referred to	Makro's acquisition of Lotus's, as described in greater detail under "Acquisition of Lotus's-Makro's Acquisition of Lotus's" elsewhere in this Offering Memorandum
Tesco Acquisition	Referred to	Lotus's acquisition of Lotus's Malaysia and Lotus's Thailand, as described in greater detail under "Acquisition of Lotus's-Lotus's Acquisition of Lotus's Thailand and Lotus's Malaysia"
SET	Referred to	The Stock Exchange of Thailand
Refinance Business	Referred to	The Refinance of Lotus's Ltd and Subsidiaries on 21 October 2021 from Tesco Acquisition
Food Service Business	Referred to	Import, export, frozen food and chilled food with delivery service business
Subsidiaries	Referred to	Subsidiaries according to the definition as specified in the Notification of the Security and Exchange Commission Kor. Jor. 17/2008 Re: Definitions in the announcements relating to the issuance and securities offering (as amended)

Associates	Referred to	Associates according to the definition as specified in the Notification of the Security and Exchange Commission Kor. Jor. 17/2008 Re: Definitions in the announcements relating to the issuance and securities offering (as amended)
Company or Makro	Referred to	Siam Makro Public Company Limited, a company with limited liability registered in Thailand, and its subsidiaries on a consolidated basis; in light of Makro's acquisition of Lotus's on 25 October 2021, references in this Offering Memorandum to Siam Makro Public Company Limited after the completion of the acquisition of Lotus's refers to the company including Lotus's post-acquisition; for the avoidance of doubt, where the reference is to Siam Makro Public Company Limited on a stand-alone entity basis, we use the term "Makro PCL"; and
Public Limited Companies Act	Referred to	Public Limited Companies Act, B.E. 2535 (1992) (as amended)
Security and Exchange Act	Referred to	Security and Exchange Act, B.E. 1992 (as amended)
Euromonitor	Referred to	Euromonitor International Limited
Date of this Document	Referred to	31 December 2021
SEC Office	Referred to	The Securities and Exchange Commission, Office
HoReCa	Referred to	Hotels, restaurants and catering business operator

BETTER O2O ECOSYSTEM

"You order, we deliver."

Online platform enhancement for more convenience and faster service.

Wider range of products are ready for last-mile delivery.



Striving for
better customer
experience

DIGITALIZED BUSINESS OPERATIONS

More efficiency and higher productivity from continuous improvement of business process and digitalization

**Makro
Call Center**
Contact No. 0-2335-5300

Building higher potentials for superior growth in all aspects



STRENGTHENING THAI SMEs AND GROWER FOR SUSTAINABLE GROWTH

Strengthening Thai Small
and Medium Enterprises

Collaboration with local farmers
for better quality towards
international standards

Enriching
quality of life for
local people



ENLARGED BUSINESS PRESENCE AND PLATFORMS

Expanding business presence
towards leading regional platform

Broadening customer base to cover B2B and B2C

Increasing various store formats to fulfill all lifestyles



Creating
opportunities
for growth of
shareholders



CLIMATE RESILIENCE

Reduce carbon emissions
Energy Efficiency
Renewable Energy



"CP for Sustainability Award 2021" for Top performance of greenhouse gas emissions intensity reduction.



ZERO FOOD WASTE TO LANDFILL

Food waste reduction to support
Food security and environmental
sustainability

Reducing
and managing
food waste across
the supply chain



Total Assets



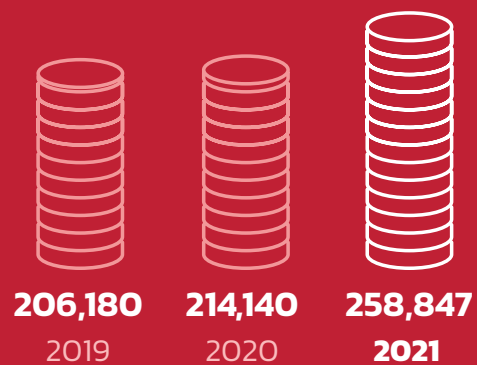
from 2020



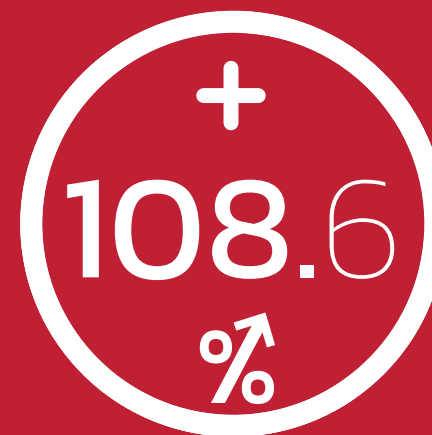
Total Sales



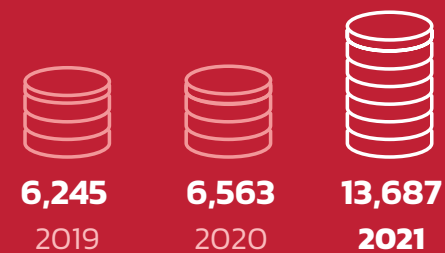
from 2020



Net Profit



from 2020



Baht Million

Financial Highlights

Siam Makro Public Company Limited and its Subsidiaries

As at 31 December 2021

2019	2020 ¹	2021
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Number Stores (stores)	Total Stores	140	144	2,829
	Thailand	134	137	2,760
	Overseas ²	6	7	69
Financial Performance (Baht Million)	Total Sales	206,180	214,140	258,847
	Total Revenues	210,627	218,760	266,435
	Gross Profit	21,168	22,124	30,442
	Net Profit	6,245	6,563	13,687
	Earnings per Share (Baht)	1.30	1.37	2.38
Financial Position (Baht Million)	Total Assets	62,641	159,586	569,490
	Total Liabilities	41,907	51,323	280,992
	Interest-bearing Debts ³	7,845	8,059	136,319
	Issued and Paid-up Share Capital	2,400	2,400	5,290
	Retained Earnings	14,810	16,751	25,700
	Total Equity	20,734	108,263	288,498
Financial Ratios	Gross Profit Margin (%)	10.3	10.3	11.8
	Net Profit Margin (%)	3.0	3.0	5.1
	Interest-bearing Debt to Equity ³ (times)	0.38	0.36	0.47
	Return on Assets (%)	9.9	5.9	3.8
	Return on Equity (%)	32.0	30.9	8.8
Stock Data	Share Capital (Baht Million)	4,800	4,800	10,580
	Par Value per Share (Baht)	0.50	0.50	0.50
	Book Value per Share (Baht)	4.22	4.63	27.21
	Dividend per Share (Baht)	0.96	1.00	0.72⁴

Remark: ¹ Restated 2020 financial statements² Excludes restaurant / minimart under Foodservice Business Unit.³ Interest-bearing debts exclude lease liabilities.⁴ Dividend per share of Baht 0.72 includes the followings;

- Interim dividend of Baht 0.40 per share paid on 8 September 2021.

- Final dividend of Baht 0.32 per share proposed by Board of Directors for shareholder's approval at the 2022 Annual General Meeting of Shareholders

Message from the Chairman



Mr. Suphachai Chearavanont
Chairman



Dear Shareholders,

2021 was another year that Siam Makro Public Company Limited faced challenges from a sluggish economy due to the COVID-19 epidemic, which has directly impacted the confidence of consumers and investors. Although there is no clear direction of economic recovery, the Board of Directors and the executive team remain confident in the growth potential of the wholesale-retail business and the foundation for growth of Thailand and Asia over the past year. The Company is thus cautiously optimistic about continuing the expansion of the business.



Business expansion...to the leader of Asia

In 2021, aside from successfully sustaining wholesale B2B business growth, the original Makro business, the Company also expanded the scope into B2C business through the acquisition of “Lotus’s”, the leading retailer in Thailand and Malaysia, which is now a wholly-owned business of the Company. The business integration between Makro B2B - Lotus’s B2C in the last quarter of 2021 did not only make us the leading modern grocery retailer and wholesaler in Southeast Asia, but also commenced the business strategy under the Mission, *“To become the number 1 B2B and B2C retailer in Asia, combining both online and offline, by fulfilling our customers’ daily needs with technology, innovation and operational excellence; together with people and partners in sustainable way”*

As strategies of wholesale and retail businesses are quite similar, the integration will create added value and growth potentials to both Makro and Lotus's and potentially reduce duplicated costs. In the future, consumption data will be inevitably vital to the wholesale and retail businesses. The business integration allows us to see a complete set of data, from upstream (B2B) to downstream (B2C), know how to fulfill the needs of the markets, and be able to develop business models that can better fulfill the needs of customers, consumers, and partners alike. It is also a key enabler for the Company to compete on the regional stage.

Another vital strategy is inclusive business model - integrating local communities into company's value chain. Part of the aforementioned big data can be shared with local SMEs to jointly develop and raise product standards to a competitive level on the regional stage and grow together with us.

A Common Mission for Steady Growth

To achieve the goal, stepping into e-commerce is one of the critical missions in 2022. We must implement this digital shift in parallel with all core competencies for optimal competitiveness and strength over the long term. The process starts with corporate restructuring, partially carried out over the past year. Applying digital technology to increase work efficiency, convenience, and added value

for suppliers and customers are all developments that must go hand in hand with the development of digital literacy in human resources in line with future business growth trends.

2021 Performance

The business integration with Lotus's and the Public Offering late last year resulted in an increase in the Company's total assets of THB 569,490 million as of 31 December 2021, expanding by 257% from the preceding year, while the total shareholder's equity stood at THB 288,498 million, increasing by 166%. Meanwhile, the total revenue grew by 22% YoY, partly due to the consolidation of Lotus's after the completion of the entire business transfer (in October 2021). Including (non-recurring) gain on step acquisition, the Company's net profit and earnings per share for the year 2021 equaled THB 13,687 million and THB 2.38 per share, respectively, representing an increase of 109% YoY.

Sustainability Strategy: Heart-Health-Home

This year, the major challenge continues to be the ongoing global agenda of climate change and the environment. In no way complacent, the Company hastens to solve problems through implemented projects and activities to curb carbon dioxide emissions and reduce mismanaged food waste that ends up in landfills. The Company also

participates in change-driving activities through multi-sector networks. It has endorsed the Women's Empowerment Principles (WEPs) to advocate for workplace policies and practices that promote gender equality. The Company is a UN Global Compact (UNGC) Participant and has been operating under the ten international principles for two years. Among other participations, these are a clear testament to the Company's commitment to play a part in driving positive changes for the economy, community, society, and environment. We can march towards sustainability together as one global community.

On behalf of the Board of Directors, I would like to thank all shareholders, suppliers, and customers, including domestic and international financial institutions, for trusting and supporting Company operations over the years with a good heart. And I sincerely hope that the dedication of the Board of Directors, management team, and all employees will lead to a sustainable growth that realizes the Company's Vision and Mission. Finally, the Board of Directors and I urge you to trust that the Company will continue to strive and conduct business with a cautiously optimistic approach under good Corporate Governance and Business Ethics to sustain long-term growth for the nation, the community, and all Company stakeholders alike. ●

The Audit Committee Report

Dear Shareholders,

Siam Makro Public Company Limited's Audit Committee, appointed by the Board of Directors, consists of three independent directors who are qualified and have experience in various fields, and are independent as stipulated by the Stock Exchange of Thailand. The members of the Audit Committee are Mr. Joti Bhokavanij, as Chairman of the Audit Committee, Mrs. Kannika Ngamsopee and Mr. Jukr Boon-Long as members of the Committee. Serving as secretary to the Audit Committee is Ms. Busakorn Rakkanka, Head of Internal Audit Department.

The Audit Committee had discharged its duties by rendering independent opinion according to the roles and responsibilities specified in the Audit Committee Charter, complying with the Best Practice Guidelines for Audit Committee of the Stock Exchange of Thailand as well as the Corporate Governance Code set forth by the Securities and Exchange Commission, Thailand. During the year 2021, the Audit Committee proceeded as follows:

1. The Committee held 11 meetings to perform its duties as assigned by the Board of Directors and presented the audit committee report to the Board of Directors on a quarterly basis.
2. Reviewed and approved the internal audit plan prepared by the Internal Audit Department based on the Roadmap for transformation (2020-2023); specified in the defined Internal Audit Transformation Plan since end of 2020 to become "Next-Generation Internal Audit". Its focus on collaboration with the 1st line and 2nd line of defense for internal auditors to identify and adjust internal audit work for continuous risk sensing; while maintaining an audit independence. Furthermore, technology is integrated with the internal audit process, either data analytics or the application of the Internal Audit Management System (IAMS) to optimize auditing readiness to respond to the changes at the present and future, enhancing efficiency and standardizing auditing in the process. The audit plan is continuously developed and is included in the 2022 annual audit plan.

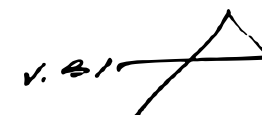
In conclusion, the Committee was highly satisfied with the internal audit function operating independently, adequately, and effectively with continuous quality development in people, process, and technology.

3. Reviewed the Company's quarterly and annual financial reports, including the performance of its subsidiaries and the disclosure of material information. The Committee considered the external audit report in a meeting with the external auditor and the executive management to discuss the key issues pertinent to the review and audit of the Company's financial reports; and the changes in the financial reports. This was to ensure that the Company's financial statements represented the Company's financial position and financial performance fairly in all material respects in accordance with Thai Financial Reporting Standards (TFRS). The Committee also held a meeting with external auditors without the Company's management to discuss audit independence and other concerns, if any.
4. Reviewed the Company's connected transactions and disclosure of related party transactions between the Company and related companies; to ensure that the Company complied with the terms of business and rules stipulated by the Stock Exchange of Thailand and the Securities and Exchange Commission of Thailand. In this regard, the Audit Committee assigned the Internal Audit Department to review Company's connected transactions and report the findings to the Audit Committee. The results of the Internal Audit Department's review showed that the connected transactions were undertaken in the normal course of business and no unusual transaction was found.
5. Reviewed the adequacy and effectiveness of the Company's internal control systems to reasonably ensure the Company's performance would meet its set targets. Based on the 2021 internal audit report, which covered vital business processes, the Audit Committee had the opinion that the Company's internal control system was adequate and appropriate.

6. Reviewed the efficiency and effectiveness of risk management at an organisational level (Enterprise Risk Management), including risk management policy, plan and management approach that impact the Company's operational result. Worked with the management to ensure the continuity and effectiveness of risk management. Subsequently, the Internal Audit Department was assigned to prepare a risk-based audit plan that aligned with the risk assessment results.
7. Considered selecting, appointing an external auditor, and giving opinion to the Board of Directors for approval at the shareholder's meeting. The Audit Committee's meeting unanimously approved the appointment of KPMG as an external auditor for 2021, along with the scope and annual audit plan.
8. Considered the policy for engaging an external auditor to perform non-audit services to review the compliance of aforementioned services under good corporate governance according to the appropriate actions and independence of the auditor.
9. Monitored the result of whistle-blowing and complaint-making process. In 2021, the Audit Committee had received the whistle-blowing information through the Company's whistle-blowing channel totally 304 complaints, which were reported by Internal Audit Department. Most complaints were service complaints. Internal Audit Department passed the complaints to relevant departments for appropriate actions; and the complaints had been duly resolved by the relevant departments. Regarding the whistle-blowing information concerning fraud, misconduct, or the violation of the Code of Conduct, there were 11 cases with insignificant losses. There were no issues that come under anti-corruption policy or trade competition. The Company investigated and took strict disciplinary actions, including reviewing working procedures and stressing code of conduct training for employees to prevent such risks.

10. Considered the Internal Audit Department's report on the Company's compliance with securities and exchange laws under the regulations of the Stock Exchange of Thailand and the Securities and Exchange Commission, and other legislations including Anti-Corruption Guidelines and regulations. The Audit Committee was of the opinion that the Company had closely supervised and controlled its operations to ascertain that every unit operates properly and was in compliance with the law, rules, and regulations pertaining to businesses.

In summary, the Audit Committee fully discharged its duties and responsibilities in accordance with the Audit Committee Charter. The Audit Committee was of the opinion that the Company's Board of Directors, the Executive Committee and the Management performed their duties responsibly in accordance with Corporate Governance Policy to achieve the set organisational objectives including compliance with laws, regulations and various obligations as well as proper disclosure of connected transactions and adequately complied with good corporate governance procedures. Furthermore, the Company's financial and operation report had been fairly presented, and the Company's risk management process, the internal control system, and the internal audit were appropriate and effective.



Mr. Joti Bhokavanij

Chairman of the Audit Committee

The Corporate Governance Committee Report

Dear Shareholders,

In 2021, the Corporate Governance Committee (the “Committee”) fully performed its duties as prescribed by the Committee Charter and the Board of Directors. A total of 2 meetings took place over the year and a summary of its performance was regularly reported to the Board of Directors for acknowledgment. Important Corporate Governance undertakings throughout the year can be summarized as follows:

1. The performance report of the Committee was approved and published in the 2020 Annual Report and Form 56-1.
2. The assessment results of the Corporate Governance Report (CGR) of Thai Listed Companies for the Year 2020 and 2021 were acknowledged and discussed where the Committee made recommendations on measures to improve corporate governance practices.
3. The Committee reviewed the Company’s compliance with the principles of CG Code for Listed Companies under the Securities and Exchange Commission and made suggestions on best practices to apply the CG Code that are appropriate for the Company’s business.
4. The Corporate Governance plan for the year 2021 was considered and approved.
5. The Committee Charter, the Anti-Corruption Policy, and the Corporate Governance and Code of Conduct Manual were considered and reviewed. The Committee concluded that the documents were appropriate concerning relevant practices and guidelines, including the current business operations, thus no amendments were required.

In addition, in 2021, the following Corporate Governance undertakings were successfully-conducted according to the set goals:

- The Policy Acknowledgement and Confirmation of Compliance online form was implemented through the Human Resource Information System (HRIS) interface to allow employees to study and understand important policies such as the Corporate Governance and Code of Conduct Manual, and the Anti-Corruption Policy, and confirm their acknowledgment and compliance with convenience and speed. The application has reduced the burden of cumbersome documentation-related processes, namely form distribution, retaining signatures, form gathering, and documenting and storing the signed documents. The Human Resource department can now quickly and accurately retrieve information to follow up on employee policy awareness.
- The Company received a perfect score of “100” on the AGM Checklist for the 5th consecutive year.
- The Company received the assessment score of “Excellent” by the 2021 Corporate Governance Report (CGR) of Thai Listed Companies for the 4th consecutive year.

The Committee is committed to promoting and supporting the development of Corporate Governance policies and practices that are efficient and effective to help the Company attain sustainable growth, the confidence of the investors and shareholders, and long-term values and benefits of stakeholders that lead to international recognition.



(Prof. Rawat Chamchalerm)

Chairman of the Corporate Governance Committee

Nomination and Remuneration Committee Report

Dear Shareholders,

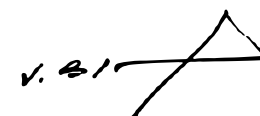
In 2021, the Nomination and Remuneration Committee (the “NRC”) held a total of 3 meetings and continually reported a summary of its performance to the Board of Directors for acknowledgment. Key undertakings in 2021 can be summarized as follows:

1. The performance report of the NRC was approved and published in the 2020 Annual Report and Form 56-1.
2. The qualifications of 5 directors with expiring terms in 2021 were reviewed and screened under the provision of relevant laws, regulations, and the Board of Directors Charter. The diversity of the board composition was considered in a nondiscriminatory fashion, namely the skills, knowledge, experience, and specialized abilities in the areas that are beneficial to the Company, particularly the ability to manage Company affairs and dedicate the time and effort required to perform prescribed duties. The NRC presented its opinion to the Board of Directors for consideration and approval. The approved directors were up for re-election at the 2021 Annual General Meeting of Shareholders for a subsequent term of office.
3. The structure and remuneration rate for board members in 2021 were considered under the suitability of assigned duties and responsibilities in conjunction with rates offered by comparable listed companies of the same size and industry. Where the range of remuneration was tied to the overall Company performance, the dividend payout ratio to shareholders was an important criterion to consider. The NRC shared its opinion with the Board of Directors for consideration. The approved rates were put to a vote at the 2021 Annual General Meeting of Shareholders for resolution according to the regulation.
4. The results of the 2020 performance assessment of the Board of Directors were considered where the NRC’s findings and opinions were reported to the Board of Directors for acknowledgment.
5. The 2020 performance of the Group Chief Executive Officer - Siam Makro, was assessed to determine the 2020 remuneration rate. The appropriate rate was decided by the

suitability of assigned duties and responsibilities and the overall Company operating results.

6. The NRC continually promoted and encouraged the Company to allow shareholders to nominate a candidate for Company director. In so doing, the nomination must be submitted at least 3 months in advance of the 2021 Annual General Meeting of Shareholders.
7. After reviewing the Nomination and Remuneration Committee Charter, the NRC concluded that the charter was appropriate and consistent with relevant practices and rules at the time, including ongoing business operations, and thus no amendment was required.
8. After considering the post-consolidation succession plan and qualified candidates for the Company’s Chief Executive Officer role, the NRC presented its nomination and opinion to the Board of Directors for potential appointment. A wide range of qualifications was considered under set goals and strategies, namely knowledge, abilities, skills, and experiences that were valuable and suitable to the business operation of the retail and wholesale groups. This also included the goals and strategies to be implemented after the completion of the entire business transfer from the previous shareholders of Lotus’s.

The NRC performs duties and responsibilities in its entirety as prescribed by the NRC Charter and the Board of Directors with prudence and honesty under the principles of good corporate governance and the equitable and sustainable benefits of all stakeholders.



Mr. Joti Bhokavanij

Chairman of the Nomination and Remuneration Committee

Highlight Activities – in 2021

January

Makro purchased shrimp from shrimp farmers affected by the new wave of COVID-19 and helped release over 1,200 tons within 1 month.



March

Makro signed an MOU with Ministry of Commerce for continuous purchase of seasonal fruits from farmers all over the country, expecting over 7,750 tons from over 7,500 farmers to be distributed through its offline and online channels, to promote Thai fruits consumption.



Opened Makro Foodservice – Khon Kaen 2, the 136th branch



April

Makro joined hands with Department of Internal Trade to purchase 1,500 tons of white leg shrimps from shrimp farmers during June–July 2021 to overcome the COVID-19, and organized campaigns to promote shrimp consumption.



All Makro Stores received Thai stop COVID Plus Certificates from Department of Health.



Makro and Department of Business Development, Ministry of Commerce, donated goods to 3,500 village fund shops across the country to support Thai retailers during COVID-19 crisis, while extending "Makro Retailers Alliance" to "Smart Shohuay".



To comply with preventive measures for food delivery prescribed by Department of Health, all delivery drivers are required to record their timelines through QR Code.



June

Makro supported over 1,300 restaurant operators impacted by COVID-19 situation to sell their food menus at 83 stores across the country.



October

The success of our O2O business was confirmed by the award-winning of "Best Retail Store & Shopping Mall Influencer Campaign" from Thailand Influencer Awards 2021.



Opened Makro Foodservice – Wongsakorn, the 137th branch



Makro completed the entire business transfer of Lotus's on October 25, 2021.



November

Makro received HR Asia Awards 2021, Best Companies to work for in Asia for the second year.



December

The Public Offering (PO) shares were offered at 43.50 baht/share for existing shareholders and retail investors to subscribe during December 4-9, 2021, with a key strategy for B2B and B2C regional growth and O2O platform enhancement.



Started the first-day trade of PO shares on December 24, 2021, expecting a stronger financial position and potential growth of the O2O platform enhancement.



"Makro" joined hands with the Office of Small and Medium Enterprise Promotion (OSMEP) to uplift Thai entrepreneurs to SMART SMEs by providing well-rounded knowledge and platforms of opportunity for trade connection in global markets.



All Makro Stores and Mahachai Distribution Centre received Food Safety Management System ISO 22000:2018, enhancing customers' trust in food safety.



Makro received the "Influential Brands, Top Brand 2021 Award" for the Top Brand: Supermarket.



Board Of Directors

As of 1 January 2022



1. Mr. Suphachai Chearavanont Chairman of the Board of Directors

2. Mr. Joti Bhokavanij Independent Director, Chairman of the Audit Committee and Chairman of the Nomination and Remuneration Committee

3. Mr. Rawat Chamchalerm Independent Director and Chairman of the Corporate Governance Committee

4. Mrs. Kannika Ngamsopee Independent Director and Member of the Audit Committee

5. Mr. Jukr Boon-Long

Independent Director, Member of the Audit Committee, and Member of the Corporate Governance Committee

6. Mr. Prasobsook Boondech Independent Director and Member of the Nomination and Remuneration Committee

7. Mr. Korsak Chairasmisak Director, First Vice Chairman and Member of the Nomination and Remuneration Committee

Board Of Directors

As of 1 January 2022



8

8. Mrs. Suchada Ithjarukul

Director, Second Vice Chairman, Group Chief Executive Officer – Makro Wholesale Business

9

9. Dr. Prasert Jarupanich

Director

10. Mr. Pittaya Jearavisitkul

Director

11. Mr. Piyawat Titasattavorakul

Director

11

12

12. Mr. Adirek Sripratak

Director

13. Mr. Narong Chearavanont

Director

14. Mr. Umroong Sanphasitvong

Director and Member of the Corporate Governance Committee

13

14

15. Mrs. Saowaluck Thithapant

Director, Group Chief Shared Service Officer – Makro Wholesale Business

15

Top Executives

As of 1 January 2022



7

1. Mr. Tanin Buranamanit
2. Mrs. Suchada Ithijarakul

6

4

3. Mrs. Saowaluck Thithapant

Chief Executive Officer
 Group Chief Executive Officer – Makro Wholesale Business
 and (Acting) Chief Executive Officer – Makro Wholesale Business,
 International
 Group Chief Shared Service Officer – Makro Wholesale
 Business and (Acting) Group Chief Human Resources Officer –
 Makro Wholesale Business

1

2

4. Mr. Lin, Chi-Lung
5. Mr. Ricardo Boarotto
6. Mr. Paul Stephen Howe
7. Mr. Tirayu Songvetkasem

3

5

Chief Executive Officer – Food Service Asia Pacific and Middle East
 Chief Executive Officer – Makro Wholesale Business, Thailand
 Group Chief Information Officer – Makro Wholesale Business
 Group Chief Digital Officer – Makro Wholesale Business



Section 1

Business and Operating Results

1. Business and Operating Performance

1.1 Business Structure and Operating Performance

Our vision is to bring about change for how life could be better fulfilled with good health, love, joy and wellbeing. In our Makro wholesale business, we are committed to being a trusted partner to our professional customers. For over 30 years, Makro has been committed to developing its business, products and services to be in line with the needs of its customers, together with expanding the business in its home market of Thailand as well as abroad through various formats and sales channels to create and maintain its competitive advantage.

We believe Makro's competitive advantage in wholesale includes, among others, its status as a leading grocery and consumer goods modern wholesaler in South and Southeast Asia, the strengths of its online sales platform and its robust customer development programme where it maintains direct contact with its professional customers and provides consulting and advisory services. In addition, we recently completed the Lotus's Acquisition on 25 October 2021. Lotus's is a leading grocery and consumer goods retailer and mall operator in Thailand and Malaysia. Lotus's Ltd is a parent holding company which in turn holds Lotus's Thailand, Ek-Chai and Lotus's Malaysia, which Lotus's

acquired from the Tesco Group in December 2020 in the Tesco Acquisition. The objective of the Lotus's Acquisition was to leverage the increased strengths of Makro's wholesale business and Lotus's retail and malls businesses in Thailand and Malaysia. We plan to become a leader in retail and wholesale fresh foods and grocery and consumer products and expand the scope of our business operations to be competitive at a regional level in Southeast Asia, both offline and online. After the Lotus's Acquisition, our full spectrum of businesses comprises three segments: wholesale, retail and malls.

1.1.1 Vision Mission Core Value and Business Strategy

1.1.1.1 Vision

"To bring about change for how life could be better fulfilled with good health, love, joy and wellbeing."

1.1.1.2 Mission

"To become the number one B2B and B2C retailer in Asia, combining both online and offline platforms, by fulfilling our customers' daily needs with technology, innovation and operational excellence, together with individuals and partners in a sustainable way."

1.1.1.3 Core Value

Our culture and core values are signified by “VICTORY” – Visionary, Integrity, Challenge, Teamwork, Ownership, Result Oriented and Yes We Can. This is a part of our staff development approach, where we teach them to understand and learn how to provide good service, starting from selection of products that meet the professional customers’ needs, to providing good advice and management guidance as the business partner.

7 Makro Values



1.1.1.4 Business Strategy

- Build a regional, multi-format, omnichannel retail platform across South and Southeast Asia anchored on fresh food
- Strengthen our operations in Thailand and Malaysia through targeted store network growth, store optimisation, digitalisation and transformation of our hybrid stores
- Extend domestic online sales leadership by further investing in and developing food and grocery focused B2B, B2C and B2B2C platforms
- Enhance supply chain capabilities to manage greater sales volumes from online business, fresh food, food service distribution business and store expansions
- Aim to drive cost and network synergies by bringing Makro and Lotus’s platforms together, as well as leveraging the full capabilities of the CP Group to drive further upside
- Create a platform of opportunity for all our stakeholders, with strong corporate governance

1.1.2 Selected key milestones

Makro PCL was established in 1988 to operate a member-based wholesale centre under the brand name “Makro”. Makro PCL’s shares have been listed on the SET since 1994 under the trading symbol “MAKRO”. On 25 October 2021, we acquired 99.9% of the shares of Lotus’s through the entire business transfer of CPRH to us. Selected key milestones relating to our business are set out below:

- **1988** • Makro PCL was established as Siam Makro Company Limited
- **1989** • Makro PCL opened its first store, which is the Ladprao branch in Bangkok, Thailand
- **1994** • Shares of Makro PCL were listed on SET
• CP Group (through Ek-Chai) opened its first Lotus’s hypermarket store in Seacon Square, Bangkok
- **1996** • Ek-Chai opened its first DC in Wangnoi, near Bangkok
- **2001** • Ek-Chai opened its first mini-supermarket called Express Ramindra in Bangkok
• Tesco and Sime Darby entered into a joint venture to form the Lotus’s Malaysia business
- **2002** • Lotus’s Malaysia opened its first hypermarket store in Puchong, Selangor, Malaysia
- **2003** • Ek-Chai launched the first Talad store opened in Phongphet, Thailand
- **2005** • Makro acquired Siam Food Services Co., Ltd. in order to expand distribution of frozen and chilled products

- **2007**
 - Lotus's Malaysia acquired the Makro Malaysia Cash and Carry business
 - Lotus's Malaysia launched its Clubcard loyalty programme in Malaysia
 - Lotus's Malaysia opened its fresh products DC in Simpang Pulai, Perak, Malaysia
- **2009**
 - Makro launched the first Eco Plus store format in Pattaya, Thailand
 - Makro opened a DC in Wangnoi, Ayutthaya, Thailand
 - Ek-Chai launched its Clubcard loyalty programme in Thailand
 - Lotus's Malaysia opened its ambient DC in Bukit Beruntung, Selangor, Malaysia
- **2010**
 - Makro launched the Siam Frozen store in Chiang Mai, Thailand
- **2012**
 - Makro launched Makro Foodservice Store in Hua Hin, Thailand and entered the Vietnamese market via the establishment of Vina Siam Food
 - LPF began trading on the SET
- **2013**
 - CPALL became Makro's major shareholder
 - Ek-Chai and Lotus's Malaysia launched their Grocery Home Shopping ("GHS") online shopping platform, allowing customers to buy fresh produce, grocery, and general products online
- **2014**
 - Makro launched its Makro online sales channel for mobile devices
- **2015**
 - Ek-Chai's regional DCs opened in the Northeast and South of Thailand
 - Lotus's Malaysia launched a strategic partnership with Lazada
- **2017**
 - Makro opened its first Makro store overseas in Phnom Penh, Cambodia
 - Makro developed and introduced the i-Trace system, which allows customers to trace the origin of products through QR code scanning, through partnership with CPF
- **2018**
 - Makro opened its first two LOTS Wholesale Solutions stores in New Delhi, India
 - Makro completed its acquisition of 80% of Indoguna, giving it a foothold in Singapore, Hong Kong, and Dubai
 - Ek-Chai began redeveloping its hypermarket and mini-supermarket concepts
- **2019**
 - Makro opened its first Makro store in Guangzhou, China
 - Makro launched its online sales platform
 - Makro launched its "digital store" format with the opening of the first Foodservice Stores in Lad Krabang, Bangkok, Thailand
 - Lotus's Malaysia completed a refresh of 21 stores under its next generation programme
- **2020**
 - COVID-19 pandemic caused major disruption in the world economy, affecting our business in Thailand, Malaysia and overseas
 - Makro opened its first Makro store in Yangon, Myanmar
 - The investment in Lotus's by CPALL, CPH and CPM through shareholding in special purpose vehicle, CPRH, was completed in December 2020
- **2021**
 - In February, Lotus's hypermarkets were rebranded under the "Lotus's" brand, and we opened our first "Go Fresh" mini-supermarket
 - In September, Ek-Chai expanded coverage of its grocery home shopping online platform from 25 stores in February 2021 to 89 stores
 - On 25 October, Makro completed its acquisition of Lotus's
 - On 22 December, the Company allocated the newly issued ordinary shares up to 770,000,000 shares with a par value of THB 0.50 each to the public and completed the registration of change in paid-up capital from the previous paid-up capital amount of THB 4,905,161,750, increased by THB 385,000,000, to the aggregate paid-up capital amount of THB 5,290,161,750.

1.1.3 Obligations that the Company Pledges in the registration statement for securities offering

The Company proceeded the Public Offering according to the registration statement for securities offering (Form 69-1) which have become effective on 2 December 2021, reflecting to receive THB 32,942,818,910 in aggregate net proceeds. The objectives and status of the use of proceeds from the Public Offering as of 31 December 2021 are as follows:

No.	Objectives of the Use of Proceeds	Estimated Amount of the Use of Proceeds (MB)	Estimated Period of the Use of Proceeds	Proceeds Used as of 31 December 2021
1.	Fund investments in businesses and/or projects for our core businesses and/or in projects with the potential to support and expand our core businesses, with a focus on investments aimed at enabling business expansions and business enhancement projects of our Company, including those for store networks, business operations overseas, online-and-offline businesses and other projects such as rebranding and renovation of stores and implementing digitalized operations and online-and-offline platforms	16,471.41	2021 - 2023	0
2.	Repay existing indebtedness of our Company and/or our subsidiaries by making repayments to one or several financial institutions, including certain financial institutions that are or have a relationship with a financial advisor and/or a Joint Manager, namely, The Siam Commercial Bank Public Company Limited, JPMorgan Chase Bank, N.A., acting through its Hong Kong branch and UBS AG Hong Kong Branch (a branch of UBS AG which is incorporated in Switzerland with limited liability), so as to reduce the financial burden and interest expenses of our Company and/or our subsidiaries and/or to help maintain appropriate capital structure	16,471.41	2021 - 2022	0
3.	Fund the working capital of our Company and/or our subsidiaries	The remaining proceeds from the above	2021 - 2023*	0
Total		32,942.82		0
Remaining				32,942.82

Remarks: The expected timing of the use of proceeds may change, as the use of proceeds in paragraph 3. will occur only after the uses of proceeds in paragraphs 1. and 2. have been completed.

1.1.4 Obligation which the Company has a commitment in the registration statement for securities offering (Form 69-I)

- None -

1.1.5 Other information relating to the Company

Company's Name : Siam Makro Public Company Limited

Company's Abbreviation : MAKRO

Head office : 1468 Phatthanakan Road,
Phatthanakan Sub District,
Suan Luang District, Bangkok
10250

Company registration No. : 0107537000521

Tel. : 0 2067 8999

Fax. : 0 2067 9888

Website : www.siammakro.co.th

Registered capital (As of 31 December 2021) : Baht 5,586,161,750.00 with 11,172,323,500 shares at a par value of Baht 0.50 each

Issued and paid - up capital (As of 31 December 2021) : Baht 5,290,161,750.00 with 10,580,323,500 shares at a par value of Baht 0.50 each

1.2 The Business Nature

Unless stated otherwise, Lotus's unaudited pro forma consolidated financial information is provided on the premise that CPRD has acquired Lotus's Thailand, which held a 99.9% stake in Ek-Chai and Lotus's Malaysia effective 1 January 2019. Although the fiscal year of CPRD ends on 31 December, the financial statements of Lotus's Thailand and Lotus's Malaysia have fiscal years ending 28 February or 29 February (as the case may be). While the information presented in this document for Lotus's Thailand and Lotus's Malaysia for 2019 and 2020 is based on the fiscal years of Lotus's Thailand and Lotus's Malaysia ending 29 February 2020 and 28 February 2021, respectively, the 2021 information represents the fiscal year ending 31 December 2021. The data of Makro and companies in the group other than Lotus's Thailand and Lotus's Malaysia for 2019, 2020, and 2021 represent the fiscal year ending 31 December 2019, 31 December 2020, and 31 December 2021, respectively.

1.2.1 Revenue Structure

The total revenue of the business group by business category are as follows:

Business Group	Operated By	Company Shareholding (%)	Years Ended: 31 December					
			2019		2020		2021	
			Baht, million	%	Baht, million	%	Baht, million	(%)
Wholesale Business								
1. Cash and Carry								
Sales Revenue	SML		200,372	46.2	209,926	48.8	216,175	50.0
Revenue from rendering of services	MROH	99.99	3,591	0.8	3,756	0.9	3,926	0.9
	PRO	99.99						
	ARO	99.99						
	MAC	70.00						
	CPWI	99.99						
	MGZ	99.99						
	MM	99.99						

Business Group	Operated By	Company Shareholding (%)	Years Ended: 31 December					
			2019		2020		2021	
			Baht, million	%	Baht, million	%	Baht, million	(%)
2. Foodservice								
Sales Income	SFS	99.99	5,808	1.3	4,214	1.0	5,169	1.2
Revenue from rendering of services	IINDV	100.00	1	0.0	1	0.0	1	0.0
	INDS	80.00						
	INDD	80.00						
	JM	80.00						
	LL	80.00						
	MAXZI	80.00						
	INDC	99.99						
3. Other Income ⁽¹⁾			855	0.2	863	0.2	987	0.2
Total Revenue - Wholesale Business			210,627	48.6	218,760	50.9	226,258	52.3
Retail Business								
4. Lotus’s Thailand								
Sales Revenue	LTTH	99.99	171,326	39.5	162,962	37.9	159,272	36.8
Revenue from rental and rendering retail services	Ek-Chai	99.99	12,739	2.9	9,670	2.2	9,348	2.2
5. Lotus’s Malaysia								
Sales Revenue	LTMV	100.00	33,901	7.8	34,498	8.0	34,457	8.0
Revenue from rental and rendering retail services			2,066	0.5	1,518	0.4	1,555	0.4
6. Other Income ⁽²⁾			3,092	0.7	2,459	0.6	1,771	0.4
Total Revenue - Retail Business			223,124	51.4	211,107	49.1	206,403	47.7
Total			433,751	100.0	429,867	100.0	432,642	100.0

Notes: (1) Other incomes of Wholesale business revenues of Makro include last-mile delivery service, waste sales revenue, and interest income.
 (2) Other income of Retail business include foreign exchange gains (losses) and net derivatives gains.

Company Name:

SML	Siam Makro Public Company Limited
PRO	Pro Mart Company Limited
SFS	Siam Food Service Company Limited
MROH	Makro ROH Company Limited
INDV	Indoguna Vina Food Service Company Limited
ARO	ARO Company Limited
INDS	Indoguna (Singapore) Private Limited
MAC	Makro (Cambodia) Company Limited
INDD	Indoguna Dubai Limited Liability Company
CPWI	CP Wholesale India Private Limited
INDL	Indoguna Lordly Company Limited
MGZ	Makro (Guangzhou) Food Company Limited
INDC	Indoguna (Cambodia) Company Limited
MM	ARO Commercial Company Limited
JM	Just Meat Company Limited
MAXZI	Maxzi The Good Food Restaurant & Cafe Limited Liability Company
MGH	Guangzhou Huadu Makro Food Supermarket Company Limited
LTTH	Lotus's Stores (Thailand) Company Limited
Ek-Chai	Ek-Chai Distribution System Company Limited
LTMV	Lotuss Stores (Malaysia) Sdn. Bhd.

The following table shows Wholesale business's total revenue and Retail business's total revenue, domestically and internationally, for the specified periods:

	Years Ended: 31 December					
	2019		2020		2021	
	Baht, million	%	Baht, million	%	Baht, million	%
Wholesale Business						
Cash and Carry	203,963	47.0	213,682	49.7	220,101	50.9
Thailand	199,620	46.0	207,118	48.2	213,639	49.4
Overseas	4,343	1.0	6,564	1.5	6,462	1.5
Foodservice	5,809	1.3	4,215	1.0	5,170	1.2
Other Income	855	0.2	863	0.2	987	0.2
Total Revenue - Wholesale Business	210,627	48.6	218,760	50.9	226,258	52.3
Retail Business (Lotus's)						
Lotus's Thailand	184,065	42.4	172,632	40.2	168,619	39.0
Lotus's Malaysia	35,967	9.0	36,016	8.4	36,012	8.3
Other Income	3,092	0.7	2,459	0.6	1,771	0.4
Total Revenue - Retail Business	223,124	51.4	211,107	49.1	206,403	47.7
Total	433,751	100.0	429,867	100.0	432,642	100.0

1.2.2 Product Information

The Company's business can be divided into three groups as follows:

- Wholesale: consists of the Cash and Carry business and the foodservice business, both operated by Makro.
- Retail: operated by Lotus's in Thailand and Malaysia.
- Shopping center: operated by Lotus's in Thailand and Malaysia.

1. Product Characteristics

1.1 The Wholesale Business

Wholesale business is divided into two business segments:

- **Cash and Carry:** The Cash and Carry store is the core business under Makro, a licensee under CPALL- the Company's major shareholder. As of December 31, 2021, the Company operated 142 stores in Thailand, two in Cambodia, three in India (under the brand LOTS Wholesale Solutions), one in China, and one in Myanmar. The Company's Cash and Carry business focuses on general consumer goods, including fresh food, dry food, and non-food products, either under third-party brand names or Makro private labels, to three main target groups: retailers, HoReCa operators, and service business operators.
- **Foodservice:** The foodservice business focuses on the import-export and distribution of premium food products along with food and delivery services. As of December 31, 2021, the foodservice business operated in six countries: Thailand, Cambodia, Vietnam, Singapore, Hong Kong, and the United Arab Emirates, with services in 14 cities. The business provides premium imported products different from those customarily sold in Makro's stores. The target customer groups, diversity, and price ranges are also different. The main target customers are 4-5 star hotels, fine dining and high-end restaurants, airline businesses, retail stores, and e-commerce companies.

The Company believes it has excellent expertise in sourcing and selecting premium products from excellent quality sources. The business provides the following main products:

- Bakery and Pastries
- Beverages
- Tea Guteri (Processed products made from pork)
- Dairy products
- High-quality food and ready meals (fine dining and delicatessen).
- Vegetables and fruits
- Consumer goods
- Meat
- Plant-based foods
- Seafood
- Snacks and bite-sized meals

The foodservice business sells more than 100 brands under the high bars of international food safety and quality control standards. In addition to premium brands, the business also sells private label products under the Company's trademark as alternatives for customers. This includes charcuterie, Carne Meats' pork products, Ocean Gems' seafood, and Master Piece's Halal dim sum. The products are also sold through the Company's Cash and Carry stores. In addition, the foodservice business also provides consulting services, providing product packages adjustable to the customers' needs, providing complete food solutions for entrepreneurs, food-related businesses, Company customers, and business partners, for the growth of everyone.

1.1.1 Cash and Carry Customers

Makro's Cash and Carry customer base consists of predominantly small and medium-sized enterprises in various industrial sectors in the following three main groups:

- **Retailers:** operators retailing consumer goods, including grocery stores, unorganized retailers, and mini-marts.
- **HoReCa sector:** hotel, restaurant, and catering operators, as well as small restaurants and street food vendors, mainly small and medium-sized operators selling food and beverages of various types.
- **Service providers:** service providers, including government agencies, schools, hospitals, non-profit organizations, beauty salons, printing houses, laundries, entrepreneurs, and other service businesses in various business sectors.

In addition to the three main customer groups above, Makro's Cash and Carry business also provides the following services:

- Small and medium-sized independent regional wholesalers focusing on food products.
- Small-business customers, street vendors, non-food retailers, large families, and large food quantity consumers.

Makro's Cash and Carry business focuses on customer memberships which require a one-time registration to become a Makro member. As of December 31, 2021, Makro had approximately 3.8 million members. While members receive special privileges such as member-only promotions and discounts, customers become members mainly for tax invoice purposes. In addition, to enhance membership value and support various shopping activities of customer operators, Makro has introduced several reward programs according to different customer segments.

Customers are entitled to privileges such as special prices, rebates, promotional programs, and other complementary services. Makro's loyalty program is designed to meet customers' needs for both business operations and personal consumption.

To compete in operating markets, Makro has a policy to provide credit terms to operators in the HoReCa and niche service customer segments. Although most customers in the two segments are granted a 30-day credit term, only a small proportion of sales come from customers with trade credits.

The following table presents Makro's Cash and Carry sales revenue streams by customer type for the years ended December 31, 2019, 2020, and 2021.

	Years Ended: 31 December					
	2019		2020		2021	
	Baht, million	%	Baht, million	%	Baht, million	%
Cash and Carry Customer Segment						
Retailers	50,408	25.2	51,912	24.7	58,397	27.0
HoReCa	56,745	28.3	53,031	25.3	52,850	24.4
Service businesses	14,892	7.4	14,853	7.1	14,228	6.6
Distributors	14,362	7.2	13,884	6.6	14,423	6.7
Other customers	63,965	31.9	76,246	36.3	76,277	35.3
Total Sales Revenue	200,372	100.0	209,926	100.0	216,175	100.0

Makro's Cash and Carry business is constantly developed to meet the changing needs of entrepreneurial customers to become their reliable business partner. Since the first overseas business in Cambodia in 2017, Makro has opened another seven stores overseas. There is a classic stores and one Eco Plus store in Cambodia, three Eco Plus stores in India (under LOTS Wholesale Solutions), one foodservice store in China, and one Eco Plus store in Myanmar. For future expansion possibilities, Makro has studied the local markets of the first group of overseas branches. However, due to the COVID-19 pandemic, international expansion plans have been delayed until the situation improves to ensure a degree of operational certainty without any serious obstacles or restrictions.

For the year ended December 31, 2021, sales revenue from overseas Makro Cash and Carry centers accounted for 3.1% of total sales revenue.

The following table shows the same-store sales growth rates of Makro Cash and Carry centers in Thailand for the years ended December 31, 2019, 2020, and 2021.

	Years Ended: 31 December		
	2019	2020	2021
Growth rate of same-store sales	6.3%	1.9%	2.5%

1.1.2 Makro's Cash and Carry Products

Makro's Cash and Carry business sells a wide range of consumer goods which can be divided into the following three main categories:

- Fresh food and prepared meals: fresh produce and food products, frozen and chilled food, including fruits and vegetables, meat, seafood, dairy products, and bakery goods, among others.
- Fast-moving groceries: beverages, snacks, consumption goods, cleaning supplies, makeup and personal hygiene products, among others.
- Durable goods: electrical appliances, kitchen utensils, tableware, office supplies and stationeries, HoReCa equipment, food-industry clothing, stationeries, and home appliances, among others.

Of the three main groups, Makro focuses on fresh food products for a wide range of customers.

In addition to third-party brand names, Makro sells a wide range of private label products under its trademark to provide alternatives to customers. By outsourcing quality manufacturers with expertise, Makro determines the properties, components, and forms, including specifications, ingredients, recipes for its private label food products. Makro's private labels offer cost-effective quality and value compared to competing products on the same shelf.

The leading Makro private labels offered in Cash and Carry stores are as follows:

- *Aro*: the main product for customer operators consist of raw materials, cooking equipment, and consumer products
- *Savepak*: a brand under Makro for entry-level customers
- *M&K*: snacks and beverages for small retailers as the target customers
- *Q-Biz*: office supplies

Makro private labels are owned by CPALL, with a 0.5% gross sales royalty from Makro's top 10 outlets.

The Company strives to enhance the quality of Makro's private label products to meet the customers' rapidly changing needs and preferences.

The following table shows sales revenue from Makro Cash and Carry centers by product type for the years ended December 31, 2019, 2020, and 2021.

	Years Ended: 31 December					
	2019		2020		2021	
	Baht, million	%	Baht, million	%	Baht, million	%
Cash and Carry Product Group						
Fresh food	73,539	36.7	79,373	37.8	83,167	38.5
Dry food and daily necessities	107,473	53.6	112,784	53.7	115,288	53.3
Consumer goods	19,360	9.7	17,769	8.5	17,720	8.2
Total Sales Revenue	200,372	100.0	209,926	100.0	216,175	100.0

As the leading fresh food provider in Thailand, the Company's product mix strategy focuses on the growth of the fresh food business by expanding fresh food spaces in stores, improving supply chain efficiency, and increasing the variety of offered products. As loyal HoReCa operators demand accessible price levels, the product mix strategy covers a comprehensive range of cost-effective private label foods to satisfy this well-established group of customers. In 2021, private label sales accounted for 15% of Makro's Cash and Carry total sales in Thailand.

1.1.3 Makro Cash and Carry Sales Channels:

Makro's Cash and Carry business operates through offline stores as well as online channels. As of December 31, 2021, the number of Makro Cash and Carry centers expanded to 149, comprising 142 stores in Thailand and seven overseas, with six store formats that differ by target customer segment, sales space, location, and product mix.

The following table shows sales revenue streams by Cash and Carry offline and online channels for the years ended December 31, 2019, 2020, and 2021.

	Years Ended: 31 December					
	2019		2020		2021	
	Baht, million	%	Baht, million	%	Baht, million	%
Cash and Carry Channel						
Offline	190,951	95.3	192,055	91.5	191,856	88.8
Online	9,421	4.7	17,871	8.5	24,319	11.2
Total Sales Revenue	200,372	100.0	209,926	100.0	216,175	100.0

1) Offline Channels

Makro's offline channel consists of the following 6 store formats:

- “Classic” is the format of the first store launched in Thailand to meet a wide range of customers, especially HoReCa customers. It was designed and developed under the “Good Product, Good Service, Low Price” concept with small retailers as the main customers. With an average sales area between 5,500 and 12,000 square meters, it is the go-to format of Makro centers all over Thailand and the most popular format of the six. The classic store layout highlights the complete variety of products, including all three main product categories: fresh food, groceries, and durable goods. Reasonable prices offered at the stores enable small retailers to resell Makro products for a profit. Over the past few years, the Company has emphasized fresh food through these traditional centers with expanded sales spaces, resulting in more attention from HoReCa customers.
- “Eco Plus” is an offshoot design and development from the Classic format with larger fresh food spaces to meet the needs of retailers and HoReCa operators. Eco Plus centers have an average sales area of 5,000 to 7,000 square meters and are located in a densely populated metropolitan Bangkok near HoReCa operators.
- “Foodservice” is a new distribution center format invented to offer one-stop shopping services for HoReCa customers with an average sales space ranging from 1,000 to 5,000 square meters. The format highlights fresh and dry food items highly sought after by HoReCa customers while consumer goods in the remaining space cater to the needs of HoReCa customers as well.
- “Food Shop” is designed and developed from a foodservice distribution concept and is generally conveniently located in the vicinity of small and medium-sized HoReCa

customers to facilitate swift selections of fresh and dry food products, along with ordering and other services. Each branch has an average sales area of 1,000 square meters or under.

- “Fresh@Makro” is a new store format invented to sell fresh food products with a sales area around 800 square meters located near small and medium-sized HoReCa operators for shopping convenience to minimize travel and transport. The store also caters to large family groups and consumers who want to cook large quantities of food. The first Fresh@Makro store opened in June 2020 in Bangkok and is expected to play a vital role in the Cash and Carry business expansion strategy.
- “Siam Frozen” is a small frozen food store developed to increase the distribution channel of frozen and dry food to small restaurant operators in the area. Each shop has an average sales area of about 80 to 260 square meters.

As of December 31, 2021, the Company had stores located in 65 provinces out of 77 provinces in Thailand.

The following table shows the number of Makro Cash and Carry stores by store format and location as of December 31, 2019, 2020, and 2021:

	Years Ended: 31 December		
	2019	2020	2021
Cash and Carry Store Format			
Classic	79	79	79
Eco Plus	15	15	15
Foodservice	28	30	35
Food Shop	5	5	5
Fresh@Makro	0	1	1
Siam Frozen	7	7	7
Thailand	134	137	142
Overseas	6	7	7
Total	140	144	149

In addition, the Company's wholesaling strategy is to make the best use of existing supply chain distribution and logistics networks to ensure sufficient inventory of fresh and high-quality products with a good value for customers and the Company.

As of December 31, 2021, Makro had the following 5 main distribution centers:

Distribution Center Type – Location (region, Thailand)	Space (sq. m.)
Fresh Food - Wang Noi (Central)	10,446 (+ 8 additional warehouses)
Fresh Food - Mahachai (Bangkok Perimeter)	22,533
Fresh Food - Wang Noi 1 (Central)	20,100
Fresh Food - Bangna (Samut Prakan)	24,043
Fresh Food - Wang Noi 2 (Central)	22,050

In the future, the Company plans to focus more on fresh food distribution as customers increasingly demand high-quality freshness upon swift delivery. Partnering fresh food producers and distributors largely rely on the Company's logistics, storage, and distribution networks for their products. The Company's distribution centers have a central team consisting of employees on duty and in charge of quality control. In addition, the Company has also contracted DHL to operate the distribution centers and provide logistics services with over 600 trucks transporting goods to-from the centers.

The Company plans to optimize product quality control and distribution capacities to expand direct collaborations with farmers producing and distributing Company products (e.g., a Chiang Mai hub) through the following key projects:

- The opening of a new fresh food hub in strategic provinces to support local farmers and small and medium-sized enterprises (SMEs).
- The opening of a new 88,000-square meter distribution and fulfillment center in 2023, taking care of fresh and dry food orders in the Wang Noi District (Central region) in place of the currently operating centers, Wang Noi dry food distribution center 1 and Wang Noi dry food distribution center 2.

The Company procures most of its products directly from manufacturers with deliveries to Company distribution centers. Upon large amounts of delivered goods, the distribution center swiftly forwards them to Cash and Carry centers or strategic warehouses. The process is efficient in freight volume and cargo handling, reducing costs from traditional multi-step distribution.

2) The Online Marketplace Platform

The Company is aware of the social-economic digital transformation and cashless society expectations that have shifted shopping preferences to online for standard swift convenience. According to the customer's choice, the Company's wholesaling Cash and Carry online channel includes various mediums via mobile devices and social media. The Company's online platform consists of "Makroclick.com", the mobile "Makro Application", and "Makro Line Official Account", with sales staff assisting customers through both channels, offline and online. Customers can also choose to pay and receive products offline or online. For purchases, online payments include debit and credit cards, mobile bank transfers, and e-wallets. To receive ordered products, customers can choose a delivery service or product self-pick-ups from the following options: "You Order, We Deliver" services where customers can choose last-mile delivery to particular destinations where the product can be retrieved, "Speed M Express Delivery" for express delivery, or "Curbside Pickup" to retrieve ordered products from the store themselves at designated service points.

For Makro's Cash and Carry center, the Company aims to start operating the B2B Marketplace online platform in 2022 as a one-stop-shop solution for customer HoReCa operators and small retailers. The platform will cater to customers from all channels with services ranging from product procurement, logistics services, quality assurance, and other business support facilities. Conveniently and swiftly from anywhere via the platform, product vendors and service providers can access a wide range of customers, from partnering businesses and HoReCa operators, retailers of different sizes, including B2C retail stores and shops. The Company believes the B2B Marketplace to be the most convenient, fastest, and freshest online platform in Thailand, increasing the number of products in distribution to more than 15,000 SKUs and expanding product sourcing to more manufacturers and distributors throughout a more extensive supply chain network in Thailand and abroad. In addition, the Company expects to benefit from sales commissions from goods sold through the platform and fulfillment fees from logistics and distribution service fees for online business. The Company will expand the existing operators' customer base by up-valuing per basket

size per purchase, offering a greater product mix with comparatively more attractive price options as well as inclusive one-click delivery services and shipping alternatives. The Company believes that the platform will cater to customer operators and differentiate itself from other online marketplaces such as Lazada and Shopee that focus on retail customers.

The outbreak of COVID-19 has caused online shopping demand to grow exponentially. Makro's online sales revenue rose by 89.7%, from Baht 9,421 million in 2019 to Baht 17,871 million in 2020, and increased by 36.1% from Baht 17,871 million in 2020 to Baht 24,319 million in 2021. To take account of this late growth, the Company has invested considerable resources expanding the capacity and efficiency of its online vending infrastructure system. As of December 31, 2021, the Company's customers could purchase more than 17,000 SKUs in all product groups through the Cash and Carry online platform. Ordered products were delivered to customers through the six classic stores in Bangkok that had been allocated 1,000 to 2,000-square meter non-storefront warehousing spaces dedicated to facilitating order processing, preparation, and delivery operations under high-demand online purchases. Makro's online sales accounted for 11.2% of total Cash and Carry distribution center sales in 2021.

1.1.4 Wholesale Cash and Carry Pricing Strategy

The ability to set product prices at a competitive level for customer operators is one of the Company's competitive edges. The following pricing strategies have been implemented to maintain advantages from price leadership in the market:

- Control costs to maintain market price leadership alongside continual improvements to organizational structure and supply chain.
- Monitor regional pricing competitiveness regularly and adjust accordingly.
- Maintain long-term relationships and collaborations with manufacturers and distributors of the Company's products.
- Benchmark pricing for dry and packaged food products against wet markets and local modern wholesale and retail outlets.

The Company continues to collaborate with its wholesale customer operators to increase their competitiveness and profitability and thus the Company's alike. At present, the Company has a Customer Development Team in direct contact with business customers, paying regular visits and advice as needed, and plans to advance the team to an effective

sales unit. The Company is developing a variety of projects to benefit customer operators as follows:

- The Makro Retailer Alliance (MRA) Project: the objective is to increase the potential of unorganized retail shops by providing retail management advice and knowledge through activities such as the "Makro Retailer Expo" and assisting operators in opening new retail shops. The MRA Plus project was started in 2021 to offer local retailers new products and services to boost their competitiveness and sustainability. A point-of-sale system has also been launched to allow retail operators to refill products directly from Makro. As the MRA Plus project started generating income in 2021, the Company expects the revenue to grow significantly over the next few years.
- The Makro HoReCa Academy (MHA), similar to the MRA project, Makro provides knowledge sharing, training, and consulting services through online learning centers with capacity-building objectives to promote sustainable growth for customer HoReCa operators. Operators can access various resources at any time free of charge through MakroHoReCaAcademy.com and organized HoReCa Fairs. In support of the MHA program, Makro established the Makro Culinary Center (MCC), a training center for HoReCa customers to research and develop fresh and dry food products. The operators are invited to test and evaluate the quality of fresh and dry food products and participate in establishing a training center to share knowledge, discuss food business trends, and transfer cooking and food business management skills to Company employees and customers, particularly new business operators.

1.2 Lotus's Thailand

Lotus's operates retail and leased space in shopping centers in Thailand through Lotus's Thailand, a holding company of its subsidiary - Ek-Chai. Lotus's is a leading retailer with multiple distribution channels, considering store space and market share in Thailand. As of December 31, 2021, Lotus's had 2,618 stores in 74 out of 77 provinces across Thailand, consisting of 222 hypermarkets, 199 supermarkets, and 2,197 mini-supermarkets. Lotus's has a stable retail business across the country with a robust supply chain system and efficient distribution and logistics network. Lotus's retail business is built on brand equity strength with strategies proven to generate profitable growth through business operations. In addition, Lotus's growth is driven by ongoing investment projects in the following areas:

- Capturing new target customers with the modern trademark rebranding to “Lotus’s”.
- Improving the quality of products and services.
- Renovating and modernizing stores
- Leveraging technological systems to optimize operational efficiency and customer service.
- Focusing on presenting fresh products under the “Go Fresh” concept in supermarkets and mini supermarkets.
- Expanding the number of branches to cover more areas in Thailand.
- Accelerating online sales growth through a 2,000-store network nationwide and collaborating with popular online marketplace platforms such as Grab, Shopee, and Lazada to increase product points of sale for consumers.
- Launching new businesses such as Coffee and Café coffee shop and restaurant chains, brands under Jungle Café and Arabian, and vending machines, including cooperating with True Retail Group to expand the scope of product offerings.

1.2.1 Lotus’s Retail Business in Thailand

The following table shows Lotus’s sales volume by retail model in Thailand for the specified periods:

	Years Ended ⁽¹⁾					
	February 29, 2020		February 28, 2021		December 31, 2021 ⁽²⁾	
	Baht, million	%	Baht, million	%	Baht, million	%
Income from retail stores						
Hypermarkets	108,848	63.2	98,811	60.4	91,677	57.4
Supermarkets	20,191	11.7	21,146	12.9	19,510	12.2
Mini-Supermarkets	42,380	24.6	42,410	25.9	44,970	28.1
Online Channels	744	0.5	1,216	0.8	3,662	2.3
Total retail revenue from stores	172,163	100.0	163,583	100.0	159,819	100.0
(minus) Other income related to the retail business ⁽³⁾	(837)		(621)		(547)	
Sales Income	171,326		162,962		159,272	

Notes: ⁽¹⁾ Unaudited financial statements prepared by management

⁽²⁾ From 1 January 2021 – 31 December 2021

⁽³⁾ Other retail business-related revenue, comprising consignment, delivery, and employee discounts from Lotus’s retail business

The following table shows the average same-store sales growth by Lotus’s Thailand distribution channels for the specified periods:

	Years Ended: 31 December		
	2019	2020	2021 (1)
Growth rate of same-store sales	% (2.5)	% (6.4)	% (6.3)

Notes: ⁽¹⁾ A comparison for January 1, 2021–December 31, 2021, compared to March 1, 2020–February 28, 2021.

Retailers in Thailand

Lotus's business operates brick-and-mortar retail outlet stores, which are divided into three formats: hypermarket (H-Stores), Go Fresh supermarkets, and Go Fresh mini super-market.

- H-Stores Hypermarket** - Lotus's hypermarket is a large retail store with a one-stop shopping complex focusing on fresh food and consumer goods. Most have a sales area of about 2,000 to 7,000 square meters, with an average sales area of about 4,500 square meters. H-Stores also features fresh and dry food and other consumer goods, mainly health and beauty products, home and baby products, clothing, household appliances, and electronics. H-Stores provide services to meet customers' various needs, such as top-up for additional or large purchases and stock-up purchases for later use. This large retail store is critical for the online distribution integration project as it can be used as a distribution center and an offline foot traffic display to promote online sales growth. H-Stores highlight the consistent sales of products with competitive prices with economic everyday products as a point of attraction for Lotus's target customers. The Company believes that more than half of the Thai population lives within a 25-minute drive from an H-Store.
- Go Fresh Supermarket** - Lotus's is rebranding its small Market supermarket-style retail store to Go Fresh, a medium-sized retail store with sales areas ranging from 500 to 1,500 square meters, an average sales area of 725 square meters, to service mostly in commercial or suburban areas. Go Fresh stores are developed under "The community shop in the neighborhood" concept for convenient close-range drive and foot shopping for consumer products and other regular small purchases. The store concept focuses on fresh and dry quality food, along with a wide range of consumer goods, especially health and beauty products, home and baby goods, and baby goods. Customers' needs, either top-up shopping of additional items or stock-up shopping for later use, are satisfied at Go Fresh. This mid-size retailer also plays a key role in Lotus's online retail business.
- Lotus's Go Fresh Mini-supermarket** - Lotus's is rebranding its mini-supermarket retailer Tesco Lotus's Express to Lotus's Go Fresh, a small retail store with a sales area of 80 to 320 square meters, and an average sales area of about 180 square meters. Tesco Lotus's Express currently operates in various residential and commercial areas, including petrol-station stores, focusing on fresh food and consumer products, including other essential daily items for customers' convenient access for top-up daily cooking shoppings. While the express store plays a key role in online close-range

on-demand delivery services, it also caters a brand new coffee shop, Jungle Cafés, to increase foot traffic and attract consumers to shop at the store. As one of the largest mini-supermarket operators in Thailand, the Company plans Lotus's Go Fresh as a key driver of Lotus's future retail growth in Thailand with 200–250 new Lotus's Go Fresh opening per year over the next three years.

The following table shows the number of outlets under Lotus's Thailand by store format.

	Year Ended		
	February 29, 2020	February 28, 2021	December 31, 2021
Number of stores			
Hypermarkets	215	219	222
Supermarkets	178	196	199
Mini-Supermarkets	1,595	1,679	2,197 ⁽¹⁾
Total	1,988	2,094	2,618

Note: ⁽¹⁾ A total of 305 stores of CP Fresh Mart, which were included in the 4th quarter of 2021.

Online Channels

In addition to its physical retailing, Lotus's serves customers in Thailand through online channels, utilizing an extensive network of hypermarkets' storefronts to serve as fulfillment hubs. Lotus's online channel serves convenience-oriented customers by using grocery home shopping (GHS) as a distribution center to facilitate online shopping from 89 hypermarkets (as of 2021). Shopping on the GHS online system, customers can pick their orders up at the store or opt for next-day home delivery. Other leading online service providers are contracted such as Shopee, Lazada, Happy, Fresh Grab, and Food Panda to sell Lotus's products through their online marketplace. Customers can order Lotus's products from the online providers with next-day or on-demand delivery. Lotus's is in the process of upgrading legacy IT systems to a new online infrastructure and expects it to be operational by mid-2022 with a Lotus's online product catalog covering over 2,000 retailers and all product types.

As online distribution center hub, the Company plans to multiply the number of H-Stores from the existing 89 as of December 2021 to the target over 200 locations nationwide with an entire retail network of over 2,000 branches to provide customers with swift and reliable delivery services. The new online infrastructure will allow Lotus's to take full advantage of its nationwide network and regularly offer on-demand and next-day delivery services to customers. In addition, the infrastructure will host a new user-friendly mobile application and other core operating systems, including inclusive shopping functions, order management, and pickup-delivery management, among other cool applications. In 2021, Lotus's online sales revenue in Thailand was Baht 3,662 million, or 2.3% of Lotus's total retail revenue in Thailand.

The Retail Optimization Project in Thailand

The Company is committed to optimizing and expanding the Lotus's retail business in Thailand through the following projects:

- *Rebranding the modernized Lotus's:* Since the ownership change of Lotus's Thailand and Lotus's Malaysia, the Company has initiated a rebranding strategy to the modernized Lotus's to differentiate itself from the original Tesco Lotus's trademark. The Company believes the rebranding will attract new customer segments, namely younger customers. Brand modernization strategies include using bright colors for logos, store signage, and promotional materials, leveraging technological systems to optimize Lotus's business operations and customer services, strengthening online distribution, and launching a new loyalty scheme.

The Company aims to convert all hypermarkets to operate under Lotus's by the end of 2022, enhancing store format according to regional demand and shopping behavior across Thailand.

The Company believes that the main attraction of Lotus's is the availability of high-quality products and a wide range of product mix in a one-stop shopping location. In particular, Lotus's fresh food attracts customers by sourcing a wide variety of fresh food and local produce from local vendors that deliver directly to the store to maintain freshness and quality. This is available in all retail outlets to meet each customer group's diverse and fluctuating needs.

Lotus's continues to invest in private label product development under Lotus's trademark for the retail market in Thailand to offer quality product alternatives to consumers at a bargain. As Lotus's is enhancing the quality of private label products in health, beauty, wellbeing, and household appliances, the Company is aiming to

improve other store components to enhance the overall shopping experience. This includes swift shelf replenishment, product introductions, in-store services, self-checkouts, as well as cleanliness and safety in the store, among other developments. As of December 31, 2021, private label sales accounted for approximately one-fifth of all retail sales from Lotus's Thailand.

- *Store Modernization:* The modernization of Lotus's and hypermarkets will better meet customers' changing needs by reducing the clothing and accessories section size in hypermarkets and expanding the spaces for fresh food and cooking products to meet the increasing demand for this group of products. Lotus's has implemented new technological online systems to enhance store operation efficiency across all hypermarkets, optimize customer convenience and satisfaction, and thus meet its renovation and modernization goals.
- *Under the store rebranding strategy,* the Lotus's supermarket-style Market store is rebranding to Go Fresh, while the Tesco Lotus's Express mini-supermarket is rebranded to Lotus's Go Fresh. Go Fresh sales areas are repositioned to accommodate the Company's Winning with Fresh strategy, focusing on quality fresh food offers for daily cooking and household consumption in either weigh-in or pre-packaged forms. The store highlights close-to-home shopping distances, allowing convenience and speed to shop for fresh food products. Go Fresh will present a modern store look and a fresh market atmosphere.
- *Mini-supermarkets* offer a wider variety of consumer goods than conventional convenience stores. The Company aims to create shopping satisfaction for customers by opening the Jungle Café coffee shop counter with mobile shopping services. The smaller stores that can adjust the sales area to accommodate more product distribution will be upgraded and rebranded as a Lotus's Go Fresh mini-supermarket. As of December 31, 2021, 885 Lotus's stores have already been upgraded to Go Fresh. The Company plans to implement the Go Fresh concept in remaining stores and expects to complete the rebranding in Thailand by the end of 2022.
- To maintain a high access rate to consumers nationwide and better meet their needs, the Company plans to expand its retail network to cover areas where traditional retail stores are currently unavailable. Under the expansions plan, an average of 4-6 new H-Store hypermarkets and about ten of Go Fresh supermarkets and 250 new Lotus's Go Fresh mini-supermarkets per year will be opening starting next year over the next three years.

- *The Company is accelerating online sales by taking advantage of Lotus's GHS online shopping system and building on the strengths of its regional network.* The Company aims to expand online services from the current 89 hypermarkets supporting online services in the Bangkok areas to an extensive retail network of over 2,000 stores nationwide by the end of 2022, including small and medium-sized retailers under Go Fresh. Customers of local retailers can order and pay online in one click and select on-demand or next-day delivery, or click and collect for self-pickup nationwide. The new GHS online shopping system will support Lotus's new online infrastructure, namely the new consumer mobile application with key function upgrades, order management, pick-up and delivery management, and other nifty maneuvers. Lotus's is also partnering with leading online service providers such as Shopee, Lazada, Grab, and Food Panda to fortify Lotus's online facilities further.
- *The Company plans to launch new retail businesses to expand in-store foot traffic and optimize shopping satisfaction and experience.* The Company has a preliminary strategy to offer sought-after coffee to customers visiting Lotus's retail stores as a good-value food and beverage attraction. The Jungle Café and Arabitua coffee shops with high-quality offerings at great prices are piloting in several Lotus's outlets to attract shoppers. The current plan is to place the Jungle Café counters either in retail stores or in front of Lotus's mini-supermarkets and supermarkets and stand-alone Arabitua coffee shops in Lotus's hypermarkets. In addition to coffee shops, the Company also focuses on developing the retail business model under food and beverage consumption trends to attract more customers to the stores. The Company will also take advantage of Lotus's business alliance with True Group in offering competitive electronics deals. Please see in detail the following General Merchandise section.

Retail Product Mix in Thailand

The wide variety of product offerings is crucial to Lotus's retail success in Thailand. Lotus's product mix of consumer goods comprises fresh food, groceries, general merchandise, liquor and tobacco, and clothing. This includes leading domestic and international brands, small and medium enterprises (SME) brands, and private label products under Lotus's trademark. The details are as follows:

- *Fresh food and prepared meals*, the fast-growing primary product segment in Lotus's retail business, includes meat and seafood: pork, poultry, beef, eggs, chicken, fish, and shrimp; vegetables and fruits: dairy products: fresh milk, yogurt, and cheese; eggs, ready-to-cook and ready-to-eat food, bakery; and frozen food: ready-to-cook and ready-to-eat frozen meats; and dessert. In compliance with laws and regulations ensuring product safety standards, Lotus's fresh food products are ethically and carefully sourced to furnish community shoppers with the highest quality yet affordable products.
- *Fast-moving Consumer Goods (FMCG):*
 - *Packaged food groceries* include non-durable cooking products such as oils, sauces, and condiments; beverages: water, soft drinks, fruit juices, coffee, and tea; dry staples: rice, cereal, and noodles; pasteurized and plant-based milk; baby products: milk powder and infant food; confectionery and bakery products: biscuits, snacks, and candy; and, canned food supplements. To expand the product mix and meet customer needs, Lotus's carefully selects consumables from various distribution channels, price ranges, and brands, including imports, from close collaborations with domestic and international manufacturers and distributors.
 - *Non-food groceries* include non-durable products such as toiletries, health, and beauty products: shampoos, soaps, toothpaste, lotions, cosmetics, and over the counter drugs; household goods: detergents, fabric softeners, dishwashing liquids, floor cleaners, and pesticides; tissue: toilet paper, household cleaning paper, paper towels, facial tissues, sanitary napkins, and adult diapers; baby goods: baby diapers and baby gear; pet food and pet supplies; and religious-related goods Lotus's focuses on providing a wide range of product mix under leading brands purchased directly from the manufacturers to meet the needs of all customers in communities where Lotus's operates.
- *General merchandise* includes a wide range of durable household goods such as household appliances, toys, stationery, sports equipment, bathroom accessories, bedding, furniture, bags, plastic storage boxes, kitchen products, car accessories, lighting equipment, home improvement products that need to be assembled-installed by yourself (DIY products). Under Lotus's trademark, a range of high-quality private label products is provided for daily use where no leading brand is available for the product category. Lotus's can thus differentiate and add value to private label products by making that product category available to customers. Lotus's also offers a kitchenware product line to support the overall sales growth of Lotus's food products and optimize the in-store product mix according to changing shopping trends. General goods also include electronics: like television sets, laptops, and mobile devices; household appliances: like torches, fans, and air-conditioners; kitchen appliances: like rice cookers, electric baker and kettles, microwaves, and toasters;

and cleaning and personal appliances such as irons, vacuum cleaners, hairdryers, and washers and dryers. In partnership with True, Lotus's will offer mobile phones, SIM cards, phone accessories, and internet-connected home goods such as smart bulbs, electrical outlets, and thermostats. In collaboration with True Group, long-distance health consultation services will also be provided where customers can consult with doctors online at the store.

- *Liquor and tobacco* product lines include a wide range of locally produced and imported beer, wine, spirits, and tobacco under different store formats.
- *Clothing* includes everyday wear with a focus on daily essentials and family comfort apparel.

In addition to third-party brands, Lotus's also offers more than 1,000 private label products under Lotus's trademarks covering all product categories to provide customers with alternatives as divided into the following three categories:

- *Lotus's* - is Lotus's core brand used in a wide range of high-quality products at affordable prices.
- *Value* - is an entry-level niche brand offering practical daily necessities at a cost-effective price.
- *Prestigo* - is a premium niche brand for high-quality products at reasonable prices, especially food and kitchen items

As of December 31, 2021, all products switched to the new trademark, except for general products that will continue to use the old trademark under Tesco until adjusted under the new trademark from June 2022 onwards. Excepted general products include plastic boxes, bedding sets, stationery sets, toys; health and beauty products: such as deodorants and shaving products; household products and appliances; and pet products: such as pet food and home cleaning products; as well as F&F branded products authorized by Tesco.

In addition, Lotus's is developing new private labels in additional product categories such as Momento home products, Aliv health and beauty, and MeStyle clothing.

The Company plans to strengthen the quality of Lotus's general merchandise in the Thai retail market, namely health food and health-related products to attract health-interested customers. The Company also intends to combine Thai-Malaysia retail business strategy to allow cross-market distribution of Lotus's private labels with unified supply chains.

This helps the Company harmonize Thai-Malaysia Lotus's product mixes without compromising the specific needs of each market.

The following table shows the retail sales revenue by product group in Lotus's Thailand for the specified periods:

	Years Ended ⁽¹⁾					
	February 29, 2020		February 28, 2021		December 31, 2021 ⁽²⁾	
	Baht, million	%	Baht, million	%	Baht, million	%
Retail Revenue						
Consumer Goods & Dry Grocery	98,565	57.3	92,985	56.9	87,282	54.6
Fresh Food	31,757	18.4	33,425	20.4	36,886	23.1
General Goods	18,383	10.7	16,035	9.8	15,965	10.0
Tobacco and Alcohol	15,669	9.1	15,251	9.3	15,262	9.5
Apparel	7,767	4.5	5,881	3.6	4,402	2.8
Revenue from deliveries and others ⁽³⁾	22	0.0	6	0.0	23	0.0
Total Retail Revenue	172,163	100.0	163,583	100.0	159,819	100.0
(minus) Other Retail-related Income ⁽⁴⁾	(837)		(621)		(547)	
Sales Income	171,326		162,962		159,272	

Notes: ⁽¹⁾ Unaudited financial statements prepared by the management.

⁽²⁾ From 1 January 2021 - 31 December 2021

⁽³⁾ Mainly consists of consignment revenue from delivery fees.

⁽⁴⁾ Other income related to the retail business consists of consignment revenue, shipping revenue, and employee discounts from Lotus's retail business.

Retail Customers in Thailand

Lotus's retail customer segments in Thailand vary by age, income, and household size ranges. The key strengths of Lotus's in attracting customers include:

- A positive customer sentiment towards Lotus's products depends on a worthwhile price.
- The people's trust: Lotus's was voted the second most trusted brand for consumer goods in Thailand in 2021, based on the consumer opinion on brand image survey conducted by Ipsos (Thailand) Co., Ltd.
- Lotus's commitment to customer service and participation in the local community.

Lotus's conducts in-depth customer data analytics to better understand consumer behavior with a detailed dataset of over 226 million customer purchases from approximately 20 million Clubcard customers over a year.

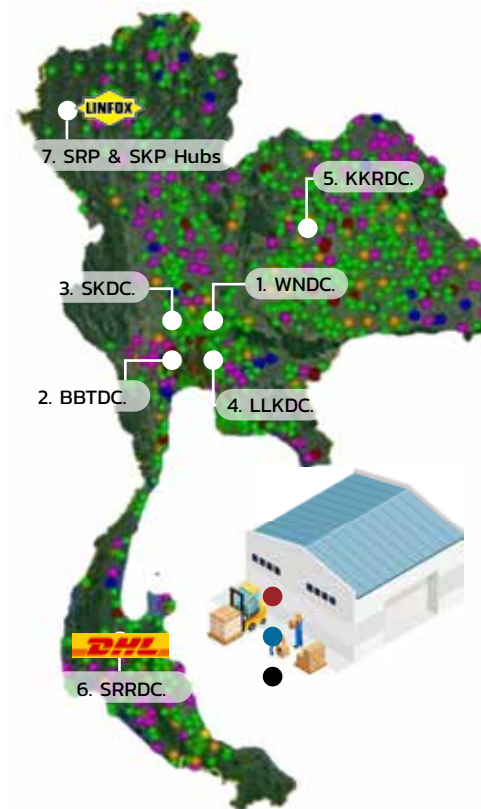
Lotus's employs well-established third-party experts with extensive experience in scientific analysis of consumptions data to provide analytics on customer segmentation, customer behavior, and shopping incentives, as well as cutting-edge software technology advisory services. Lotus's developed this data into a strategy to forecast future customer shopping patterns. In addition, Lotus's also analyzes customer data to determine pricing and promotional strategies that add value for customers. Lotus's applies the analytics to create a satisfying shopping experience to retain the existing base while reaching new customers and planning product mix accordingly.

Lotus's offers a Clubcard loyalty program that allows customers to collect points on their purchases at Lotus' stores to build and maintain customer relationships. According to research, Clubcard members are more likely to shop than non-members regarding total purchase value and purchase volume per shop. As of December 31, 2021, Lotus's has approximately 21.1 million Clubcard members in Thailand, of which about 8.6 million members are active purchasers with at least one purchase at Lotus's Thailand over the previous 52 weeks. Lotus's also offers a Clubcard loyalty program application for members to use in place of the Clubcard and provide members with member-only discount coupons and other promotions. Such applications can also be used as a medium for direct communication with customers. Lotus's will continue to develop further details in the Club Card Application membership program for the convenience of customers, along with additional privileges to meet the needs of each user. A new loyalty scheme was

launched along with the rebranding of Lotus. For the year ended December 31, 2021, sales to Clubcard members accounted for 63.1 percent of Lotus's total sales in Thailand.

The Retail Distribution and Logistics Network in Thailand

Optimizing the supply chain distribution and logistics network is crucial to Lotus's retail strategy to manage sufficient and appropriate inventory levels for all stores and keep produce and perishable goods fresh with the highest quality. This allows Lotus's to offer value-for-money to customers while maintaining a profitable business.



Distribution Center (DC)

- ✓ 1st ISO 45001 certified world-class safety standard
- ✓ Best employee relation award.
- ✓ White factory award.



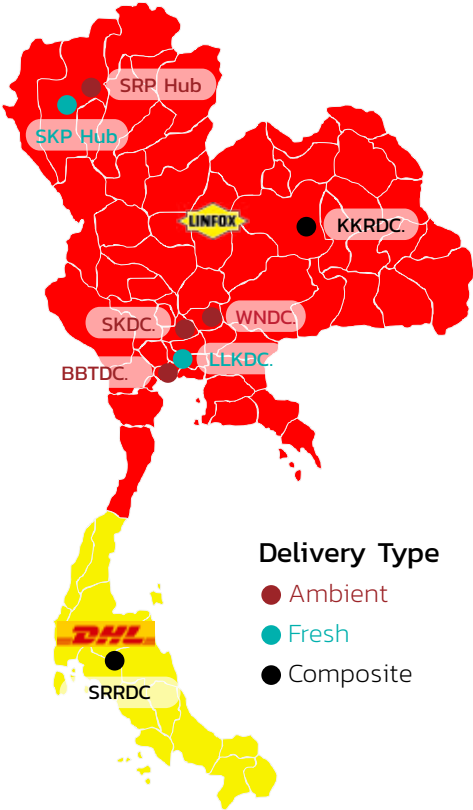
Items: +50K items (ambient & fresh)



Pick Type: Stocking & X-docking (Pallet/Case/Inner/Unit).



System: Oracle Retail Warehouse Management System (ORWMS).



Transportation

- ✓ In-house transportation planning using TMS
- ✓ Daily and dynamic routing optimization.
- ✓ 24/7 real-time monitoring and tracking



System: TMS
ORTEC&Microlise



Operator:
Linfox&DHL.

Lotus's is collaborating with DHL and Linfox, two international logistics service providers, to support the Company's retail logistics mission in Thailand. DHL and Linfox provide trucking goods transport services from Lotus's manufacturers and source distributors to Lotus's distribution centers and ultimately Lotus's stores. Due to the rapid expansion of online sales, Lotus's requires some distribution centers to store and distribute products directly to fulfill online orders. Lotus's also leverages its nationwide network for last-mile delivery, giving Lotus's a competitive edge over other online retailers.

Lotus's continues to optimize the operational efficiency of its distribution and logistics network, for example, utilizing the HLE Hub & Spoke logistics solution for delivery services. The system will designate some hypermarkets other than distribution centers to act as storage warehouses for large appliance white goods. When an order is placed, a third-party service provider is hired to retrieve the product and deliver it directly to the customer. This system enables the Company to increase its shipping capabilities and support Lotus's online retail expansion strategy. In addition, the Company has also developed a Hub & Spoke logistics system for bakery products by designating six of Lotus's hypermarkets as bakery production centers. This allows bakery chefs and support staff to deliver bakeries directly to Lotus's stores without having to go through the distribution process. This approach improves bakery quality and reduces spoilage.

As of December 31, 2021, Lotus's had eight distribution centers in Thailand, with a total building area of around 277,000 square meters and a distribution rate of roughly 903,000 boxes per day, including an online fulfillment center with a building area of 10,364 square meters and a distribution rate of approximately 1,500 orders per day.

The following table lists the main details of Lotus's distribution centers and online distribution centers:

Distribution Center, Region, and Type	Space (sq. m.)	Estimated Distribution Capacity (crates per day)	Average Warehouse Capacity Utilization (%): Year Ended December 31, 2021
Regional Level			
SRP Hub – North Regional Ambient Hub	5,800	24,000	85
SKP Hub – North Regional Fresh Hub	1,450	10,000	95
SK RDC – Central Regional Ambient DC	33,700	195,000	80
KKRDC – Northeast Regional Ambient + Fresh DC	51,990	Normal Temperature: 150,000 Fresh Food: 44,000	90
LLKRDC – Central Regional Fresh DC	35,000	85,000	60
SRRDC – South Regional Ambient + Fresh DC	51,990	Normal Temperature: 70,000 Fresh Food: 17,000	75
National level			
WN NDC – National Ambient DC	58,347	163,000	90
Online Fulfilment Centre	10,364	Orders Per Day: 1,500	100
BBTDC – National Ambient DC	29,000	145,000	90

Lotus's distribution centers in Thailand are equipped with state-of-the-art logistics technologies such as semi-automatic single pick picking machines and automatic pick-to-light order pickers where Lotus's hypermarkets have an average storage room of 200 to 300 square meters. In addition to Lotus's retail logistics and warehousing services, Lotus's also provides third-party distribution and logistics network services, including warehouse leasing, cross-docking services, freight forwarding, merchant shipping, and freight handling services.

1.2.2 Lotus's Shopping Center in Thailand

Lotus's shopping center business in Thailand comprises the building management and operating shopping centers and retail stores, as well as acting as the property manager of shopping centers invested by the LPF mutual fund in which 25% of Lotus's investment units are held through subsidiary Ek-Chai.

As of December 31, 2021, details of the Lotus's shopping center business in Thailand was as follows:

- Lease space management in 199 shopping centers (excluding shopping center locations invested by 23 LPF mutual funds as detailed below) with approximately a permanent net lettable area (NLA) of 717,224 square meters, with Lotus's hypermarket as the flagship store, along with 62 shopping centers that Lotus's is the property and building freehold owner.
- The occupancy rate of the shopping centers is about 90% of the permanent NLA.
- Lotus's 25% holding through its subsidiary Ek-Chai makes Lotus's the largest unitholder of the LPF mutual fund - a real estate fund listed on the Stock Exchange of Thailand invests in 23 shopping centers across the country. Through Ek-Chai, Lotus's is entered into a contract with LPF mutual fund as the fund's property manager.

Lotus's, as the property manager and a 25% unitholder of the LPF fund through its subsidiary Ek-Chai, receives income in the two following pipelines:

- *Property Manager Fees:* As the property manager of LPF, Lotus's collects four types of fees in relation to the LPF shopping center services, including lease collection fees and service fees, real estate administration fees, incentive management fees, and commission from recruiting lessees. Lotus's receives monthly property management fees based on various LPF shopping center performance indexes.
- *Dividend:* Lotus's receives dividends as an LPF unitholder proportionately to its unitholdings at a rate of not less than 90% of its quarterly net investment income, or four times a year.

Lotus's Shopping Centers in Thailand

Lotus's shopping center leasing business (except LPF property management) operates the following three real estate formats for leasing purposes:

- *Family Malls*, or large shopping centers for families with a range of shopping and entertainment activities, focus on particular business lessees, namely restaurants, fashion boutiques, financial service providers, and lessees providing entertainment-related activities, among other service providers. The malls typically have a permanent NLA of over 5,000 square meters. As of December 31, 2021, Lotus's managed lease spaces in 12 Family Malls in Thailand (excluding 11 Family Malls invested by LPF), with a total permanent NLA of about 136,000 square meters.
- *Neighborhood Malls* are medium-sized community shopping centers for customers to swing by for a quick and easy grab, especially food products. The malls typically have lease spaces for a variety of restaurants, beverage shops, and grab & go fast food outlets. Although the lease spaces are smaller than Family Malls, in-store shops are available for family entertainment activities and fashion boutiques, along with financial and other service providers. Lotus's Neighborhood Malls typically have a permanent NLA between 2,000 and 5,000 square meters. As of December 31, 2021, Lotus's leased spaces in 86 Neighborhood Malls in Thailand (excluding 11 community shopping centers invested by LPF) with a total permanent NLA of about 446,000 square meters.
- *Service Malls* are smaller shopping centers focusing on one-stop shopping spaces. The smallest of the three formats focuses on daily products and services, alongside selected restaurants, clothing vendors, and children's play areas, among other services provided.

The malls typically have a permanent NLA of up to 2,000 square meters. As of December 31, 2021, Lotus's managed lease spaces in 101 Service Malls in Thailand (excluding one invested by LPF) with a total net permanent NLA of about 135,000 square meters.

Lotus's shopping centers are situated in suitable locations throughout Thailand to serve in strategic areas reaching as many customers as possible, mostly in the central Bangkok metro area and regional metropolises in northern, northeastern, and southern Thailand, each having a hypermarket as the main attraction. As of December 31, 2021, Lotus's owned about 31% of all Lotus's shopping center land.

Shopping Center Leasing-related Projects

Lotus's continues to select suitable locations for new shopping centers across Thailand using the following criteria:

- Area with a large and dense population.
- Prominent locations with the potential of increasing in-store foot traffic.
- Access to main roads and public transit systems.
- Large parking areas and sound infrastructure.

Lotus's has several projects related to shopping center leasing as follows:

- *Future shopping center developments:* mixed-use community shopping centers that meet customers' needs with online products and delivery services. Lotus's is also planning ways to optimize the shopping satisfaction at the centers in the future, such as expanding product mix and related services in collaboration with business partners for personalized marketing by different customer segments.

- *Optimizing shopping center space layouts*: including unused space and seamless services between hypermarket and leased spaces.
- *Optimizing space*: initially, transforming shopping centers into food destinations to increase foot traffic and occupancy, increasing the proportion of food distribution space in the shopping centers, and presenting a balance of food items between mass-market and niche food brands.
- *Optimizing food courts*: renovating and scaling up shopping center food court areas and introducing new brands and service providers, such as Cloud Kitchens, to satisfy food court goers.
- *Improving digital-based services* and implementing the new online marketplace to support digital payments for customers to improve customer satisfaction.
- *Managing appropriate proportions of suitable tenants* by selecting and attracting shopping center lessees that are restaurant operators or other entertainment service providers, focusing on brand names or widely known franchises that present a new in-store atmosphere and shopping center image.
- *Improving health and beauty services* by selecting shopping center tenants and allocating spaces for health and beauty services in response to changing consumer demand and preferences.

Lotus's is also implementing a number of strategic operations to accelerate the revitalization of its leasing business in shopping centers that has been significantly affected by the COVID-19 pandemic.

- Investing in online distribution and delivery capacities for shoppers and enabling tenants (restaurant operators and non-restaurant lessees) to enter Lotus's online marketplace platform.

- Selecting new tenants to replace or reduce the proportion of lessees severely impacted by COVID-19, namely entertainment and movie theaters, to lessees providing goods and services related to home and fitness.

Shopping Center tenants in Thailand

Lotus's has several types of tenants in Lotus's shopping centers in Thailand. The three main tenants are as follows:

- *Permanent tenants*: tenants in this category enter 1-year lease terms or longer, with fixed monthly lease payments or variable lease rates based on sales (with or without a minimum lease guarantee), including hypermarket and other tenants.
- *Temporary tenants*: temporary tenants are contracted for less than one year and have a high turnover rate that allows Lotus's to tailor new products and services to customers. These tenants set up as stalls or small shops.
- *Food court tenants*: Lotus's services contracts with food court operators in shopping centers for an average term of one year. Food courts help attract foot traffic to shopping centers and other shopping center tenants as customers prefer shopping center food courts where price, quality, and quantity offer a good value.

In addition to revenue streams from tenants, Lotus's shopping center leasing business in Thailand includes other sources of income from service charges (such as utility bills and land and building taxes), pylon signage leasing fees, property management fees from managing LPF shopping centers, and other related sources.

Lotus's grants a lenient 7-day commercial credit terms to Lotus's shopping center tenants in Thailand.

Permanent tenants create a stable revenue stream for the shopping center leasing business and thus are integral to the success of the leasing business. In Thailand, the average lease term for permanent tenants is around three years, including leases in Lotus's hypermarkets - Lotus's largest group of permanent lessees, with other major tenants having average lease term of up to 30 years. Lotus's permanent tenants in Thailand can also be categorized as follows (as of 31 December 2021 data):

- *Finance business* tenants account for about 5% of the permanent occupied NLA.
- *Technology service provider* tenants accounted for about 9% of the net permanent occupied NLA.
- *Food business* tenants accounted for about 23% of the permanent occupied NLA.
- *Clothing business* tenants accounted for about 10% of the permanent occupied NLA.
- *Beauty and entertainment business* tenants accounted for about 8% of the permanent occupied NLA.
- *Primary* tenants accounted for about 45% of the permanent occupied NLA.

For the year ended December 31, 2019, 2020 and 2021, Lotus's revenue from leasing, services, and shopping center management amounted to Baht2,034 million, Baht1,628 million, and Baht1,491 million, respectively.

1.3 Lotus's Malaysia

Lotus's is Malaysia's leading retail and shopping center leasing business through its subsidiary, Lotus's Malaysia. Lotus's is the leading retailer in Peninsular Malaysia, considering its market share, with a household penetration rate of about 49.6% in 2021, according to consumer survey data (where the household penetration rate is defined as the percentage of households in Peninsular Malaysia shopping at Lotus's Malaysia). In 2021, Lotus's Malaysia had 62 stores, including 46 hypermarkets and 16 supermarkets. Similar to Lotus's Thailand, Lotus's retail business in Malaysia is secured with a reliable supply chain, distribution, and logistics network, as well as brand equity strength and investment plans in strategic projects; including the following:

- Capturing new customer segments by rebranding a brighter modernized Lotus's.
- Enhancing the quality of goods and services with cost-effective offers.
- Presenting fresh products under the Go Fresh store for new supermarkets with 1,000 square meters spaces.
- Expanding the number of branches to cover more areas with shop spaces between 1,000 and 4,000 square meters.
- Accelerating online sales growth by leveraging a network of over 62 stores, including improving efficiency and collaborating with leading online marketplaces such as Food Panda, Happy Fresh, Shopee, and Lazada to increase point of sale products to consumers.
- Optimizing distribution channels for B2B operators across the country, focusing on independent restaurants, traditional retail stores, and other local businesses such as hospitals, hotels, and schools.

1.3.1 Lotus's Retail Business in Malaysia

Lotus's, through its subsidiary, Lotus's Malaysia, is the leading retailer in Peninsular Malaysia.

The following table shows the sales volume by retail model for the Lotus's retail business in Malaysia for the specified periods:

	Years Ended ⁽¹⁾					
	February 29, 2020		February 28, 2021		December 31, 2021 ⁽²⁾	
	Malaysian Ringgit million,	%	Malaysian Ringgit million,	%	Malaysian Ringgit million,	%
Revenue from retail stores						
Hypermarkets	3,767	82.0	3,720	79.4	3,518	77.6
Supermarkets	678	14.8	767	16.3	778	17.1
Express	18	0.4	10	0.2	-	-
Online Channels	122	2.6	168	3.6	205	4.5
B2B businesses	8	0.2	22	0.5	37	0.8
Total retail revenue	4,593	100.0	4,687	100.0	4,538	100.0
(minus) Other income related to the retail business ⁽³⁾	(51)		(47)		(41)	
Sales Income	4,542		4,640		4,497	

Notes: ⁽¹⁾ Unaudited financial statements prepared by management

⁽²⁾ Between 1 January 2021 – 31 December 2021

⁽³⁾ Other revenues related to the Lotus's retail business include consignment revenue.

The following table shows the average same-store sales growth across all Lotus's Malaysia distribution channels for the specified periods:

	Years Ended		
	February 29, 2020	February 28, 2021	December 31, 2021 ⁽¹⁾
Growth rate of same-store sales	2.2%	0.7%	(2.2)%

Note: ⁽¹⁾ The January 1, 2021 - December 31, 2021 period compared to the March 1, 2020 - February 28, 2021 period.

Retail Stores in Malaysia

Lotus's operates retail stores in Malaysia in two store formats: hypermarkets and supermarkets.

In 2021, Lotus's had 62 retail outlets in Malaysia, located primarily in the Northwest, Central, and Southwest of Peninsular Malaysia, with 23 stores in the Klang Valley, Kuala Lumpur, the capital of Malaysia.

- *Lotus's hypermarkets* in Malaysia are large retailers with a one-stop shopping complex focusing on fresh food and consumer products with a sales area of more than 4,000 square meters, each serving as the main store in Lotus's shopping centers and comprising the leading hypermarket chain in Peninsular Malaysia.
- *Lotus's Supermarkets* are medium-sized retailers with sales spaces ranging from 2,000 to 4,000 square meters, primarily located in Peninsular Malaysia, serving as a convenient community-neighborhood shop for daily consumer products and other types of products.

The following table shows the number of Lotus's retail outlets in Malaysia as of the specified dates:

	Years Ended		
	February 29, 2020	February 28, 2021	December 31, 2021
Number of stores			
Hypermarkets	46	46	46
Supermarkets	14	16	16
Express stores	9	-	-
Total	69	62	62

Online Channels

Alongside Lotus's Malaysia's offline brick-and-mortar retail outlets is Lotus's GHS online shopping system and online presence through third-party online service providers such as Lazada, Food Panda, Shopee, and Happy Fresh. In 2021, Lotus's revenue from online distribution channels was MYR205 million (Baht 1,582 million). Lotus's has a number of projects to improve customer satisfaction via Lotus's online system as follows:

- Deliver online services that create greater customer satisfaction through Lotus's continuous IT improvement program, enabling same-day delivery, smart promotion, and replacement options for better products.
- Develop an online service center prototype, enabling more online services with optimized efficiency and lower operating costs.
- Increase the number of branches, from currently nine outlets in Malaysia, with an online presence through Lotus's GHS online shopping system.
- Expand click-and-collect pick-ups and ordering systems to Lotus's website and application, enabling customers to order from home and pick up at any store instead of shipping.

The Malaysia Retail Optimization Project

The Company aims to improve and expand its retail business in Malaysia through the following initiatives:

- *Lotus's Brand Rebranding*: Since the shareholder change, Lotus's Malaysia has started several initiatives to rebrand its stores under the Lotus's brand to differentiate itself from the original Tesco and plans to complete the adjustment and modernization by mid-2022. The rebranding applies bright color logos and technological systems to optimize online business capacities and customer convenience that attract and attain new customer segments, especially younger customers, boosting online sales and launching a new loyalty scheme in the process. The new 1,000-square meter Go Fresh retail stores will put a greater focus on consumer goods and fresh food than its supermarket predecessor, featuring self-scanning, scan-and-shop, and self-checkout services for optimal shopping convenience. The Company plans to rebrand all 62 stores in Malaysia by mid-2022 and open around ten new stores per year over the next three years.
- *Optimizing products and services*: the core strength of Lotus's retail business is the ability to offer a wide high-quality product mix variety at affordable prices, serving as the preferred one-stop-shop destination to its customers. In particular, Lotus's fresh

food strategy focuses on locally sourced fresh produce, delivered directly from local vendors to the store to maintain freshness and quality, alongside a variety of prepared meals to meet the diverse needs of each group of customers. In addition, Lotus's is investing more in developing private label products under its trademark for the Malaysian retail market to offer value-for-money products compared to competing products on the shelf in the same price range. In 2021, private label product sales accounted for about 25% of the total retail sales in Malaysia. Lotus's product mix is also tailored to meet consumers' changing needs and trends, including other developed product groups on the shelves, namely products in the health, beauty, and well-being, and household appliances groups. In addition to improving product quality, Lotus's aims to improve other in-store components for enhanced shopping experiences such as cleanliness and safety, in-store services, and applying technology to implement spontaneous shelf replenishment, product recommendations, as well as scan-and-shop and self-checkout features, along with online shopping services.

- *Store modernization:* Lotus's hypermarkets have been modernized to better accommodate customers' changing needs. Currently, the spaces for clothing and accessories in hypermarkets have been reduced while the space for fresh food and cooking products has been expanded, adjusting to the growing demand for this product category. Lotus's has also adopted technological online systems to optimize store operations and customer shopping satisfaction.
- *Store scaling:* Lotus's currently operates 4,000-square meter sales space hypermarkets and 2,000-4,000-square meter supermarkets. To account for the shopping

shift in favor of convenient smaller retailers, The Company is considering scaling up Lotus's Go Fresh, a smaller retail format with lower operating costs, albeit Malaysia's legal restrictions on foreign operators of retail outlets under 1,000 square meters.

- *Lotus's plans to boost retail sales significantly* by leveraging cutting-edge online infrastructure along with its retail network to support an efficient, reliable, and seamless shopping experience through the GHS online shopping system and mobile app, accelerating growth through the online channel in the process. This allows Lotus's to offer convenience-focused services such as on-demand ordering and express deliveries or click-and-collect drive-through pick-ups without having to get out of the car. Lotus's also develops relationships with leading online service providers such as Happy Fresh, Food Panda, Shopee, and Lazada to further strengthen Lotus's online presence, ensuring customers can easily access prompt services to online offers.
- *B2B business development:* alongside brick-and-mortar offline enhancement is optimizing service capacities for B2B operators as a one-stop-shop destination for restaurant operators and local grocery chains regularly in need of meat, fresh food, dry food, and cooking facilities in bulk. To increase B2B sales through Lotus's Malaysia, the Company has established a B2B sales unit dedicated to providing direct service to nearby restaurants and grocery stores to facilitate business convenience. Lotus's advancing online infrastructure also plays a key role in this seamless B2B development.
- *Cost reduction:* Lotus's recent investments in cost reduction programs comprise cost-savings energy efficiency projects, leveraging technological renewable capacities to Lotus's stores in the areas of refrigeration,

heating, ventilation and air conditioning, HVAC and lighting, as well as switching to renewable energy sources by installing roof solar panels to large retail stores and distribution centers to generate electricity. Lotus's is also deploying technological software capacities to incorporate in-store features that reduce operating costs such as scan-and-shop shopping and product scale with payment links for self-checkouts, along with in-store shopping tablets for browsing product catalogs and communication with customer service in real-time, and the Customer Service Desk mobile application that facilitates online order placing, among other innovative in-store features that optimize services, energy, and costs in one process. In addition, Lotus's regularly audits its cost structure, including evaluating and improving expenditures associated with distribution networks and sales, where a study was conducted on the supply chain network in 2021 to optimize capacities for future business growth.

Retail Product Mix in Malaysia

Offering a wide range of high-quality product mix at accessible prices is crucial to Lotus's retail business success in Malaysia as the one-stop-shop destination for consumer goods, namely fresh food, general goods, and clothing under various brands including private label products under the Lotus's trademark. The retail product mix in Malaysia is as follows:

- *Fast-moving groceries:* Lotus's consumer products include commodities, dry food, canned food, cooking and baking goods, hot beverages, desserts, dietary supplements, beer, wine and spirits, cold drinks, health and beauty goods, infant chilled and frozen food, with a focus on providing quality consumer goods to customers who wish to purchase a variety of products at affordable prices. Lotus's optimizes inventory

management in seamless sourcing from local manufacturers and distributors while developing private label products to compete with other products in the market.

- *Fresh food and prepared meals:* fresh food includes fresh fruits and vegetables, meat and seafood, and bakery products to sell quality food items at affordable prices. Lotus's direct sourcing procurement enables value-added product offerings, such as ready-to-cook food and ready-to-eat meals, and continuously evaluates the entire supply chain for efficiency to ensure product freshness. Although fresh food is a fast-growing segment that effectively increases foot traffic to the store, it is not the highest profit generator while directly competing with other fresh produce markets and supermarkets.
- *General merchandise* includes a wide range of durable household goods, including home furnishings and accessories, electronics and computer accessories, outdoor entertainment, bags, home improvement items, auto-related products, toys, and stationery. Lotus's also offers quality products for household use under private labels. In addition, Lotus's selects and works with various manufacturers and distributors to provide new and higher quality products to optimize the product mix regularly.
- *Apparel:* Lotus's clothing line includes outfit and daily wear necessities at reasonable prices, including Lotus's private label and other domestic brands. Lotus's plans to expand into the toddler clothing segment in Malaysia in the near foreseeable future.

Under its trademark, Lotus's private label products are offered to provide shopping alternatives to customers. Lotus's plans to switch the current private label brands, Tesco standard products and Value affordable products, to new Lotus's brands in the future. In 2021, Lotus's private label product sales revenue accounted for about a fourth of the total retail sales from Lotus's Malaysia. Lotus's private label products are strategically selected and developed in a product mix for large markets with high growth potential and a wide range of brands in the market that provides the opportunity for Lotus's private label products to stand out amongst other competing products on Lotus's shelves. Lotus's outsources local manufacturers to produce private label products while retaining the intellectual property rights to craft Lotus's products.

The Company plans to combine its product strategy for Lotus's Malaysia with its retail business in Thailand to allow cross-market distribution of Lotus's private label products and common sourcing. Lotus's goal is to harmonize product mixes in Thailand and Malaysia with cross-market capacities without compromising the specific needs of each.

The following table shows the sales revenue by product category in Lotus's Malaysia for the specified periods:

	Years Ended ⁽¹⁾					
	February 29, 2020		February 28, 2021		December 31, 2021 ⁽²⁾	
	Malaysian Ringgit million,	%	Malaysian Ringgit million,	%	Malaysian Ringgit million,	%
Retail Revenue						
Consumer goods	3,219	70.1	3,246	69.3	3,152	69.5
Fresh food	777	16.9	882	18.8	858	18.9
General merchandise	446	9.7	431	9.2	394	8.7
Clothes	151	3.3	128	2.7	133	2.9
Total Retail Revenue	4,593	100.0	4,687	100.0	4,538	100.0
(minus) Other income related to the retail business ⁽³⁾	(51)		(47)		(41)	
Sales Income	4,542		4,640		4,497	

Notes: ⁽¹⁾ Unaudited financial statements prepared by management

⁽²⁾ Between 1 January 2021 and 31 December 2021

⁽³⁾ Other retail-related revenues comprising consignment

Retail Customers in Malaysia

Lotus's retail customers in Malaysia vary by age, income, and household size ranges. To grasp consumption patterns, Lotus's has partnered with an established customer segmentation analytics company to conduct measureable studies of each Lotus's customer group and develop a product strategy accordingly, enhancing online-offline capacities and loyalty programs with effective marketing strategies in the process.

To account for members more likely to shop than non-members and build customer relationships, Lotus's offers a Clubcard loyalty program to enable customers to collect purchase points from Lotus's outlets. In 2021, Lotus's reported about 2.8 million Clubcard members in Malaysia, half of which were active purchasers that had made at least one purchase at Lotus's Malaysia over the previous 52 weeks. In addition, Lotus's Clubcard mobile application is available for tech-oriented members in place of the Clubcard, providing members with information, member-only discounts and coupons, and other promotions. The app also serves as a convenient medium for direct communication with customer service.

The Distribution and Logistics Network in Malaysia

Strategic to Lotus's success in Malaysia is the supply chain distribution and logistics network that manages appropriate inventory levels in all Lotus's stores across the peninsular. This is necessary to maintain the freshness of produce and fresh food through the long journey from sourcing to Lotus's shelves with the highest quality. Optimizing the sourcing network allows Lotus's to offer value-added products to customers while maintaining a profitable business.

In 2021, Lotus's owned two distribution centers and one frozen-products distribution center in Malaysia, with about 108,000 square meters combined and a product distribution rate of around 330,000 crates per day. Lotus's utilizes three distinct distribution center formats: room-temperature distribution centers storing consumer and general products, fresh-food distribution centers keeping products at 1-2 degrees Celsius, and frozen-product distribution centers operated by external service providers. Each Lotus's hypermarket has an average storage space of 250 square meters with over 5.5-meter high ceilings (excluding

leased stores with pending adjustments).

Lotus's is a distribution and logistics network operator in Malaysia. In 2021, Lotus's trucking unit transporting goods from-to distribution centers, shops, and warehouses consisting of 20 long-distance transport trucks in the northern and south of Malaysia, five cargo trucks for the eastern cargo, 61 loading trucks, 52 ambient trailers for normal-temperature products, and 43 refrigerated trailers for frozen products.

Lotus's also provides distribution and logistics services for manufacturers and distributors in Malaysia to promote online channels, including handling services such as freight, returns, and trades through cross-docking centers and transportation systems.

1.3.2 Shopping Center Leasing in Malaysia

In 2021, Lotus's Malaysia shopping center leasing business included:

- Management of leased space in 57 shopping centers, with about 300,562 square meters of permanent NLA, 40 centers of which were either owned by Lotus's or leased from the Malaysian government.
- The occupancy lease rate was about 92% of permanent NLA.

Lotus's Shopping Centers in Malaysia

Lotus's manages three types of shopping center lease spaces in Malaysia to serve the following customer groups:

- *Family Malls* are large shopping centers for families with a permanent NLA of over 6,000 square meters, offering a range of shopping and entertainment activities. The main tenants are restaurants, fashion boutiques, financial, entertainment events service providers, and others. In 2021, Lotus's managed shopping center lease spaces in 23 Family Malls in Malaysia with a total permanent NLA of about 196,400 square meters.
- *Neighborhood Malls* are medium-sized shopping centers with permanent NLAs between 3,000 and 6,000 square meters for customers to swing by for a quick grab-and-go, especially food items from a wide range of tenants, including restaurants,

beverage shops, and fast-food eateries. Although this type of shopping center is smaller than Family Malls, there are also shops providing family entertainment activities, fashion boutiques, as well as financial and other services. In 2021, Lotus's managed shopping center lease spaces in 18 Neighborhood Malls in Malaysia with a total permanent NLA of about 76,200 square meters.

- *Service Malls* are smaller shopping centers with a permanent NLA of under 3,000 square meters serving as a one-stop shopping destination for daily products and services, along with restaurants, clothing shops, and service shops for various everyday needs and children-play areas. In 2021, Lotus's managed shopping center lease spaces in 16 Service Malls in Malaysia with a total permanent NLA of about 27,900 square meters.

Lotus's selects shopping center locations in strategic areas across Peninsular Malaysia to maximize access and consumer reach with a hypermarket as the main lessee in the establishment. The assessment criteria for selecting new locations are as follows.

- An area with a large and dense population.
- A prominent location with increasing in-store customer foot traffic.
- Access to main roads and public transit systems.
- A large parking area with a sound infrastructure system.

Shopping Center tenants in Malaysia

There are three main groups of Lotus's shopping centers tenants:

- *Permanent* tenants have over one-year leases with fixed monthly lease payments or variable lease rates based on sales (with or without a minimum lease fee).
- *Temporary* tenants have under one-year leases that set up stalls or small shops. The high turnover rate of these tenants allows Lotus's to tailor new products and services to changing consumer behavior.
- *Food Court* - Lotus's service lease contracts with food court operators in Lotus's shopping centers in Malaysia for an average term of one year. Food courts attract foot traffic to shopping centers and other shops as customers prefer reasonably priced meals.

Lotus's grants a 7-day commercial credit term to shopping center tenants in Malaysia. Permanent tenants provide a stable source income and are thus integral to the leasing business's success. The average lease period of permanent tenants is about two years, with most tenants having an average lease period of three years. Permanent tenants in shopping centers in Malaysia vary by six business groups:

- *Food and beverage business* tenants account for approximately 15% of permanent occupied NLA.
- *Health and beauty business* tenants account for approximately 5% of permanent occupied NLA.
- *DIY and home goods business* tenants account for approximately 32% of permanent occupied NLA.
- *Fashion apparel business* tenants account for approximately 17% of permanent occupied NLA.
- *Service businesses* tenants account for approximately 10% of permanent occupied NLA.
- *Entertainment*, sports, and other business tenants account for approximately 21% of permanent occupied NLA.

1.4 Business Innovation Development

To work around the COVID-19 epidemic, the Makro Innovation Awards contest was, for the first time, organized virtually online in 2021. More than 1,000 inventions competed in the event, with over 5,000 website viewers throughout the week and over 3,600 live broadcast attendees either online or offline.

● Winners at the Makro Innovation Awards 2021 ●

The Makro Support Franchise Business Project



The franchise business had continuous growth up to the economy's downside in 2020 following the coronavirus crisis, constraining working capital management and thus business sourcing and procurement. Financial barriers, minimum order quantity restrictions, and crippling delivery costs prevented small operators from procuring necessary raw materials for their business. To create business opportunities for affected businesses, the Company joined forces with potential noodles, meatballs, and sushi entrepreneurs to develop and sell standard products at Makro stores.

2021 Results

- Sales of target franchise products increased by Baht 42 million throughout the year (HoReCa businesses only)
- The number of franchisees increased by four
- The number of new franchises increased by two

● Product Innovations ●

The Fruit and Vegetables Packaging for Sustainable Life Project



Every year, a net loss is incurred from unusual early spoilage of fresh produce. Together, the Procurement and Quality Control departments analyzed the problem and found that the anomaly was caused by overhydration. Condensation in the package creates moisture that causes the product to spoil faster. Packaging technology that maintains freshness for longer periods has thus been developed to extend the shelf life of packaged vegetables and fruit by two to five-fold, compared to conventional packaging. The technology has already been implemented in chili products with plans to expand to other food product groups and export products. Biodegradable packaging material is also undergoing research for possible development and production.

2021 Result : Net loss reduction in the chili product group by approximately Baht 2 million per year

Process Innovation

The Search My Store–Nong Help Project



Some customers have had difficulties finding products in Makro stores. As such, under a one-stop-shop concept, an official Line account has been created for customers at the Ladprao branch to assist in locating products and connecting to available services at the center. Customers can also access various services via this account, such as product searching and shelf finding, placing food orders with Eatzie (a popular restaurant complex), and accessing other Makro services, among others. In addition, plans are in place to integrate the ordering and Clubcard membership systems to further facilitate and enhance shopping experiences.

2021 Results:

- Customers were able to locate products via the automated LINE system
- Customers were able to place food orders with Eatzie via the LINE account.

The You Order–OCS Ships Program



Online and offline ordering channels have both been very popular with customers. To optimize product retrieval, the Omni Channel Sales & Service (OCS) unit has developed a system that links the list of the ordered products with shelf map data to print out a diagram for employees to conveniently, swiftly, and accurately retrieve products from shelves. The Company also plans to expand the system into developing ordering and order confirmation applications for customers at additional branches.

2021 Results:

- Reduction in storage time: by 30–50%
- Reduction in delivery turnaround time: by 52 hours per delivery person, per month
- Total labor cost savings: 249,600 Baht

Business Innovation

The Upscale Cheese Processing Private Label Program



Cheese consumption in Thailand increases in popularity every year. To account for the opportunity to add a new value-adding business, the Company has commenced cheese imports to be developed into various product forms. Technological innovation has been applied to create new upscale alternatives for customers under three brand names; Dairy Delights, HoReCa, and Daily Fresh.

2021 Results

- The number of alternative cheese products increased by 13

2) Marketing and Competition

2.1) Industry Overview

The information presented in this section summarizes reports prepared by Euromonitor International Limited (“Euromonitor”) and reflects market condition estimates based primarily on public data and market surveys as a market analysis tool. The Euromonitor has prepared the report based on the following assumptions: (a) the economies in the Association of Southeast Asian Nations (“ASEAN”) (excluding Singapore and Brunei), China, and India will continue to recover over the forecast period (from 2021 to 2025), taking into account the impact of the COVID-19 outbreak and other external factors, (b) the forecast period will not be affected by unforeseen external factors such as financial crises or supply chain disruptions that affect the supply and service of the grocery retailing and wholesaling industry in the ASEAN (excluding Singapore and Brunei) region, China and India and, (c) there are forecasts on key market drivers such as the global economic recovery from the COVID-19 epidemic and positive consumer confidence in spending, which will support the industry’s development-grocery retail and consumer goods wholesale in ASEAN countries (except Singapore and Brunei), China, and India.

1) Macroeconomics

1.1 Thailand

Thailand has the second-largest economy in Southeast Asia after Indonesia. The moderate economic growth between 2016 and 2020 saw a compound annual growth rate (CAGR) in nominal gross domestic product (GDP) of 1.8%, or USD 501.5 billion (THB 15,698.4 billion) in value. Macroeconomic growth is driven primarily by government investment, tourism, and private consumption, where the government invests heavily in developing regional infrastructure, namely railway and airport projects. Meanwhile, the growth in real GDP slowed to 2.3% in 2019, down from 4.2% in 2017 and 2018, due to the COVID-19 outbreak that weakened the economy as well as domestic demand and exports. This resulted in a 6.1% decrease in real GDP in 2020, where the exports of goods, total consumption expenditure, and investment contracted by 6.6%, 1.0%, and 4.8%, respectively. In the first quarter of 2021, the economy showed favorable adjustments from the strengthening private sector, namely manufacturing, investment, and exports. However, the third wave of the epidemic, exacerbated by delays in vaccine distribution, made the direction of economic recovery unclear.

Exports and government support measures will be essential to Thailand’s economic recovery. In 2021, the economy was expected to rebound along with the global economic recovery and the government’s economic stimulus programs, such as the State Welfare Card, Half-Half Co-payment, and

Shop Dee Mee Kern. From 2021 to 2025, the growth in GDP is projected with a CAGR of 5.5%, or USD 649.9 billion (THB 20,344.3 billion). Similar factors contribute to this growth, mainly the recovery of the global economy and international trade alongside domestic factors such as governmental monetary policy and stimulus programs that encourage economic activities, exports, and spending by SMEs and individual shoppers.

1.1.1 Population and Gross Income Per Capita Entering an Aging Society

In 2020, Thailand had a population of 69.8 million, a slight increase from 69.0 million in 2016, and a relatively high median age of 40.1, where 70.5% of the entire population was in the working-age (15-64 years old), a slight drop from 71.3% in 2016. Compared to other countries in Southeast Asia, Thailand was the second after Singapore with the highest percentage of elders. According to the United Nations, Thailand entered the aging society in 2021, where the over-60 population accounted for 20% of the population. And by 2050, Thailand is expected to become a fully aged society, with the elderly population accounting for more than 35% of the total.¹ The aging population is expected to affect the economy due to the shrinking labor force and expanding governmental fiscal expenditures, as is evident in the fiscal budget for welfare that has been growing over the years.² Moreover, according to the World Bank, the size of Thailand’s workforce shrank by more

¹ <https://www.chinadaily.com.cn/a/201903/21/WS5c934b18a3104842260b1d7a.html>

² <https://www.bangkokpost.com/business/2100451/an-aging-conundrum>

than 1.2 million between 2012 and 2019.³ Notwithstanding the COVID-19 outbreak's restraint on the labor market, unemployment spiked to 1.6% in 2020, from 1.0% in 2019. The median household income also decreased by 3.9% in 2020.

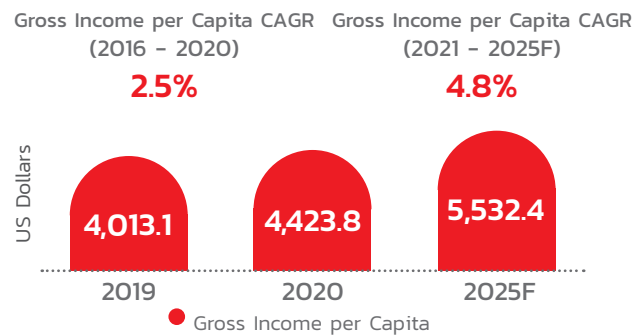
Thailand's urban population accounted for 51.4% of the total population in 2020, up from 48.4% in 2016. Urbanization has increased over the past 30 years and is primarily located in Bangkok, as the capital accounts for nearly 80% of Thailand's⁴ entire urban area. Rural immigration to big cities and the growing hospitality industry are the main drivers of rapidly expanding large cities such as Bangkok, where the overall urban population is anticipated to reach 55.0% by 2025. In hopes that urbanization will extend into smaller provinces, the government has made significant investments in the Eastern Economic Corridor (Special Economic Zone of the Three Provinces in Eastern Thailand: Chonburi, Rayong, and Chachoengsao).

Rising Income Against Ongoing Epidemic

Between 2016 and 2020, Thailand's gross income per capita saw a CAGR of 2.5%, which reached USD 4,423.8 (THB 138,474.5) in 2020. The average household disposable income per capita had a CAGR of 4.3% or USD 7,065.3 (THB 221,158.6). While the daily minimum wage increased slightly between 2017 and 2020, from the national average of THB 305 in 2017 to THB 325 in 2020, it has helped more people enter the middle class. A 2018 study by Facebook, Inc. found that Thailand's middle-class population increased to 49 million due to the rise in income as well as opportunities that became available with higher purchasing power and digital connectivity. The average person had more access to smartphones, e-payments, and transportation than ever before.⁵

In 2020, the COVID-19 epidemic significantly impacted the Thai labor market, leading to higher unemployment rates and lower incomes. The labor market continued to face uncertainties in 2021 for similar reasons; volatile outbreaks and delays in vaccination due to logistics problems. Although tensions weighed heavily on the country's economic recovery and gross national income (GNI), consumer income and expenditure outlooks remained positive given the broad rally in global demand and governmental economic stimulus measures.

Gross Income Per Capita of Thailand (Year 2016 to 2025F)

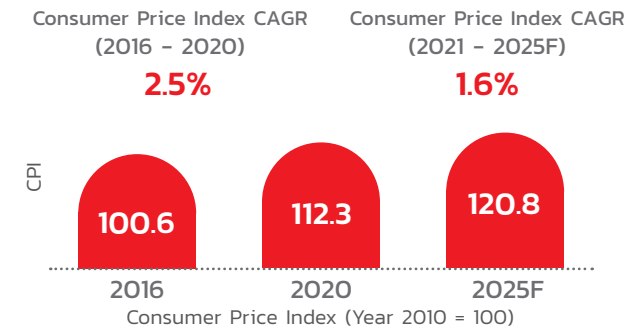


Source: Economies and Consumers 2021 edition

Negative Inflation in 2020: Falling Oil Prices Against Rising Food Prices

Inflation was moderate between 2016 and 2019 but turned negative (0.8%) in 2020. As a result, the consumer price index (CPI) rose only slightly between 2016 and 2020, from 110.6 to 112.3, with a CAGR of 0.4%. The price drop in 2020 was due to lower global oil prices, lower consumer demand, and the strengthening of the THB currency.⁶ During the pandemic, food prices rose with declining crop yields and, subsequently, rising fresh food prices. Such cost pressures led to higher prices of essential goods.

Consumer Price Index of Thailand (Year 2016 to 2025F)



Source: Economies and Consumers 2021 edition

1.1.2. Consumer Spending

Increasing Consumer Spending Against Declining Net Income

Consumer spending grew moderately with a CAGR of 4.1% between 2016 and 2020, which became USD 312.1 billion (THB 9,770.7 billion) in 2020. From economic expansion and increasing net income, the annual growth fluctuated between 4.8% and 6.5% from 2016 to 2019. However, consumer spending contracted by 0.7% in 2020 due to the epidemic impact on the labor market and income. The most significant drop in consumer spending was witnessed in household services, transportation, hospitality and catering, and leisure and recreation, by 20.3%, 11.5%, 8.9%, and 8.7%, respectively. On the other hand, consumer spending on housing and food-beverages (non-alcoholic) increased by 17.8% and 9.8%, respectively.

³ <https://www.worldbank.org/en/country/thailand/publication/ageing-and-the-labor-market-in-thailand>

⁴ <http://www.tei.or.th/thaicityclimate/public/work-20.pdf>

⁵ <https://www.bangkokpost.com/business/1561250/facebook-poll-reveals-middle-class-clout>

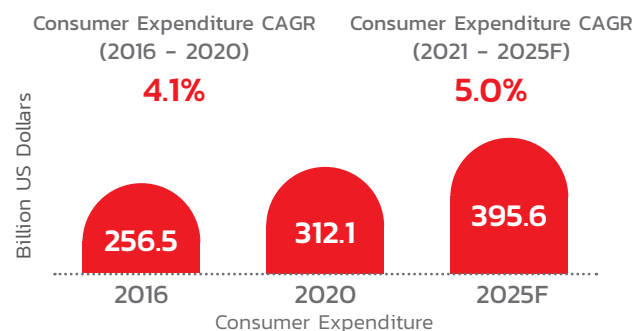
⁶ <https://www.businesstimes.com.sg/asean-business/thailands-head-line-inflation-likely-to-remain-in-negative-territory-in-coming-months>

Consumer spending was expected to recover in 2021, driven by the recovering labor market and supporting government policies as employees gradually returned to work with respective employers. In 2021, the government stimulus measures helped mitigate the impact of the ongoing epidemic, resulting in less pressure on savings and more consumer spending. The economic stimulus package approved on June 1, 2021, included a range of stimulus payments to boost consumer spending and increase net income for around 51 million people. The payment amounts and receivers of the stimulus were as follows:

- a consumer purchase subsidy of THB 9.3 billion for approximately 31 million people
- a cash handout of THB 16.64 billion to 13.65 million government welfare cardholders
- cash hand-outs of THB 3 billion to 2.5 million members of particular groups such as the disabled or mentally impaired
- a THB 28 billion refund for 4 million high-income earners⁷

Consumer spending is forecast to grow at a CAGR of 5.0% between 2021 and 2025, to USD 395.6 billion (THB 12,384.3 billion) in 2025.

Consumer Spending in Thailand (2016 to 2025F)



Source: Economies and Consumers 2021 edition

1.2 Malaysia

Malaysia's economy grew moderately from 2016 to 2020 with a CAGR of nominal GDP of 3.2%, which reached USD 336.9 billion in 2020. The economy grew strongly in 2016 and 2017 due to global demand for electronics, rising demand for commodities, improvements in the labor market, and infrastructure spending. Malaysia experienced a slower real GDP growth rate between 2018 and 2019 due to declining commodity prices and a hampered economy in the country's largest trading partner, China. The economy contracted in the following year as the real GDP fell by 6.0% due to sharply declining private consumption, which had been the main growth driver over the years. However, the GDP per capita continued to rise by 2.4% in 2020, to USD 10,316.6.

Malaysia's recovering economy amid the ongoing epidemic in 2021 gave a better picture of the overall direction and affected households and operators in a positive way. Improving global economic conditions also boosted exports in the first quarter of the same year. According to a World Bank forecast released in June 2021, however, the projected economic annual growth rate was dropped from the initial 6.0% to 4.5% to reflect delays in containing the epidemic and distributing the vaccines.

1.2.1 Population and Gross Income Per Capita Benefits of the Youth Population

Demographics that support the development of the digital economy and thus the overall economy's growth has been a key advantage of Malaysia. The population grew at a CAGR of 0.8% between 2016 and 2020, to 32.7 million in 2020, continuing the positive trend expected to last until 2025. The population was relatively young in 2020, with an average age of about 30.2 years and 40.7% being 24 or

younger, forming a tech-inducive demographic as younger⁸ people are generally more receptive to technology and digital developments. As the birth rate declined, however, the proportion of the 65-and-over population rose from 6.2 in 2016 to 7.1% in 2020, resulting in emerging requirements for the aging population. The growing elderly population may present a challenge for the country to maintain an advantageous labor market in the future.

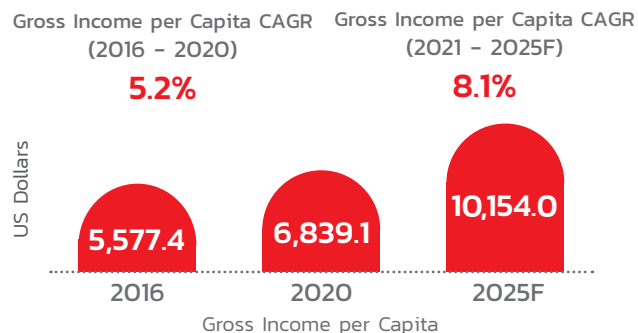
A Growing Middle-Class in Wealthy Urban Areas

Malaysia saw a gross income per capita and average household disposable income grow at a CAGR of around 5.2% between 2016 and 2020, to USD 6,839.1 and USD 18,761.0 in 2020, respectively. The steady income rise and low unemployment coincided with economic growth, resulting in a burgeoning middle class concentrated in large cities like Kuala Lumpur and Penang and relatively wealthy states like Selangor and Johor. Although gradually declining, income inequality remains relatively high. According to World Bank data, as of April 2021, 5.6% of Malaysian households live in poverty. As the government focused on tackling well-being of the marginalized poorest, broad support measures have become more targeted to the group, mainly through cash transfer to low-income households.

⁷ <https://www.bloomberg.com/news/articles/2021-06-01/thai-cabinet-approves-4-5b-stimulus-package-amid-new-outbreak>

⁸ <https://www.freemalaysiatoday.com/category/opinion/2020/05/29/marriage-and-population-growth-beyond-the-pandemic>

Gross Income Per Capita in Malaysia (2016 to 2025F)

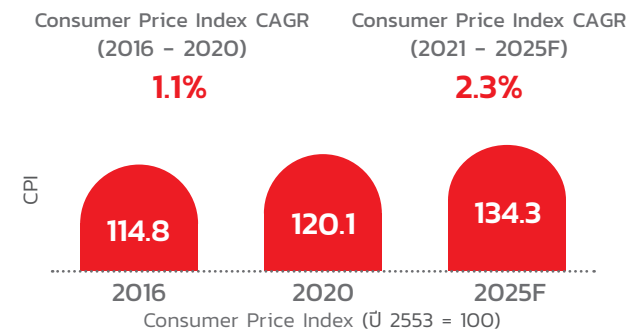


Source: Economies and Consumers 2021 edition

Moderate Inflation Since 2018

Malaysia experienced moderate inflation problems between 2016 and 2020. While the Consumer Price Index (CPI) rose at a CAGR of 1.1%, inflation reached 4.1% in 2017, the highest level in nine years, and remained at 1.0% in 2018 and 2019. The inflation spike was due to the concurrent rise in fuel price, food, and transportation costs. However, the CPI dropped by 1.1% in 2020 as cost factors amid the COVID-19 pandemic, such as lowering oil prices and weakening demand, caused deflation. Inflation is projected to return with a global economic recovery and boosted demand.

Consumer Price Index in Malaysia (Year 2016 to 2025F)

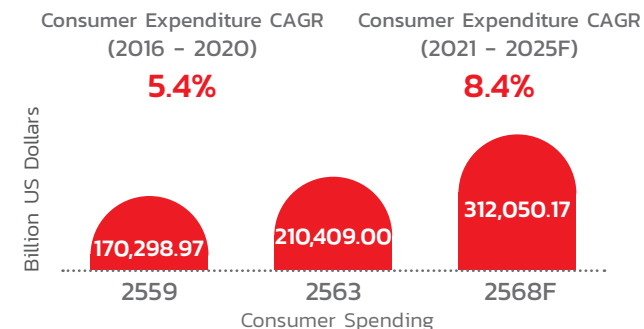


Source: Economies and Consumers 2021 edition

1.2.2 Consumer Spending**Government Policy to Boost Consumer Income and Spending Amid the Epidemic.**

Malaysia's consumer spending grew at a moderate pace at a CAGR of 5.4% between 2016 and 2020, to USD 210.4 billion in 2020, before taking a -5.3% dive as the imposed domestic lockdown went into effect in early March 2020, significantly impairing employment and private consumption. However, various governmental support measures reduced the severity of household spending, mostly in cash transfers, deferrals or reductions in loan payments, and cash withdrawals from i-Lestari, an employee provident funds. Moreover, according to the 2020 Annual Report of Bank Negara Malaysia,⁹ rising online consumption also contributed to mitigating the impact on consumption that year. Consumer spending was expected to recover the following year, in 2021, from improving labor market conditions, government support measures, and increased vaccination.¹⁰

Consumer Spending in Malaysia (2016 to 2025F)



Source: Economies and Consumers 2021 edition

2) Grocery Retailing and Wholesaling**2.1 Thailand****Industry Overview and Future Trends**

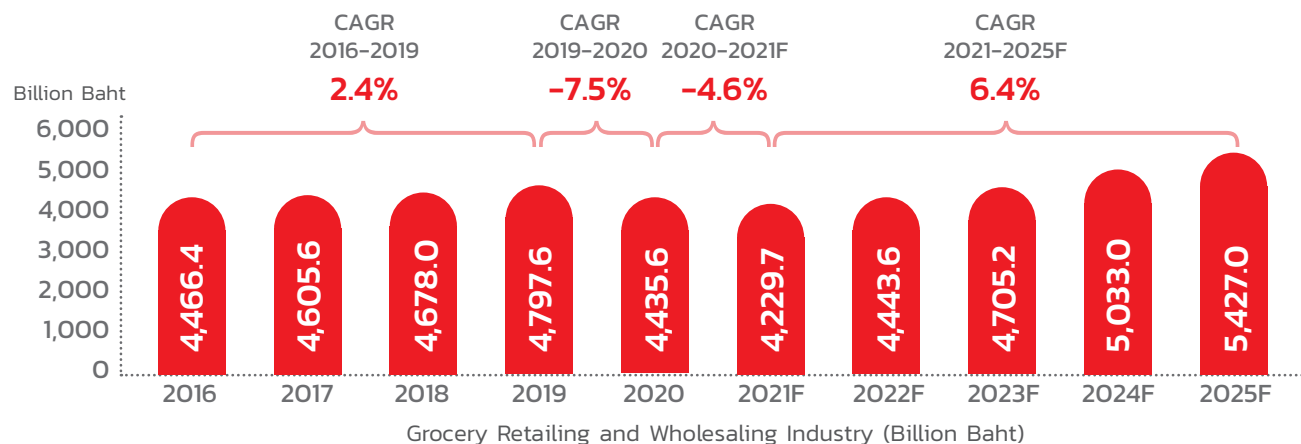
The grocery retailing and wholesaling industry in Thailand underwent moderate growth between 2016 and 2019, with a CAGR of 2.4% and total sales of USD 150.2 billion (THB 4,797.6 billion) in 2019. The growth was supported by the disposable income that increased proportionately with metropolitans and everyday consumer goods retail stores facilitating life in the bustling metropolis. In 2020, the overall sales in grocery retailing and wholesaling markets dropped by 7.5% compared to the previous year, to USD 141.7 billion (THB 4,435.6 billion), due to the negative impact of nationwide lockdown measures. The COVID-19 outbreak affected consumer confidence and the tourism-hospitality sector, leading to a contraction of HoReCa businesses, including retailer and consumer goods distributors that supply raw materials to the businesses. In addition, the Delta outbreak restricted industry sales by 4.6% between 2020 and 2021.

⁹ <https://www.theedgemarkets.com/article/private-consumption-dropped-43-2020-expected-rebound-8-2021>

¹⁰ <https://www.thestar.com.my/business/business-news/2021/06/21/consumer-spending-on-track-for-recovery>

However, the total sales value of grocery retailing and wholesaling in Thailand is expected to grow until 2025 with a CAGR of 6.4%, and total sales of USD 173.4 billion (THB 5,427.0 billion) in 2025.

Total Sales Value of The Grocery Retailing and Wholesaling Industry in Thailand (2016 - 2025F)



Source: Euromonitor (Retail Business 2021) and estimates from desk research and trade interviews with leading entrepreneurs and related trade associations.

The grocery retailing and wholesaling industry is expected to recover from 2022 onwards, with the main supporting factors as follows:

- Government economic stimulus and rehabilitation measures to help the industry mitigate the impact of the COVID-19 outbreak, such as government welfare, co-payment, and other incentive programs, namely Shop D Mee Kern and the Kon La Krueng.
- The accelerated transition of traditional retailing and wholesaling from offline and online services due to the COVID-19 outbreak, taking advantage of the popularity of online shopping and expanding online channels.
- As part of the offline to online (O2O) strategy, the convenience of online shopping, particularly in delivery, will be the primary driver of online grocery retailing and wholesaling. The financial strength of prominent retailers will drive enhancements in delivery capacities for products that require freshness and quality maintenance during shipping. An example is a temperature-controlled supply chain enabling the refrigerated transport of temperature-sensitive goods. Such a capacity will enable fresh home deliveries and thus attract more online food ordering customers accordingly.
- The government's ban on single-use plastic in retail stores is another factor encouraging consumers to shop online. In early 2020, the ban was implemented in retail stores nationwide, aiming for a ban realization by 2021. As retailers can no longer provide consumers with single-use plastic bags, shopping in the stores will become inconvenient for

non-driving customers who shop unprepared without a reusable bag. These factors will increasingly drive customers to alternative e-commerce services.¹¹

- Modern retail businesses are turning to self-checkout services to reduce costs and waiting time. This innovative system where customers can scan goods at the checkout counter and pay without cashier interference will enhance the customer experience in terms of convenience and speed.
- Whereas shopping in the past accepted either cash or credit cards, cashless payment is now the new normal across the retail channels. Consumers enjoy efficient convenience while maintaining the hygiene by avoiding contact with contaminated cash. Traditional corner shops and fresh produce parlors in wet markets are also starting to accept QR code payments to participate in governmental aid programs.
- Private label products are becoming more popular under the retailer's respectable trademark as customers acknowledge the comparable quality to other brand name products in the market.
- Entering the aging society, major retailers will have to supply products to meet consumers' needs and purchasing power in the retirement age group.
- Large grocery retail and wholesale businesses tend to diversify procurement sources for different goods, procuring fresh food products locally to support businesses in the respective community and maintain sustainable business operations. For example, a retailer may source pre-packaged non-durable grocery items from company distribution networks while sourcing fresh produce locally where branches in other regions receive local produce from local farmers and fishers from the respective communities.

¹¹ <https://www.most2414.com/insights-the-rise-of-online-grocery-in-thailand>

- Economic growth in neighboring countries such as Vietnam, Cambodia, and Laos will create opportunities for retailers from Thailand to expand overseas.

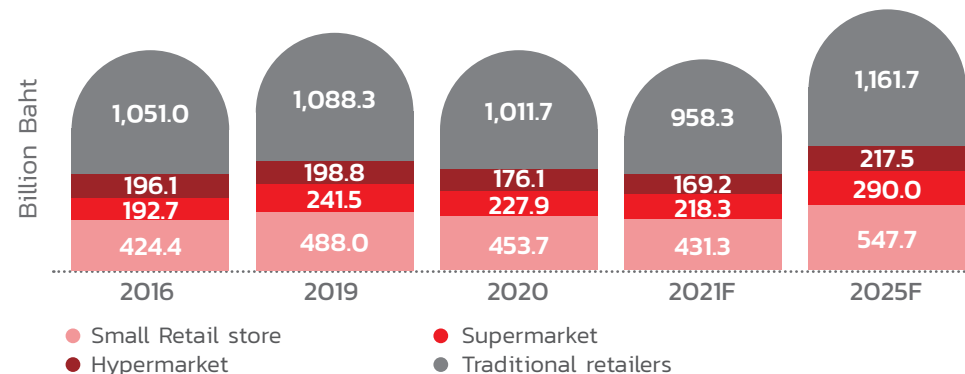
Overview of the B2C Grocery Retailing Sector in Thailand

The business-to-consumer (B2C) grocery retailing sector has been significantly stricken by the COVID-19 outbreak but is expected to rebound as the pandemic subsides. Between 2016 and 2019, the sector recorded a CAGR of 2.7% and was valued at USD 64.4 billion (THB 2,016.7 billion) in 2019. However, the sales declined by 7.3% to USD 59.7 billion (THB 1,869.3 billion) in 2020, from the USD 64.4 billion (THB 2,016.7 billion) in the previous year. Meanwhile, traditional retailers, the sector's largest distribution channel, saw lower sales due to lockdowns and travel restrictions. Small retailing shops, the smaller distribution channel for the sector, were also constrained by limited operating hours, reduced customers, and restricted inbound tourism. In 2021, the sector continued to shrink at a rate of 4.9% due to the effects of the Delta-strain epidemic on the already struggling economy.

While consumers turned to modern retailers for fresh food and other items during the COVID-19 outbreak, traditional retailers such as wet markets and corner shops were forced to close due to the problematic number of COVID-19 cases. As modern retailers implemented control measures to curb the spread of the epidemic, consumer confidence strengthened as food product quality management became more stringent. As a result, the modern retailers accounted for 66.4% of fresh food sales in the B2C grocery retailing sector in 2020 and are expected to continue to drive the growth until 2025 with a CAGR of 8.2%, compared to a 4.3% CAGR for fresh food sales through traditional retailers.

Total Sales Value of the B2C Grocery Retailing Sector in Thailand, By Format (2016 - 2025F)

	CAGR Year 2016-2019 (%)	Growth Rate Year 2019-2020 (%)	Growth Rate Year 2020-2021F (%)	CAGR Year 2021-2025F (%)
Small retail store	4.8	-7.0	-4.9	6.2
Supermarket	7.8	-5.6	-4.2	7.4
Hypermarket	0.5	-11.4	-3.9	6.5
Traditional retailers	1.2	-7.0	-5.3	4.9



Source: Euromonitor (Retail Business 2021) and estimates from desk research and trade interviews with leading operators and related trade

The B2C grocery retailing sector as a whole is forecast for a CAGR of 5.7% until 2025, to an estimated value of USD 70.8 billion (THB 2,217.0 billion) by 2025, as the market gradually recovers from the impact of the ongoing epidemic. The main supporting factors are as follows:

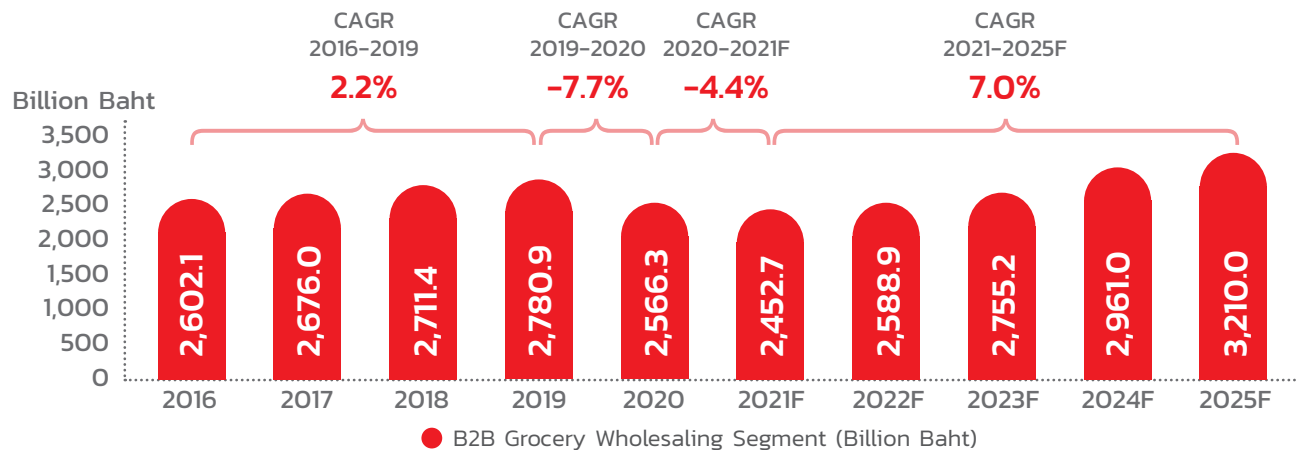
- The rapidly and continuously expanding urbanization and the proportionate population thereof.
- Retail business in hypermarkets and supermarkets expanding into other market segments to penetrate growing business.
- B2C retailers are applying digital management systems to meet online shopping demands from tech-oriented consumers. This demand presents a significant opportunity to apply digital applications to manage consumption data through an integrated digital shopping platform. For example, a developed retail mobile application where customers can access loyalty programs and promotions as well as collect reward points for various transactions, including app-provided e-wallet payments. Customers can also access transport services to expedite delivery. For example, as Shopee launched the Shopee Mart online grocery store in 2020, Lotus's and Big C launched their official store in Shopee Mart to reach more online customers, taking advantage of Shopee's delivery system. Some Lotus's stores offer home delivery through the Grab application. At the same time, Big C has also cooperated with the Happy Fresh grocery market and online delivery services such as Line Man, Foodpanda, and Grab for optimal delivery performance.
- B2C retailers are adding drive-thru delivery and shopping services to meet the growing demand for large volumes and convenience.

- Private label products under the retailer's reputable trademark have become increasingly popular for price-sensitive shopping, especially among consumers in the low-income segment who are more likely to be affected by the epidemic. Since most lay-offs are manual labor, many consumers are looking to cut back on spending on consumer goods by turning to generic, cheaper alternatives to brand-name products.
- Large retailers are tailoring online services to aging consumers in response to the rapidly growing aging society in Thailand, offering new services that better meet the needs of the aging segment. For example, Big C and Lotus's offer online customer service channels such as Call-Chat-Shop and Chat and Shop for tech-illiterate customers unfamiliar with digital applications. For example, an elder whose customer service communication channels are limited to the LINE messenger. Such online channels allow customers to message or call nearby stores to order and arrange a store pick-up or home delivery.

Overview of the B2B Grocery Wholesaling Segment in Thailand

The business-to-business (B2B) grocery wholesaling segment maintained steady growth in Thailand between 2016 and 2019 with a CAGR of 2.2%, or USD 88.8 billion (THB 2,780.9 billion) in 2019. The sales value contracted 7.7% year-on-year, to USD 82.0 billion (THB 2,566.3 billion) in 2020, as the COVID-19 outbreak significantly hindered markets such as HoReCa, wet markets, and tourism. The HoReCa market is the biggest patron of B2B grocery wholesaling and distribution in terms of sales, thanks to the high purchasing power of HoReCa customers.

Total Sales Value of the B2B Grocery Wholesaling Segment in Thailand (2016 - 2025F)



Source: Euromonitor (Retail Business 2021) and estimates from desk research and trade interviews with leading operators and related trade associations.

With economic and inbound tourism rebound following an under-control COVID-19 situation, the B2B grocery wholesaling segment is expected to recover with a CAGR of 7.0% between 2021 and 2025, to USD 102.6 billion (THB 3,210.0 billion) in 2025. The resurgence of domestic tourism will also drive demand for the HoReCa sector. The following key factors will support the value of B2B grocery wholesaling:

- B2B stores are popular with large families, large-scale consumers, and traditional retailers. Large family consumers tend to purchase essential daily necessities in bulk for the entire household, thus spends heavily in B2B cash-and-carry centers. The same B2B centers also provide products of various sizes for small and medium-sized businesses (SME) and large businesses. Meanwhile, cash-and-carry centers are the most frequented by independent small retail shops, thanks to the government's nationwide support for Thong Faa Pracharut welfare stores.
- Demand for private label B2B products under the wholesaler's trademark is constantly increasing, especially the HoReCa sector that prefers private label raw materials. The competitive bulk price keeps operating expenses low while maintaining a good level of quality.
- Traditional wholesalers are leveraging technology to modernize the business, operate systematically, increase market share through O2O channels, and create more opportunities.

Overview of the Shopping Center Real Estate Development Business in Thailand

Overall, the commercial retail space will gradually recover until 2023, benefiting from increasing consumer purchasing power and the government's economic stimulus measures. However, the COVID-19 epidemic continues to pressure the economy and retail businesses that rely on the tourism

sector, primarily commercial locations in the city's heart that predominantly depend on foreign customers. As such, intensified competition may limit the profitability of operators. Given the slow rebound in demand, slight revenue growth can be expected for commercial retail spaces in Bangkok and the vicinity (except community malls). At the same time, operators continue to invest in sustaining the growth in demand for retail space in the future, renovating existing stores or opening additional projects, or both. As new competitors are discouraged by high investment entry barriers, incumbent operators will dominate the market with capital and land accumulation advantages in prospective locations.

Given expansion constraints, operators located in the heart of the city will focus on investments to modernize commercial retail spaces that meet diverse lifestyles, resulting in a slightly higher rental rate. Meanwhile, community malls in Bangkok and the surrounding metro area can expect stable revenue levels. This is due to increasing supplies of small retail spaces that require less investment and are widely available for development, particularly in the perimeter and suburban areas where real estate costs are comparatively lower. The market will continually attract new investors, presenting a pressure factor for business competition. On the other hand, demand rose at a low level due to recovering purchasing power of the target middle-low-income customers, resulting in slow business sales for commercial tenants and thus rental rates that may be difficult to change.¹²

Mixed-use property development projects have become popular in Thailand over the past years, especially in Bangkok, due to the increasing demand of urban residents for living, working, and relaxing in one space. In Thailand,

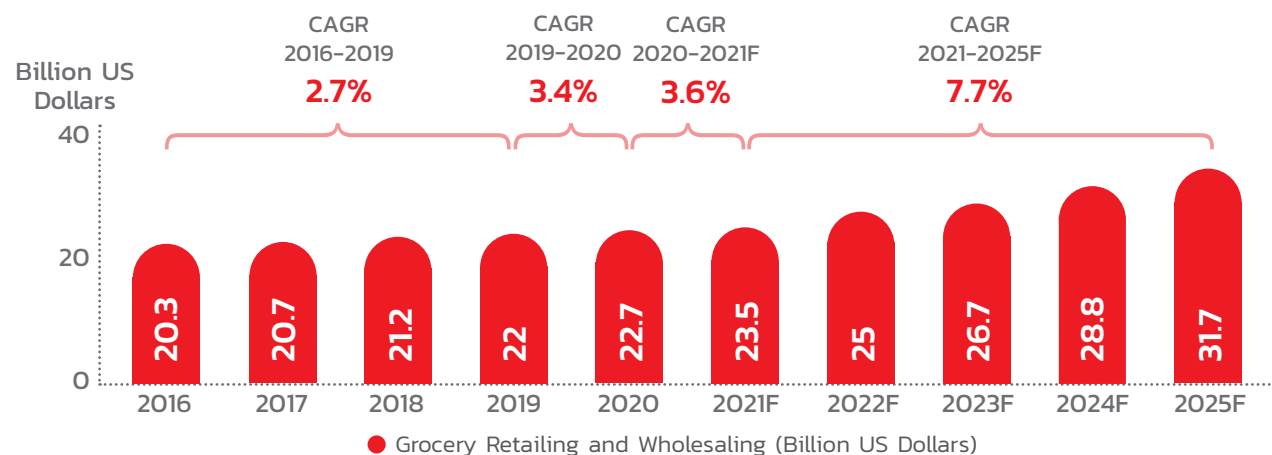
mixed-use real estate projects typically consist of residential buildings, office buildings, and shopping malls with businesses serving food and beverages and retailing consumer goods. The demand for convenience attracts consumers to purchase daily necessities from grocery retailers located in these integrated property projects. On the other hand, the resiliency and potential of the grocery retailing and wholesaling industry amid the COVID-19 outbreak and the subsequent revenue stability have sparked an interest among real estate investors. Grocery stores have also proven to adapt to volatile environments during an outbreak with digital service applications. Consumption recoverability during a crisis, consistently obtaining daily necessities over the period, makes the business an exceptionally attractive investment.

2.2 Malaysia

Industry Overview and Future Trends

As private consumption is the primary driver of Malaysia's economic growth, grocery retailing is one of the underlying contributors that play the most critical role in the country's GDP. The grocery retailing and wholesaling sector accounts for approximately 75.0% of the entire retail industry in Malaysia and one-third of the total retail sales. Between 2016 and 2019, the industry grew from USD 20.3 billion in 2016 to USD 22.0 billion in 2019, representing a CAGR of 2.7%. The sector faced a slight recession in 2020 due to the COVID-19 outbreak. Although there was an increase in consumer spending on food products, consumers spent less on non-food items, resulting in the overall slowdown. Between 2021 and 2025, the grocery retailing and wholesaling sector is expected to recover substantially with a CAGR of 7.7%, or as high as USD 31.7 billion by 2025.

Total Sales Value of Grocery Retailing and Wholesaling in Malaysia (2016 - 2025F)



Source: Euromonitor (Retail Business 2021) and estimates from desk research and trade interviews with leading operators and related trade associations.

¹² <https://www.krungsri.com/th/research/industry/industry-outlook/Real-Estate/Commercial-Buildings-in-BMR/IO/io-retail-space-bmr-21>

The grocery retailing and wholesaling sector in Malaysia has a positive outlook given the contributing factors as follows:

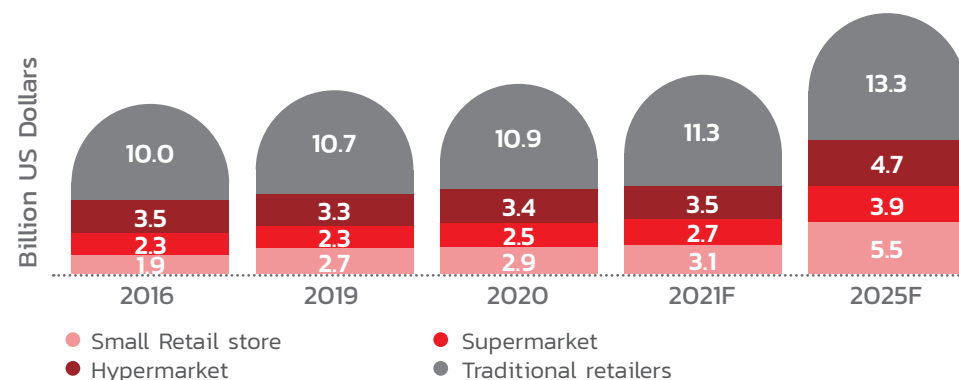
- As travel restrictions to curb the spread of the COVID-19 boosted the demand for groceries, the supply chain system and the logistics network developed considerably to meet the change. The sector continues to expand from disposable income and household expenditure on essential goods and high-quality consumer goods.
- Major retailers have shifted to omnichannel business models. For example, Lotus's and Jaya Grocer have applied technological capacities to monitor inventory at each store and complete online orders at the nearest location to expand available services such as Click-and-Collect, online delivery, and retail outlet distributions. Meanwhile, as arriving operators apply new distribution channels such as e-commerce platforms for selling products online, incumbent offline retailers are also transitioning to omnichannel business models. Additionally, Lotus's announced a partnership with Shopee in August of 2021, enabling consumers to shop for groceries either online through the Shopee e-commerce platform or from offline stores through the provided digital wallet, or both.
- Creating an online marketplace as part of the strategic digital transformation is the foundation for traditional grocery consumption to transition to e-commerce platforms. The transaction value from online channels, either B2B or B2C, currently accounts for approximately 4.0% of the entire grocery retailing and wholesaling industry. A CAGR of 31.4% has been projected for the online segment until 2025.

Overview of B2C Grocery Retailing in Malaysia

The business-to-consumer (B2C) grocery retailing has always been a significant contributor to Malaysia's overall grocery retailing and wholesaling value, representing 81.1% of the industry in 2020. Between 2016 and 2019, the B2C grocery retailing sector recorded a CAGR of 2.5%, to USD 17.8 billion in 2019. Household expenditures on groceries are in line with the economic growth outlook for the country. The grocery market is also less volatile as it is perceived as the livelihood for securing daily necessities. Although the number of COVID-19 infections peaked in early 2021, B2C grocery retailing is expected to continue to grow as much as 5.8% as consumers stockpile essential goods to ensure sufficiency in a time of crisis.

Total Sales Value of B2C Grocery Retailing in Malaysia, by Format (2016 - 2025F):

	CAGR Year 2016-2019 (%)	Growth Rate Year 2019-2020 (%)	Growth Rate Year 2020-2021F (%)	CAGR Year 2021-2025F (%)
Small retail store	12.5	4.0	9.7	15.1
Supermarket	-0.8	9.5	7.2	9.7
Hypermarket	-1.5	3.4	2.8	7.7
Traditional retailers	2.3	1.6	3.5	4.1



Source: Euromonitor (Retail Business 2021) and estimates from desk research and trade interviews with leading operators and related trade associations.

Additionally, between 2021 and 2025, B2C grocery retailing is projected to reach a CAGR of 7.4%, to USD 25.9 billion in 2025, where the CAGR for food and non-food groceries will be as high as 7.4% and 7.6%, respectively. The sector accounted for 81.1% of the overall grocery retailing and wholesaling industry in 2020 and is forecast to remain dominant as the majority of consumers continue to acquire groceries as a consumption necessity. Malaysia's economy is expected to recover from the COVID-19 epidemic, where the growth of the B2C grocery retailing sector depends on the contributing factors as follows:

- Increasing proportions of already-high urban populations and the income levels are driving modern grocery retailers' rapid growth. The growth reflects modern retailers' ability to provide consumers convenient grocery shopping experiences and high quality and hygiene standard food products, especially fresh food products such as fish, meat,

and fresh produce. Due to the increasingly fast-paced urban lifestyle, most households stockpile enough groceries over the weekend to supply the entire week ahead. This expanding demand for one-stop, all-in-one grocery shopping convenience has made modern grocery retailers such as supermarkets or hypermarkets particularly popular. Consumers looking for a wide variety of fresh and frozen food or personal and household items often go to hypermarkets to find all items in one location. They can also go to a hypermarket for durable consumer goods such as small household appliances like blenders and ovens, stationery electronics, mobile devices, or even loose furniture like small cabinets and sofas.

- In urban areas, supermarkets and hypermarkets are often located within shopping malls or outlets to benefit from lower costs compared to setting up shop and developing their own premises.
- Large grocery retailers add to the variety of store categories in a department store to be more encompassing. Additionally, the trend of grocery stores to rent large spaces means the retailers have bargaining power in terms of rent, which often includes utilities and maintenance. As epidemic control measures eased in 2020, grocery retailers played a crucial role in drawing back consumers who had been refraining from crowded areas. In more remote urban areas, the retailers had more flexibility in setting up grocery stores due to comparatively advantageous availability and real estate costs. Hypermarkets or other large retailers are often set up to stock a wide variety of products in addition to the essential grocery products to provide consumers with a one-stop-shop experience. In addition to the fresh and packaged food and household items in the supermarket, other sections are typically available within a hypermarket, covering durable consumer goods such as household

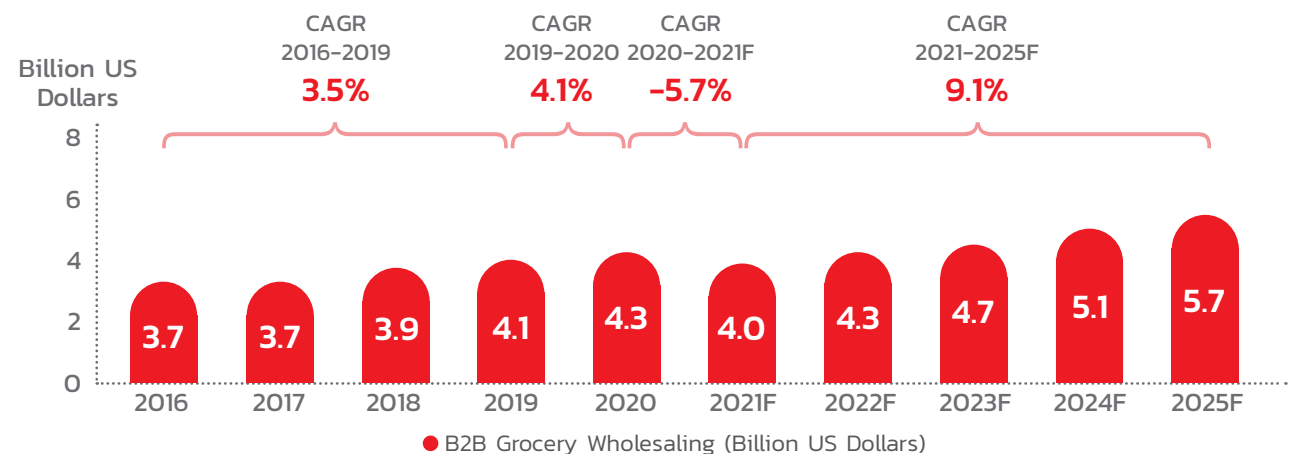
appliances and consumer electronics. Larger locations may have home furnishings sections with loose furniture, for example, wardrobes, sofas, and cabinets. However, several factors have affected the future of hypermarkets, namely intense competition from shopping malls, growing micro-retail formats, and changes in consumer behavior during the COVID-19 outbreak, along with perceived congestions and declining popularity. Large hypermarket operators are revisiting business plans to emphasize online shopping and e-commerce platforms through cross-channel integration.

- B2C grocery retailing businesses are modernizing offered products and offering more alternatives by increasing the volume of imported brands and private label products under the company's trademark.

Overview of the B2B Grocery Wholesaling Business in Malaysia

The B2B grocery wholesaling segment in Malaysia caters primarily to the needs of B2C retail businesses, such as grocery stores, along with demands from other segments, such as the hospitality industry. As a result, the segment is highly dependent on end-consumer markets. Between 2016 and 2019, B2B grocery wholesaling continued to grow with a CAGR of 3.5% due to Malaysia's economic expansion coupled with consumption-driven growth from the private sector and purchasing power from disposable income. However, the growth stalled markedly in 2020 due to the impact of COVID-19 containment measures, causing temporary suspensions of hotels, restaurants, and catering services, the principal patrons of the B2B grocery wholesaling segment.

Total Sales Value of B2B Grocery Wholesaling in Malaysia (2016 - 2025F)



Source: Euromonitor (Retail Business 2021) and estimates from desk research and trade interviews with leading operators and related trade associations.

Between 2021 and 2025, the B2B grocery wholesaling segment is expected to grow steadily with a CAGR of 9.1% due to the country's economic recovery, to USD 5.7 billion by 2025. Food products will remain the essential commodities, with a CAGR increase to 9.5% between 2021 and 2025, to USD 4.5 billion in 2025, due to the recovery of the HoReCa business sector. A CAGR of 7.9% is expected for non-food products, which will be supported by an increase in the number of small operators that offer non-food and non-durable items through e-commerce platforms.

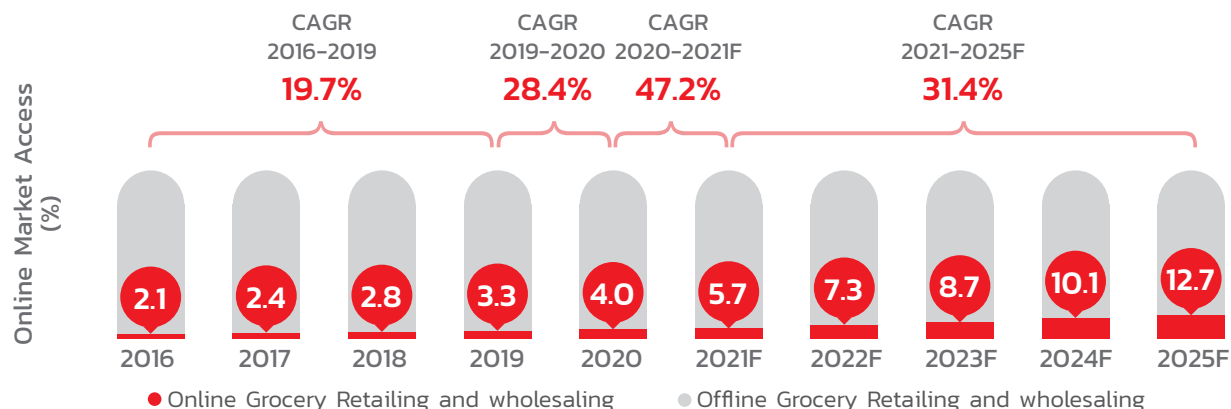
Overview of Online Penetration of Grocery Retailing and Wholesaling in Malaysia

Malaysia's demographic shift is fundamental to retail and wholesale growth through e-commerce. In 2020, sales from a storefront accounted for 96.0% of the entire grocery retailing and wholesaling industry, B2C and B2B, as Malaysian consumers favor grocery runs to a brick-and-mortar store. Although sales through online channels accounted for a mere 3.5%, it was a significant development as sales increased from USD 415.9 million in 2016 to USD 713.9 million in 2019, representing a CAGR of 19.7%. Additionally, online shopping became even more popular during the COVID-19 pandemic, with a CAGR of 28.4%, to USD 916.3 million in 2020. As urban populations become more educated and wealthier, tech-oriented consumers have embraced online shopping for maximum convenience. E-commerce is the preferred shopping method among preoccupied first jobbers and affluent consumers who can afford neither peak-hour traffic-jam nor daily mundane with long checkout lines, given the small window that remains for personal care and family. Online alternatives to traditional retail and wholesale storefronts allow consumers to place orders at the tip of the finger via mobile applications, even on the go. Consumers with no leisure time to lose can save

valuable work time otherwise devoted to grocery runs. The COVID-19 epidemic has also played a game-changing role in the growth of retail and wholesale grocery products online.

Throughout 2016-2020, the proportion of online grocery business to the total retailing and wholesaling industry has continued to increase as Malaysia undergoes digitalization. Online channels are expected to grow rapidly with a CAGR of 31.4% between 2021 and 2025.

Online Penetration to Grocery Retailing and Wholesaling in Malaysia (2016 to 2025F)



Source: Euromonitor (Retail Business 2021) and estimates from desk research and trade interviews with leading operators and related trade associations.

Enhanced e-commerce shopping experiences alongside comparatively attractive online offers are vital in encouraging Malaysian consumers to shift grocery shopping to online channels. The advent of all-encompassing applications like Grab is also among the factors that have led to the growth of third-party marketplace delivery services such as Grab Mart. Online shopping will not restrict orders to particular operators as online consumers will be able to submit orders with any provider, small and independent or well-known incumbents, that is available for selection. Moreover, various e-commerce platforms are gradually entering grocery retail, such as Red Mart, Lazada, and Shopee Mart, with a variety of services. Adapting to shifting shopping behavior to online amid the COVID-19 outbreak, incumbent operators have invested large sums in automation and innovative operating models to improve order management and last-mile delivery. In addition to direct services for end customers, optimized logistics reduces the cost of shipping and enriches the quality of the delivered products.

Overview of Shopping Center Real Estate Development Business in Malaysia

Malaysia has over 560 shopping centers and plans to launch several mega projects in the coming years. As shopping centers grow in size, hypermarkets are often the most prominent commercial tenant and thus have become the critical factor that significantly influences the number of customers that visit the shopping center. In Malaysia, it is common to find at least one grocery retailer in each shopping center, as operators aim to provide an all-in-one shopping experience for customers. The Malaysian government's relaxation of foreign grocery retailing regulations since 2020, to boost foreign investment, has authorized foreign retailers to operate in Malaysia under full ownership regardless of the population size of the surrounding communities. Foreign ownership was previously limited to hypermarket operators with at least a 30% shareholding by Bhumibutr shareholders. In addition, foreign consumer goods retailers are also allowed to open small shops of up to 1,000 square meters in urban areas. The development is expected to make Malaysia comparatively attractive to foreign consumer goods retailers.

2.2) Marketing

The Company's marketing campaigns are planned on a national scale and implemented locally. Makro's fundamental marketing strategy concerns realigning traditional marketing through digital online channels while highlighting high-quality products at better value for target customers through various distribution channels. Wholesale brands and products are promoted through various offline and online media to reach different customer segments, especially professional entrepreneur customers. Marketing channels include bi-monthly product catalogs, flyers offering and promoting manufacturers and distributors' products, product demonstrations in stores, as well as campaigns through the Company's website and

social media channels. The Company also expands and maintains existing customer bases through its loyalty program, alongside sound pickup and delivery services that keep customers coming back.

The Company has multiple teams providing specific one-to-one marketing responsibilities. The insight team monitors store operations and analyzes customer data to optimize marketing, as the proposition team produces strategic marketing proposals based on analysis from the insight team. And while the communication team executes the strategy developed by the proposition team, the customer development team has regular visits with customers to build strong relationships, conduct annual customer satisfaction surveys, and analyze the survey results to optimize services and customer satisfaction.

The Lotus's retail business aims to provide customers a one-stop-shop destination with convenient, swift, and proficient services through offline and online channels for all-encompassing needs, especially high-quality fresh food for value. Consistency in enhancing value and quality is fundamental to maintaining long-term customer relationships and thus Lotus's success.

To account for rapid changes in customer behavior and shopping preferences following the pandemic, increasingly turning to shop at stores in the neighborhood and using online delivery services, Lotus's has adjusted its marketing activities as follows:

- Promoting enhanced customer services through online channels.
- Promoting in-store shopping to increase shopping frequency.
- Promoting per-shop volume to increase basket sizes through immediate purchase discounts.

In addition, Lotus's offers other marketing programs to reach new customers and retain the existing base with new-customer referral campaigns through various partner platforms such as restaurant service providers, food aggregators, e-commerce platforms and marketplaces, telecommunication service partners, and entertainment platforms. This includes new-customer welcome packs, personalized offers, exclusive customer rewards, and personalized customer communication to strengthen customer loyalty.

In the rebranding process, Lotus's is expanding its promotional and marketing campaigns of store trademarks and product brands to different customer segments, nationally and locally, through interviews with key thought leaders, online influencers, and business partners via social media as the target medium, as well as television and target local press, along with product demonstrations and in-store events.

Lotus's has several teams dedicated to marketing, namely the insight team responsible for tracking and analyzing customer data to optimize marketing, the proposition team responsible for formulating marketing strategies using in-depth analysis, and the communicate executing strategy provided by the proposition team. Lotus's also applies customer data to personalize its products to individual customers by adjusting pricing and promotions accordingly.

2.3) Competition

Given its diverse business scope, the Company faces many competitors across operating market segments, namely wholesaling, retailing, and leasing management in shopping centers. The Company believes that it has no direct competitors in the market segments that operate a variety of food businesses with the scope and scale comparable to the Company's business, notwithstanding the highly competitive food industry.

The Company is determined to become the leader in each operating market with competitive marketing and strategies to face the competition. Aside from the competitive edges in price levels, product quality, brand positioning and recognition, store locations, shopping convenience, product mix, and the availability of goods and services, it also has a significant competitive edge over competitors with traditional distribution channels. The Company's wholesaling-retailing cost structure and supply chain logistics capacities at scale make it extremely difficult for new entrepreneurs to enter the market and compete with the Company effectively.

Wholesaling Competition

The Company is in direct competition at diverse regional and local levels with wholesalers, import-export companies, frozen-chilled foodservice distributors, manufacturer and distributor channels, and indirectly with modern wholesalers of food and general goods in the same market. The Company faced intensified competition during the pandemic from traditional wholesale stores, shops, and local traders benefiting from government economic stimulus measures and, most notably, competition from online channels.

Retailing Competition

Lotus's faces competition in Thailand and Malaysia from a wide range of national, regional, and local competitors, including online and offline hypermarket operators, as well as wet markets and traditional retailing corner shops. Lotus's biggest competitors are Big C in Thailand and 99 Speedmart and Eonsave in Malaysia.

Lotus's is one of the largest fast-moving consumer goods retailers in Thailand. Its competitive edge is solid end-to-end fresh food sourcing and distributing, from producers and distributors to end consumers, as well as a comprehensive network of stores encompassing the larger part of Thailand. The Company thus believes few operators can effectively compete with Lotus's in the kingdom, especially in fresh food, as opposed to the highly competitive non-fresh food segment.

Shopping Center Competition

Lotus's competes with major shopping center leasing operators in Thailand and Malaysia for lessee retention, occupancy, shopping center location, customer convenience, tenant selection, tenant mix, and brand awareness. Competitors include Central Pattana and Big C in Thailand and Giant, Aeon, Big, and Mydin in Malaysia. Lotus's is competing with the shopping center operators. Notwithstanding, shopping center ownerships and operations are constantly changing due to much of the goods and services that lessees used to provide in shopping centers now being widely available online, namely financial services. Many lessees no longer need to set up shop with a large shopping center lease as they had to in the past.

Online Competitiveness

The Company faces increasing competition through online channels from the same wholesale and retail competitors in Thailand. In particular, the rapidly evolving online retail business has forced the Company to keep up with changing customer expectations and developments of competitors' new services. Since the COVID-19 outbreak, customers have increasingly been communicating with the Company online through social media from their mobile phones and other mediums such as tablets, laptops, and other internet-connected electronics to shop and chat. The shift in shopping preference is evident in the product selection as well as expectation for standard swift delivery. The Company has made significant investments in technological infrastructure and will continue to do so, especially in the part of the Company's website and application, aiming to improve the O2O (offline and online) integration strategy. The online-mobile capacity allows customers to easily compare pre-purchase prices, increasing competition from a wide range of existing and new operators.

3) Procurement

Makro's Procurement

Makro has developed and maintained strong direct relationships with its procurement sources, either international, domestic, or local, many of whom for over 30 years, namely manufacturers, producers, distributors, and small and medium-sized enterprises (SME) for all categories of products, including farmers and fishers. The Company's wholesale procurement strategy, especially for fresh food products, involves direct sourcing from farmers, manufacturers, local producers, distributors, and SMEs. No large-quantity procurement or a particular product is dependable on a single source for its wholesale business.

In 2021, Makro's procurement from its top ten largest sources neither exceeded 30% nor did any single order exceed 10% of the total orders during the year. The COVID-19 epidemic has caused unprecedented supply chain issues, including disruptions and delays, which have affected and may continue to affect the turnover and supply of certain products. When the particular products cannot be procured from the original source, the Company can resort to alternative sources or manufacture private label products under the Makro trademark to keep the shelves adequately stocked.

Group partners allow the Company better access to its manufacturers and distributors, namely the CPF partnership strengthening a stable supply of pork, poultry, eggs, and shrimp products and thus growth in the industry. CPF is also the center coordinator with overseas manufacturers and distributors for certain products.

Makro wholesale suppliers are granted 7 to 60-day commercial credit terms.

Lotus's Procurement

For the retail business in Thailand, Lotus's procures directly from a wide range of sources, including manufacturers, distributors, and suppliers, of brand-name products to provide a resourceful and wide-ranging value chain that delivers affordable quality products to customers. Lotus's Code of Conduct ensures that all procurement dealings are ethical and legal, where all merchandisers receive ongoing training.

Lotus's has leveraged its supply chain system to strengthen its capacity to source raw material and supply goods amidst unprecedented disruptions from the COVID-19 pandemic that could affect the availability of many products in the future. In so doing, Lotus's has also developed a wide range of value-added fresh food to meet customers' needs, including marinated, ready-to-cook, ready-to-eat meat products, and the latest meat-product innovation, plant-based meat. In 2021, Lotus's fresh food supply came from 661 local farmers or SME partners, representing 14% of all fresh food products purchased by Lotus's.

Lotus's retail suppliers in Thailand are granted 15 to 90-day credit terms.

For the retail business in Malaysia, Lotus's procures directly from a wide range of sources for brand-name products, including manufacturers, distributors, and suppliers. Although no products are procured primarily from a particular source, a high proportion of products are procured from popular brands. Lotus's negotiates with these sources for discounts and large-volume purchase privileges to reduce procurement costs. Although the COVID-19 spread has created unprecedented pressure on sourcing, Lotus's has not experienced severe supply chain disruptions so far. Notwithstanding the potential impact on product availability in the future, Lotus's can procure the same or similar products from its extensive network of suppliers in the event of shortage for any reason.

Lotus's retail suppliers in Malaysia are granted 7 to 105-day credit terms.

4) Business Assets

4.1 Main Fixed Assets

The main fixed business assets of the Company and its subsidiaries consist of:

Property type	Book value (Baht, million) as of December 31	
	2020	2021
Land, buildings, and equipment	30,564	118,444
License assets	10,204	36,831
Investment property	112	45,268

Please consider details in Appendix 4 - Business Assets and Appraisal.

4.2 Intangible Assets

Significant intangible assets of the Company and its subsidiaries as of December 31, 2020, and 2021 amounted to Baht 2,201 million and Baht 8,060 million, respectively, consisting of mainly computer programs, trademarks, and other assets. Please consider in detail Appendix 4 - Business Assets and Appraisal.

4.3 Trademarks and Service Marks

The Company had trademarks as of December 31, 2020, and 2021 amounting to Baht 468 million and Baht 471 million, respectively. Please consider in detail Appendix 4 - Business Assets and Appraisal.

4.4 Investment Policy in Subsidiaries and Associated Companies

The Company's policy is to invest in potential subsidiaries and associated companies with similar vision and growth plans that synergize operational capacities or optimize its operating results or competitiveness as a Group in attaining set goals as a leading operator in the business. And, the Company, its subsidiaries, or associated companies, or all, may consider investing in other businesses under the same conditions.

In considering such investment, the Company evaluates investment proportions, calculated risks and return, financial status, as well as investment feasibility and potential. The approval by the Executive Committee or the Board of Directors or the Company's shareholders' meeting is required, or by more than one of the approving parties as the case may be, under the Notifications of the Capital Market Supervisory Board and relevant SEC notifications.

5) Undelivered work

- N/A -

1.3) The Shareholding Structure of the Company

1.3.1 The Shareholding Structure of the Company

1. The Company Operational Division Policy

The Company operates retail and wholesale businesses of consumer goods and manages lease spaces in shopping centers. The wholesale business consists of the Cash and Carry business in Thailand and overseas, under Makro and LOTS Wholesale Solutions, the foodservice business of importing and distributing premium food products with storage and delivery services both in Thailand and abroad, and the Lotus's shopping centers in Thailand and Malaysia.

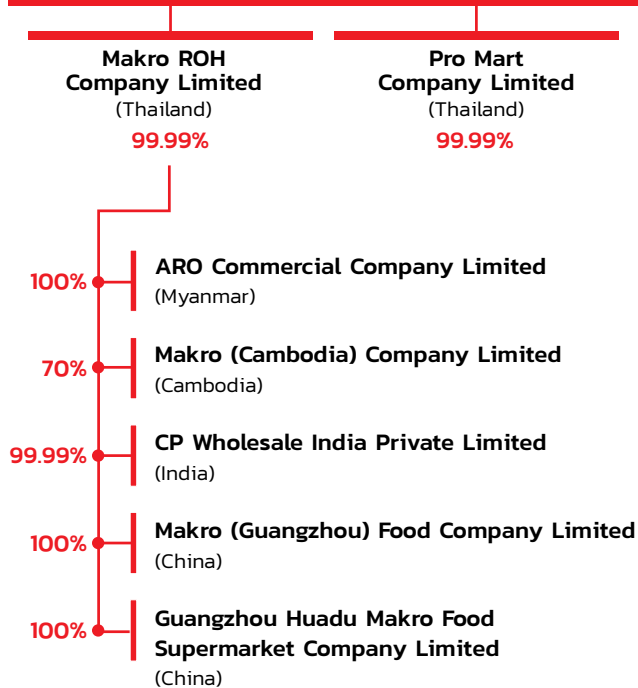


The Group's Shareholding Structure Diagram

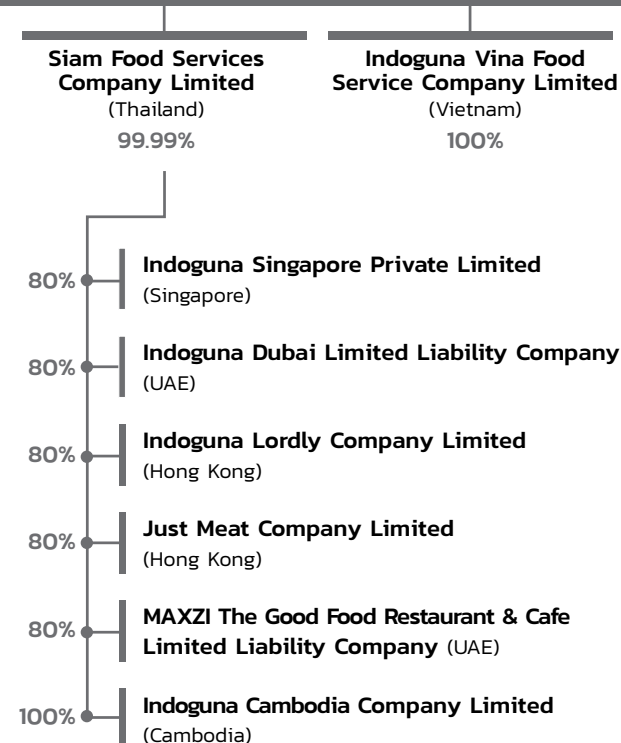
Wholesale Business



Cash & Carry



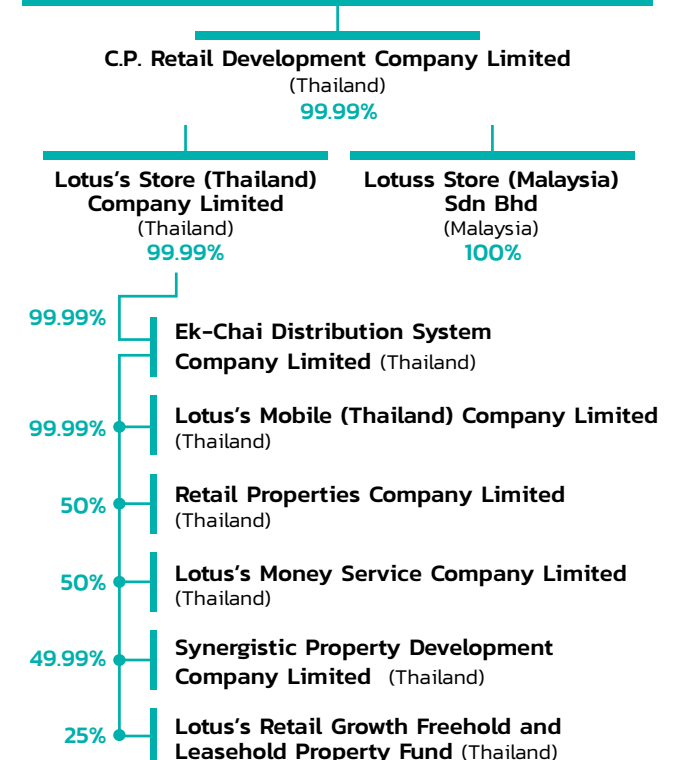
Food Service



Retail Business



Retail and Mall



2. The following table lists the significant subsidiaries, associates, and joint ventures of the Company as of December 31, 2021

Name of Company/Address	Type of Business	Country of Operation	Type/Number of Paid-up Shares	Registered Capital	Paid-up Capital	Par Value	Percentage of Shareholding (%)
Wholesale Business							
1. Promart Company Limited 1468 Phatthanakan Road, Phatthanakan Sub District, Suan Luang District, Bangkok 10250 Tel : 0 2067 8999 Fax : 0 2067 9044	Trading of non-food products	Thailand	100,000 ordinary shares	THB 10,000,000	THB 2,500,000	THB 100	99.99
2. Makro ROH Company Limited 1468 Phatthanakan Road, Phatthanakan Sub District, Suan Luang District, Bangkok 10250 Tel : 0 2067 8999 Fax : 0 2067 9044	Providing technical and supporting services to the Group	Thailand	50,470,000 ordinary shares	THB 5,047,000,000	THB 4,962,000,000	THB 100	99.99
3. Makro (Cambodia) Company Limited 5734, Street 1003, Bayab Village, Sangkat Phnom Penh Thmey, Khan Sen Sok, Phnom Penh, Cambodia Tel : (855) 23 977 377 Website : www.makrocambodia.com	Wholesales and retail operator and related business	Cambodia	6,800,000 ordinary shares	USD 68,000,000	USD 47,200,000	USD 10	70
4. CP Wholesale India Private Limited 7 th & 8 th Floor, WeWork BlueOne Square, 246, Phase IV, Udyog Vihar, Gurugram 122016 India Tel : (91) 124 447 9000 Fax : (91) 124 447 9199 Website : https://corporate.lotswholesale.com/	Wholesales and retail business	India	77,142,851 ordinary shares	INR 802,000,000	INR 771,428,510	INR 10	99.99

Name of Company/Address	Type of Business	Country of Operation	Type/Number of Paid-up Shares	Registered Capital	Paid-up Capital	Par Value	Percentage of Shareholding (%)
5. ARO Commercial Company Limited 322, Upper Pazundaung Road, Sat San Ward, Mingalar Taung Nyunt Township, Yangon, Myanmar 11171 Tel : (95) 9770 330 003	Wholesales and retail operator and related business	Republic of the Union of Myanmar	-	-	USD 31,300,000	-	99.99
6. ARO Company Limited ⁽¹⁾ Corner of Bogyoke Aung San Road and 27 th Street, Unit #15-06 to #15-10, Level 15, Junction City Tower, Pabedan Township, Yangon, Myanmar	Providing marketing and consulting services	Republic of the Union of Myanmar	-	-	USD 183,000	-	99.99
7. Makro (Guangzhou) Food Company Limited 11F, B Building, Dongshan Square, No.65, Xian Lie Zhong Road, Yue Xiu District, Guangzhou, China Tel : (86) 020 2333 6999	Wholesales and retail operator and related business	The People's Republic of China	-	CNY 139,000,000	CNY 139,000,000	-	99.99
8. Guangzhou Huadu Makro Food Supermarket Company Limited No.163 Yingbin Avenue, Gaosheng Square, 1 st & 2 nd Floor, Huadu District, Guangzhou, China Tel : (86) 020 2221 6688	Wholesales and retail operator and related business	The People's Republic of China	-	CNY 15,000,000	CNY 15,000,000	-	99.99
9. Siam Food Services Limited 2439 Old Paknam Railway Road, Prakhanong, Klongtoey, Bangkok 10110 Tel : 0 2782 6000 Fax : 0 2782 6009 Website : www.siamfoods-services.com	Importing and trading of food product from international and domestic sources and providing freight, delivery rental and storage services	Thailand	31,830,000 ordinary shares	THB 3,183,000,000	THB 3,183,000,000	THB 100	99.99

Name of Company/Address	Type of Business	Country of Operation	Type/Number of Paid-up Shares	Registered Capital	Paid-up Capital	Par Value	Percentage of Shareholding (%)
10. Indoguna Vina Food Service Company Limited 44B Phan Xich Long Street, Ward 3, Phu Nhuan District, Ho Chi Minh City, Vietnam Tel : (84) 907 091 188 Fax : (84) 28 3995 6756 Website : www.indogunavina.com	Trading, distribution, import and export food products	Vietnam	-	USD 5,000,000	USD 5,000,000	-	100
11. Indoguna (Singapore) Private Limited 36 Senoko Drive, Senoko Industrial Estate, Singapore 758221 Tel : (65) 6755 0330 Fax : (65) 6755 9522 Website : www.indoguna.com	Manufacturing, trading, importing and exporting of food related products	Singapore	1,231,579 ordinary shares	SGD 1,600,000	SGD 1,600,000	-	80
12. Indoguna Dubai Limited Liability Company Al Waha Street, Exit 46, Al Quoz 1 P.O. Box 123125, Dubai, United Arab Emirates Tel : (971) 4 338 6304 Fax : (971) 4 338 6305 Website : www.indoguna.com/ indoguna-dubai-llc/	Importing and trading of food related products	United Arab Emirates	1,800 ordinary shares	AED 1,800,000	AED 1,800,000	AED 1,000	80
13. Maxzi The Good Food Restaurant & Cafe Limited Liability Company Al Shafar Investment Building, Shop No. 20, P.O. Box 126113 Al Quoz 1, Dubai, United Arab Emirates Tel : (971) 4 395 3988 Website : https://maxzi.ae	Restaurant and minimart	United Arab Emirates	8,000 ordinary shares	AED 8,000,000	AED 7,000,000	AED 1,000	80

Name of Company/Address	Type of Business	Country of Operation	Type/Number of Paid-up Shares	Registered Capital	Paid-up Capital	Par Value	Percentage of Shareholding (%)
14. Indoguna Lordly Company Limited Unit 5A & Unit 7B, Sing Mei Industrial Building, 29-37 Kwai Wing Road, Kwai Chung, Hong Kong Tel : (852) 2730 2025 Fax : (852) 2730 2024 Website : www.lordly.com.hk	Manufacturing, trading, importing and exporting of food related products	Hong Kong	10,000 ordinary shares	HKD 10,000	HKD 10,000	HKD 1	80
15. Just Meat Company Limited Unit 5A & Unit 7B, Sing Mei Industrial Building, 29-37 Kwai Wing Road, Kwai Chung, Hong Kong Tel : (852) 2730 2025 Fax : (852) 2730 2024 Website: www.justmeat.com.hk	Importing and trading of food related products	Hong Kong	1,000 ordinary shares	HKD 1,000,000	HKD 1,000,000	HKD 1,000	80
16. Indoguna (Cambodia) Company Limited No. 5734, Street 1003, Bayab Village, Sangkat Phnom Penh Thmey, Khan Sen Sok, Phnom Penh, Kingdom of Cambodia Tel : (855) 2 390 1369	Importing and trading of food related products	Cambodia	250,000 ordinary shares	USD 2,500,000	USD 2,500,000	USD 10	99.99
Retail Business							
17. C.P. Retail Development Co., Ltd. No.629/1 Nawamintr Road, Kwaeng Nuanchan, Khet Buengkoom, Bangkok 10230 Tel : 02-797-9000 Fax : 02-797-9884	Regional Operating Headquarters	Thailand	1,994,745,745 ordinary shares	THB 199,474,574,500	THB 199,474,574,500	THB 100	99.99

Name of Company/Address	Type of Business	Country of Operation	Type/Number of Paid-up Shares	Registered Capital	Paid-up Capital	Par Value	Percentage of Shareholding (%)
18. Lotus's Store (Thailand) Co., Ltd. No.629/1 Nawamintr Road, Kwaeng Nuanchan, Khet Buengkoom, Bangkok 10230 Tel : 02-797-9000 Fax : 02-797-9884	Activities of holding companies	Thailand	Group A 100 Ordinary Shares ⁽²⁾ Group B 740,000 Preferred Shares ⁽³⁾ Group C 490,000 Preferred Shares ⁽²⁾ Total 1,230,100 Shares	THB 12,301,000	THB 12,301,000	THB 10	99.99
19. Lotuss Stores (Malaysia) Sdn Bhd Head Office, Level 3, No.3, Jalan 7A/62A, Bandar Menjalara, 52200 Kuala Lumpur, Malaysia. Tel : (60) 1300 13 1313 Fax : N/A	Engaged in the operation of retail outlets.	Malaysia	Group A 39,200,000 Ordinary Shares ⁽²⁾ Group B 16,800,000 Ordinary Shares ⁽²⁾ 60,000,000 Preferred Shares ⁽²⁾ Total 116,000,000 Shares	MYR N/A	MYR 856,000,000	MYR N/A	99.99
20. Ek-Chai Distribution System Co., Ltd. No.629/1 Nawamintr Road, Kwaeng Nuanchan, Khet Buengkoom, Bangkok 10230 Tel : 02-797-9000 Fax : 02-797-9884	Engaged in the operation of Discount stores/ Supercenters/ Hypermarkets	Thailand	513,750,005 ordinary shares	THB 5,137,500,050	THB 5,137,500,050	THB 10	99.99
21. Lotus's Mobile (Thailand) Co., Ltd. No.629/1 Nawamintr Road, Kwaeng Nuanchan, Khet Buengkoom, Bangkok 10230 Tel : 02-797-9000 Fax : 02-797-9884	Wireless telecommunications activities	Thailand	50,000 ordinary shares	THB 5,000,000	THB 5,000,000	THB 100	99.99

Name of Company/Address	Type of Business	Country of Operation	Type/Number of Paid-up Shares	Registered Capital	Paid-up Capital	Par Value	Percentage of Shareholding (%)
22. Retail Properties Co., Ltd. 13 C. P. Tower, 1 st Floor, Si Lom, Khwaeng Silom, Khet Bang Rak, Bangkok 10500 Tel : 02-247-3737 Fax : 02-642-1005	Renting and operating of self-owned or leased of non-residential buildings (Renting land and property for Hypermarket store - Bangkok)	Thailand	Group A 1,050,000 Ordinary Shares ⁽²⁾ Group B 1,050,000 Ordinary Shares ⁽²⁾ Total 2,100,000 Shares	THB 210,000,000	THB 210,000,000	THB 100	50
23. Lotus's Money Service Co., Ltd. Krungsri Ploenchit Office, 550 Ploenchit Road, Lumpini Sub-district, Pathumwan District, Bangkok 10330 Tel : 1712 Fax : 02-627-8615	Finance (Credit Card & Personal Loan)	Thailand	Group A 10,400,000 Ordinary Shares ⁽²⁾ Group B 10,400,000 Ordinary Shares ⁽²⁾ Total 20,800,000 Shares	THB 2,080,000,000	THB 2,080,000,000	THB 100	50
24. Synergistic Property Development 999/9 31 st Floor, Rama 1 Road, Pathumwan Sub-district, Pathumwan District, Bangkok 10330 Tel : 02-667-5555 Fax : 02-264-5570	Renting and operating of self-owned or leased of non-residential buildings (Real estate project in Pattaya)	Thailand	Group A 2,325,000 Ordinary Shares ⁽²⁾ Group B 2,325,000 Ordinary Shares ⁽²⁾ Total 4,650,000 Shares	THB 465,000,000	THB 465,000,000	THB 100	49.99
25. Lotus's Retail Growth Freehold and Leasehold Property Fund 1 Empire Tower, 32 nd Fl., South Sathorn Road, Yannawa Sub-district, Sathorn District, Bangkok, 10120 Tel : 02-686-6100 Fax : 02-2670-043	SET listed Mutual Fund, invested in 23 shopping centers in Thailand.	Thailand	2,337,282,928 Ordinary Shares	THB 24,671,416,000	THB 23,828,131,994.37	THB 10.19	25

Remarks : ⁽¹⁾ In process of liquidation

⁽²⁾ Voting rights : 1 vote per 1 share

⁽³⁾ Voting rights : 1 vote per 10 share

1.3.2 Parties with potential conflicts of interest with the Company, holding over 10% of voting shares in a subsidiary or associated company.

In 2001, Ek-Chai (a subsidiary of Lotus's) and CPG entered into a Joint Venture Agreement dated November 5, 2001, to invest in Retail Properties Company Limited, the Joint Venture Company, where Ek-Chai and CPG held 50% and 27% of the total shares of the joint venture company, respectively. After the Company received the entire CP Retail Holding Company Limited (CPRH) business transfer, Lotus's became a subsidiary of the Company where its joint venture company, Retail Properties Company Limited, automatically became an associate of the Company. The business transfer caused the investment in Retail Properties Company Limited to be classified as a joint venture with a party with potential conflicts of interest with the Company, namely CPG, holding more than 10% of the voting shares of the joint venture company, as defined by relevant Notifications of the Securities and Exchange Commission.

However, the Company has considered the shareholding structure in the joint venture company and related transactions and concluded it to be in the best interest of the Company and Ek-Chai to promote the business; thus, no change is required concerning the shareholding structure of the joint venture company or its related transactions. The conclusion was based on the following reasons:

1. **Investment in the joint venture company was solely to promote the Company's core business, enabling Ek-Chai to use the land and buildings to operate the Bangpakok hypermarket, and thus considered immaterial to business operations of the Company or Lotus's, or both:**

Ek-Chai's participation in the joint venture was a simple form of investment commonly seen industry-wide and reasonable to promote the Company's two primary businesses, namely Lotus's and Ek-Chai, considering the associated risks and rewards, such as risks of constructing and developing the store, the amount of investment required, including expected future returns as the real estate owner through the joint venture compared to standard investment practices in other industries. Industry-wide investment practices include (a) investing in real estate for freehold ownership, (b) investing in real estate for leasehold rights, and (c) establishing a joint venture to invest in real estate and leasing the real estate to joint venture partners.

The Bangpakok hypermarket, including a hypermarket and shopping centers, is located in a large area in a good location, close to various communities, including residential zones, schools, hospitals, and banks, on the main road (Suksawat Road), with convenient transportation, meeting the sourcing criteria for opening and operating Lotus's and Ek-Chai hypermarket branches. The joint investment and shareholding structure in the joint venture company was thus for the sole objectives of obtaining real estate leasing benefits from operating the Bangpakok hypermarket and penetrating Lotus's target customer segment in the particular area, in the best interest of the Company to promote its main business.

According to data as of December 31, 2021, the hypermarket was one of 222 Lotus's stores, accounting for less than 1% of Lotus's total retail revenue.

2. **The establishment of the joint venture company and the Bangpakok Land lease agreement was a reasonable transaction in agreement with general commercial terms similar to a third-party transaction:**

The joint venture agreement clearly states that any significant change in the nature of the business or other operations of the joint venture company shall be subject to the unanimous vote of the Board of Directors of the joint venture company, and must be approved by the authorized representatives of both contracting parties.

In addition, the Bangpakok Land lease agreement consists of a 30-year land lease term with leasehold rights registered for Ek-Chai until 2032. As the terms and lease fees under the original lease agreement stipulate recurring 3-year building lease renewal rights upon lease expiration for Ek-Chai, Ek-Chai thus has the right to renew the land lease agreement under future renewal terms and the building lease agreement on Bangpakok land with a lease term of three years.

The Company has considered the transactions and terms in the joint venture agreement and has concluded that the land and building lease agreements are reasonable. As of the transaction date, CPG was a third party to Ek-Chai – an operating company indirectly owned by Tesco. The transaction and agreements thus had already been specified in general commercial terms similar to dealing with a third party. Notwithstanding, CPG neither benefited from any terms in the joint venture agreement nor did it manage the hypermarket at the time.

3. The establishment of the Joint Venture Company and its shareholding structure occurred approximately 20 years before the Company received the entire CPRH business transfer, where the business scope of the Joint Venture Company was clearly defined:

The joint venture company was established in 2001 when Ek-Chai was operated and indirectly owned by its former holding company, Tesco, whereby the joint venture purpose was to support operations of Ek-Chai's hypermarket. The scope of business operations was clearly specified under the joint venture agreement as follows:

- 1) Acquire the land in Rat Burana District, Bangpakok District (the “Bangpakok Land”).
- 2) Construct and maintain ownership of the Bangpakok hypermarket.
- 3) Allow Ek-Chai land and buildings lease rights to the Bangpakok Land to operate a hypermarket business in the Bangpakok branch (the “Bangpakok Land lease agreement”).

At present, neither does the joint venture company operate any business scope other than those mentioned above nor does Ek-Chai have any intention of changing the nature of the joint venture agreement in any way. Notwithstanding, any agreement amendment must be considered by the Board of Directors under relevant procedures beforehand.

The rules and regulations applicable to listed companies promote transparency and fairness in conducting either present or future connected transactions. The Company is committed to conducting honest and transparent business operations that are fair to all shareholders in the Company's best interests under Corporate Governance

codes. This means following protocol for connected transactions with parties of potential conflicts of interest with the Company. A transaction of such nature must also be considered by the Audit Committee under SET laws and regulations and approved by the Board of Directors. To be considered, the transaction must be reasonable and in the Company's best interest, while general commercial terms must indicate a transaction with a third party. Notwithstanding, stakeholders with potential conflicts of interest are excluded from voting on connected transactions as Company director or shareholder.

1.3.3 Relationship with Major Shareholders

1. Relationship with Major Shareholder CPALL

As of December 31, 2021, CPALL held 59.92% of the Company's total issued and paid-up shares, either directly or indirectly. CPALL's main business is the retail convenience store under the 7-Eleven trademark in Thailand, focusing on meeting Customer Daily Life needs with fast-moving everyday groceries. The products can be divided into (1) food and beverages: such as ready-to-eat fruits, vegetables, bread, and desserts, including All Café coffee, coinciding the Food and Beverages Destination strategy under the slogan “Whenever you're hungry, stop by 7-Eleven,” and (2) fast-moving groceries (excluding calling cards), the main products being personal and household products, among many other products.

As such, CPALL's business model differs from the Company and Lotus's in two main areas: (1) the wholesale and retail consumer goods business with a variety of store formats (including Cash and Carry stores, hypermarkets, supermarkets, and mini-supermarkets), and (2) the shopping center lease spaces management business. Lotus's retail strategy for

supermarkets and mini-supermarkets will focus on fresh food offerings under Lotus's Go Fresh rebranding and the “Winning with Fresh” slogan. Go Fresh is designed to furnish a modern fresh-market store look and atmosphere, providing quality fresh food for daily cooking and household consumption. Mini-supermarkets, currently meeting the needs of customers who shop for everyday cooking and additional top-up items, will be rebranded to Lotus's Go Fresh, providing fresh food groceries and other non-food essentials. CPALL thus has no conflicts of interest with the Company or Lotus's as the companies operate different business models, not in direct competition with one another.

In addition, the Company will operate its business with free business competition and independence, without dominance that may cause conflicts of interest with shareholders. The Company's business operations and its majority shareholder are based primarily on principles that benefit each party's shareholders.

2. Relationship with Major Shareholder CPF

As of December 31, 2021, CPF held 8.85% of the Company's total issued and paid-up shares through CPM (a subsidiary of CPF - a 99.9% holding company of CPM, directly and indirectly). CPF is a complete agro-industrial and food business with the following three main product categories:

1. Animal feed production and distribution
2. Animal husbandry and processing: such as animal breeding, commercial animal husbandry, and basic meat processing
3. Food business and production of processed, semi-cooked, and cooked meat products, or ready-to-eat food, including food distribution channels and restaurants

1.3.4 Shareholders

1. Major Shareholders as of December 31, 2021

Top 10 Major Shareholders	Shares	Shareholdings (%)
1. CPALL ⁽¹⁾	3,699,728,100	34.97
2. Siam Makro Holding (Thailand) Company Limited ⁽²⁾	2,640,302,800	24.95
3. Charoen Pokphand Holding Company Limited ⁽³⁾	1,872,132,145	17.69
4. C.P. Merchandising Company Limited ⁽⁴⁾	936,066,072	8.85
5. UOB Kay Hian (Hong Kong) Limited (Client Account)	125,818,300	1.19
6. Maybank Kim Eng Securities Private Limited Company	60,661,900	0.57
7. Thai NVDR Company Limited	45,511,776	0.43
8. South East Asia UK (Type C) Nominees Limited	33,828,325	0.32
9. Bualuang Long Term Equity Fund	26,625,080	0.25
10. Mr. Parinya Thiarawan	25,300,000	0.24
Total	9,465,974,498	89.46

Notes: ⁽¹⁾ CPALL is a public limited company established under Thai law with listed shares on the Stock Exchange of Thailand as a retail convenience store business under the 7-Eleven trademark - CPALL's main business. CPALL also has other supporting businesses, including investments in retail and wholesale to strengthen its diversified store model and build on sustainable long-term growth, with CPG as the 35.32% shareholder of direct and indirect shares.

⁽²⁾ Siam Makro Holding (Thailand) Company Limited is a 99.9% indirect subsidiary of CPALL.

⁽³⁾ Charoen Pokphand Holding Company Limited has CPG group as the 99.99% direct shareholder.

⁽⁴⁾ C.P. Merchandising Company Limited has CPG group as the 37.85% indirect shareholder.

2. The Shareholders Agreement

The Company has signed no major-shareholders agreement that affects either the issuance and offering of securities or the management and material matters that impact Company operations.

1.4) The Company Registered Capital and Paid-Up Capital

As of 31 December 2021, the Company's registered capital was THB 5,586,161,750.00, comprising 11,172,323,500 ordinary shares at THB 0.5 par value per share, and the paid-up capital was THB 5,290,161,750.00, comprising 10,580,323,500 ordinary shares at THB 0.5 par value per share.

As of 4 January 2022, Thai NVDR Company Limited ("Thai NVDR") held 45,511,776 ordinary shares equivalent to 0.43 percent of the total issued shares of the Company. The investors holding Thai NVDR shall receive underlying economic benefits from holding the Company's shares in all respects i.e. dividends, rights offering, and warrants. The NVDRs cannot be involved in any decision-making of the Company, except for approving a delisting from the Stock Exchange of Thailand.

1.5) Issuance of other securities

- None -

1.6) Dividend Payment Policy

1.6.1 Dividend Payment Policy of the Company

Unless otherwise required, the Company's Board of Directors has the policy, which has been effective from 1994 onwards, to seek approval from the Annual General Meeting of Shareholders to pay dividends not less than 40% of its annual net profit after tax from the consolidated financial statement.

1.6.2 Dividend Payment Policy of Subsidiaries

The Board of Directors of each subsidiary shall consider its dividend payment policy on a case-by-case basis.

1.6.3 Dividend Payout Information (Year 2017 – 2021)

	2017	2018	2019	2020	2021*
Earnings per share (Baht)	1.29	1.24	1.30	1.37	2.38
Dividend per share (Baht)	0.96	0.96	0.96	1.00	0.72
Dividend payout ratio (%)	74.6	77.5	73.8	73.1	40.0

Remarks: The Board of Directors approved to propose to the 2022 Annual General Meeting of Shareholders to consider and approve the dividend payment from the 2021 consolidated net profit in the amount of THB 0.72 per share which includes the interim dividend paid to the shareholders at the rate of THB 0.40 per share on 8 September 2021. The remaining for the final dividend payment is at the rate of THB 0.32, which will be paid on 19 May 2022 to the shareholders who are entitled to receive dividend as per Record Date on 4 March 2022.

2. Risk Management

2.1 Risk Management Policy and Planning

Risk management is central to attaining Company goals with efficient protection against uncertainties in the volatile retail market. Given fluctuating price levels, unpredictable supply chain management and consumer behavior, managing food safety risks has been a constant concern. Since 2016, the Company has organized to elevate its corporate risk management capacity by establishing the Risk Management Committee. In 2021, the committee comprised 12 senior executives and management to formulate risk management policy and develop a risk assessment framework that conforms to international standards. The framework provides a rating system against potential threats to cross-reference strategy and flag risks of concern. The committee then prioritizes flagged risks according to impact level to define corporate risk management plan and protocol, determine the areas to monitor and assess, and the criterion for risk officers responsible for mitigating impacts to an acceptable level. The committee also superintends effective risk management throughout the organization.

In the last quarter of 2021, the Company established 3 Sub-Risk Management Committees. The first sub-committee is responsible for international business in 4 countries, i.e. Myanmar, India, Cambodia, and China. The second sub-committee is responsible for the group of Siam Food Services Limited. The third manages risks associated with the Digital Transformation and Information Technology. The purpose of the establishment is to have special task forces on the ground that can adapt risk management strategies to the fast-changing conditions and business plans in the respective areas and directly report to the Risk Management Committee. The Company is considering an additional sub-committee to oversee risks of its subsidiaries, including Lotus's which became a subsidiary on 25 October 2021.

Risk Management Standard

The Company has applied the COSO (Committee of Sponsoring Organizations of Treadway Commission) international standard for enterprise risk management (ERM) by setting up policy and objectives, along with the risk management framework and risk management structure. In addition, the Company announced the intent against corruption and was certified as a member of the Thai Private Sector Collective Action against Corruption (CAC) in 2018 and renewed on 31 March 2021.

Risk Management Tools

For efficient and effective mitigation, the Company applies various tools to analyze and assess different types of risks that may affect organizational goals for business operations and Company investments. Risk Map, Mitigation Plan and Key Risk Indicator (KRI) are used to identify impacts and proactive measures. A focus is also put on emerging risks that may transpire during the year to prepare proactive measures for risk management. In addition, the Company has also contracted PricewaterhouseCoopers (PwC) as a risk management consultant to provide practical advice to the Risk Management Committee.

2.2 Company Risk Factors

The Company has thoroughly examined internal and external risk factors in the operational environment, monitored domestic and foreign key incidents, along with persisting trends in the economy, society, politics, technology, competitors and among others. The perspective opinions of third-party experts are also taken into account to keep abreast of developments in the industry where comparable competitors are all exposed to the same risks. Risks of concern are flagged, monitored, and incorporated into the corporate strategy. The following are risk factors that were flagged in 2021 with an organizational-impact level that requires close management and monitoring:

1) Strategic Risks

1.1) Risk from Strategy Compliance

Driving the business to success under the set strategy is essential to sustain long-term growth amidst pressure from rapid change of business environment which may impact the corporate strategy driving, both in terms of business opportunities and risks. Rapid Company growth under set strategy can also incur in-house operational risks. The Company has thus organized workshops for key personnel to assess strategic compliance that contributes to operational risks and discuss countermeasures that can be implemented against potential threats while monitoring flagged risks and managing prevention measures simultaneously.

Makro 4.0 is a project to develop a business model that is responsive to the changes of customer needs and behavior and sustains long-term growth under the Company Vision. Key projects have also been identified to drive strategic areas and attain five-year Company goals. The projects are interactive in responding to pressure from business environment, market conditions and ever-changing customer behavior. They are closely monitored to ensure that each project works according to plan and accomplishes the goals and timelines.

1.2) Risk from Strategic Project Management

As a result of the above mentioned strategic projects identified in 2021 to sustain our long-term growth and the business world entering the era of digital disruption where technology has become an integral part of everyday life, an all-encompassing digital capability is needed for a business to function properly. This includes capability in work processes across core competencies and human resources alongside a tech-oriented corporate culture. Several disruptive digital transformation projects were initiated in 2021 that affected the legacy organizational structure and business model. As the projects impact present time operational readiness, digital transformation was flagged as a risk of concern. Many risk factors have been considered in association with this risk, such as project planning, implementation, management, human resources development, and work process development.

To adapt with rapidly changing business conditions in the digital era, the Company must foster a corporate culture of a professional mindset, recruit and develop human resources with the skills required to operate in this tech-intensive, competitive market. As such, management has come together to form a task force that consists of involved parties from different areas across the Company. The task force has prioritized strategic projects that are taking place and laid down project implementation plans along with monitoring and assessment measures. A central agency was set up to be responsible for monitoring the progress and success of the projects and considering third-party outsourcing experts to consult on strategic projects as needed. In addition, the Company has applied technologies and digital capacities to facilitate the transformation, such as AI, Big Data, paperless workflow, among others.

1.3) Risk from Overseas Investment and other Business

Overseas expansion is a growth strategy that carries operational and management uncertainty. The Company has thus required country-level executives to assess the risks and impacts in the respective market and establish necessary risk prevention and management measures accordingly. The measures are to be reviewed and updated regularly. The operations of overseas subsidiaries are closely monitored to ensure progress under set plans.

Efficient and effective overseas expansion and management under set plans are crucial in accomplishing Company strategies. Qualified management and personnel in different countries are considered and retained for overseas branches to work alongside senior executives from Thailand where managerial knowledge and operational experiences can be shared among the management team, namely proven solutions from Thailand. Overseas operations are closely observed where problems are coordinated and solved with senior executives in each country, effectively. This allows the Company to keep abreast of significant events and complications that unfold and ensure that the overseas branches are operational and profitable under set targets and budgets.

In addition, the Business Continuity Management Committee (BCM) closely monitors the situation in each country during the COVID-19 pandemic to provide practical advice on successfully implemented measures in Thailand that can be applied overseas to keep the business progressing over the long run.

1.4) Risk from the Lotus's Acquisition

As of 25 October 2021, 99.9% of the Lotus's Group was transferred to Makro, making Lotus's a wholly-owned subsidiary of the Company. The acquisition of Lotus's constitutes a significant business expansion for the Company, considering the pre-acquisition size. For the benefit of the collaboration to be fully realized, as the Company had expected before the acquisition, several synergy projects have been initiated to align operational differences. The projects oversee the restructuring of primary cross-functional competencies including management and work systems, merchandising, accounting and finance, invoicing and billing, product distribution, employee welfare and payroll, Corporate Governance and risk management,

all the way to operational procedures, corporate culture, and technical processes, among other related matters.

The acquisition also entails a risk of the unknown. The Company is unfamiliar with particular business undertakings that have changed from the past or require core competencies that the Company currently does not have. This includes malls business and business operations in Malaysia, the latter being unknown territory to the Company. Despite challenges to undertake, the Company and Lotus's have synergized operational knowledge and experience accumulated over the years of conducting business overseas. Best practices and learned lessons can be shared, including malls business expertise. The Companies can realize the full advantage of the merger through the synergy under unified goals.

2) Operational Risks

2.1) Organization and Human Capital Risk

One of the risk factors that blocks driving strategy in pursuit of organizational goals has become human resource readiness in terms of skills, knowledge, capability, sufficiency, and organizational structure that support strategy driving.

To ensure professional readiness, the Company has thus prepared occupational development plans to provide training courses in various fields for employees and executives at all levels. The courses are tailored to suit the level of each trainee and available to all Company personnel to hone their competencies that best equip them for performing their duties and responsibilities under the corporate strategic goals. Succession plans are regularly reviewed and prepared to ensure that crucial roles are filled under specific planning and timeline. This involves identifying key successors and their readiness, co-planning for their individual development plan, developing and monitoring progress, among others.

In addition, the Company has established the People Committee to manage different human resource risks and formulate policies for human resource management and development accordingly. The committee is also responsible for determining work procedures and fostering corporate culture that best drives business success.

2.2) Food Safety and Product Quality Risks

Quality control is the Company's cornerstone of success that affects customer loyalty and thus its hard-earned trust and credibility.

The Company has developed quality control measures for different product lines to ensure that quality standards are met and that products are safe for consumption under international criteria. The process starts from sourcing raw materials to the transportation of goods. Each process involved ethical sourcing to ensure that manufacturers and the product sources undergo inspection for quality and safety.

Many developments have taken place to prevent risks. Food safety is maintained under certification standards such as GLP, Q Mark, HACCP, and GMP Codex. The Quality Pro project manages the safety standard of fruit and vegetable products in particular. The Makro i-Trace system enables customers to trace the origin of the raw material by scanning the QR Code. Preventive measures are in place to avert the spread of infectious diseases through close monitoring of the supply chain and sources and coordinating with the government sector to keep abreast of important updates and breaking developments. The measures specify practical steps to take in the face of a crisis, including preventive and reactive actions and damage control. With preventive measures in place, the Company is confident in its ability

to control and mitigate risks effectively. In addition, the Company has established the Sustainability Project Committee to promote efficient usage of resources and environmentally friendly and safe production processes. In 2021, the Makro Initiative Accreditation (MIA) standard was put in place to improve product quality and uplift our suppliers to meet international quality control standards.

2.3) Cybersecurity Risk

Digitization precludes the security of the underlying operating system. As operating a business increasingly relies on the ubiquitous internet of things and the integrity of the information system to synchronize data across the organization, cyber threats have become ever more intense in as many forms and variations as there are technological discoveries in any given day. Cybersecurity is thus the Company's cornerstone of protection against inconspicuous danger that can otherwise affect business operations and credibility in unimaginable ways.

A cyber task force with subject matter propensity has been assembled to assess organizational cybersecurity readiness and plan the Company information security management system (ISMS). The plan involves determining infrastructure requirements, implementing and managing the system, and setting cybersecurity protocol to handle cyber-related incidents. Implementation includes installing surveillance and monitoring apparatuses to engage threats and risky behavior in real-time. Regular testing and evaluation of system functionality are required to ensure that the system is proactive and effectively preventing threats. Furthermore, as a testing requirement, the Company also contracts third-party hack experts to perform penetration testing and assess the readiness of the ISMS and protocol. The testing automatically engages the Company in real-life

cyber scenarios, allowing key personnel to realize the importance of protocol. It also provides the opportunity to rehearse, implement, re-evaluate pre-present-post readiness, and perform emergency backup drills regularly to meet readiness standards. Up to standard ISMS infrastructure along with protocol proficiency will allow the Company to handle cyber situations promptly and mitigate the damage to invaluable data and systems that may otherwise occur.

The Company continuously reinforces cybersecurity awareness by employing phishing testing and training. Security emails also alert key personnel of threats in real-time. Preventive measures, protocol, and compliance advice under Company policy, bylaws, and legal provisions are reinforced through internal communication channels and regular training.

2.4) O2O Risk

The Company recognizes the importance of the Online-to-Offline (O2O) business model and has adopted the O2O model to link online shopping with offline customer service experiences. On the other hand, implementing the new model requires a realignment of the business infrastructure and work process. Amid implementation, responding to ever-changing customer behavior with fluctuating demand for products and services thus incurs an O2O risk that results in financial obligations to redevelop the operating infrastructure and work process and maintain operational efficiency and quality control standards that meet customer expectations. This affects many cross-functional services, including ordering and delivery, which may hold back the quality of offered products and services. This is particularly true for fresh food products. Risk assessment of O2O business operations is taken seriously to improve proactive measures and reduce potential risks in different operational capacities.

The Company has continually enhanced the O2O platform to meet the needs of customers with convenient ordering and delivering services, a variety of products, reliable online payment methods, as well as option to pick up products at stores. Other developments have been implemented to enhance the O2O model. Available spaces in many branches in Bangkok are converted for warehouse and distribution center purposes. The packing and shipping process along with equipment used to implement the O2O model, including temperature-controlled shipping equipment, have been streamlined and optimized to best meet customer expectations. Housekeeping, maintenance, and other cleaning and domestic tasks required to run an uncontaminated warehouse and distribution center have also been streamlined in the process to ensure efficient delivery and product quality. In addition, training courses have been developed for key personnel of the Company and related parties, such as logistics and delivery companies, for everyone to be on the same page and operate under the same O2O standard. This is important to maintain quality management of delivered goods.

3) Reputation Risk

3.1) Corporate Reputation Risk

Given the multitude of commentaries on products, services, and institutions that are amplified by revolutionary communications technology, the Company is aware of the potential impact of disinformation and incomplete or inaccurate material that may play fast and loose with its hard-earned reputation. Beyond the Company standing in the respective community, it can also affect the confidence of business partners and customers with far-reaching implications. Countermeasures are thus put in place to manage depreciating incidents in a timely fashion and mitigate the impact of negative news.

The Company has established a task force and technical systems to monitor incidents on social media that may impair the reputation and image of the organization. Such incidents are reported to management to initiate corrective or preventive measures with clearly defined deadlines for reporting response and remediation. The task force is also responsible for responding to negative feedbacks, for instance, complaints on services, product quality and store management, to demonstrate the intention to account for well-intended comments and make necessary improvements accordingly to prevent them from being repeated in the future.

In addition, different communication systems are established for normal business conditions and applications in a crisis. The emergency system and protocol to maintain effective communications in the face of a significant threat are rehearsed and reviewed regularly.

4) Compliance Risks

4.1) Legal and Regulatory Risk

In conducting business overseas, the Company has to comply with legal and regulatory provisions of the respective country as well as internal bylaws concurrently. Failure to comply, or partial compliance, may result in delays that may expose the Company to being disreputable as well as potential legal penalties, financial forfeiture, material loss, or business opportunity costs.

To ensure full compliance, the Legal Department keeps track of significant developments in government press releases to keep key personnel abreast of legal matters that may affect internal business operations. The task force also organizes regular training sessions to avert compliance risks with unnoticed changes in legal provisions

or industry regulations. The Legal Department is involved in a number of vital undertakings to ensure compliance across internal functions. Work processes are reviewed and updated regularly to reflect new compliance or legal requirements. A system to track and report compliance under existing or changed legal terms is in place for in-house undertakings that require up-to-date information, namely execution of documents, contract renewals, licenses, transactions, and operational authorizations.

As a testament to the full compliance with the Anti-Corruption Act, the Company announced the intent to join the Thai Private Sector Collective Action against Corruption (CAC) and became a certified member of the CAC on 12 February 2018. The membership was renewed on 31 March 2021, as the Company underwent a corruption risk assessment of internal engagements with government agencies that had been flagged for potential corruption.

For overseas subsidiaries, the Company has also contracted legal advisors both domestically and internationally to closely monitor legal and regulatory changes and provide legal advice to overseas branches.

4.2) Personal Data Protection Risk

As the Personal Data Protection Act (PDPA) of 2019 becomes effective as of 1 June 2022, the Company has considered the impact on the stored personal data, which contains information of membered customers, employees, suppliers, and distributors.

The Company has appointed the PDPA Committee and a task force, along with contracted consultants with expertise, to optimize the Company's information systems and set policies and protocol related to personal data protection

to ensure full compliance with legal and regulatory provisions. In addition, the Personal Data Protection training program has been organized for executives and key personnel to raise awareness about legal aspects, changes in work processes that may take place, and the consequences of incompliance.

5) Environmental and Hazard Risks

5.1) Pandemic Risk

Since 2020, the Company has faced seemingly insurmountable uncertainties triggered by the ongoing Coronavirus (COVID-19) global pandemic. The pandemic has impacted the entire world with far-reaching micro and macroeconomic implications, domestically and internationally, on a scale never before seen. It has incurred game-changing developments, stringent regulations from the governments, consumer behavior that has shifted to online shopping predominantly, and, on the other hand, a significant decline in purchasing power due to the unemployment during lockdown to combat the pandemic. To strengthen organizational readiness amidst the pandemic, the Company has appointed a committee and a task force to respond to future emergencies and stringent governmental measures against an outbreak, monitor ongoing developments and reinforce protective measures. Along with protective procedures, the task force has reinforced protective equipment in the workplace such as alcohol hand sanitizers and hand washes, protective masks, automatic temperature readers for all parties that enter the premises, as well as work from home policy. Remedial measures are also reinforced for infected persons for further quarantine. Other steps are in place to contain the spread of an infectious disease in the workplace, namely contact tracing, separating, and isolating those at risk to prevent the spread. In addition, the Company also encourages vaccination among employees

to develop herd immunity and thereby reduce the risk of spreading the disease either at the workplace, to colleagues or customers, or outside the workplace to other people that come in close contact. Informative communication measures also work to great effect for employees, customers, concerned parties, and external government agencies alike in providing helpful and accurate information to raise awareness and understanding of the Company's situation.

5.2) Climate change and Natural Disasters Risk

The Company takes into account the changes in climate extremes that have become more frequent and more intense over the past years, e.g. droughts, floods, or windstorms; and has borne the repercussions of significant effects on agricultural production of suppliers. This disruption affects inbound logistics from suppliers to the Company and its outbound distribution, as well as obstructs customers' travelling to the stores. The Company thus has developed a business continuity management (BCM) plan to establish an extensive network of stores and distribution centers across the country to keep distribution and supply up to standard during an ongoing crisis. In an ongoing emergency, a broad network of suppliers can ensure constant supply of products for our customers while the online platforms can facilitate delivery services so that they do not need to travel to the store.

To circumnavigate future natural disaster risks, particularly floods, the Company has diversified its distribution centers among geographical locations with lower or unlikely risks of disasters and easy accessibility for emergency protocol.

The areas are thoroughly evaluated and selected for planned emergency management. Energy diversification and independence is also a significant factor for business continuance during a crisis. The use of electricity from various sources, including self-generating electricity from solar-power rooftop, allows the stores to continue their operation in the event of a natural disaster.

6) Emerging Risks

Every year, the Company analyzes developing changes to determine long-term trends that may present a new risk to the business. Developments that can potentially affect business operations in one way or another in the foreseeable future are flagged as an emerging risk of concern and further analyzed to design preventive measures and management approaches. The following are emerging risks that were flagged in 2021.

6.1) Changing Consumer Preferences

Online channels and delivery services have become the shopping method of the new normal and started to replace shopping at physical stores. Given the multitude of shopping channels at the tip of the finger, the Company has to put more focus on the online disruption and adapt in the best way possible to remain competitive. Developing urban lifestyles that evolve with new normal necessities are also causing changes in consumer behavior that the Company must prepare for. The unpredictable consumption patterns thus represent an emerging risk for the Company as overall competitiveness can slump over time as rigid legacy capacities fail to cope with evolving consumption preferences.

To embrace a challenge that represents opportunity, the Company has developed omnichannel sales and services under the O2O platform, with online capacity as the priority. The platform will allow the Company to increase the variety of assortments, maximize customer convenience, and facilitate access to products and services through omnichannel commerce. The online capacity is essential for customers who have grown a distaste for traditional shopping over the course of the pandemic as it involves traveling to the store or exposure to unsafe surroundings. By developing an online business model that harmoniously integrates multiple shopping channels and interacts in real-time, customers will be able to engage with Company offerings with easy access from anywhere in the world at any time. Other online capacities that play a crucial role in the O2O platform include e-payments and reliable delivery services that maintain food safety. Online activities can significantly increase brand awareness and maintain brand loyalty, namely online marketing activities and promotions through digital marketing campaigns, online sales applications, and the Company's website. Convenient and identifiable omnichannel communication for customers to leave reviews and comments online and offline as well as receive feedback or directions from responsible agents, is also required.

6.2) Disruptive Digital Technology

In the digital era, technology plays a game-changing role in our everyday life. As any household or small startup can easily apply disruptive technology to effectively compete with big establishments with breathtakingly lower overhead, operating a business has become incredibly competitive as consumer demands fluctuate rapidly on a daily basis. This is particularly true after the government introduced the Thailand 4.0 strategy to drive the economy with innovation. Technological and innovative business applications that disrupted legacy systems were evident in e-commerce, transportation services, marketing, and online distribution. In the long run, disruptive technology thus represents an emerging risk that may affect business and distribution models that fail to adapt. Obsolete operational capacities diminish the Company's competitiveness and result in opportunity costs of lost value that the Company could gain from an inventive business model that embraces the new digitized normal. Moreover, disruptive technology also widens the gap between the Company's digital talent and organizational goals for digitization.

Corporate strategies are reviewed annually to formulate strategic digital transformation plans for supporting business growth and ensuring digital transformation readiness. This involves monitoring and implementing technological and human resource developments alongside the transformation.

6.3) The Pandemic

Epidemiologists believe that humans will not only have to continue living with the Coronavirus disease, but viral outbreaks and pandemics will become more frequent in the future as the environment becomes increasingly conducive for viruses to mutate and infect.

The climate-change-induced temperature increase is causing pathogens to multiply more rapidly and animal viruses are more likely to be transmitted to humans. Frequent zoonosis, or transmission between animals to humans, is expected to become more common in the future. This can potentially further disrupt consumer behavior and businesses, resulting in yet a different normal way of life in the future. Although the emerging risks are beyond control, the Company has reviewed strategic plans to assess the possibility of frequent pandemics in the future. Emergency response measures are being developed to ensure a capacity to mitigate future challenges of this nature as well as accommodate opportunities that arise. The Company continually develops products and services along with distribution infrastructure and networks to improve the quality of life under the new normal and prepare for changes that may occur to provide a safe, convenient, and reliable capacity for consumers to access their necessities.

7) Risks to Securities Holders

7.1) Risks from over 75% of Majority Shareholders

As of 4 January 2022, the shareholding structure of the Company included the following majority shareholders: 1) CP ALL Group consisting of Siam Makro Holding (Thailand) Company Limited and CP ALL Public Company Limited, with a 55.92% shareholding of the total paid-up shares; 2) Charoen Pokphand Holding Company Limited with 17.69% of the shares; and 3) CP Merchandising Company Limited with 8.85%. All four companies are Charoen Pokphand affiliates with a combined 86.46% shareholding of the total paid-up shares, a ratio constituting an over-75% majority shareholder risk for investors concerning control power over Company resolutions and decision-making processes.

This includes special resolutions of shareholders' meetings, preventing minority shareholders from sustaining sufficient votes to oversee matters proposed by the major shareholders.

However, the Company operates the business under good governance with ample opportunities for minority shareholders to present and include matters in meeting agendas and nominate director candidates well in advance of the annual general meeting of shareholders. Matters relating to major shareholders or connected transactions with potential conflicts of interest with the Company are handled under protocol and strict approval procedures as well as guiding bylaws, regulatory, and legal frameworks. In addition, the Board of Directors includes five skilled, knowledgeable, and respected independent directors, representing a third of the board protecting the rights and benefits of minority shareholders. Three independent directors are also appointed as audit committee members to create audit transparency and balance of power in Company management.

7.2) Low Free Floating Shares and Liquidity Risks

As of 4 January 2022, four affiliates under the Charoen Pokphand Group held 86.46% of Company shares comprising 9,148,229,117 shares, leaving minority shareholders with only 13.53% or 1,431,090,697 shares. This relatively small number of free float in the stock exchange could result in low secondary-market trading and access difficulties to normal trading for general investors. Shareholders thus may be at liquidity risk, unable to trade quickly enough in the market without impacting the market price.

3. Driving Business Sustainability

3.1 Sustainability Management, Policy and Targets



Sustainable Development Vision

To be the number one trusted partner for customers, offering safe and high-quality products at fair prices, supporting customers to remain their competitiveness and profitability. To enhance stakeholders' quality of life without compromising the future generations' opportunity to access the resources for their needs.

The Company has established a framework for developing and managing sustainability in 3 dimensions: economic, social, and environmental. Last year, the Company expanded the Makro 4.0 Sustainability Strategy to a 2030 Sustainability Strategies for the 10-year roadmap from January 2021 to December 2030.

2030 Sustainability Strategies

Sufficiency Economy Philosophy

C.P. Excellence Management Approach

The 10 UNGC Principles
17 UN SDGs & UNGP

Regulations and Standards

HEART : Living Right



Corporate Governance



Human Rights and Labor Practices



Education and Inequality Reduction



Leadership and Human Capital Development



Cybersecurity and Data Protection

HEALTH : Living Well



Health and Well-Being



Social Impact & Economic Contribution



Food Security & Access to Nutrition



Innovation



Stakeholder Engagement

HOME : Living Together



Climate Resilience



Circular Economy



Water Stewardship



Ecosystems & Biodiversity Protection



Responsible Supply Chain Management

Supporting UN Sustainable Development Goals

The Company has integrated the United Nations Sustainable Development Goals (SDGs) into the 2030 Sustainability Strategies, aligning organizational core competencies with the whole SDGs 17 goals and driving positive impact in economic, social and environmental aspects.

	2030 Sustainability Strategies and Targets	UN Sustainability Development Goals
HEART : Living Right	Corporate Governance 100% The businesses implement a corporate governance impact scoring assessment.	  
	Human Rights and Labor Practices 100% The businesses periodically conduct human rights impact assessment in high risk own operations and tier 1 supplier	    
	Education and Inequality Reduction 150,000 people supported through education and lifelong learning and upskilling.	     
	Leadership and Human Capital Development 100% of employees engaged in learning and initiatives.	    
	Cybersecurity and Data Protection 100% of businesses are certified on an international standard of data security and data privacy.	
HEALTH : Living Well	Health and Well-being 70% of total sales volume of B2B and B2C products and services help promote health and wellness.	  
	Social Impact & Economic Contribution 150,000 jobs supported to generate incomes for the community.	      
	Food Security and Access to Nutrition 150,000 children and people in need get access to safe and nutritious food.	    
	Innovation 6 patents or petty patents were registered.	 
	Stakeholder Engagement 80% engagement score of multi-stakeholders perception survey.	
HOME : Living Together	Climate Resilience Carbon Neutral of organization's operation (Scope 1 & 2)	     
	Circular Economy 100% achieve food waste to landfill and use sustainable packaging	     
	Water Stewardship 20% Reduction in water withdrawals per nit revenue compared to the baseline year 2020	 
	Ecosystems and Biodiversity Protection 100% of businesses having/participating in programs with a relevant international partner.	   
	Responsible Supply Chain Management 100% of high-risk raw materials are traceable and high-risk suppliers are audited.	     

Materiality Assessment

The annual materiality assessment considers both internal and external factors affecting the Company, including the impact of COVID-19 pandemic and stakeholder concerned issues, referencing the Global Reporting Initiative (GRI) Sustainability Reporting Standard through the following process:



Stage 1

Identify material issues for the organization and stakeholders.

The Company identifies sustainability material issues from both internal and external context, namely the 15 goals of Sustainability strategies, Dow Jones Sustainability Indices (DJSI), Sustainability Accounting Standards Board (SASB), global trend along with persisting pre-post COVID-19 pandemic impact and global trends, including the significant issue in other industry peers and related sector.



Stage 2

Prioritization

Representatives from the executives, the head of the relevant departments and 10 stakeholder groups, arranged the workshop to assess and prioritize material issues that affect business operations and stakeholders.



Stage 3

Validation

The sustainability assessment results were presented to the Director and Group Chief Executive Officer-Makro Wholesale Business to confirm and approve sustainability issues. Furthermore, the Company has engaged an independent agent to verify and certify the accuracy in accordance with the GRI standard and conduct reliability assessment of specific data.

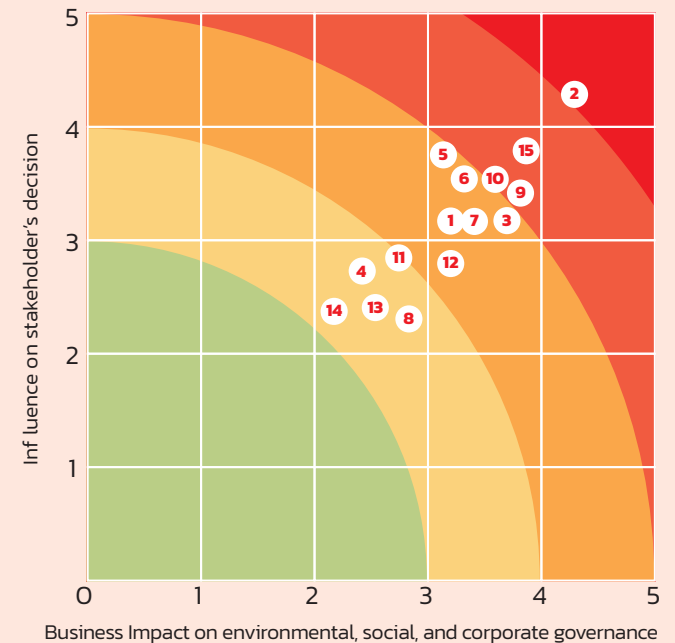


Stage 4

Continuous Review and Improvement

The Company continually reviews the reporting process, disclosure information and provides channels for stakeholders to feedback and give suggestions to the organization's sustainability development plan.

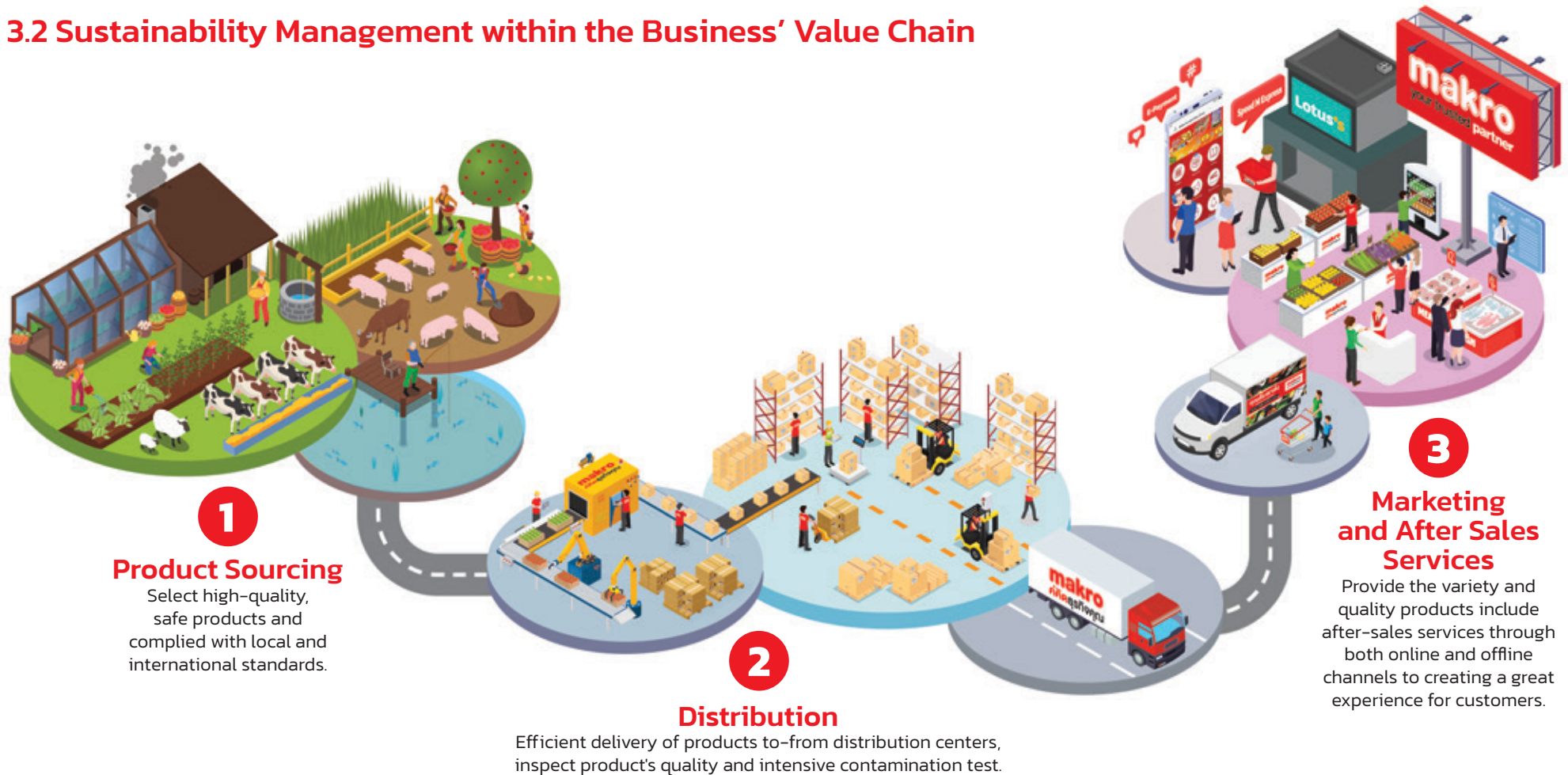
Materiality Assessment Results 2021



Materiality issues:

1. Human Rights and Labor Practices
2. Cybersecurity and Data Protection
3. Leadership and Human Capital Development
4. Education and Inequality Reduction
5. Corporate Governance
6. Health and Well-being
7. Social Impact and Economic Contribution
8. Food Security and Access to Nutrition
9. Innovation
10. Stakeholder Engagement
11. Climate Resilience
12. Circular Economy
13. Water Stewardship
14. Ecosystems and Biodiversity Protection
15. Responsible Supply Chain Management

3.2 Sustainability Management within the Business' Value Chain



The Company emphasizes stakeholder engagement throughout the business value chain, analyzing and categorizing direct and indirect stakeholders into 10 groups and periodically reviewing the engagement channels.

Makro's Stakeholders

Direct Stakeholders



Shareholders and Investors



Employees



Customers and Entrepreneurs



Business Partners



Contractors



Community and Society

Indirect Stakeholders



Financial Institutions



Government















































Mass Media



Non-Profit Organizations (NGOs)

Note: please see the detail of the Stakeholder Engagement channel, example issues, and responses to stakeholders in the Stakeholder Engagement topic.

Materiality Boundaries

Report Headings	Materiality Issues	GRI Standard	Impact Boundaries	
			Internal	External
HEART Living Right	Corporate Governance	102-11, 102-12, 102-13, 102-18, 102-22, 102-24, 102-30, 102-35, 102-38, 103-1, 103-2, 103-3, 205-1, 205-2, 205-3, 406-1		
	Human Rights and Labor Practices	102-41, 103-1, 103-2, 103-3, 401-2, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-9, 403-10, 405-1, 405-2, 412-1		   
	Education and Inequality Reduction	103-1, 103-2, 103-3, 203-2		  
	Leadership and Human Capital Development	103-1, 103-2, 103-3, 401-1, 404-1, 404-2, 404-3		
	Cybersecurity and Data Protection	102-19, 102-20, 103-1, 103-2, 103-3, 418-1		  
HEALTH Living Well	Health and Wellbeing	103-1, 103-2, 103-3, 417-1		  
	Social Impact & Economic Contribution	103-1, 103-2, 103-3, 201-1, 413-1		 
	Food Security and Access to Nutrition	103-1, 103-2, 103-3		
	Innovation	103-1, 103-2, 103-3		 
	Stakeholder Engagement	103-1, 103-2, 103-3, 102-40, 102-41, 102-42, 102-43, 102-44		 
HOME Living Together	Climate Resilience	103-1, 103-2, 103-3, 302-1, 302-3, 302-4, 305-1, 305-2, 305-3, 305-4, 305-5		 
	Circular Economy	103-1, 103-2, 103-3, 306-1, 306-2, 306-3, 306-4, 306-5		   
	Water Stewardship	103-1, 103-2, 103-3, 303-1, 303-2, 303-3, 303-4, 303-5		 
	Ecosystems and Biodiversity Protection	103-1, 103-2, 103-3, 304-1, 304-2		 
	Responsible Supply Chain Management	103-1, 103-2, 103-3, 204-1, 308-1, 414-1		 

HEART

LIVING RIGHT

SUSTAINABLE DEVELOPMENT GOALS



For sustainable growth of the business along with the country's development, the Company prioritizes the internal operational efficiency, legal and regulatory provisions, adhering to business ethics, professional conduct, respect for human rights, and human capital development. People empowerment is key to reducing social inequality and preparing organizational readiness for digital transformation, cybersecurity management and data protection.



Corporate Governance

- Corporate Governance
- Anti-Corruption
- Organizational Risk Management



Human rights and labor practices

- Human rights
- Labor practices
- Occupational Health and Safety



Education and Inequality Reduction

- Promoting lifelong learning opportunities and improving education
- Promoting social activities to support equality
- Reducing unemployment



Leadership and Human Capital Development

- Personnel development
- Leadership development
- Attracting and retaining talent



Cybersecurity and Data Protection

- Cybersecurity Management
- Cybersecurity Risk Assessment
- Cybersecurity Readiness
- Cybersecurity Awareness

CORPORATE GOVERNANCE

Opportunities and Challenges

To attain business growth on the path of sustainability, the Company emphasizes Corporate Governance (CG), building on an anti-corruption culture, managing risks across the organization, preparing organizational competition readiness, and expanding long-term business opportunities.



Target and Performance

2021 target

100%

business units
is implementing
a Corporate
Governance.

2021 performance

- **100%** of business units had a Corporate Governance (CG) structure.
- Assess the Governance body performance
- Enforce policies implementation
- Manage the Organizational risks
- Monitor non-compliance, enforcement action, penalty and reporting periodically.
- Whistleblowing and investigation system

Management Approach

The Company implements the policies and guidelines of the Corporate Governance (CG) and Business' Code of Conduct Manual in Thai, English, and Cambodian for a thorough understanding of executives, employees, and Company's representatives alike, to be applied as duties and responsibilities. All personnel must sign, acknowledge and strictly comply with the guidelines in the manual, to achieve Company's goals while maintaining the highest level of the Business' Code of Conduct.

Note: please see in detail the CG and Business' Code of Conduct Manual at https://www.siammakro.co.th/investor_corporate.php

Sustainability Development Committee

The Company has announced the Sustainability Development Committee to oversee the efficiency and effectiveness of sustainability performance throughout the organization. The committee consists of senior executives from all departments related to economic, social and environmental aspects, responsible for setting targets, action plans to monitor performance and assigning the working teams to implement and drive the action plans to achieve sustainability goals.

Partnerships to Drive Sustainable Development

Since 2020, the Company has committed to the 10 principles UN Global Compact (UNGC) to support human rights, labor practice, environment, and anti-corruption, as well as collaborating with the World Business Council on Sustainable Development (WBCSD). In 2021, the Company also endorsed the Women's Empowerment Principles (WEPs) to advocate workplace policies and practices that promote gender equality, enhancing sustainable performance in the process.

Makro's Membership of Associations in 2021:

- The Thai Chamber of Commerce (TCC)
- The Personnel Management Association of Thailand (PMAT)
- The Thai Listed Companies Association (TLCA)
- The Thai Institute of Directors Association (IOD)
- The Thai Retailers Association (TRA)
- Thai Rice Packers Association
- The Federation of Thai Industries (FTI)
- The Regulatory Affairs Pharmacy Association (Thailand) (RAPAT)
- The Thai-Russian Chamber of Commerce (TRCC)
- The Netherlands Thai Chamber of Commerce (NTCC)
- The Global Compact Network Thailand (GCNT)
- The World Business Council for Sustainable Development (WBCSD)

Association Membership Fees

Activities	2018 (Baht)	2019 (Baht)	2020 (Baht)	2021 (Baht)
Lobbying, persuasion, or similar activities	0	0	0	0
Local, regional, or national political campaigns/associations/candidates	0	0	0	0
Trade associations or tax-exempt groups (e.g., expert groups)	0	0	248,988.85	1,028,817.14
Others (e.g., spending on voting or referendum measures)	0	0	0	0
Total	0	0	248,988.85	1,028,817.14

Top 3 Spending of Sustainability Membership Fee

Association	Description	Contribution (Baht): fiscal year 2021
The Global Compact Network Association (GCNT)	The world's largest sustainability development network drives strategic actions through broader social goals focusing on partnership building and innovative developments. It lays strategic operational groundwork under the 10 principles of the UN Global Compact, covering 4 key areas: anti-corruption, environmental protection, labor practices and human rights.	744,812
The World Business Council for Sustainable Development (WBCSD)	The global organization as a community of around the world over 200 leading business CEOs to promote and create a sustainable in terms of economic, social, and environmental aspects. The council works on several related issues in attaining the 17 Sustainable Development Goals (SDGs).	167,525
Thai Chamber of Commerce (TCC)	The intermediary institute promotes enterprises and collaborates between business entities, traders, the private sector, and the Thai government under the Chamber of Commerce Act 1966.	23,021

Anti-Corruption

Communicating Anti-Corruption Policy

100%

of the Board of Directors acknowledge the anti-corruption policy.

100%

of employees acknowledge the anti-corruption policy.

100%

of business partners acknowledge the anti-corruption policy through the Supplier's Code of Conduct.

Anti-Corruption Training

100%

of management-level have passed the anti-corruption training program.

100%

of new employees have passed the anti-corruption training in the orientation program.

100%

of a non-management level, operational officers and staff have passed the anti-corruption training program.

The Chairperson of the Board of Directors and Group Chief Executive Officer - Makro Wholesale Business superintends, monitors, and promotes an anti-corruption corporate culture, both of whom report directly to the board. As a strong against any forms of corruption, the Company's Anti-Corruption and No Gift policies contain strict standards and specific guidelines for receiving contributions of all forms, whether political, charitable, sponsoring, favors, presents, or gifts from individuals with business. The Audit Committee also oversees Company's activities under the Anti-Corruption policy and reports directly to the Board of Directors, including establishing an internal audit department to support the committee's auditing and ensure that the Company has the appropriate internal control system to prevent corruption through business operations.

As a result of internal Corporate Governance, in 2021, the Company was rated "Excellent" which is the highest level of the Corporate Governance Report (CGR) among Thai Listed Companies, also received a perfect score of 100 from the Annual General Meeting (AGM Checklist) quality assessment for the 5th consecutive year.

Whistleblowing Channel

The Company provides whistleblowing channels for receiving complaints of misbehavior, unethical, or corruption, including discrimination and harassment. Whistle-blowers are protected within the appropriate and fair manner by the Company. Eyewitness or clues of misconduct can be reported through the following whistleblowing channels:



Chairperson of the Audit Committee/ Chairperson of the Board of Directors/ Group Chief Executive Officer – Siam Makro Wholesale Business/ Head of Internal Audit

**Siam Makro Public Company Limited
No. 1468 Phatthanakan Road, Phatthanakan Subdistrict
Suan Luang District, Bangkok 10250**



cgooffice@siammakro.co.th



Tel. 0 2067 9300



Fax: 0 2067 9119

Following up on complaints and the grievance mechanism in 2021, the Audit Committee received 304 cases through the Company's whistleblowing channels. Most of them were customers who complain about the services. The Internal Audit Department reported only 11 cases that potentially related to corruption, misconduct, or business ethics without significant value, no relating to the anti-corruption policy nor fair competition. All cases have been assigned to the relevant department for remedial action. The Company has investigated and appropriate disciplinary action, reviewing work processes and reinforcing the business' Code of Conduct training for all involved parties to eliminate risk and prevent reoccurrence.

Note: In 2021, No significant incident occurred that resulted in lawsuit against the Company or its employees on corruption issues. that resulted in a lawsuit against the Company or its employees on corruption issues.

HUMAN RIGHTS & LABOR PRACTICES

Opportunities and Challenges

Recognizing diversity and respecting the rights of others are essential for any community. Whenever inappropriately communicated and managed can cause the business' operational risk. The Company respects human rights and labor practices in all operations, promoting equality, non-discriminatory and workplace occupational health & safety. This includes preventing human rights violations and protecting the person from discrimination and harassment.



Target and Performance

2021 Target

100%

local business
is conducted
the Human Rights
Impact Assessment.

2021 Performance

- Declared commitment to respect human rights under the United Nations Guiding Principles on Business and Human Rights (UNGPs).
- A thorough verification process is in place to identify and assess the potential impacts and risks on human rights.
- **100%** operation was reviewed the human rights due diligence in the past 3 years.
- **58.06%** are female senior executives.
- **54.55%** are female mid-level executives.
- **0.15%** of all employees are disability group.
- **2.64** Lost Time Injury Rate for employees and **1.19** for contractors.

Management Approach

Human Rights Due Diligence



Commitment

- Review and update human rights policy and labor practices.



Embedding

- Communicate and provide human rights training to new employee orientation programs and refreshment training to all employees.
- Announce the Human Rights Due Diligence working team.



Assessing Impact

- Conduct Human Rights Risk Assessment.
- Assess Human Rights Impact.
- Assess human rights risks of tier 1 suppliers.



Integration & Action

- Develop guidelines for managing human rights salient issues.
- Enforce human rights and labor practices policies and guidelines.
- Enhance the high-risk suppliers to define root cause and proper action.



Tracking Performance

- Monitor human rights and labor practice performance.
- Follow-up action and performance of high-risk suppliers.



Communicating Performance

- Disclosure performance within CPG's annual human rights report.
- Disclosure performance in the Company's One-Report.



Stakeholder Engagement

- Engage with stakeholders to assess salient issues.
- Engage with stakeholders during human rights impact assessment.



Remediation and Grievance Mechanism

- Develop a rights-based approach for complaints channels.
- Determine the remediation for salient issues.

The Company respects human rights and labor practices, such as the Universal Declaration of Human Rights (UDHR), the UN Global Compact, the UN System Code of Conduct, the UN Guiding Principles on Business and Human Rights (UNGPs), and the Declaration on Fundamental Principles and Rights at Work of the International Labor Organization (ILO), including regulation in all countries where business is operated. The Company regularly reviews human rights due diligence and communicates the human rights policies and labor practices to stakeholders.

Human Rights and Labor Practices Policy

In 2021, the Company updated the existing human rights and labor practices policy to further inclusive human rights principles and guidelines.

Respect for Human Rights



Civil and Political Rights



Economic, Social, and Cultural Rights



Freedom of Association



Human Trafficking and Forced Labor



Child Labor



Non-Discrimination and Equal Opportunity



Harassment and Sexual Harassment



Whistleblowing

Note: Please see in detail human rights and labor practices policy at:
https://www.siammakro.co.th/en/sustainability_policy_and_statement.php

The results of the human rights risk assessment conducted by the Company in 2020 found that salient human rights issues consist

1. Data privacy
2. Occupational Health and safety
3. Labor rights and women's rights
4. Vulnerable group's rights

the Company announced the Human Rights Due Diligence working team to identify causes of risks, mitigating and preventive action for each salient issue. There is not any case that requires remedial action.

Progress 2021 Human Rights Risk Assessment Performance

100%

Siam Makro, Thailand conduct Human Rights Risk Assessment.

26.67%

Value chain operations were identified for human rights violation risk, based on 4 of 15 operating activities.

100%

Human rights salient issues have risk mitigation plans and closed all significant issues.

100%

Store and head office provide the lactation rooms with convenience conditions for staffs.

Key Human Rights Salient Issues and Risk Management

Human Rights Risk Areas	Affected Party	Preventive Action
Data Privacy	Customers, Employees, Business Partners	<ul style="list-style-type: none"> Assigned a working team as the Personal Data Protection Act B.E. 2562 to established implementation plan and guidelines, raise awareness, and prevent relevant risks that may impact businesses and stakeholders. Establish standard operating procedures for recycling paperwork to prevent the risk of data privacy violations.
Health and Safety at Work (including Transportation Safety)	Employees, Contractors	<ul style="list-style-type: none"> Assigned transportation safety working team to establish the operational procedures and monitor performance on a monthly basis.
Labor Rights and Women's Rights	Employees	<ul style="list-style-type: none"> Regularly communicate employee benefits and welfare such as overtime payment. Followed up on employee complaints on a monthly basis. Adopted the Women's Empowerment Principles (WEPs).
The Rights of Vulnerable group	Customers, Employees	<ul style="list-style-type: none"> Survey welfare and facilities at the head office and stores for vulnerable persons such as lavatories, wheelchair ramp, parking lots and lactation rooms for staff. Determine appropriate guidelines for improving facilities.

Labor Practices

Respect to Diversity



The proportion of female employees in the organization

Female employees: **55.21%** of all employees

Female executives: **58.83%** of all executives

Female executives: **58.06%** of all senior executives

Female mid-level executives: **54.55%** of all middle-level executives



Employment of people with disabilities

Employment of disabilities **26** persons

Employment of disabled staffs rose by **18.18%** compared with 2020

The Company strictly adheres to local and international labor practices, providing appropriate working conditions and respecting the freedom of association. The Company has the Welfare Committee to receive and follow up on employees' welfare suggestions under the Labor Protection Act of 1998. The committee currently comprises 926 members, representing 5.47% of the total workforce. Also provide the complaint channels for employees, business partners, and contractors to raise concerns and opinions to suggestion boxes, telephone and e-mail, etc.

Under the Human Rights Policy and Supplier's Code of Conduct Manual, the Company respects diversity and inclusion where employees, business partners, and contractors are treated with fairness, without any discrimination from the race, nationality, color, ethnicity, religion, social status, gender, age, physical features or disability, political belief and marital status.

The Company also conducts equal payment analysis to ensure that both men and women are paid equally fair, including the annual reviewing for compensation and benefits at competitive rates with benchmarking in the same industry and leading companies in Thailand.

WOMEN'S EMPOWERMENT PRINCIPLES



Mrs. Suchada Ithijarakul

Director and Chief Executive Officer – Makro Wholesale Business

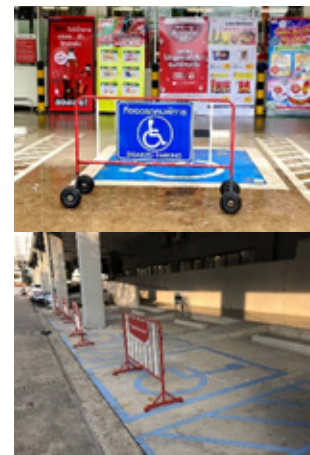
Learn more at: <https://www.weps.org/company/siam-makro-public-company-limited>

On October 15, 2021, the Company endorsed the Women's Empowerment Principles (WEPs) to advocate for policies and guidelines that promote gender equality in the organization and through society.

"At Makro, gender is not the barrier to your success"

Examples of welfares and infrastructures supporting rights of vulnerable groups and female staff:

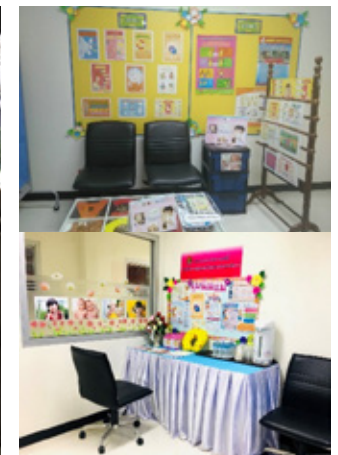
Parking lot for Handicap and Elderly



Wheelchair Ramps for Handicaps at Tara Phatthanakan Headquarters



Lactation Rooms for staff



Occupational Health and Safety

The Company's occupational health and safety management system is implemented in all operational facilities and OH&S policy to promote safe working conditions, equipment and machine, prevention and risk control program, safety training alongside personal and facilities hygiene measurement of each operational area. In addition, the Occupational Health and Safety Committee oversees occupational health and safety performance, the committee consists of representatives from the election and executive representatives in legally required proportions.

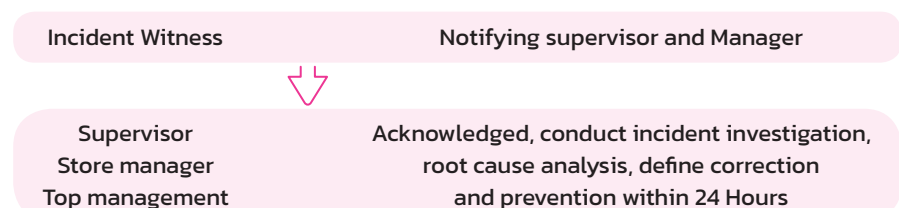
Roles of the Occupational Safety and Health Committee



Occupational Health and Safety Risk Management

The Duty Manager is responsible for daily safety inspection and risk control measures in each store, ensuring safety protection programs have continuously implemented both employees and contractors have complied with safety rules including protecting the customer's safety.

The Accident and Incident Reporting Procedure at store



Accordingly, the COVID-19 pandemic in 2021 led the Company to provide more stringent personal hygiene for prevention and control at head office, stores, as well as distribution centers, the action plans included a work-from-home strategy for head office employees, setting up the field hospitals to accommodate self-isolating and quarantining and providing RT-PCR tests, ATK test kits also COVID vaccinations, etc, to ensure working area and customer service area contain the universal personal hygiene protection.



Examples of Covid-19 Pandemic Safety Measures

Employees and Contractors	Facilities	PPE	Communication and training	Vaccination
Following D-M-H-T-T-A measurement	Zoning as Red, Yellow, and Green for fresh food zones in distribution centers to minimize contact between employees, partners, or carriers.	Access control and screening with ATK or PCR test before entering the area.	Daily Covid-19 Communication	Providing vaccines to all employees.
ATK testing every 5-days	Sanitize the operating zones with ozone, UVC, and disinfectant sprays.	Applying a QR Code system in conjunction with an ID card to collect ATK results and remind next ATK test schedules.	Communicating and educating via video clips and case studies.	All employees received at least 2 doses of vaccination in 2021.
	Increasing the frequency of cleaning operating zones.	Providing PPE kits for employees in certain areas.		

For emergency response and preparedness including emergency management procedure and firefighting plans, to ensure organizational emergency readiness and enable responsive control in crises. Readiness includes providing equipment and resource, annual firefighting exercises and evacuation drills, under legal requirements to ensure the emergency procedures are effective.

Embedding Safety Culture

Incident Safety Statistics compared with 2020 year
(Case per 1,000,000 working hours)

 Employees			 Contractors		
Lost Time Injury Frequency Rate (LTIFR)			Lost Time Injury Frequency Rate (LTIFR)		
Increased in Total	Increased in male	Decreased in female	Decreased in Total	Decreased in male	Increased in female
0.76%	7.11%	10.84%	9.84 %	17.00%	1.75%

The Company continually promotes the safety culture to raise awareness among workers through general and job-specific safety training, such as forklift safety training and monthly safety talks by store managers, annual safety, health and environmental audit (SHE Audit) at every store and distribution centers per international standards. In 2021, the Company raised the level of safety awareness by introducing Smart CCTV technology to detect unsafe behavior at sites, transforming employee behavior to be safer.

As a result of the Company's occupational health and safety management. In 2021, no employees were involved in fatal accidents. Although potential hazards and risks from the increasing outsourcing delivery service to deliver goods to customers by pickup trucks and motorbikes, the Company conducts the safety driving training program and establishes driving safety rules for all drivers. The new drivers must have completed the mandatory learning program before starting the task.

The New Hybrid Working-Strategy

Given uncertainties of the COVID-19 situation, the Company gives the priority to the safety of its employees and strives for a flexible working environment under the current circumstances. In 2022, the Hybrid Working strategy is on the 6-months trial for headquarters employees, as the new way of engaging working conditions with flexible locations and schedules also based on the outcome performance instead.

Employees work from the head office at least three days per week combined with Work From Anywhere. This requires a workplace that supports a remote working environment, including safety and hygiene standards, Cyber security includes data of the Company, the employee, and the customers. Pregnant employees can continue to work from home until further notice.

At the end of the trial period, the Company will re-evaluate and consider the pandemic circumstance, employee's health, and safety and efficiency of operations as the priority. Other factors may arise in the future for policy to be adjusted accordingly.

Promoting Holistic Health for Employees

The Company provides the annual physical checks up and health care benefits to all employees under legal requirements in each country. The physical check-ups program and any occupational risk will be diagnosed and advised by a certified occupational health doctor. Employees assure the medical examination results are protected under the Company's Privacy Policy that prohibits applying such information to consider in any employment condition.

EDUCATION & INEQUALITY REDUCTION

Opportunities and Challenges

Thailand is ranked among the top countries in the world for income inequality. The disparity contributes directly to social imbalances from barriers to quality education and professional development capacities. The Company is thus determined to close the educational accessibility gap by upgrading access feasibility to quality academia and developing studentship for the underprivileged-the foundation of autonomous learning and overall social quality of life.

Target and Performance

2021 Target

150,000 people are supported through education, lifelong learning and upskilling.

2021 Performance

- **2,500** people participated in internship programs.
- **172,832** people access to education, lifelong learning and upskilling.
- Employees participated in **4,358** volunteering hours.

Management Approach



01

Promote opportunities for lifelong learning and improve education



02

Promote social support activities to reduce inequality



03

Reduce unemployment



Promoting Lifelong Learning and Quality Education

Makro's realizing the impact to society from poverty led to the educational and skilling inequality, the Company committed to reducing this inequality by supporting projects to upskill and develop competencies to our customers, SMEs and underprivileged groups with knowledge-sharing programs to create their income-generating careers.

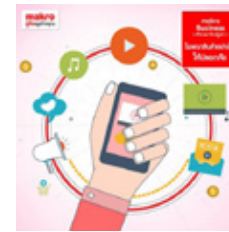
"Makro Retailer Alliance (MRA)"

The Company has been running the *Makro Retailer Alliance* or MRA as a sustainable project for 14th consecutive years, leveraging the capability of small retailers to adapt to rapidly changing situations. This year, the project continues to focus on familiarizing entrepreneurship and retail shop management through the training program – “8 Steps to a Success”, enhancing knowledge and technology to improve competitiveness that impacts their business. The participants can access the knowledge center and other beneficial information via Makro's website and Facebook page: *Makro Your Trusted Partner*.

8 Steps to Success



Examples of knowledge for retailers from the website:



Proper Product Advertising



Delivery Service Increasing Sales and Customer



Must-have Products During Rainy Season

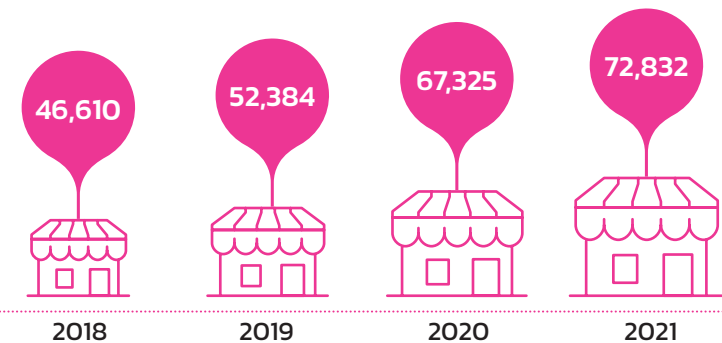


Common English to Serve the Foreign Customer

2021 Performance

- **72,832** retailers participated in the MRA program, an increased **7%** from initially **5,507** retailers.
- Participating retailers had an average of **25%** increase in their revenue.
- Average Satisfaction level as **4.5** of **5** (which **5** means Highest).

Number of participating retailers



As a 32-years relationship with grocery store, the Company has continued this MRA projects with the following sub-projects and activities as:

"Thai Sho Huay Day: Get Wealthy with Sho Huay New Normal"

Although the Covid-19 situation severed since the previous year, the Company managed to organize the "Thai Sho Huay Day: Get Wealthy with Sho Huay New Normal" event by shifting the platform to online and broadcasting live via Facebook and LINE. Through live broadcast, the Fellow "Smart Sho Huay - Turning Crisis into Opportunity and Profit" Turnover advice, along with new products and various shopping channels that were presented in the event.

2021 Performance

- **4.14** million viewers of the event



Examples of New business opportunity from Smart Sho Huay Project

Coffee vending machine



Pet Food Corner



POS System



Makro HoReCa Academy (MHA) Program

The Company initiated the MHA project is the complete learning center with comprehensive missions to upskilling, supporting business growth the existing member and developing new entrepreneurs of the HoReCa business. The project's scope covers 1) providing management and cooking skills and 2) providing support and benefits to members through various learning channels via online and offline systems free of charge. The Company also emphasizes HoReCa entrepreneurial community by supporting the following projects and activities:

Examples of Makro's HoReCa Academy (MHA) Activities



MHA promote the member's restaurant



MHA Cooking book : recipes, tips, popular street food menus



MHA Magazine



MHA online training courses

2021 Performance

- **100,000** members in the program

In addition, the Company as the food supply chain knowledge academy and supportive as business partners for food entrepreneur through many projects and activities as follow:

Online Courses and Content

The curriculum was adjusted in 2021 to enable entrepreneurs to take updated knowledge within changing situations, the training material covering skills for online marketing, delivery services, finance management, sales promotion and public relations, and new business development, among other areas.

Examples of Courses and Content in 2021

- MHA Cuisine: Chef's Special Menus with Cost Calculation
- MHA Advice: Transforming to business professionals by coaching from the experts
- Street food cooking courses such as grilled pork with sticky rice, fried chicken, boat noodles etc.

MHA Channels



2021 Performance

- Over **112,000** Facebook followers
- Average **2,400,000** engagements with Facebook activities
- Average **710,000** views online course
- Average **6,400,000** views on VDO Content

"Makro Build Careers – Millionaire Street Food" Project

As the ongoing epidemic diminished the people's household income and employment, the Company has put 4th Makro Build Career – Millionaire from Street Food project to alleviate economic impacts and rebuild careers for the person who seeking employment or additional income. Participants can apply the upskill and support from this project to open street food businesses with low investments.



2021 Performance

- **1,000** participants, in either online class or workshop
- Over **71** million Baht of revenue was generated from the project

Promoting Social Support Activities to Reduce Inequality:

As Thailand faced concurrent natural disasters and emergency crises, drought, flash floods, or the COVID-19 pandemic, the impact of these events has accentuated social inequality in tangible ways. Many underprivileged groups in the community experienced an impact on their life and property due to untimely medical treatment. The Company assisted as many victims as possible, employees and community members alike, by coordinating hospitals to accommodate COVID-19 patients, supplying food, supplies, and survival bags to field hospitals and alleviating the grocery that was damaged from the flood.

Reducing unemployment

Seeking the opportunity to offer new jobs from the high demand for delivery services in the backdrop of skyrocketing unemployment under the COVID-19 economic recession, the Company began recruiting available local workers for delivery services for the respective local Makro stores. In addition, the Company also offer the new job recruitment for many positions in variable job fields. Job booths were organized with the Department of Employment at the Bangkok Job Fair 2021 event to advertise vacancies to those seeking employment or affected by the COVID-19 situation. Applicants could also submit required paperwork via scanning the provided QR Code. Numerous job applications were accepted throughout the event, reflecting how eager the applicants were to work at Makro.



LEADERSHIP & HUMAN CAPITAL DEVELOPMENT

Opportunities and Challenges

The most valuable asset to any organization is the human resources that drive the business forward. To the Company, they are the delta between reaching set goals and falling short. Taking care of the employees that bridge the gap between available talent and organizational goals in the competitive landscape is key to operational optimization and social value creation.



Target and Performance

2021 Target

All employees have trained and engaged in learning and initiatives.

2021 Performance

- **100%** of employee has participated the training and development
- **717** employees participated in the leadership development program.
- **1,868** employees or **11%** participated in the sustainability training program.
- Average employee training hours were **14.75** hours per person per year
- Average cost of training and developing employees was **3,813.22** Baht per person per year
- Employee engagement score was **84.06%**
- A performance assessment was completed for **100%** of employees
- Employee turnover rate was **16.31%**
- Success Internal recruitment rate was **34.78%**

Management Approach

The Company has committed a strategic working style shift to an agile and speedy business operational model. The new technology in a digital transformation to leverage business operation meets the needs of the fast-changing world today, The human capital development to upskill and create new career paths to the future. The 5 Human capital development strategies have been defined for the dynamic, agile and accurate working environments for employees across the organization.

5 Human Capital Development Strategies

Detail



Customer Centricity

Increase awareness of customer needs at every operational step.



Agility

Reduce unnecessary workflows to speed up processes.



Talent

Attract, employ and develop to retain the talent.



Data-Driven

Decision-based on quantitative and qualitative data analysis.



Enabling People Function

Continuously develop the skills and competencies for all levels of employees.

The Company prioritizes the human capital development of perspectives and mindsets that foster a professional corporate culture through 3 dimensions of the human resource management approach which are human capital development, leadership development, and talent attraction and retention to ensure effective competencies development and a happy workplace across the organization.

Human Capital Development

The Company arranges both classroom and online training (M-Learning) the training curriculum has been designed to support the necessary competencies as the functional skill, the soft skill for emotional intelligence and systematic thinking from internal and external instructors to develop employee's competencies, increase self-esteem and upskill the support business growth strategies.

Train the MHA trainer

Makro HoRoCa Academy (MHA) conducts train the trainer program to build up the qualified trainers for MHA program with professional trainer skills such as communication skills, HoReCa business management and advisory skills with more than 280 employees participated.



Online Employee Development Curriculum (M-learning)

The Company provides employees with access to over 515 online courses, either updated or newly developed. New courses in 2021 included the Personal Data Protection Act (PDPA), Pick & Pack Process for Product Delivery, Food Safety for Food Handlers with certification from the Department of Health, Learning Journey by Store Position and Sustainability development. Total 138,958 attendants participated in the courses (the number of attendants was duplicated as each person enrolled in more than one course).



Leadership Development

The Company leverage the potential employees to take their fast-tracking and opportunity to be promoted to the next level by developing essential skills to successful leadership such as communication, managerial skill, business model development and project management etc.

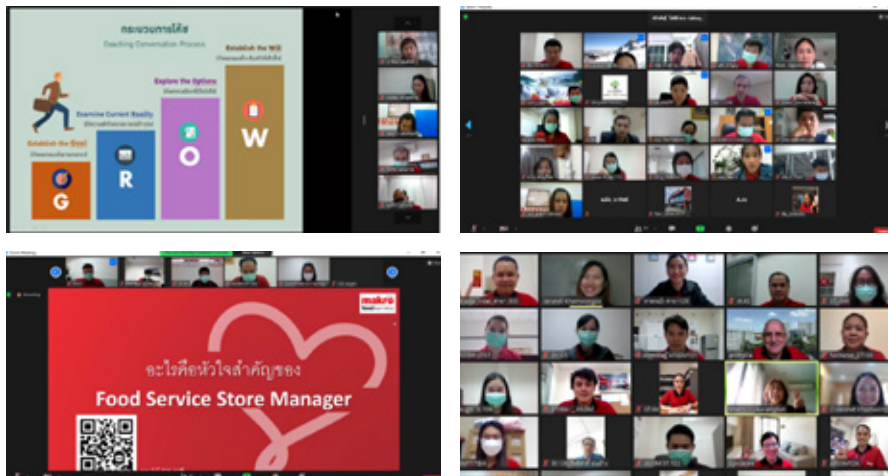
CP Future Leaders Development Program (FLP)

In collaboration with Charoen Pokphand Group, the CP Future Leader Development Program is a leadership development course for future leaders like the young talent group to learn by business practicing and understanding the changing consumer expectation and economic conditions. The entrepreneurial business mindsets and skills are developed through the New Business Initiatives in 3 learning approaches which are 1) Online basic business management training courses such as Customer Development, Store Management, Marketing and Procurement Management via m-learning 2) Knowledge sharing and project management guidance from senior executives and mentors 3) hands-on experiences in field operations, customer visits, and strategic planning at Makro's stores. Total of 60 new leaders completed the course in 2021.



The Makro Business Academy (MBA)

The academy organizes leadership and skills development courses for Makro's store employees to develop their potential according to duty. The understanding of leadership competencies and behavior that support teamwork and business. Courses are tailored by the employee's job function group into 2 separate courses which are 1) The STAR program for assistant store managers and or in related managers preparing for mid-management to be store general manager and 2) The Food Service Academy for foodservice assistant store managers and managers in related fields preparing for mid-level executive advancement to food service store general manager or equivalent. A total of 62 leaders completed the program in 2021.



Talent Attraction & Retention

The Company focuses on creating a corporate innovation culture that fosters creative initiatives, continuous self-improvement, and reliable operational efficiency which led to a suitable and attractive working environment to retain talent.

The direction of talent development for an employee is based on straightforward annual performance assessment starts from goals setting, close monitoring and evaluation and feedback with supervisors. This allows employees to reviews their strengths and weakness for individual development roadmap accordingly.



The Company places great importance on succession management to allow employees to acknowledge their potential and opportunities on a clear career path. Employees with key talents are considered for succession to positions corresponding to their profile, skills, and experience or specialty of job function. And develop the individual succession and capability Management plan for successors of key positions with the systematically develop competencies and skills that are required in the upper level.

Result of Key Succession plan in 2021

Total of **2,488** employees were considered for key positions, where **44.01%** were men and **55.99%** were women.

The Company establishes strategic guidelines of awarding and incentives for team players with key skills to motivate moral, work incentives and most importantly to retain talent with the Total Reward Strategy & Policy. The Company's shift to a hybrid workforce strategy that includes remote work as office hours, where work flexibility correlates directly with individual and team performances and also a response to new generation workers' job condition expectations. In addition, an employee engagement score is applied to assess workplace satisfaction, ensuring employees are having a good time and quality of life.

Employee's Engagement to the Company in 2021

Average employee satisfaction and engagement score was **84.06%**, higher than the target which is **80%**.



CYBERSECURITY AND DATA PROTECTION

Opportunities and Challenges

The application of information technology is essential to keeping competitiveness and driving the organization forward. It is also fundamental to maximizing operational efficiency and effectiveness. On the other hand, increasing the risk of emerging risks of cyber-attacks or threats. The Company is enhancing cybersecurity and data privacy policy to protect data and trustworthiness for customers and stakeholders throughout the value chain.

Target and Performance

2021 Target

100% implement cyber security and data privacy as Personal Data Protection Act requirements.

2021 Performance

- Complied with Charoen Pokphand Group Action list for cybersecurity and data privacy.
- **100%** of employees have been trained in the cybersecurity awareness program.
- **100%** of data routes have been conducted the cybersecurity risk assessment.

Management Approach

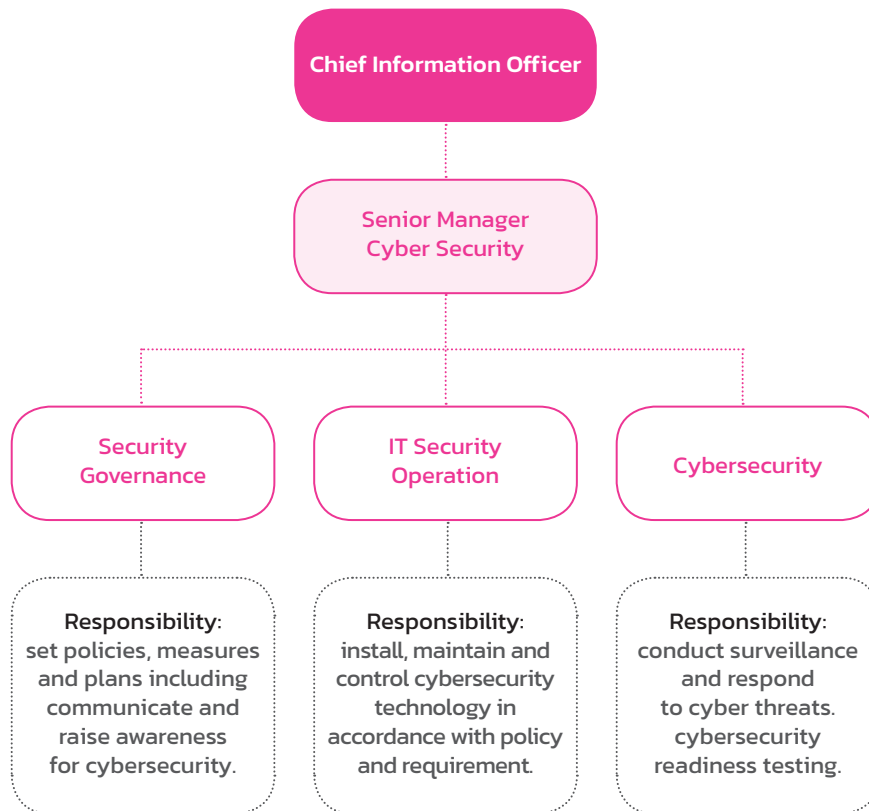
Cybersecurity and data privacy are the top priority of materiality issues. The Company launches the cybersecurity organizational structure, information security risk assessment determines all controls that are necessary to implement the information security measures, raises the cybersecurity awareness to all employees and plans to be certified by the Charoen Pokphand Group or ISO 27001 international standard within 2030.

Cybersecurity Management

The Company has established a Cyber security working team that expertise in information security management systems to account for planning and monitoring overall safety and data protection, assessing cybersecurity readiness in responding to cyber threats, proactively penetrating tests for cyber threat scenarios, as well as creating a cybersecurity culture and awareness training throughout the organization.

In 2021, to enhance cybersecurity management and efficiency, the IT & Security Committee was formed where the Chief Information Officer (CIO), a member of the Executive Chairman Committee, was appointed as Chairman of the Board. In addition, the Committee also reports operational results directly to the Executive Board of Directors (EBD).

Cyber Security Team Structure and Responsibility



Cybersecurity Risk Assessment

Presently, cyber threats and attacks are more complex and impact cybersecurity risk. The company thus conducts 5-dimensional risk assessments as follows:

- 1) Internet Facing Risk
- 2) Phishing & Ransomware Risk
- 3) Identity Theft Risk
- 4) Supply Chain Attack Risk; and
- 5) Data Leakage Risk

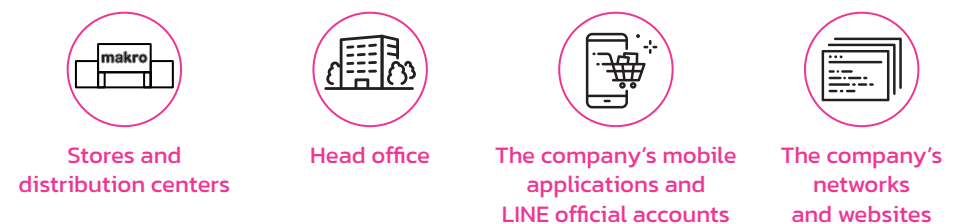
The cybersecurity risk assessments cover a wide range of data routes that could be used to access company data, from head office, mobile phone applications, websites, as well as store and business partners.

Cybersecurity Risk Assessment Guidelines

The 5 Dimensional Cybersecurity Risk Assessments



Risk Assessment Scope

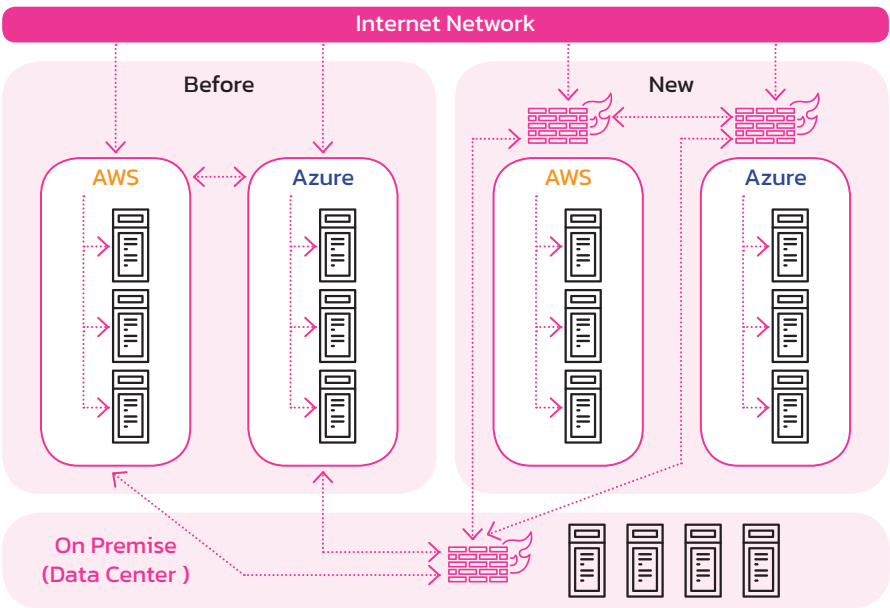


Cybersecurity Risk Responsiveness

Risk assessment results are documented and analyzed where high-risk areas are prepared for enhanced cybersecurity readiness for both software and hardware. The security protection systems have been inspected and monitored, prevented, improved and put in place the security networks that meet the required cybersecurity standard.

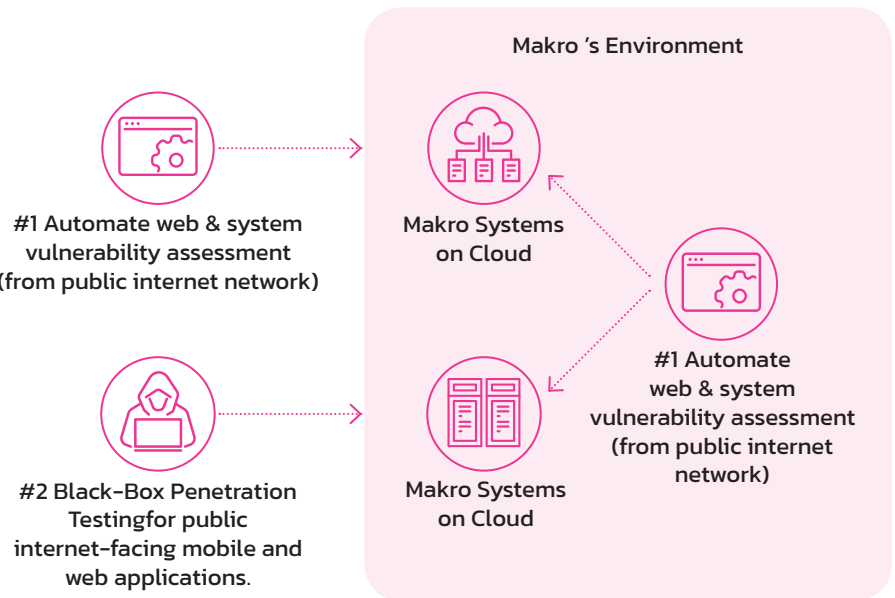
The AWS and Azure Cloud Firewall Project

As online data retrieval, processing and storage on the internet have been incorporated through Amazon Web Services (AWS) and Microsoft Azure, balancing online data security and maximum efficiency and speed. Thus, firewalls have been put in place to control data access through the networks, protect data theft and also maximize cybersecurity detection and prevention.



The Penetration Testing

Existing information systems and networks are put through penetration testing to examine cybersecurity readiness, systematic vulnerabilities, loopholes and the readiness of infrastructure are assessed, led to the summarized dashboard to monitor the sensitive data. In addition, the Company hired a professional third parties vendor to conduct penetration testing, the results are reviewed for the overall system improvement plan.



Raise the Employee's Cybersecurity Awareness

Personal awareness is the key element in securing any information protection system against cyber threats and data leakage. The Company considers the three components for creating an awareness approach that are consists of Communication awareness, Responsive awareness and Testing awareness.

Components of Cybersecurity Awareness Approach

Details



Communicating Awareness

Communicate the cybersecurity policies and guidelines through training and communication email.



Responsivity Awareness

Initiate security risk alerts, such as online data leaks or warnings about phishing emails etc.



Testing Awareness

Simulate cyber theft scenarios using the phishing test to assess employees' cybersecurity awareness level.

Cybersecurity Performance

2021

Cybersecurity Indicators

0

Number of cyber threat cases that caused the damage (Case)

< 30

Number of data leakage complaints (Case)

100%

Percent of employees that are trained the cybersecurity awareness

HEALTH

LIVING WELL

SUSTAINABLE
DEVELOPMENT
GOALS



The Company contribute economic value to society through economic growth for business partners, promoting access to nutrition, and delivering products with high-quality and food safety. Innovation, continuous development of products and services also stakeholder engagement. The Company meets expectations and connects customers, operators, and business partners on the path of sustainability to create long-term value contribution for communities.



Health and Well-being

- Quality and food safety
- Health and nutrition promotion



Social Impact & Economic Contribution

- Supporting farmer and agricultural products
- Supporting community during the crisis



Food Security and Access to Nutrition

- Expanding food accessibility for people affected by the COVID-19 crisis, communities and vulnerable groups



Innovation

- Building an innovative organization
- Makro Innovation Awards 2021



Stakeholders engagement

- Supply chain management
- Certified product and sustainable sourcing

HEALTH & WELL-BEING

Opportunities and Challenges

Quality and safety products are the fundamental schemes of developing products that focus on health and wellness for consumers of all ages. As a leader in the retail and wholesale industry, the Company recognizes the importance of developing internal processes and enhancing the business partners for safer goods also promote better health and well-being product. This requires traceability systems to demonstrate transparency of the source of raw materials and meet the needs of increasingly health-conscious consumers and better health conditions among the population.

Target and Performance

2021 target

40% of sales from B2B and B2C products and services help promote health and well-being.

2021 performance

- **50%** of sales from B2B and B2C products and services help promote health and well-being.
- **1%** of sales from food products have reduced fat, trans fat, sodium and sugar.
- **2%** of sales from food products that increased nutritious ingredients like fiber, vitamins, minerals, phytochemicals, or functional food additives
- **39%** of sales from food products are safe for consumers of all ages, from children to elders.
- **7%** of sales from products and services that promote health and well-being.
- **1%** of sales from healthier food products by reformulation.
- Only **10** product recall cases due to potential health effects on customers.



Management Approach

The Company emphasizes food quality and safety throughout its supply chain operations on the path of sustainability. The Company has applied Makro Initiative Accreditation (MIA) and Makro i-Trace systems to control quality and food safety standards, from upstream to downstream. In addition, products in the Makro's store have passed testing results from ISO17025 certified laboratories and nutritional value examination from the Institute of Nutrition, Mahidol University. The Company also supports consumer awareness through the QR Code MAKRO i-Trace application to trace back to production sources, ensuring product quality and safety comply with standards and regulations. This reinforces the Company's quality and food safety policy that "Makro will grow with good performance, invest in people, strive to develop quality and safe products for consumer and continued service with responsively and social responsibly."

Operational guidelines for product quality and safety throughout the supply chain:



01 Upstream:

Quality and safety at the farm.

The Makro's (MIA) was introduced, which checklist cover economic, social, and environmental question to raise farmers' cultivation standards. high-quality fresh produce, safe from chemicals, reducing the redundancy in the certification. As a result, there were 350 farmers who complied with the MQP and selected brand.



02 Midstream:

Control quality and safety at stores and distribution centers

The MIA is further applied across the stores as a self-assessment checklist pre-accreditation:

- 1) Good Hygiene Practice (GHP) standard.
- 2) Codex Alimentarius international standards of Food and Agriculture Organization.
- 3) Hazard Analysis and Critical Control Point (HACCP).
- 4) ISO 22000: 2018 Food Safety Management System.



03 Downstream:

Delivery of quality and traceable products.

The Company has applied the Makro i-Trace system as a traceability application for customers to trace the origins of products back to the raw materials and sources and product's nutritional information. The Makro i-Trace currently covers 100% of fresh food and bakery products, which are under Company trademarks such as aro and MQP brands. And the Company has expanded the application to store in the Republic of the Union of Myanmar.

International standard, National standards and internal standards:

Standard	Location		
	Makro Store ¹	Makro Distribution Center Mahachai Samut Sakhon	Makro Distribution Center Wang Noi Phra Nakhon Si Ayutthaya
GMP	100%	100%	-
GHP CODEX ¹	100%	100%	100%
HACCP	100%	100%	-
Livestock-OK from the Department of Livestock Development ¹	100%	-	-
Product Safety Standard from the Ministry of Agriculture and Cooperatives ¹	100%	100%	-
Internal audit complies with ISO 22000:2018 Food Safety Management System Standard (Bakery Production Processing) ²	100%	100%	-
Complied or certified ISO 22000 Food Safety Management System	100%	100%	100%
Testing with Laboratory from the Department of Medical Sciences	-	100%	100%
Halal Standard (HALAL) ¹	7.04%	100%	-

Notes: as of December 31, 2021, the Company had a total of 142 stores in Thailand.

¹ GMP Codex, 131 stores OK Livestock 135 stores and Halal 10 stores.

² 118 stores have bakery production processes.

Quality and Food Safety Program

"Safe Oranges Save Thai Smile" Project :

In collaboration with Kasetsart University, Maejo University, and the Ministry of Agriculture and Cooperatives, the project supports citrus growers in managing crops that comply with GAP standards, ensuring all oranges are of good quality and free from pesticide residues. The Safe Oranges project also includes a traceability application where customers can scan the Makro i-Trace QR Code on the package or display location.



2021 Result:

- Over **70** farmers participated in the project, covering an area of more than **22,350** rai (1,600 square meters).

"Pan-Sap to Sap-Pan – sharing to the highland farms" project:

The project aims to improve management guidelines throughout the organic products in the supply chain with Fang district highland farmers in Chiang Mai, this allows customers access to the traceability testing result in the Makro i-Trace system.



2021 Results:

- Farmers who certified the organic products increased to **55** households.
- Reduce costs of chemical usage by **4,000** Baht per rai.
- Value-adding orange to the organic product over **15–20%**.
- Farmer's income has risen by an average of **12,000** Baht per year per household.

"For Better Life of Hill Tribe Farmers" Project:

The project aims to add value to agricultural products of hill tribe farming communities in the highlands of 4 northern provinces in Thailand through agricultural knowledge sharing, as GAP standard, and applying the Makro i-Trace traceability system.



2021 Results:

- 9,900** tons of agricultural product sales, valued at **178.2** million Baht.
- Average income **162,000** Baht per household.
- Over **1,100** hill tribe farmers participated in the project

Health and Nutrition Promotion:

To promote health and well-being, the Company focuses on improving and selecting healthy products at Makro stores and communicating to enhance understanding the consumption nutrition guideline on the product label.

Criteria of Health and Well-Being Product and Service:



- Healthier Choice labeling from the Food and Drug Administration.



- Added, reduced or eliminated nutrients, as notifications by the Ministry of Public Health.



- Fresh fruits and vegetables or food that retain natural nutrients or are slightly processed.



- Promote health and environmental protection.



- Medical, functional food, or food and sanitary supplements under Ministry of Public Health notification no. 238 of 2001 and No. 293 of 2005.

Example of Health and Well-Being Support Projects.

The Makro Nutrition-Society's Added Value project with Mahidol University

The project is to add the nutrition information from academic research to be knowledge sharing, networking, and innovation into Makro i-Trace traceability application which provide nutrition fact for HoReCa customers and credibility for related governmental agencies.

2021 Results:

- Over **15,000** items were displayed the nutrition information on Makro i-Trace
- Over **3,000,000** Makro members accessible this information

"True Healthy Corner" project

The Company has collaborated with True Digital to launch the drugstore True Health Corner to provide a new health care experience for all customer groups through easy medical service access, as the new normal way. Customers can access several health services through True Health smart platforms that connect online and offline health care services, including online preliminary health checks, consultation with physicians and health specialists, and purchasing prescriptions in one click without risking a visit to the clinic or hospital. Customers can access this convenient, safe, and cost-effective program currently piloting at Makro Srinakarin and Sathorn store.



Own Brand's Health & Well-Being Products

The Company began the producing and selling of Healthier Choice labeled products in 2020, starting with healthy fruit juice formulas yet maintaining the original's favor. In 2021, the Company launched selling plant-based protein products in large pack sizes for restaurants, in addition to good health also reducing carbon footprints of the production process. The Company plans to expand healthy alternatives to ready-to-eat food products in 2022.



Thailand Quantity Mark

To ensure customers that the quantity of the content being delivered is exactly as shown on the package, the Company has been collaborating with the Department of Internal Trade, Ministry of Commerce, to verify the quantity of packaged products since 2016 and progresses to increase the certified items with growing numbers of new products every year. In 2021, 667 products were certified with marks or 100% as planned for consumers' daily products such as rice and vegetable oil etc.

SOCIAL IMPACT & ECONOMIC CONTRIBUTION

Opportunities and Challenges

Social and communities are fundamental to sustainable development to promote peaceful and inclusive societies for sustainability development. The economic impacts of the COVID-19 pandemic have accentuated long-lasting social imbalances, particularly on vulnerable groups. The Company has contributed our powerful supply chain and value to support the economics-social by the interconnection from producer to the consumer also of reliable support to farmers, small business entrepreneurs and vulnerable groups. Including driven to supply chain to recover and strengthen the economy from the crisis.

Target and Performance

2021 Target

67,000 people have jobs supported to generate income.

2021 Performance

• Total of **11,442** farmers, small entrepreneurs, and other vulnerable groups received income-generating support.

• Total of **89,752** jobs supported to generate income.

• Proportions of social support:

Charitable donations: **57.53%**

Commercial activities: **42.47%**

Social investments: **451,800** Baht.

• Local product and service purchasing **186** Million Baht.

Management Approach

The Company's committed to operating business and contributing positive and sustainable value to society As the epidemic has continued to affect the world since 2021, the Company proceeds to generate the economic value that benefits society by supporting the communities such as farmers, food business entrepreneurs and medical personnel, to mitigate adverse effects and speeding up the overall economic recovery in the process.



1. Supporting agriculture products from farmers and farmer groups.

Due to the oversupply and decline in exports during the Covid-19 pandemic, the Company directly purchased the variable agricultural product from farmers and farmer groups during the whole 2021 year. It helps the farmers to mitigate economic impacts and allows the Company to continue supplying customers with high-quality and safe products

Agricultural Products	Supporting
 Shrimp	<ul style="list-style-type: none"> Supported more than 945 small shrimp farmers. Purchased more than 2,714 tons of shrimp.
 Seasonal Fruits: Durian, Rambutan, Mangosteen, Longan, Lychee, Longkong, Mango etc.	<ul style="list-style-type: none"> Purchased fruit more than 7,500 farmers affected by COVID-19 or oversupply. Purchased more than 7,750 tons of fruit. Organized the "Seasonal Fruit Festival" to stimulate consumption.
 Southern mangosteen	<ul style="list-style-type: none"> Purchased over 550 tons of mangosteen from farmers in the southern region.
 Mango	<ul style="list-style-type: none"> Purchased more than 3,000 tons of mango from small farmers. Organized the "Fresh Mango Festival: High-Quality from Orchard" to stimulate consumption.
 Sweet Corn	<ul style="list-style-type: none"> Collaborated with provincial agriculture and commerce in Nakhon Ratchasima province, farmers groups in Khon Buri and Soeng Sang districts, Nakhon Ratchasima Province, affected by the oversupply. Purchased more than 50 tons of sweet corn from 150 farmers.

2. Mitigating the Impact of COVID-19

In 2021, the Company supported society during the Covid-19 pandemic with many Social responsible projects and activities for small-medium business entrepreneurs and local communities as following:

Examples of Support During the COVID-19 Epidemic:

Supporting Restaurant Operators

The Restaurant business was impacted by Epidemic control measures such as prohibiting the seat in and allowing for takeaway orders only which caused the unprecedented plunge in the restaurant business' income The Company thus designated an area in front of Makro's store free of charge for small restaurant entrepreneurs to set up food booth for selling the boxed meals and promoted their delivery food. At the same time, the Company also ordered food boxes from various restaurants in the project and donated to impact communities and the infected patients in field hospitals.



2021 Results:

- A total of **83** Makro's stores participated in the project.
- Over **1,300** restaurant entrepreneurs participated in the project.

Support for Medical Personnel

Compassionate Makro employee and family from whole 138 branches nationwide, including the head office, delivered their appreciation of medical professionals in the form of PPE kits to hospitals in Bangkok and field hospitals as well as donated the drinking water “aro” brand for whole medical and personnel at the Bang Sue Central Station COVID Vaccination Center. The Company and bedding sheet manufacturer “Lotus” brand also donate to the Bamrasnaradura Institute to procure medical equipment for COVID-19 patients.



2021 Results:

- Donated health care equipment and stuff for patient care in **73** field hospitals across the country worth over **4** million Baht.
- Donated **20,222** sets of PPE kits.
- Donated **10,000** bottles of aro drinking water.
- Donated **825,303** Baht in donations to the Bamrasnaradura Institute.

Social Support in Other Crises:

In addition to the Covid-19 crisis, Thailand also faced severe flooding resulting in damage to households and properties in disaster zones. As several Makro stores were located in the affected zones, it collaborated with the Red Cross Society to expedite emergency bags to the disaster victims in a timely manner. Also after the disaster, many of Makro's store staff were sent to help the affected small groceries for cleaning and reopening.

Donation and Supporting



Money Donations

14.48 million Baht



Donating Stuff

7.88 million Baht



Employee Volunteer Hours

4,358 Hours

Proportion of Donation and Supporting



Charity Donations

57.53%



Commercial Activities

42.47%



Social investment

0.45 million Baht



Expenses of employee participation in activities

0.73 million Baht

FOOD SECURITY & ACCESS TO NUTRITION

Opportunities and Challenges

Food security is a concerning issue for many organizations, domestic and abroad. According to the Food and Agriculture Organization of the United Nations (FAO), more than 25.9% of the world's population is facing food insecurity. The situation has become increasingly worrisome since the COVID-19 crisis. Food security is one of Makro's core strategies, the Company recognizes the importance of this issue and is committed to taking on the social responsibility as the leading food supply chain.



Target and Performance

2021 Target

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67,000 children and people get access to safe and nutritious food.

- Over **40,000** people of **40** communities across Bangkok were encouraged to access safe and nutritious food during the COVID-19 pandemic.
- Community Kitchen with **25,846** members.

Management Approach

In addition to managing the supply chain to nourish adequate food to meet customers' needs, the Company also expands food accessible opportunities for people affected by the COVID-19 crisis, local communities, and vulnerable groups, by delivering food, increasing access to safe food, and sharing food production knowledge through many projects.

"Krua Pan Im, Roi Riang Jai to Combat the Risk of Covid-19" Project

The growing severity of the epidemic has increased the number of home isolation cases and led to unemployment or reduced income. Together with the Charoen Pokphand Group, the Duang Prateep Foundation, volunteer alliances, and civil societies, the Company has delivered ready-to-eat food boxes to communities in need in various areas. The Company ordered food boxes from the small restaurant owners affected by the dine-in prohibition, where the Duang Prateep Foundation took part in distributing the food boxes to the Khlong Toei community.



Result of 2021

- **40** communities across Bangkok were supported with food boxes.
- **2** million food boxes were delivered to those affected by the pandemic.

"Community Kitchen" Project

The COVID-19 pandemic forced people to stay at home to avoid exposure possibility. To expand convenience and access to fresh and frozen food and increase income for Sho Huay, the community's retail shops. The Company has continuously implemented the Community Kitchen project and supported Sho Huay by offering discount coupons and promotional marketing media when purchasing community kitchen freezers.



2021 Results:

- **14,460** shops participated in the project in 2021.
- Accumulated to **25,846** shops since the project started.
- Over **12,578** servicing freezers to communities.
- Over **2,231** million Baht was generated from fresh food sold to Sho Huay shops.

INNOVATION MANAGEMENT

Opportunities and Challenges

To ensure the readiness for dramatic changes in circumstances and customer expectations, an innovation culture has been systematically fostered throughout the whole organization. This is accomplished through the cooperation of internal and external parties, in identifying creative and new operational approaches that respond to emerging risks of the wholesale-retail industry altogether improving customer satisfaction.

Target and performance

2021 Target





1 patent or petty patent is registered.

2021 Performance

- Patents or petty patents on registered the process: **2**
- Percent Innovators to all employees: **7%**
- **23%** of employees participate in innovative projects
- **7** innovation projects contributed cost-saving **72.32** million Baht

Management Approach

The company's Innovation Committee and Innovation Leader team drive and foster an innovative mindset through conducive infrastructure, outreaching communication and interconnected networks also through programs like activities and contests that continuously promote understanding, knowledge and accessibility to innovative platforms.

	2019	2020	2021
 Innovators (person)	130	560	1,118
 Innovations participate CP All and CPG Innovation Contest (No. of Project)	10	20	11
 Award-winning innovations from CP All and CPG Contest (No. of Project)	10	10	6
 Business impact (Million Baht)	41.32	315.04*	3,975

Note: * only innovations that have received the award.

STAKEHOLDER ENGAGEMENT

Opportunities and Challenges

As the feedback from stakeholders is a crucial factor in driving a sustainable business according to stakeholders are exactly impacted both positive and negative from the business operation. The Company thus places importance on engaging long-term relationships with its stakeholders to appropriately respond to the expectations and global circumstances.

Target and Performance

2021 Target

2021 Performance

Employee
Engagement
Score at least
80%



• Employee Engagement Score **84.06%**




Management Approach






The Company realizes that the distinct perspectives from different stakeholder groups are vital to mitigating business risks and the impacts from the operation, improving operational efficiency and creating shared values for all parties involved. The AA 10000 Stakeholder Engagement Standard is applied to form the quality engagements with 10 direct and indirect stakeholder groups along with appropriate participation channels for each group. The channels are reviewed annually to ensure that stakeholder voices are integrated into the Company's sustainable development strategies.



Examples of engagement channels, stakeholders' issues, and response guidelines:

Stakeholder	Engagement Channels	Issues and Expectations	Company's Responses
 Shareholders and Investors	<ul style="list-style-type: none"> • Makro's website, contact number, email, and LINE Official Account. • Annual General Meeting of Shareholders (AGM) • Quarterly Analysts Meeting • Continuous engagement with investors via online meetings. • Annual and Sustainability Report (One report). • Financial statements and Quarterly Management Discussion and Analysis (MD&A). 	<ul style="list-style-type: none"> • Accurate, complete, and timely information disclosure. • Equal and fair treatment • Transparency management • Shareholders rights • Business growth • Risk management • Competitiveness • Creating sustainable returns for shareholders. 	<ul style="list-style-type: none"> • Strict, transparent, and auditable information disclosure in compliance with SET policies, guidelines, rules, and regulations. • Determine policies and guidelines for Corporate Governance principles and disclose to the public. • Respect and fair treatment of shareholders' rights under legal requirements. • Increase competitiveness by continuously developing work processes, business operations and human resources. • Effectively implement the risk management system. • Promote and continuous improvement process within the whole value chain.
 Employees	<ul style="list-style-type: none"> • Internal communication channels through HR Department, email and internal journals. • Complaint channels via Corporate Governance, HR emails, complaint letters and hotline number. • Annual employee engagement survey. • Quarterly meetings action of Welfare Committee. • Bi-annual meetings of Nomination and Remuneration Committee. • Annual employee performance review. • Annual innovation event. 	<ul style="list-style-type: none"> • Career path • Competencies development. • Work-life balance • Off-site working during COVID-19 high risk area. • Vulnerable group working strategies as pregnancy staff during the COVID-19 	<ul style="list-style-type: none"> • Implement HR strategy for career paths and job rotation. • Implement competency assessments and succession profiles to design development plans. • Regular competency assessments to develop the individual career paths. • Provide training and individual competency development plans. • Upskill and reskill for modern competency. • Enhance e-learning system (M-learning platform) and practical project. • Build up project and time management skill. • Digital transformation to enhance work processes. • Apply the hybrid work model for head office employees and determine suitable work conditions for vulnerable staff. • Establish safety guidelines for the off-site task during the COVID-19 pandemic.

Stakeholder	Engagement Channels	Issues and Expectations	Company's Responses
 <p>Customers and Entrepreneurs</p>	<ul style="list-style-type: none"> Complaint channels as website, hotline, customer service and customer interviews. Communication channels as Makro's Facebook, Makro mail, hotline, and LINE official account Marketing activities such as Sho Huay Day Live events. 	<ul style="list-style-type: none"> Quality and safety of products. Stock availability Product price tags Reliable product labeling Satisfied product and service. COVID-19 universal protection measures. 	<ul style="list-style-type: none"> Provide product traceability information. Provide safe and quality products that promote good health at affordable prices. Appropriate operational plan with business partners. Plan and prepare in price and promotions, and random price tag checking. Accurate product labeling and proper advertisements. Variety event projects, as Sho Huay Day or Environmental protection. Advise the modern retail management knowledge and training to the grocery. Establish COVID-19 Universal protection such as social distancing, the mask-wearing customer. For toddlers (0-2 year-olds) and non-mask visitors'. The designated outdoor to support this group includes while products delivery services.
 <p>Business Partners</p>	<ul style="list-style-type: none"> Communication channels via Makro's website, hotline, email, LINE official account. Compliant channels for suggestion and complaints. Regular meetings and seminars. Regular visits. Direct communication with business partners. Quarterly supplier audit and capacity-building projects. 	<ul style="list-style-type: none"> Business partners' potential development. New product development. Action plans as target, marketing and sales promotions. 	<ul style="list-style-type: none"> Collaboration the product development in both qualitative and quantitative performance and monitoring. Onsite visits to get feedback and alignment for short- and long-term partnership development. Encourage business partners to increase production quality and quantity. Support agricultural products of small local producers.
 <p>Contractors</p>	<ul style="list-style-type: none"> Communication channels via Makro's website, contact number, email, LINE official account. Complaint channels for suggestions and complaints. Monthly meeting. Regular visits. 	<ul style="list-style-type: none"> Compliance with legal and regulation. Occupational Health & Safety rules and PPE. 	<ul style="list-style-type: none"> Establish contractors' safety rules and procedures. PPE procedure employees and contractors to obtain the proper and ready-to-use PPE based on working risk.

Stakeholder	Engagement Channels	Issues and Expectations	Company's Responses
 Community and Society	<ul style="list-style-type: none"> • Communication channels via Makro's website, social media, call center and meetings with community representatives. • Complaint channels for suggestions and complaints. • Dialogue / Monthly visits. • CSR activities / donations / continuous support for disaster. • Job creation for community members. 	<ul style="list-style-type: none"> • Support society to boost local economies. • Collaborative with local firms to develop and support communities. • Job and career opportunities for local community members. 	<ul style="list-style-type: none"> • Purchase the local products and be the distribution channel for communities. • CSR activities and projects such as blood donation events and School egg for lunch project etc. • Donate and support the community's disaster recovery. • Support local worker employment.
 Financial Institutions	<ul style="list-style-type: none"> • Communication channels via Makro contact number, mail and email • Regular meetings. • Performance reports such as annual reports and financial statements. 	<ul style="list-style-type: none"> • Company performance and business strategy for the following year. • On-time debt payments. • Compliance with contractual terms and conditions. 	<ul style="list-style-type: none"> • Communicate relevant operating results. • Set up actions to reduce and manage foreign exchange risks. • Strict compliance with creditor conditions under accuracy, transparency, and punctuality principles. • Strict compliance with contractual terms and conditions.
 Government	<ul style="list-style-type: none"> • Organize meetings with the government agencies. • Open for government agencies visits. • Collaborative agreements with government agencies. 	<ul style="list-style-type: none"> • Compliance with legal and regulation. • Transparent, complete, and timely disclosure of the operations information. • Participation in communal, social, and environmental developments. 	<ul style="list-style-type: none"> • Strict monitoring and compliance with relevant laws. • Transparent, update and complete disclosure of operational information, with feedback received for improvement. • Cooperate and support projects and activities beneficial to the community, society and the environment.
 Media	<ul style="list-style-type: none"> • Communication channels such as Makro's website, social media, email, and TV programs. • Quarterly business visits. • Interview press releases. 	<ul style="list-style-type: none"> • Data transparency and accessibility. • Economic direction from the Company's perspective. • Strategy for business impact on the economy and society. 	<ul style="list-style-type: none"> • Communicate relevant, factual and timely performance.
 Non-Profit Organizations (NGOs)	<ul style="list-style-type: none"> • Meetings to discuss and exchange information. 	<ul style="list-style-type: none"> • Company public policy regarding responsible and sustainable food supply chain. • Natural resources preservation and environmental protection. 	<ul style="list-style-type: none"> • Communicate operating results through channels such as meetings and Company websites. • Acknowledge feedback and discuss environmental protection.

HOME

LIVING TOGETHER

SUSTAINABLE DEVELOPMENT GOALS



The Company values the environmental-friendly business operation, efficient resource utilization and minimizing environmental impact from the supply chain on ecosystems and biodiversity to ensure the natural resource is sufficiency for our future generation.



Climate Resilience

- Climate Change Management
- Energy Management



Circular Economy

- Waste Management
- Food Waste Management
- Sustainable Packaging



Water Stewardship

- Water Stress Risk Assessment
- Raising Awareness of Water Stewardship
- Reducing Wastewater



Ecosystems and Biodiversity Protection

- Biodiversity Policy
- Forest Restoration and Conservation



Responsible Supply Chain Management

- Supply Chain Management
- Certified sustainable product and sourcing

CLIMATE RESILIENCE

Opportunities and Challenges

Climate Change is intensifying already severe environmental crises around the world. The solution is, seemingly, an insurmountable task for every sector's cooperating. The Company has been a team player in reducing greenhouse gas emissions to maintain the average global temperature and to achieve Carbon Neutral of organization's operation (Scope 1 & 2) in 2030 Sustainability Targets. This includes ensuring readiness to face the Climate Change impacts and supporting the development of projects and innovations on the sustainability path to an energy-efficient and low-carbon society. Believing Sustainable business growth must go with the accountability for environmental protection and responsible natural resource utilization where everyone has a role to play from a communal perspective.



Target and Performances

2021 Target

Reduce greenhouse gas emissions intensity (Scope 1 & 2) per revenue at least **8%**

2021 Performance

- Greenhouse gas emissions intensity (Scope 1 & 2) per revenue decreased by **12%**
- Greenhouse gas emissions scope 1 and 2 as **65,932.33** and **185,585.05** tons of CO2 equivalent, respectively.
- Greenhouse gas emissions scope 1 + 2 as **251,517.38** tons of CO2 equivalent.
- Renewable energy consumption as **35,581.86** megawatt-hour* increased **2.01** times compared last year.




Management Approach

The Company has developed a Climate resilience strategy and guidelines for coping with the impacts of climate change as well as reducing direct and indirect greenhouse gas emissions. The process is realized by using renewable energy to maximize internal energy efficiency and promoting reforestation by planting trees on Company premises to help absorb carbon dioxide naturally. However, is raising awareness of the environmental conservation attitude among employees, business partners and stakeholders alike. Additional The Company was one of the panellist at the 2021 Global Compact Network Thailand Annual Forum (GCNT forum) under the topic: "Solutions to Address Climate Change by Relevant Business Sectors." The Company is also preparing the Task Force for Climate-related Financial Disclosures (TCFD).



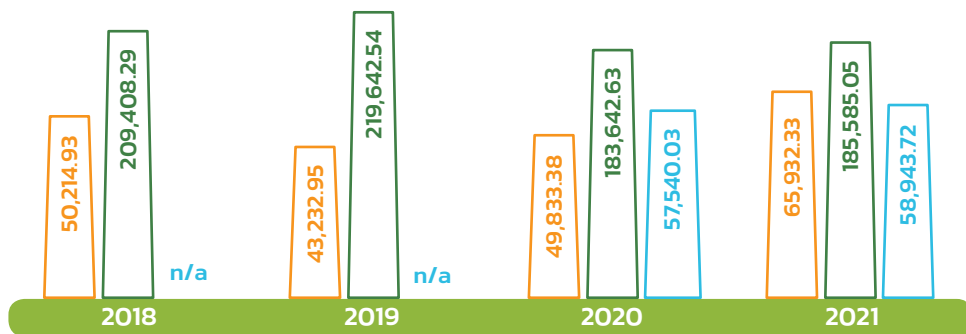
Furthermore, the Company achieved "**CP for Sustainability Award 2021**" as organizational level in climate resilience with top performance of greenhouse gas emissions intensity reduction.




Remark: *Include stores and distribution centers

Management Approach (Description)	Operation Overview
 Site energy efficiency Improvement	<ul style="list-style-type: none"> Set policy to increase energy efficiency. Adopt high-efficiency chillers and LED lighting. Adopt environmentally-friendly refrigerants.
 Increasing Renewable Energy Utilization	<ul style="list-style-type: none"> Install and utilize solar energy for reducing electricity consumption (Rooftop solar panel) Install a solar panel for water heater system (Solar cell heater)
 Supporting CO2 Removal	<ul style="list-style-type: none"> Promote perennial planting on Company premises and unused areas.

Direct and Indirect Greenhouse Gas Emissions

(unit: ton of CO2 equivalent)



-  Scope 1 Emission
-  Scope 2 Emission
-  Scope 3 Emission

Notes:

- Scope 1: direct greenhouse gas emissions
- Scope 2: indirect greenhouse gas emissions from energy consumption
- Scope 3: other greenhouse gas emissions, including transportation, distribution (upstream), and business travel

Greenhouse Gas Emission Intensity

(Unit: tons of CO2 equivalent per million Baht)

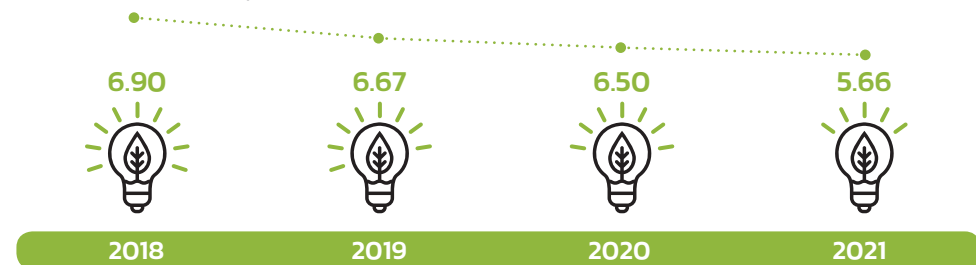


Energy Management

The Company has enhanced energy efficiency by replacing high-efficiency LED lighting at 26 stores as well as the variable speed drive water chillers for air conditioning systems and environmentally-friendly refrigerants at 17 stores. Also expanding solar panels installed to generate more electricity from renewable energy. These undertakings help the Company reduce energy intensity per revenue as well as scope 1 and 2 greenhouse gas emissions to meet its sustainability targets.

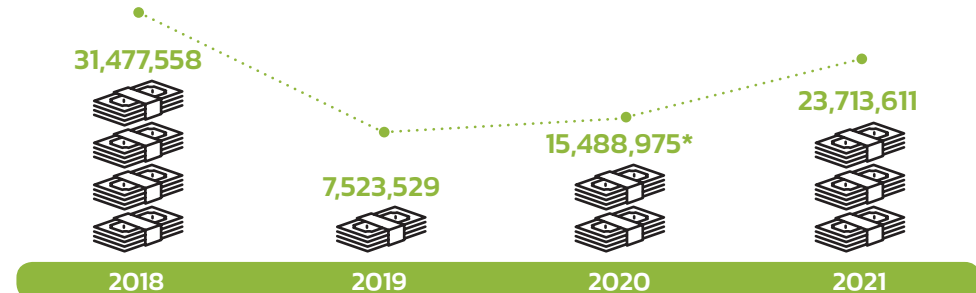
Energy Intensity

(unit: megawatt-hour per million Baht)



Cost Saving from the Energy Efficiency Improvement Project

(Unit: Baht)



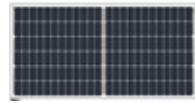
Note: Savings from increased solar cells consumption in 2020.

Examples of Climate Change and Energy Management Projects

Sustainable Energy-Environment Management Pilot Model

The next step from receiving the 2021 Organizational Rating Platinum from PEA for the Makro store – Salaya branch, the Company is constructing a prototype store along the expressway with the pilot model of extensive and modern technological energy-saving systems.

"Solar Rooftop Installation Project"



The Company has continuously increased the solar roof installation to generate electricity on store roof, at the 32 stores with more than 174,427 square meters and capacity as 35,502,856 kilowatt-hours per year and this project has been verified by Thailand Greenhouse Gas Management Organization (TGO) as greenhouse gas reduction project.

Besides, the company has improved the energy efficiency by replacing the existing lighting with higher efficiency LED lighting for 10 stores, upgrading the chilling water system with a Variable speed drive model at 17 stores, efficiency management for a refrigerant system utilizing the environmentally friendly refrigerant. This project can reduce electricity consumption by 4,712,590 kilowatt-hours and reduce greenhouse emissions by 2,800 tons of CO2 equivalent per year.

2021 Results:

- Utilized renewable energy from the solar rooftop as **35,502,856** kilowatt-hours per year.
- Reduce Electricity consumption **4,712,590** million units.
- CO2 emission reduction **14,937** tons of CO2 equivalent.
- Electricity savings **52,173,178** baht.

"Bamboo Tunnel and Golden Teak Bonding Hearts" Projects

Makro's store - Yasothon branch has extended the know-how and success of the groundwater bank project since 2020 to the Golden Teak Bonding Hearts project, where treated water from wastewater treatment plants is diverted and used as a local water supply to moisturize surrounding areas and supply water the golden teak trees.

Employees and locals have also planted the Shang Mon bamboo to create bamboo tunnels around the water ponds, naturally absorbing CO2 and increasing the green area. While both projects serve as a community park for members and provide several sustainable benefits, the products from this project can be shared to employee and near by communities.

**"With execution and collaboration of the team
that brought the tangible and sustainable results."**

Mr. Thanaphat Phosri

Branch Manager, Makro Cash and Center in Yasothon



2021 Result:

- Planted **150** Sangmon bamboo and **50** golden teak trees.
- Reduce portable wast consumption **1,846** cubic meters per year.
- Cost saving **60,000** Baht per year.

CIRCULAR ECONOMY

Opportunities and Challenges

On top of resource scarcity, ever-growing world populations, deforestation and urbanization, pollution and waste mismanagement, along with the online shopping during the pandemic, are all exacerbating unprecedented waste to landfills. Food waste, in particular, directly impacts global warming in the form of methane gas emissions. As a leading distributor of consumer products, applying the circular economy which are reusing, reducing, recycling resources, including waste, is the universal remedy to manage resources for optimal utilization value of sustainable product and packaging to mitigate the business impact on society as much as possible.



Target and Performance

2021 Target

2021 Performance

Reduce food waste to landfill **10%**

• **28,143.82** tons of non-hazardous waste sent to landfills.

• **1.92** tons of hazardous waste sent to landfills.

• **39,748.01** tons of reusable waste was reprocessed and reused. **58.54%**

• **0.26** tons of waste intensity per million Baht.

• **26,022.76** tons of food waste sent to landfills.

• Reduce food waste to landfill **3%**

Management Approach

The Company applies the circular economy's 5Rs (reduce, reuse, Refuse, Recycle, Renewable) strategy where waste information is collected and stored by waste type and disposal method to determine impacts throughout the supply chain. This is combined with the 3 fundamental principles of the circular economy for proper operations: 1) minimize adverse effects, 2) design products and services that focus on preserving natural resource costs and 3) optimize resource utilization for maximum efficiency.

Applications of the Circular Economy

Manufacturing & Store Waste Management

- Reduce waste and food waste to landfills

Awareness & Value Creation Campaign

- Raising awareness among employees and stakeholders along the supply chain

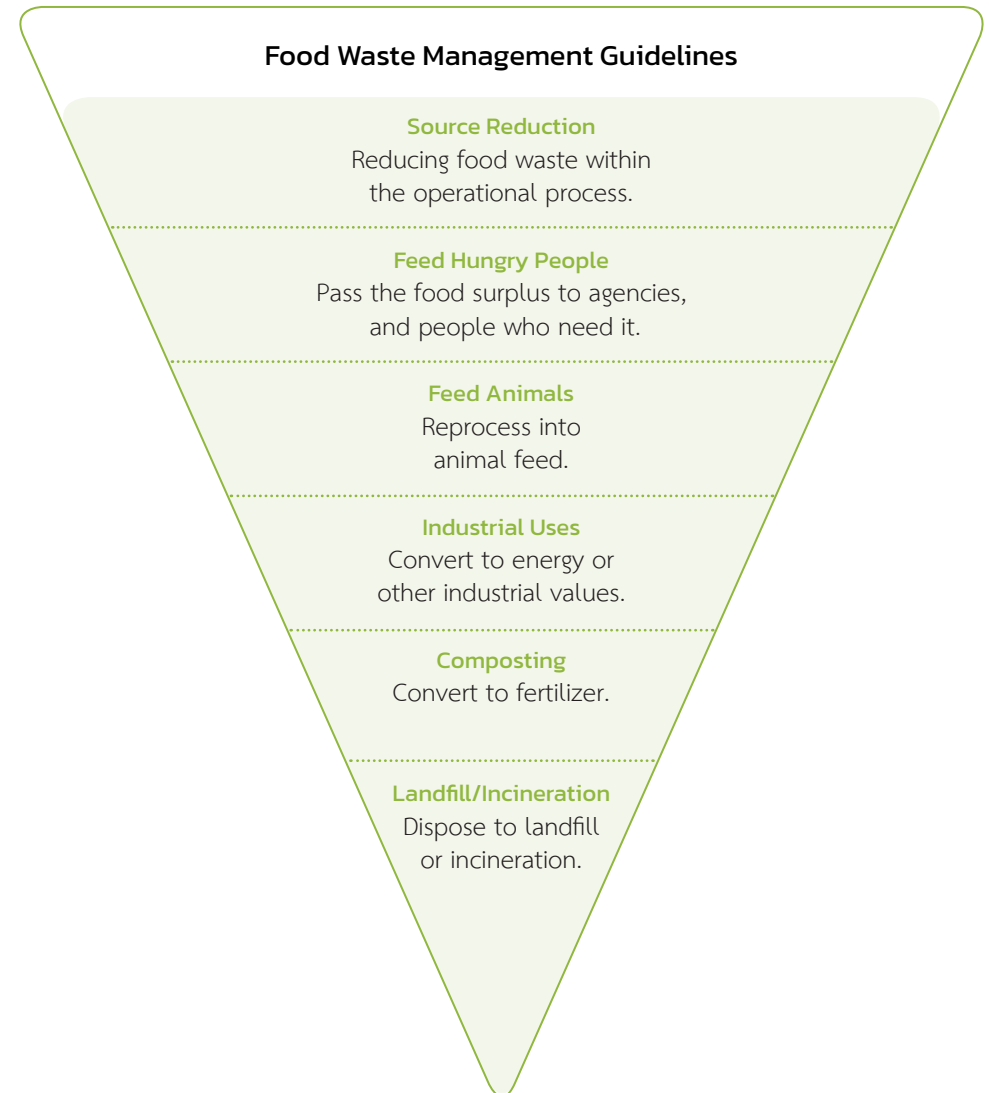


Sustainable Product & Packaging





- Utilize sustainable material for process and product.
- Support affordable sustainable packaging to reduce environmental impact.

Manufacturing & Store Waste Management

Proper food waste management is paramount to attaining 2030 zero food waste to landfill targets. Company strategy is thus implemented to realize set goals through 6 operational strategies for 4 key food waste management projects as follows:



The 4 Food Waste Management Projects:

Project	Detail	2021 Results
 E-ordering	The application analyst the inventory data in relation to product order quantity to optimize ordering process accuracy as well as minimize processing time and ordering limitations on local customers.	<ul style="list-style-type: none"> Reduced over 2 tons of paper waste otherwise used for submitting purchasing orders. Saved over 478,000 hours otherwise spent submitting purchasing orders. Over 7.4 million Baht of return.
 Shrinkage Management System	Develop a supply chain management system for optimal storage processing, encompassing raw material sourcing to production and displayed products on the shelf, enabling pre-waste action and minimized workflow time such as redundant paperwork and the risk of non-compliance documents.	<ul style="list-style-type: none"> Saved over 158,450 working hours throughout the year. Over 9.92 million Baht of return.
 Reduce Food Waste to Landfill	Send the food surplus or food waste into human food, animal feed, or fertilizer, such as the Department of Corrections, military regiments, farmers group foundations, zoos, and municipality and district offices.	<ul style="list-style-type: none"> Over 294.14 tons of leftover food was sent to feed the animal. Over 508.76 tons of leftover food have produced the fertilizer.
 EM Solution	Process organic food waste, such as citrus fruits and pineapples, into bio-fermented water (EM) used to deodorize and decompose fat in the sewer system.	<ul style="list-style-type: none"> Over 46.5 tons of food waste converted to bio-fermented water.

Sustainable Products & Packaging

With the 2030 sustainability strategy, the operational guidelines are put forth to promote sustainable packaging as well as reduce plastic utilization, research, promote sustainable material, and support R&D for sustainability packaging development.

Examples of sustainable products and packaging projects

Makro's "Say Hi to Bio, Say No to Foam" Project

The Company continues Makro's "Say Hi to Bio, Say No to Foam" project to save the world by reducing the amount of environmentally unfriendly food packaging, starting with the zero foam packaging goal at all Makro stores by 2022.

2021 Results

- Over **32.7** million foam boxes were reduced in 2021, and a total of over **98** million foam boxes since 2018.
- 57** Stores stopped selling foam boxes, where no foam boxes will be sold at new opening branches.
- Increase sales of green packaging product **36.2** million Bath or **22%**

Reduce Plastic Packaging Project

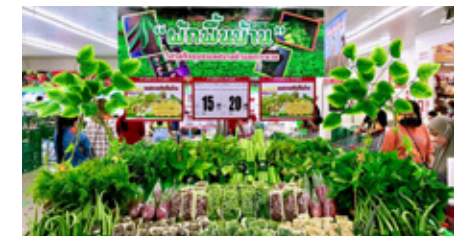
Aro Water Bottles

The plastic seal on the bottle cap has been eliminated from aro water bottles, where the thickness of the cap has been reduced to use less plastic in production. The label is designed to use less color while the water bottle itself is also made of PET-a **100%** recyclable material.



The Local Vegetables Festival

The Company promoted sustainable packaging by using banana peels instead of foam or plastic wraps at the Local Vegetables Festival held at **15** Makro' stores between November 1-30, 2021.



Circular Economy Garbage Bag Project

The Company transforms used LDPE and HDPE plastic scraps from stores into production raw materials as new garbage bags and back into stores for selling. This project is recycling and reusing waste adds value to products sold, saving resources and raising awareness among employees reprocessing waste and supporting a sustainable product for customers.



The green label product is created to indicate sustainable products to customers and attract stakeholders throughout the supply chain to the benefits of green products. The Company researches and develops sustainable packaging and products that are biodegradable as well as affordable and easily accessible for customers. Efficiency is constantly improved to meet customer needs while confirming the Company's environmental friendliness intent.

Examples of Sustainable Packaging and Products



Bio-material products



Products made from natural pulp with plastic composite or coating.



Reusable Products



Recycled Products

344 products in the packaging group certified the “Green Label” from the Thai Environment Institute, representing **36%** of this product category.

Examples of Sustainable Packaging Developments—designed to prevent food spillage and meet customer's requirements.

Design Paper Bowl Filling Slots for food delivery



Version 1



Version 2






Version 3

Awareness and Value Creation Campaign

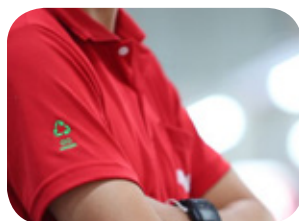
The Company aims to raise 5Rs awareness (Reduce, Reuse, Refuse, Recycle, Renewable) and has continually promoted waste reduction and proper waste management campaigns to all employees and customer groups. This has led to circular Economy and Green Economy to pass on value-added benefits of waste to community and society.

PET Plastic Bottles Upcycling Projects

Segregating PET plastic bottles can be to benefit society in many ways. The Company accepts donations of clear plastic water bottles to be reprocessed into various products. Aside from reducing the impact on the environment, the reprocessed products can support the community and help public health during the Covid-19 pandemic.

Staff Shirts	Monk Robes	PPE Suits
 <p>(graphic: 20 of 600 ml. PET bottles can be transformed into 1 staff shirt)</p>	 <p>(graphic: 15 of 600 ml. PET bottles can be transformed into 1 monk robe)</p>	 <p>(graphic: 18 of 600 ml. PET bottles can be transformed into 1 PPE suit)</p>

The Company invites employees to donate plastic bottles at designated pick-up points at the head office or Makro distribution centers.



The Company cooperated with Chak Daeng temple, Phra Pradaeng District, Samut Prakan Province to turn empty bottles into monk robes.



The Company has collaborated with Indorama Ventures Public Company Limited to turn empty bottles into high-quality PPE suits for medical staff, starting with 5 store branches as Nakhon Pathom, Salaya, Petchkasem, Bang Bon, and Charansanitwong.



2021 Results:

- **2.4** million PET plastic water bottles donated
- Transformed into **120,000** staff shirts.
- Can reduce **73.92** tons of carbon dioxide, otherwise contributing to the greenhouse gas effect.

2021 Results:

- **1.39** million PET plastic water bottles (**27.8** tons) were donated.
- Transformed into over **93,000** monk robes.
- Reduce greenhouse gas emissions by **42.84** tons of carbon dioxide equivalent.

2021 Results:

- More than **96,500** PET plastic water bottles were donated.
- Transformed into **1,000** high-quality PPE suits, potentially donated to the Nakhon Pathom Public Health Office. (2nd PPE donation)
- Reduce greenhouse gas emission by **2.97** tons of carbon dioxide the equivalent.



WATER STEWARDSHIP

Opportunities and Challenges

As climate change is seeing intensified flooding and drought year on year, the Company recognizes the water stewardship and resource management efficiency throughout the water life cycle to sustain an economic-ecological co-development that adds economic value to communities without encroaching on natural resources.




Target and Performance

2021 Target	2021 Performance
Reduce water intensity per revenue unit by 2% , compared to 2020.	<ul style="list-style-type: none">Water intensity per revenue unit decreased by 9% compared to 2020.Water consumption 939,220 cubic meters per year.51% of store has utilized the recycled or reused water.The amount of water withdrawal from water stress areas decreased by 14%.

Management Approach

The Company prioritizes reducing water consumption in areas prone to water scarcity and optimizing wastewater for maximum economic-social value while raising water stewardship awareness in the process. The Company stewards water resources in a 3 pronged approaches as Water Risk Assessment, Creating Awareness, and Waste Water Management.

Example of Water Stewardship Project.

Approach	Operational Overview
 Water Stress Risk Assessment	<ul style="list-style-type: none"> Apply Aqueduct Water Risk Atlas global water risk mapping tool under the World Resources Institute (WRI) to assess water stress areas.
 Creating Awareness to stakeholder	<ul style="list-style-type: none"> Communicate and exhibit informative media, including pictures and stickers, to raise water stewardship awareness at stores.
 Waste Water Management	<ul style="list-style-type: none"> Install water treatment systems at stores to increase the potential of managing reused of water discharges.

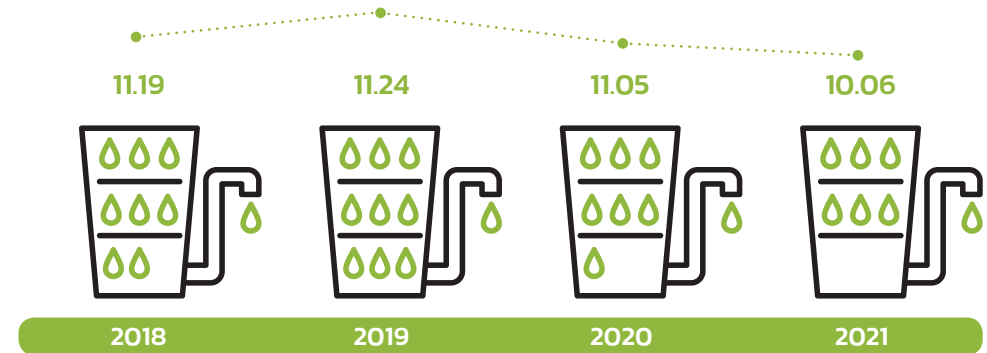
By applying the aqueduct water risk mapping tool in 2021, the Company discovered that 75.53% of water consumption was from water stress areas. The Company has thus planned effective water management to increase water usage efficiency and transparency, closely monitoring risk assessments with local authorities, expanding the database to monitor water usage, and applying natural water resources for causes that create better value for risk areas.

The Company has installed wastewater treatment systems for all stores nationwide* to treated effluent before discharge. including circulate treated wastewater back for reuse in watering plants in the store area. The water recycling systems have been installed in 72 branches or 51% of all stores as the zero wastewater discharge concept. The Company continuously raises water stewardship awareness, promoting the value of water resources through informative media and material, including pictograms and stickers, and extending to customers and employees at the stores.

*Note: Total 142 branches in Thailand as of December 31, 2021.

Water Intensity per Revenue Unit

(Unit: Cubic meter per million Baht)



Example of Water Resource Management Projects

"Save Water, Save Future – Water Conservation" Project

The Company has been building on water stewardship success by enhancing the potential of the "Save Water, Save Future - water management" project since 2018, reducing Company water consumption in a sustainable way. By installing a wastewater treatment system, the Company can reuse treated water through its automatic plant watering sprinkle system in stores, significantly reducing water consumption and saving costs in the operation.

2021 Results:

- 72** stores participated in the project.
- Reduce **93,960–104,000** cubic meters of water consumption per year.

"Groundwater Bank" Project:

The Company emphasized water resource management in communities by adopting the royal initiative of King Rama IX to develop the Groundwater bank project to increase water-absorbing areas to mitigate drought impacts. Treated water from wastewater treatment can be stored for times of need, where surplus water can be diverted for groundwater bank to replenish moisture for cultivation. The project has reduced water scarcity impacts and led to good relationships with the local community. An example pilot project is Makro's store - Yasothon branch since 2020. The Company plans to expand the prototype into other stores.

2021 Results:

- Over **36** cubic meters of treated water per day, with over **16** cubic meters diverted to groundwater banks per day.
- Over **77,760** Baht in cost savings per year.
- Reduce **720** hours per year of the worker's workload for watering.

Project work flow



ECOSYSTEM & BIODIVERSITY PROTECTION

Opportunity and Challenges

Biodiversity is essential in enabling ecosystem infrastructures to survive under intensifying climate changes. The Company enhanced to operate a business with sustaining and balancing the economic-ecological development is thus paramount for Climate Resilience and ensuring operational business preventing the impacts on the ecosystem, either directly or indirectly.

Target and Performance

2021 Target

2021 Performance

- | 2021 Target | 2021 Performance |
|---|---|
| Implementation or collaboration with international to effectively enhancing biodiversity. | <ul style="list-style-type: none">• 27,511 trees planted and preserved on Company and partner premises. |
| | <ul style="list-style-type: none">• Promote sustainable fishery products (MSC and ASC) with purchasing amount 3,240 million Bath. |
| | <ul style="list-style-type: none">• Own brand products were certified MSC and ASC for 42 items. |
| | <ul style="list-style-type: none">• 100% of stores and distribution centers are not operated in any natural conservation area nor world's heritage area. |

Management Approach

To eliminate as much business and supply chain impact on the environment as possible, the Company has established the Biodiversity Policy and Framework for restoring and preserving ecological biodiversity.



Biodiversity Protection Policy & Framework

 <p>01 Assess Risks and Impacts:</p>	<p>The distribution centers and stores of the Company and its partners are assessed to ensure that no operational impact encroaches on conservation areas, such as UNESCO World Heritage Sites, IUCN Protected Areas category I-IV, as well as protected areas under municipal regulations.</p>
 <p>02 Reduce, Rehabilitate and Prevention for Losses</p>	<p>The Company adheres to the No Net Loss or Net-Zero Deforestation approach and considers the possibility of upgrading to the Net Positive Impact (NPI) approach. As such, the Company plan is in place to reduce, rehabilitate for damage to protected or high-risk areas from business operations or activities to promote healthy biodiversity over the long run.</p>
 <p>03 Communication and Education</p>	<p>A biodiversity communication and education plan is provided for the Company's personnel, temporary staff, contractors, and critical tier-1 suppliers risking infringement. The plan is implemented through various channels such as internal emails, and the annual sustainability report - One Report.</p>
 <p>04 Enhance and Promote Biodiversity</p>	<p>The Company supports biodiversity protection and restoration by working with potential partners to organize change-driving projects.</p>
 <p>05 Disclosure of Biodiversity Performance</p>	<p>The Company publicly communicates its biodiversity performance under setting targets through the annual One Report to create operational transparency.</p>

Examples of Biodiversity Support Projects

Sustainable Tuna-Sourcing Project

Under the International Organization for Conservation of Nature (IUCN) guidelines, the Company prohibits sourcing raw materials and products from threatened or red-listed species. Ethical and sustainable sourcing guidelines have also been established for tuna-related products, examining where tuna species are sourced and how they are fished to avoid direct and indirect unethical sourcing practices that may endanger tuna species.

Makro Forestation Project

The Company collaborated with the Royally – Initiated Siri Chareonmwat Forest Plantation Project for 22,500 seedlings for plantation at Na Chom Thian Subdistrict, Sattahip District, Chonburi Province—a vital 3,900-rai forest learning center as one of Thailand's complete ecosystems.

The initiative is also part of the CP Group's policy to reduce global warming by planting 10 million trees by 2030. Affiliated companies are organizing tree planting activities to reduce global warming and return fresh air to the atmosphere through the CP Roy Ruk Lok Project. Under the CP Group, the program creates income-earning jobs for farmers and rural communities, providing care to saplings and seedlings while replacing the income lost under the Covid-19 pandemic. The Makro reforestation project supports all economic, social, and environmental dimensions.



RESPONSIBLE SUPPLY CHAIN MANAGEMENT

Opportunities and Challenges

The COVID-19 pandemic continues to affect the manufacturers, suppliers, customers, and the Company alike. As the linkage between producer to end-user, the Company aims to ensure customers access to safe, high-quality, and sufficient in a timely manner. The Company has strengthened the supply chain’s risk management and collaborated with producers, distributors, suppliers and business partners to enhance the value chain management, ensuring adequate inventory meets consumption needs with responsible sourcing and traceability to upstream.

Target and Performance

2021 target

100% of critical tier-1 suppliers have been engaged the Environment, Social and Governance in the Supplier’s Code of Conduct.

2021 performance

- **100%** of critical tier 1 supplier have been engaged ESG within the Supplier’s Code of Conduct manual.
- **1.26%** of all tier 1 suppliers are critical tier 1
- **98.74%** are tier 1 supplier
- **100%** critical tier 1 suppliers have been assessed sustainability with a Pre-Supplier Audit questionnaire in the past 3 years.



Management Approach

The Company thus prioritizes supply chain management at every process, from upstream to downstream, in 4 key processes as follows:



01

Scope Description: Define scope, expectations, and guidelines to communicate with business partners.

The Suppliers Code of Conduct consists of 7 topics:



business
ethic



Quality and
Safety of
Product



Traceability



Efficiency
Improvement
and Innovation



Economic,
Social, and
Environmental
Risk Management



Human Rights
& Labor
Practices



Occupational
Health
and Safety

The Company communicates the Supplier's Code of Conduct to all tier 1 suppliers. In 2021, the Supplier's Code of Conduct training video was finished to facilitate the communication approach for a new normal way.



02

Sourcing and screening the sustainable potential business partners:

The Company has defined the sustainability aspects of supply chain risk management, code of conduct, ethical sourcing, human rights and labor practices, occupational health and safety into the Pre-Supplier Audit Questionnaire. All new business partners thus have to pass environmental and social assessments before doing business with the Company.



03

Assess Sustainability Risk and Impact of Business Partners:

The Company identifies the Critical Tier 1 Supplier based on the total purchase volumes and their influence to supply chain. This supplier group must complete the online ESG Supplier Risk Self-Assessment at least once every 3 years.



04


Encourage and promote Business Partners' Sustainability development:

The Company promotes holistic social developments by sharing knowledge and engagement with business partners to create better living and sustainable growth together.

94.76% of the procurement budget is allocated to local business partners.

At the same time, the Company has a comprehensive procurement policy that focuses on responsible sourcing to conserve natural species for future generations. This includes promoting sustainable suppliers with responsible sourcing policies and practices for climate resilience and energy management, food waste and waste management etc. In addition, to be transparent and traceability of responsible sourcing, the Company has continued the Makro i-Trace project for the 4th consecutive year. Currently, more than 15,000 products can be traced back to the source, or 100% of Siam Makro's own brand products.

Responsible sourcing of raw material and product

 Animal Welfare	 ASC MSC	 Agricultural crops
<p>Company policy endorses the 5 freedoms of animal welfare while maintaining the customers' benefits and competitiveness of egg farmers, business partners, and customers.</p> <p>The Company sells cage-free eggs and animal products certified by BBFAW (Business Benchmark on Farm Animal Welfare) in Makro's stores.</p>	<p>To promote sustainable fishery, the Company has organized programs to educate employees and customers, caterers, and retailers as well as communicate the Company's path to the sustainable fishery.</p> <p>Presently, our foodservice business in the Asia Pacific and the Middle East (APME), 6 seafood categories which are fish, crabs, shellfish, shrimp, squid, and roe, have been certified by the Marine Stewardship Council (MSC) and Aquaculture Stewardship Council (ASC) for 42 items. The purchasing amount of MSC and ASC certified products are 24.5% of total seafood products.</p> <div data-bbox="443 1305 743 1485">  </div>	<p>Purchasing amount from the certified products under sustainable standards follows:</p> <ul style="list-style-type: none">  Coffee 1% from certified UTZ, Fair Trade, Rainforest Alliance products.  Sugar 14% from certified Bonsucro products.  Food and Drink 2% from organic products.

Continuity Responsible Supply Chain Management Projects:

"Smart Farm Development – Strengthen Thai Farmers towards Sustainability" Project:

The program develops the farmers, agriculture business partners, and agriculture product SMEs by introducing the technology for agricultural production development. Farmers are able to self-learning and quality inspection



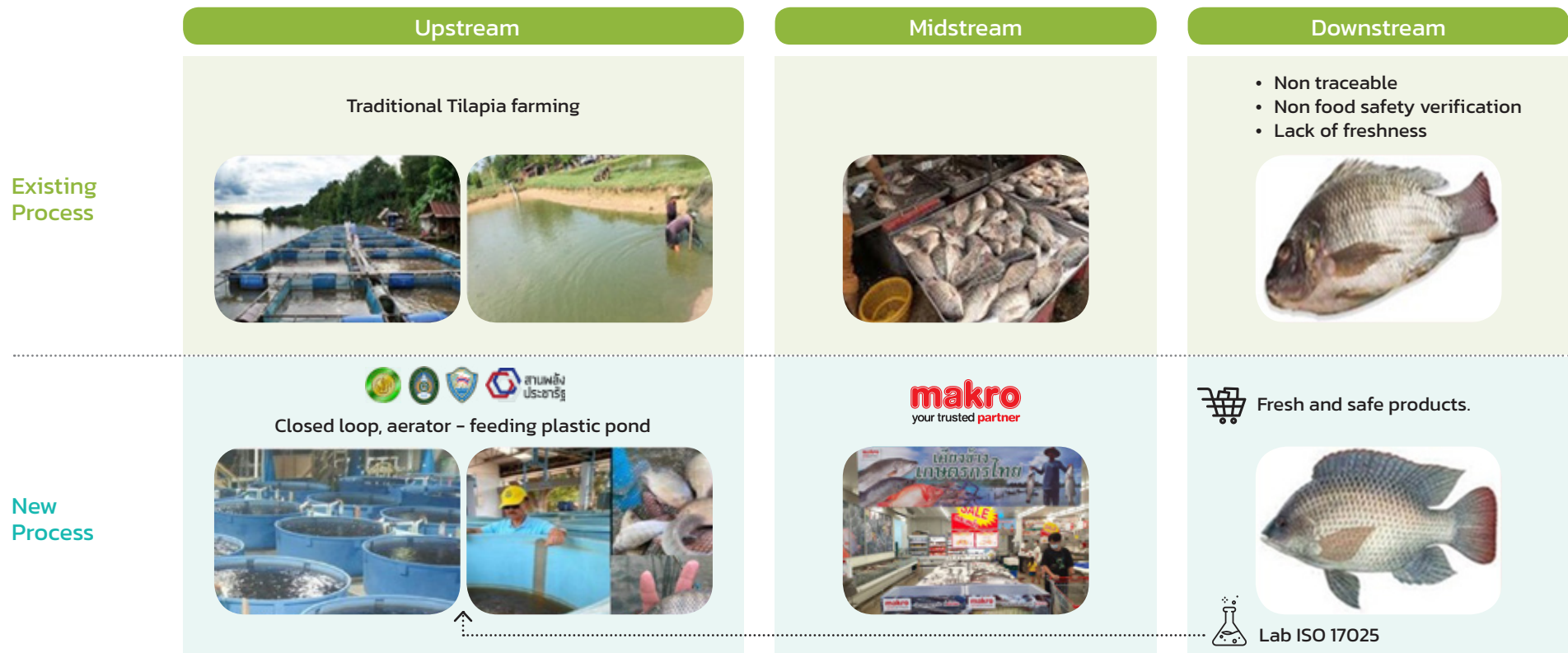
2021 Results:

- **1,000** farming households, approximately increase **90%** of income.
- **100%** increase of certified and assessed farmers.
- Average rise income **3,240,000** Baht per household per year.

"Sustainable Organic Fish Farming" Project:

This is a joint project with responsible government agencies to promote fish farming in a closed system, to better control aquaculture quality, reduce wastewater that is released into the natural water resource and customers can trace it back to producing process.

New Process of Fish Farming



2021 Results:

- **40** fish farms participating in the project.
- Average additional income **436,000** Baht per household per year.

4. Management Analysis and Explanation

The following discussion and analysis contain forward-looking statements relating to the Group's plans, strategies, objectives, expectations, intentions, and resources. For example, information regarding the Group's expectations of future results, performance, achievements, prospects or opportunities, or the markets in which the Group operates and the impact of the COVID-19 pandemic are forward-looking information. Although based on assumptions the Group considers reasonable, the Group's actual results could differ materially from those expressed or implied in such forward-looking statements. Please see in detail risks and uncertainties under Section 2 - Risk Management.

Unless stated otherwise, Lotus's unaudited pro forma consolidated financial information is provided on the premise that CPRD has acquired Lotus's Thailand, which held a 99.9% stake in Ek-Chai and Lotus's Malaysia effective 1 January 2019. Although the fiscal year of CPRD ends on 31 December, the financial statements of Lotus's Thailand and Lotus's Malaysia have fiscal years ending 28 February or 29 February (as the case may be). While the information presented in this document for Lotus's Thailand and Lotus's Malaysia for 2019 and 2020 is based on the fiscal years of Lotus's Thailand and Lotus's Malaysia ending 29 February 2020 and 28 February 2021, respectively, the 2021 information represents the fiscal year ending 31 December 2021. The data of Makro and companies in the group other than Lotus's Thailand and Lotus's Malaysia for 2019, 2020, and 2021 represent the fiscal year ending 31 December 2019, 31 December 2020, and 31 December 2021, respectively.

4.1 Overview

The Company received the entire Lotus's business transfer, a leading retailer of grocery and consumer good and shopping center management in Thailand and Malaysia. The Company completed the transfer of business ownership on October 25, 2021, through a private placement, allocating newly issued shares to specific investors (payment in kind) instead of cash. The business acquisition allows the Company to combine Makro's strengthened wholesale business with Lotus's retail and shopping center business in Thailand and Malaysia. With a business domain encompassing three key business segments: wholesaling, retailing, and shopping center, the Company aims to be the leader in fresh food and consumer goods retailing-wholesaling in Asia and expand the competitive business scope through an O2O (Offline-to-Online) omnichannel.

As for the wholesale business, the Company is committed to becoming business partners of professional entrepreneurs. Over the past 30 years, the Company has been committed to developing products and services for Cash and Carry stores under Makro to meet customers' needs while expanding the business through various formats and distribution channels, domestically and internationally, to sustain and optimize competitive edges. The Company believes in its competitive wholesaling advantages and Makro's standing as the leading modern grocer in South Asia and Southeast Asia with a solid online distribution platform and invaluable customer

development programs, maintaining direct contact with entrepreneurial partners and providing consultation and advisory services to customers regularly.

The Company's wholesaling business consists of two sub-segments:

- The Cash and Carry business is the core business under the Makro trademark - a licensee under CPALL- the Company's majority shareholder. The business focuses on wholesaling general groceries such as fresh food, dry food, and non-food products under third-party brand names alongside private label products under the Company's trademark. There are three target Cash and Carry customer groups: small food retailers, HoReCa operators, and service business operators. As of 31 December 2021, under the Makro brand, the Company operates 142 Cash and Carry stores in Thailand, two branches in Cambodia, three branches in India (under LOTS Wholesale Solutions), one branch in China, and one branch in Myanmar.
- The Foodservice business focuses on importing, exporting, and distributing premium frozen and chilled food with delivery and storage services to domestic and international customers, namely 4-5 star hotels, high-end restaurants, and hospital and airline businesses.

In 2020 and 2021, the wholesale business generated Baht 217,897 million and Baht 225,271 million in revenues from sales of goods and services, representing 99.6% and 99.6% of the group's total revenue of Baht 218,760 million and Baht 226,258 million, respectively, with the remainders of both periods coming from other sources of revenues. The Company has continuously developed its core competency, the Cash and Carry business, to meet the changing needs of various operating partners. While Makro's O2O channel integration ensures optimal customer convenience through the online marketplace platform, it's business as usual at brick-and-mortar stores, offering products and services concurrently with its online outlets, with servicing sales staff standing by to facilitate customers through either channel. Online channels include MakroClick.com,

the Makro mobile app, and Makro Line Official Account, the new B2B online marketplace being expected by the end of 2023. As of 31 December 2021, there were 149 Cash and Carry stores worldwide, 142 in Thailand and seven abroad, in six store formats that differ by target customers, sales space, and product mix.

As of 31 December, 2020, and 2021, the Company had a total of Baht 159,587* million and Baht 560,490 million in assets, respectively.

* Revised based on the list of items affecting business restructuring of 2020 financial statements. Please consider in detail Financial Statements Item Note 4—Business Acquisition By Entire Business Transfer.

The following table shows the wholesale business's revenue and annual profit for the specified periods:

	Year ended 31 December					
	2019 ⁽¹⁾	%	2020 ⁽¹⁾	%	2021 ⁽¹⁾	%
(unaudited)						
Wholesale business						
Revenue from sale of goods	206,180	97.9	214,140	97.9	221,344	97.8
Revenue from rendering of services	3,592	1.7	3,757	1.7	3,927	1.7
Revenue from rental and rendering retail services	389	0.2	361	0.2	347	0.2
Other income	466	0.2	502	0.2	640	0.3
Total revenues	210,627	100.0	218,760	100.0	226,258	100.0
Net profit	6,245		6,563		6,773	

Notes: ⁽¹⁾ The above financial figures are net eliminated on consolidation.

On October 25, 2021, the Company completed the entire business transfer of CP Retail Holding Company Limited ("CPRH") with a 99.9% stake in CPRD, a holding company operating by acquiring shares from other companies. CPRD currently holds the following shares in the following companies:

- A 99.9% stake in Lotus's Thailand - A 99.9% stakeholder of Ek-Chai which operates retail business under Lotus's in Thailand
- A 100.0% stake in Lotus's Malaysia, a company that operates retail business under Lotus's in Malaysia

Lotus's is a leading retailer and a shopping center operator in Thailand and Malaysia. In Thailand, Lotus's is a leading retailer with multiple distribution channels, considering store space and market share through its subsidiary, Ek-Chai. As of 31 December 2021, Lotus's had 2,618 stores across Thailand, comprising 222 hypermarkets, 199 supermarkets, and 2,197 mini-supermarkets. The retail business is secured with a robust supply chain and efficient distribution logistics network. It has substantial brand equity and ongoing investment plans in key strategic projects, as detailed in other sections of this document.

As a leading shopping center operator with several shopping centers through its subsidiary, Ek-Chai, Lotus's Thailand consisted of the following businesses, as of 31 December 2021:

- Management of leased spaces in 199 shopping centers (excluding those invested by the 23 LPF mutual funds as detailed below) with a total permanent net leasable area (NLA) of approximately 717,224 square meters.
- There are 62 shopping centers where Lotus's is the land and building freehold owner.
- The occupancy rate of the shopping center was approximately 90%, calculated from the permanent NLA; and
- Through its subsidiary Ek-Chai, Lotus's held a 25% investment in LPF - a listed real estate mutual fund invested in 23 shopping centers across Thailand.

As of 28 February 2020, the Lotus's shopping center business in Thailand consisted of

- Management of leased spaces in 196 shopping centers (excluding 23 shopping centers invested by LPF), with a total permanent NLA of approximately 715,000 square meters with Lotus's hypermarkets as the main store, 61 shopping centers of which Lotus's was the freehold land.
- The shopping center occupancy rate was approximately 90% based on the permanent NLA; and
- Through its subsidiary Ek-Chai, Lotus's held 25% in the LPF mutual fund - a publicly listed real estate fund invested in 23 shopping centers across Thailand.

In Malaysia, Lotus's is a leading retailer and shopping center business through its subsidiary, Lotus's Malaysia, with a stable supply chain, efficient distribution and logistics networks, brand equity strength, and ongoing investment plans in key strategic projects. As of 31 December 2021, Lotus's had 46 hypermarkets and 16 supermarkets in the Malaysia Peninsula.

As of 31 December 2021, the Lotus's shopping center business in Malaysia consisted of:

- Management of leased spaces in 57 shopping centers, representing a permanent NLA of 300,562 square meters; 40 centers of which Lotus's was either the freehold owner or operating with leasehold rights granted by the Malaysian government.
- The occupancy rate was approximately 92% based on the permanent NLA.

As of 31 December 2020, the Lotus's shopping center business in Malaysia consisted of:

- Management of leased spaces in 57 shopping centers, representing a permanent NLA of approximately 296,000 square meters; 40 centers of which Lotus's was either the freehold owner or operating with leasehold rights granted by the Malaysian government.
- The occupancy rate is approximately 92% based on the permanent NLA.

The following table shows the annual profit of the retail business based on pro forma consolidated financial data for the specified periods:

	Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2019	%	2020	%	2021 ⁽¹⁾	%
(unaudited) (Unit: Baht, million; except %)						
Retail business						
Revenue from sale of goods	205,227	92.0	197,460	93.5	193,730	93.9
Revenue from rental and rendering retail services	14,805	6.6	11,188	5.3	10,903	5.3
Other income ⁽²⁾	3,092	1.4	2,459	1.2	1,771	0.8
Total revenues	223,124	100.0	211,107	100.0	206,403	100.0
Net profit / (loss)	8,069		1,514		(495)	

Notes: ⁽¹⁾ 2021 operations; the Company completed the entire Lotus's business transfer on October 25, 2021

⁽²⁾ Other revenues including gains (losses) from foreign exchange rates, other revenue sources, and net derivative gains

4.2 Description of critical line items

4.2.1 Description of critical line items of the wholesale business

The following explanations summarize the critical line items on the wholesale business's income statement and other comprehensive income.

- Revenue from sale of goods is from Cash and Carry and foodservice businesses. The following table reflects wholesale business's revenue from sale of goods for the specified periods, broken down by customer segments:

	Year ended 31 December					
	2019	%	2020	%	2021	%
(unaudited) (Unit: Baht, million, except %)						
Cash and carry customers						
Retailers	50,408	25.2	51,912	24.7	58,397	27.0
HoReCa	56,745	28.3	53,031	25.3	52,850	24.4
Service businesses	14,892	7.4	14,853	7.1	14,228	6.6
Distributors	14,362	7.2	13,884	6.6	14,423	6.7
Other consumers	63,965	31.9	76,246	36.3	76,277	35.3
Revenue from Cash and Carry	200,372	100.0	209,926	100.0	216,175	100.0

- Revenue from rendering of service is from Cash and Carry and food service under the wholesale business, consisting mainly of income from advertising services in Makro Mail's promotional publications for members and income received from manufacturers and distributors for product sales promotion services, among others.
- Other income consists mainly of revenue from paper boxes and other packaging materials.
- Revenue from rental and rendering retail services are from Cash and Carry business.
- Cost of goods sold primarily comprises the cost of acquiring goods sold during the period and costs related to warehousing, logistics and transportation for fresh food, and loss of goods.
- Distribution costs primarily comprise costs incurred at stores, where the following table shows the distribution cost structure of the wholesale business over a specified periods:

	Year ended 31 December		
	2019	2020	2021
(unaudited) (unit: Baht, million)			
Employee benefit expenses	4,016	4,253	4,496
Utilities expenses	2,546	2,504	2,423
Advertising and sale promotion expenses	990	761	760
Lease-related expenses	764	234	239
Computer expenses	120	113	174
Trademark fees	170	176	182
Maintenance and repair expenses	290	319	339
Depreciation and amortization	2,101	2,834	2,830
Other	1,620	1,507	1,551
Total cost of distribution	12,617	12,701	12,994

- Administrative expenses are expenses for administrative activities unrelated to sales and primarily comprise head office expenses. The following table shows the expenses by the wholesale business in the specified periods:

	Year ended 31 December		
	2019	2020	2021
(unaudited) (unit: Baht, million)			
Employee benefit expenses	2,836	2,878	3,111
Utilities expenses	69	63	62
Lease-related expenses	140	87	79
Computer expenses	393	460	499
Maintenance and repair expenses	18	13	15
Depreciation and amortization	600	716	744
Other	685	813	1,125
Total administrative expenses	4,741	5,030	5,635

- Finance costs comprise primarily amounts paid to financial institutions in connection with borrowings and finance costs recognized under lease contracts per TFRS 16. Please see in detail the “Key Accounting Policies of the Company-Lease Agreement” section.
- Income tax expense is the amount of the wholesale business’s tax payable consisting of income tax expenses for the current year, income taxes for previous years, changes in deferred tax temporary differences.

4.2.2 Description of critical line items of the retail business

The following explanations summarize the critical line items on the retail business’s income statements and other comprehensive income.

- The following table provides a breakdown of revenue from the retail business’s sale of goods for the specified periods:

	Year ended 31 December			
	2020	%	2021 ⁽¹⁾	%
(unaudited) (unit: Baht, million; except %)				
Revenue from retail stores in Thailand				
Hypermarkets	98,811	60.4	91,562	57.3
Supermarkets	21,146	12.9	19,510	12.2
Mini-supermarkets	42,410	25.9	44,970	28.1
Online channels	1,216	0.7	3,662	2.3
Total retail sales in Thailand	163,583	100.0	159,819	100.0
(minus) Other retailing-related income ⁽²⁾	(621)		(547)	
Revenue from sale of goods in Thailand	162,962		159,272	
(unaudited) (unit: Malaysian Ringgits, million; except %)				
Revenue from retail stores in Malaysia				
Hypermarkets	3,720	79.4	3,518	77.6
Supermarkets	767	16.4	778	17.1
Express stores	10	0.2	0	0.0
Online channels	168	3.6	205	4.5
B2B channels	22	0.4	37	0.8
Total retail sales in Malaysia	4,687	100.0	4,538	100.0
(minus) other retailing-related income ⁽³⁾	(47)		(41)	
Revenue from sale of goods in Malaysia	4,640		4,497	

Notes: (1) 2021 operations; the Company completed the entire Lotus's business transfer on October 25, 2021.
 (2) Other income of Lotus's Thailand consists of consignment—revenue from delivery and employee discounts from Lotus's retail business in Thailand.
 (3) Lotus's Malaysia's other income consists of consignment income from Lotus's retail business in Malaysia.

- Revenue from rental and rendering retail services includes rental revenue from permanent and temporary lessees, service fees charged to lessees, income from the food court business, and income from shopping center property management under the LPF mutual funds.
- Cost of goods sold is the cost of acquiring or producing goods that are sold in the Lotus's retail business. The following table details the retail business's cost of goods sold for the specified periods:

	Year ended 31 December	
	2020	2021 ⁽¹⁾
(unaudited) (unit: Baht, million)		
Finished goods purchases	154,687	149,991
Transportation costs	1,716	2,629
Employee expenses	1,528	1,665
Others	2,739	2,593
Total cost of sales	160,670	156,878

Note: ⁽¹⁾ 2021 operations; the Company completed the entire Lotus's business transfer on October 25, 2021.

- Cost of rental and rendering of services is the cost of operating Lotus's shopping center business. The table below shows the retail business's Cost of rental and rendering of services for specified periods:

	Year ended 31 December	
	2020	2021 ⁽¹⁾
(unaudited) (unit: Baht, million)		
Depreciation and amortization	2,216	2,310
Utilities expenses	1,564	1,559
Maintenance and repair expenses	535	504
Others	1,328	1,245
Cost of rental and rendering of services	5,643	5,618

Note: ⁽¹⁾ 2021 operations; the Company completed the entire Lotus's business transfer on October 25, 2021.

- Foreign exchange gains (losses) are incurred by actual foreign exchange gains (losses) under loans from financial institutions in foreign currency.
- Other income is from manufacturers and distributors of products, consignment, and advertising payments collected from manufacturers and distributors for publicity on the Lotus's advertising leaflets.
- Net derivative gains are derived from adjustments to the book value of Lotus's derivatives.
- Distribution costs cover the costs of operating a Lotus's store. The following table details the distribution costs of the retail business by the specified periods.

	Year ended 31 December	
	2020	2021 ⁽¹⁾
(unaudited) (unit: Baht, million)		
Employee expenses	10,058	10,899
Utility bills	3,387	3,402
Depreciation and amortization	8,686	8,569
Others	7,164	7,047
Total cost of distribution	29,295	29,917

Note: ⁽¹⁾ Based on Lotus's unaudited consolidated financial information as of 31 December 2021, and the Company completed the entire Lotus's business transfer on October 25, 2021.

- Administrative expenses are not related to the sale of goods. The following table details the expenses of the retail business for specified periods:

	Year ended 31 December	
	2020	2021 ⁽¹⁾
(unaudited) (unit: Baht, million)		
Employee expenses	3,098	3,026
Depreciation and amortization	513	822
Maintenance and repair expenses	472	1,690
Others	2,333	1,539
Total administrative expenses	6,434	7,077

Note: ⁽¹⁾ 2021 operations; the Company completed the entire Lotus's business transfer on October 25, 2021.

- As of 31 December 2021, the interest-bearing liabilities shown in the consolidated statement of financial position of the retail business had loans from financial institutions totaling Baht 128,402 million.
- Share of gain of associate and joint ventures of the retail business is the profit / (loss) under the equity method the group receives from its investment in Retail Property Limited, Lotus's Money Services, Synergy Property Development Company Limited, and LPF mutual fund.
- Tax expenses are the amounts of tax the retail business is liable to pay, comprising primarily estimated tax expenses for the current year and changes in deferred tax temporary differences for the year.

4.3 Operating Results

4.3.1 Consolidated operating results of the Company

The following table presents a summary of the Company's consolidated operating results for the specified periods:

	Year ended 31 December		
	2019	2020 ⁽¹⁾	2021
(unit: Baht, million)			
Income			
Revenue from sale of goods	206,180	214,140	258,847
Revenue from rendering of services	3,592	3,757	4,177
Revenue from rental and rendering retail services	389	361	2,521
Other income	466	502	890
Total revenues	210,627	218,760	266,435
Expenses			
Cost of goods sold	185,012	192,016	228,405
Cost of rental and rendering of services	52	57	1,046
Distribution costs	12,617	12,701	19,150
Administrative expenses	4,741	5,030	7,340
Total expenses	202,422	209,804	255,941
Profit from operating activities	8,205	8,956	10,494
Gain on step acquisition	-	-	6,714
Share of loss of associate and joint ventures accounted for using equity method	-	(63)	(226)
Profit before finance costs and income tax expense	8,205	8,893	16,982
Finance costs	310	619	1,557
Profit before income tax expenses	7,895	8,274	15,425
Income tax expenses	1,710	1,813	2,127
Net profit	6,245	6,563	13,687
Basic earnings per share attributable to the shareholders of the Company	1.30	1.37	2.38

Notes: ⁽¹⁾ The financial statements for the year 2020 are restated from items that affect the business restructuring after the retail business acquisition, which the Company completed the entire business transfer on October 25, 2021.

4.3.1.1 Year ended 31 December 2021 compared to year ended 31 December 2020

(1) Revenue from sale of goods

Revenue from sale of goods was Baht 258,847 million as of 31 December 2021, an increase of Baht 44,707 million or 20.9% from Baht 214,140 million as of 31 December 2020. The increase was due mainly to the consolidation of the retail business (Lotus's Group Thailand and Malaysia) during the 25 October to 31 December 2021, along with the income growth from the wholesale business of 3.4%.

(2) Revenue from rendering of services

Revenue from rendering of services was Baht 4,177 million as of 31 December 2021, increased by Baht 420 million or 11.2% from Baht 3,757 million as of 31 December 2020, where the increase was due mainly to the retail business acquisition amounting to Baht 249 million.

(3) Revenue from rental and rendering retail services

Revenue from rental and rendering retail services was Baht 2,521 million as of 31 December 2021, a skyrocket surge of Baht 2,160 million or 597.6% from Baht 361 million as of 31 December 2020, due mainly to the retail business acquisition in the amount of Baht 2,174 million.

(4) Other income

Other income was Baht 890 million as of 31 December 2021, a jump of Baht 388 million or 77.4% from Baht 502 million as of 31 December 2020, due mainly to other income from the retail business in the amount of Baht 251 million. The wholesale business's other income rise by Baht 137 million or 27.4%.

(5) Cost of goods sold

Cost of goods sold was Baht 228,405 million as of 31 December 2021, a rise of Baht 36,389 million or 19.0% from Baht 192,016 million as of 31 December 2020, due mainly to the cost of goods sold under the retail business in line with the increase in product sales.

(6) Costs of rental and rendering of services

The Company and its subsidiaries had costs of rental and rendering of services of Baht 1,046 million as of 31 December 2021, an increase of Baht 989 million or a staggering 1,746.0% from Baht 57 million year-on-year, due mainly to lease and service costs of Baht 982 million from the retail business acquisition.

(7) Distribution costs

The Company and its subsidiaries had distribution costs of Baht 19,150 million as of 31 December 2021, an increase of Baht 6,449 million or 50.8% from Baht 12,701 million year-on-year, due mainly to retail business expenses of Baht 6,156 million. Costs from wholesale business increased by Baht 293 million or 2.3%, due mainly to the increase in employee expenses by the number of branches and delivery charges from sales growth through online distribution channels.

The proportion of distribution costs to sales was 7.4%. The proportion of distribution costs to sales of the wholesale business was 5.9%, the same as the previous year. The cost of distribution compared to the sales of the retail business was 16.4%.

(8) Administrative expenses

The Company and its subsidiaries incurred Baht 7,340 million in administrative expenses as of 31 December 2021, accounting for 2.8% of total revenue and a rise of Baht 2,310 million or 45.9% from Baht 5,030 million as of 31 December 2020, due mainly to retail business expenses that amounted to Baht 1,508 million. The wholesale business segment saw an increase of Baht 605 million or 12.0%, attributable to employee expenses and business continuity management (BCM) expenses during the COVID-19 outbreak most of the year and the cost of implementing preventive disease control measures in the warehouse area, namely bubble and seal, in the amount of Baht 399 million, ensuring that employees, customers, products, and all establishments of the Company were safe from the COVID-19 outbreak. Other expenses of Baht 109 million were incurred under the business transfer, along with direct expenses relating to the business transfer of Baht 197 million as part of administrative expenses in the consolidated financial statements. The ratio of administrative expenses to wholesale and retail business to sales were 2.5% and 4.0%, respectively.

(9) Finance costs

Finance costs amounted to Baht 1,557 million as of 31 December 2021, a rise of Baht 938 million or 151.3% from Baht 619 million as of 31 December 2020, due mainly to interest expenses from retail business.

(10) Income tax expenses

Income tax expenses amounted to Baht 2,127 million as of 31 December 2021, a rise of Baht 314 million or 17.4% from Baht 1,813 million as of 31 December 2020, in line with the increase of profit before income tax expenses and the profit before income tax expenses from the retail business after the completion of business transfer.

(11) Net profit

The Company and its subsidiaries had a net profit (profit attributable to equity holders of the Company) in the amount of Baht 13,687 million as of 31 December 2021, an increase of Baht 7,124 million or 108.6% from Baht 6,563 million as of 31 December 2020, due mainly to accounting for gain on step acquisition of Baht 6,714 million and net profit from the retail business of Baht 397 million.

4.3.2 Operating results of the Wholesale Business

The wholesale business saw a net profit (shareholders' equity) of Baht 6,773 million, an increase of Baht 210 million or 3.2%, due to a net profit of Baht 52 million from the foodservice business in 2021, compared to the net loss of Baht 81 million year-on-year. Makro Thailand registered a net profit of Baht 7,380 million, an increase of 0.5%. Makro International marked a net loss of Baht 659 million, a Baht 42 million reduction in net loss year-on-year, or a 6.0% improvement.

The following table summarizes the wholesale business's performance for the specified periods:

	Year ended 31 December		
	2019	2020	2021
(Baht, million)			
Wholesale business			
Revenues			
Revenue from Sales of goods	206,180	214,140	221,344
Revenue from rendering of services	3,592	3,757	3,927
Revenue from rental and rendering retail services	389	361	347
Other income	466	502	640
Total revenues	210,627	218,760	226,258
Expenses			
Cost of goods sold	185,012	192,016	198,425
Cost of rental and rendering of services	52	57	64
Distribution costs	12,617	12,701	12,994
Administrative expenses	4,741	5,030	5,635
Total expenses	202,422	209,804	217,118
Profit from operating activities	8,205	8,956	9,140
Finance costs	310	619	545
Profit before income tax expenses	7,895	8,337	8,595
Income tax expenses	1,710	1,813	1,836
Net profit	6,245	6,563	6,773

4.3.2.1 Year ended 31 December 2021 compared to year ended 31 December 2020

(1) Revenue from sale of goods

Revenue from sale of goods was Baht 221,344 million as of 31 December 2021, a rise of Baht 7,204 million or 3.4%, from Baht 214,140 million as of 31 December 2020, due to sales increase from the wholesale business's cash and carry, from Baht 209,926 million as of 31 December 2020 to Baht 216,175 million as of 31 December 2021 from developing a product variety for customer needs, the development of the Smart Shohuay (smart small retailers) project, the organization of promotional and marketing activities, focusing on small retailers and HoReCa customers benefiting from government stimulus measures. Increasing sales through the O2O platform was also a contributing factor, generating revenue streams from new branches in 2020 and 2021, totaling four branches and five branches in Thailand and abroad, respectively. The foodservice business that was slowly recovering from the epidemic also saw sales growth from adjusting strategy to expand the market to direct consumers and modern retailers.

(2) Revenue from rendering of services

Service revenue amounted to Baht 3,927 million as of 31 December 2021, a rise of Baht 170 million or 4.5% from Baht 3,757 million as of 31 December 2020, due to revenue from the Cash and Carry business that increased from Baht 3,756 million as of 31 December 2020 to Baht 3,926 million as of 31 December 2021, mainly from media advertising services in Makro Mail's promotional publications and activities for members.

(3) Revenues from rental and rendering retail services

This is a reclassification under the wholesale business to align with an income of the retail business. Revenues from rental and rendering retail services in shopping centers as of 31 December 2021 amounted to Baht 347 million, a slight decrease from Baht 361 million as of 31 December 2020.

(4) Other income

Other income amounted to Baht 640 million as of 31 December 2021, a rise of Baht 138 million or 27.4% from Baht 502 million as of 31 December 2020, due mainly to an increase in revenue from packaging materials and paper boxes that were increasing in market price and delivery service fees through online channels.

(5) Cost of goods sold

The cost of goods sold was Baht 198,425 million as of 31 December 2021, an increase of

Baht 6,409 million or 3.3% from Baht 192,016 million as of 31 December 2020, in line with the increase in product sales.

(6) Costs of rental and rendering of services

This is a reclassification under the wholesale business to align with an income of the retail business. The cost of rental and rendering of services amounted to Baht 64 million as of 31 December 2021, from Baht 57 million as of 31 December 2020.

(7) Distribution costs

Distribution costs amounted to Baht 12,994 million as of 31 December 2021, and increase of Baht 293 million or 2.3% from Baht 12,701 million as of 31 December 2020, due mainly to the additional distribution costs required for new stores as well as the increased transportation costs due to the growth in online product sales that required delivery services.

(8) Administrative expenses

Administrative expenses amounted to Baht 5,635 million as of 31 December 2021, an increase of Baht 605 million or 12.0% from Baht 5,030 million as of 31 December 2020. This was due mainly to the increase in business continuity management (BCM) costs under the COVID-19 epidemic, including preparing preventive disease control measures in specific areas, namely bubble & seal in distribution centers, and establishing field hospitals to support self-isolation and quarantine during the severing epidemic.

(9) Finance costs

Finance costs amounted to Baht 545 million as of 31 December 2021, a decrease of Baht 74 million or 12.0% from Baht 619 million as of 31 December 2020, due mainly to lower borrowings and interest rates.

(10) Income tax expenses

Income tax expenses was Baht 1,836 million as of 31 December 2021, a small rise of Baht 23 million or 1.3% from Baht 1,813 million as of 31 December 2020, in line with the increase in profit before income tax expenses which increased from Baht 8,337 million as of 31 December 2020 to Baht 8,595 million as of 31 December 2021.

(11) Net profit

The above operating results resulted in a net profit of Baht 6,773 million for the wholesale business as of 31 December 2021, an increase of Baht 210 million or 3.2% from Baht 6,563 million as of 31 December 2020.

4.3.2.2 Year ended 31 December 2020 compared to year ended 31 December 2019

(1) Revenue from sales of goods

Revenue from sales of goods amounted to Baht 214,140 million as of 31 December 2020, an increase of Baht 7,960 million or 3.9% from Baht 206,180 million as of 31 December 2019, due mainly to the income increase from cash and carry business in Thailand, from Baht 200,372 million as of 31 December 2019 to Baht 209,926 million as of 31 December 2020, by adjusting products and services to changing customer behavior and needs, including the Company's Community Kitchen project, providing refrigerators, freezers, and chilled and frozen food products for small retailing operators. Expanding sales channels through the O2O platform and upgrading services to increase convenience and speed also played a significant role in the growth, such as cashless payments, quick curbside pickup at branches, and last-mile delivery services, among others. Furthermore, income from new stores opened in 2019 and 2020, totaling eight branches and four branches in Thailand and abroad, respectively.

(2) Revenue from rendering of services

Revenue from rendering of services amounted to Baht 3,757 million as of 31 December 2020, an increase of Baht 165 million or 4.6% from Baht 3,592 million as of 31 December 2019. The rise is mainly from Cash and Carry business, from Baht 3,591 million as of 31 December 2019 to Baht 3,756 million as of 31 December 2020, due mainly to income from advertising services in Makro Mail's promotional publications for members and income received from manufacturers and distributors for product sales promotion services.

(3) Revenues from rental and rendering retail services

This is a reclassification under the wholesale business to align with the retail business. Revenues from rental and rendering retail services amounted to Baht 361 million as of 31 December 2020, a slight decrease from Baht 389 million as of 31 December 2019.

(4) Other income

No significant change took place in other income, from Baht 466 million as of 31 December 2019 to Baht 502 million as of 31 December 2020.

(5) Cost of goods sold

Cost of goods sold amounted to Baht 192,016 million as of 31 December 2020, an increase of Baht 7,004 million or 3.8% from Baht 185,012 million as of 31 December 2019, due mainly to an increase in revenue from product sales.

(6) Costs of rental and rendering of services

This is a reclassification under the wholesale business to align with the retail business. The cost of rental and rendering of services amounted to Baht 57 million as of 31 December 2020, from Baht 52 million as of 31 December 2019.

(7) Distribution costs

Distribution costs amounted to Baht 12,701 million as of 31 December 2020, a slight increase of Baht 84 million or 0.7%, from Baht 12,617 million as of 31 December 2019, due mainly to the increase in total income. However, the proportion of distribution costs to sales in 2020 was 5.9%, down from 6.1% in 2019, due mainly to pre-operating expenses from the slowdown in overseas expansion and lower tax expenses from government aid measures to alleviate land and building tax burdens.

(8) Administrative expenses

Administrative expenses amounted to Baht 5,030 million as of 31 December 2020, an increase of Baht 289 million or 6.1% from Baht 4,741 million as of 31 December 2019, due mainly to business continuity management (BCM) costs under the COVID-19 epidemic, including consulting fees and expenses related to business development and information technology systems to increase work efficiency and support future business expansion.

(9) Finance costs

Finance costs were Baht 619 million as of 31 December 2020, a jump by Baht 309 million or 100.0% from Baht 310 million as of 31 December 2019, due mainly to an increase in financial costs realized under the lease agreement, from Baht 53 million as of 31 December 2019 to Baht 385 million as of 31 December 2020. This arose from the Company's adoption of the TFRS 16 on leases which was effective for the fiscal year from January 1, 2020, onwards.

(10) Income tax expenses

Income tax expenses amounted to Baht 1,813 million as of 31 December 2020, an increase of Baht 103 million or 6.0%, from Baht 1,710 million as of 31 December 2019, in line with the increase in profits before income tax expenses from Baht 7,895 million as of 31 December 2019 to Baht 8,337 million as of 31 December 2020.

(11) Net profit

From the above operating results, the wholesale business registered a net profit of Baht 6,563 million as of 31 December 2020, an increase of Baht 318 million or 5.1 %, from Baht 6,245 million as of 31 December 2019.

4.3.3 Operating results of the Retail Business

The following table summarizes the retail business's operating results as of 31 December 2019, and 2020, compared to its operating results as of 31 December 2021:

	Year ended 31 December		
	2019 ⁽¹⁾	2020 ⁽¹⁾	2021 ⁽²⁾
(unit: Baht, million)			
Retail business			
Revenue from sale of goods	205,227	197,460	193,729
Revenue from rental and rendering retail services	14,805	11,188	10,902
Cost of sale of goods	(166,237)	(160,670)	(156,878)
Costs of rental and rendering of services	(5,471)	(5,643)	(5,618)
Gross profit	48,324	42,335	42,135
Profit (loss) on foreign exchange rates	(2)	87	(206)
Other income	3,093	2,370	1,957
Net derivative profit	1	2	-
Distribution costs	(29,136)	(29,295)	(29,917)
Administrative expenses	(5,595)	(6,434)	(7,077)
Profit from operating activities	16,685	9,065	6,892
Finance costs	(6,363)	(6,399)	(6,761)
Share of profit from investments in joint ventures and associates	815	782	831
Profit (loss) before income tax expenses	11,137	3,448	962
Income tax expenses	(3,068)	(1,934)	(1,457)
Net profit (loss)	8,069	1,514	(495)

Notes: ⁽¹⁾ 2021 operations; the Company completed the entire retail business transfer on 25 October 2021.

4.3.3.1 Year ended 31 December 2021 compared to year ended 31 December 2020

(1) Revenue from sale of goods

Revenue from product sales amounted to Baht 193,729 million as of 31 December 2021, a decrease of Baht 3,731 million or 1.9%, from Baht 197,460 million as of 31 December 2020, due mainly to the decline in sales under the the COVID-19 outbreak, namely consumer goods, general goods, and apparel product category.

(2) Revenues from rental and rendering retail services

Revenues from rental and rendering retail services amounted to Baht 10,902 million as of 31 December 2021, a decrease of Baht 286 million or 2.6%, from Baht 11,188 million as of 31 December 2020, due mainly to the reduction in a rental rates to help lessees in Lotus' shopping centers mitigate the impact of the COVID-19 pandemic as well as the reduction in occupancy rates due to multiple government lockdowns.

(3) Cost of sales

The cost of sales amounted to Baht 156,878 million as of 31 December 2021, a decrease of Baht 3,792 million or 2.4% from Baht 160,670 million as of 31 December 2020, in line with the decrease in sales of general merchandise, apparel, and consumer products.

(4) Cost of rental and rendering of services

The cost of rental and rendering of services amounted to Baht 5,618 million as of 31 December 2021, a decrease of Baht 25 million or 0.4 % from Baht 5,643 million as of 31 December 2020 without any significant change.

(5) Other income

Other income amounted to Baht 1,957 million as of 31 December 2021, a drop of Baht 413 million or 17.4% from Baht 2,370 million as of 31 December 2020, due mainly to a decrease in advertisement revenue from manufacturers and distributors and consignment in Thailand during the COVID-19 epidemic.

(6) Distribution costs

Distribution costs amounted to Baht 29,917 million as of 31 December 2021, an insignificant increase of Baht 622 million or 2.1%, from Baht 29,295 million as of 31 December 2020.

(7) Administrative expenses

Administrative expenses amounted to Baht 7,077 million as of 31 December 2021, an increase of Baht 643 million or 10.0% from Baht 6,434 million as of 31 December 2020, due mainly to increased costs of transitioning from legacy to the new information system after changing shareholders, and developing the system to support future business expansion.

(8) Foreign exchange gain (loss)

Net foreign exchange gain (loss) amounted to Baht 206 million as of 31 December 2021, a change from the foreign exchange gain of Baht 87 million as of 31 December 2020, due mainly to USD-denominated loans for Lotus's Malaysia operations, whereby the US Dollar loan was repaid in full with a new credit line in Malaysian Ringgit during the year.

(9) Finance costs

Finance costs amounted to Baht 6,761 million as of 31 December 2021, a rise of Baht 362 million or 5.7% from Baht 6,399 million as of 31 December 2020, due to the refinancing to repay existing loans incurred by CPRD's acquisition of Lotus's before expiring.

(10) Share of profit from investments in joint ventures and associates

The share of profit from investments in joint ventures and associates amounted to Baht 831 million as of 31 December 2021, a rise of Baht 49 million or 6.3%, from Baht 782 million as of 31 December 2020, due mainly to profit-sharing from Lotus's Money Services Ltd. However, profit-sharing from LPF decreased, in line with a decline in revenue from rental and rendering retail services.

(11) Income tax expenses

Income tax expenses amounted to Baht 1,457 million as of 31 December 2021, a drop by Baht 475 million or 24.7% from Baht 1,934 million as of 31 December 2020, in line with a drop in profit before income tax expenses of Lotus's Thailand and Lotus's Malaysia.

(12) Net profit / (loss)

The above operating results booked a net loss of Baht 495 million for the retail business as of 31 December 2021, a drop from Baht 1,514 million as of 31 December 2020.

4.3.3.2 Year ended 31 December 2020 compared to year ended 31 December 2019**(1) Revenue from sale of goods**

Sales revenue amounted to Baht 197,460 million as of 31 December 2020, a drop of Baht 7,767 million or 3.8% from Baht 205,227 million as of 31 December 2019, due mainly to the decline in sales revenue of Lotus's Thailand during the pandemic, namely in the sales of consumer goods, general goods and apparels, notwithstanding the rise in sales revenue from Lotus's Malaysia.

(2) Revenues from rental and rendering retail services

Revenues from rental and rendering retail services amounted to Baht 11,188 million as of 31 December 2020, a decline of Baht 3,617 million or 24.4%, from Baht 14,805 million as of 31 December 2019, due mainly to lower rental fees in Lotus's malls to help lessees mitigate the epidemic, and lower occupancy rate from less in-store foot traffic.

(3) Cost of sales

Cost of sales amounted to Baht 160,670 million as of 31 December 2020, a decrease of Baht 5,567 million or 3.3%

from Baht 166,237 million as of 31 December 2019, following the slide in sales of general merchandise, apparel, and consumer goods.

(4) Costs of rental and rendering of services

The costs of rental and rendering of services amounted to Baht 5,643 million as of 31 December 2020, a rise of Baht 172 million or 3.1%, from 5,471 million as of 31 December 2019, due mainly to the increase in depreciation of investments in new stores, refurbishment of existing stores, and promotional expenses under Lotus's Thailand.

(5) Foreign exchange gain (loss)

The retail business saw a foreign exchange gain of Baht 87 million, a rise of Baht 89 million from a Baht 2 million loss as of 31 December 2019, due mainly to the increase in unrealized foreign exchange gains from USD-denominated intercompany loans under Lotus's Malaysia.

(6) Other income

Other income amounted to Baht 2,370 million as of 31 December 2020, a fall of Baht 723 million or 23.4% from Baht 3,093 million as of 31 December 2019, due mainly to a decrease in advertising revenue from manufacturers and distributors of Lotus's Thailand during the COVID-19 outbreak.

(7) Distribution costs

Distribution costs amounted to Baht 29,295 million as of 31 December 2020, a rise of Baht 159 million or 0.5% from Baht 29,136 million as of 31 December 2019, due mainly to the impairment loss of stores operating with lower recoverable value than the carrying amount of assets, whereby the impairment can be revised in the future upon operating performance improvements.

(8) Administrative expense

Administrative expenses amounted to Baht 6,434 million as of 31 December 2020, a rise of Baht 839 million or 15.0%, from Baht 5,595 million as of 31 December 2019, due mainly to the costs of separating Lotus's Thailand's information system (IT system) from Tesco and the development of the systems for future business expansion.

(9) Finance costs

No significant change took place, from Baht 6,363 million as of 31 December 2019 to Baht 6,399 million as of 31 December 2020.

(10) Share of profit from investments in joint ventures and associates

Profit shared from joint ventures and associates amounted to Baht 782 million as of 31 December 2020, a drop of Baht 33 million or 4.0% from Baht 815 million as of 31 December 2019, due mainly to a decline in profit sharing from the LPF mutual fund following the epidemic COVID-19.

(11) Income tax expense

Income tax expenses amounted to Baht 1,934 million as of 31 December 2020, a drop of Baht 1,134 million or 37.0% from Baht 3,068 million as of 31 December 2019, in line with a drop in profit before income tax expenses under Lotus's Thailand and Lotus's Malaysia.

(12) Net profit

From the above operating results, the retail business saw an annual profit of Baht 1,514 million as of 31 December 2020, a drop of Baht 6,555 million or 81.2% from Baht 8,069 million as of 31 December 2019.

4.4 Financial position analysis

As of 31 December 2021, the retail business had Baht 456,547 million in total assets, comprising current assets of Baht 43,696 million and non-current assets of Baht 412,851 million.

4.4.1 Current assets**(1) Cash and cash equivalent**

As of 31 December 2019, 2020, and 2021, the Company had cash and cash equivalents of Baht 4,800 million, Baht 10,484 million, and Baht 64,555 million, respectively.

The increase in the 2020 period was due mainly to the gain in net cash flows from operating activities while the net cash flows used in investing and financing activities declined. The decline resulted from lower investment of property, plant and equipment, and the fact that the Company had net short-term loan payments to financial institutions in 2019, compared to 2020 when the Company had net cash from the short-term loans.

As of 31 December 2021, the Group had Baht 64,555 million in cash and cash equivalents, an upsurge of Baht 54,071 million year-on-year, due mainly to cash and cash equivalents from the retail business of Baht 18,103 million. The boost of Baht 35,968 million under the retail business was primarily from the public offering proceeds of Baht 33,007 million, with dividends paid in May and September 2021 of Baht 2,880 million and Baht 1,920 million, respectively.

(2) Trade account receivable

As of 31 December 2019, 2020, and 2021, the Company had trade accounts receivable of Baht 1,078 million, Baht 945 million, and Baht 2,302 million, respectively. The drop

in the 2020 period was due mainly to a sales from the foodservice business plummeted following the spread of COVID-19. The increase in the 2021 period was mainly due to the retail business acquisition amounting to Baht 2,302 million, a rise of Baht 1,357 million year-on-year.

(3) Other current receivable

As of 31 December 2019, 2020, and 2021, the Company had other current receivables of Baht 592 million, Baht 483 million, and Baht 1,985 million, respectively. The decrease in the 2020 period was due mainly to the reclassification of prepaid lease payments as right-of-use assets from the Company's implementation of the TFRS 16 on lease. The Baht 1,502 million year-on-year upsurge in the 2021 period was due mainly to Baht 1,165 million in other current receivables from the retail business acquisition. The increase in current accounts receivable in the wholesale business was due mainly to claims from trade partners and insurance companies.

(4) Inventories

As of 31 December 2019, 2020, and 2021, the Company had inventories amounting to Baht 14,774 million, Baht 14,478 million, and Baht 31,967 million, respectively. The inventory dropped in the 2020 period was due mainly to the decline in in-transit goods, from Baht 579 million in the previous period to Baht 311 million, following the drop in imported goods for the foodservice business during the COVID-19 epidemic. The Baht 17,489 million jump in the 2021 period was due mainly to inventory increases under the retail business acquisition in the amount of Baht 16,255 million. Inventory under the wholesale business was increased to support sales during the festive season recovering from the previous year.

(5) Rebate accrual

As of 31 December 2019, 2020, and 2021, the Company had rebate accruals of Baht 1,261 million, Baht 1,188 million, and Baht 3,776 million, respectively. The decline in the 2020 period was due mainly to the rebate reduction following the slowdown in product sales during the COVID-19 outbreak. The Baht 2,526 million jump in the 2021 period was due to the number of rebate accruals from the retail business acquisition and the wholesale business reflecting the order quantity and the rate of rebate receivable during the year.

4.4.2 Non-current assets**(1) Other non-current receivables**

As of 31 December 2019, 2020, and 2021, the Company had other non-current receivables of Baht 417 million, Baht 13 million, and Baht 45 million, respectively. The decrease in the 2020 period was due mainly to the reclassification of prepaid lease payments (with over 1-year terms) as right-of-use assets following the Company's implementation of TFRS 16.

(2) Property, plant, and equipment

As of 31 December 2019, 2020, and 2021, the Company possessed property, plant, and equipment in the amount of Baht 31,579 million, Baht 30,564 million, and Baht 118,443 million, respectively. The drop in the 2020 period was due mainly to diminished net book value of machinery and equipment, from Baht 6,266 million as of 31 December 2019, to Baht 5,305 million as of 31 December 2020, following the Company's reclassification of machinery and equipment as right-of-use assets under TFRS 16. The property, plant and equipment gained from opening new stores partially offset the 2020 devaluation. The 2021 valuation was due mainly to the upswing in the retail business's property, plant and equipment of Baht 87,880 million. The wholesaling

business saw Baht 1 million depreciation in property, plant and equipment, Baht 2,228 million in other adjustments, and a net investment of Baht 2,227 million during the period for constructing new stores in the country.

(3) Right-of-use assets

The Company had no right-of-use assets recorded as of 31 December 2019, while Baht 10,204 million was recorded as of 31 December 2020 from implementing the TFRS 16. As of 31 December 2021, the amount jumped to Baht 36,831 million due mainly to the right-of-use assets from the retail business acquisition of Baht 25,829 million while the wholesale business saw a net increase of Baht 797 million from new contracts during the year.

4.4.3 Current liabilities**(1) Short-term financing**

As of 31 December 2019, 2020, and 2021, the Company had short-term borrowings from financial institutions amounting to Baht 827 million, Baht 1,050 million, and Baht 29,198 million, respectively. The uptick in the 2020 period was due mainly to additional borrowings for operating cash flow. The 2021 upsurge was owed primarily to retail business's borrowings.

(2) Trade accounts payable to other parties

As of 31 December 2019, 2020, and 2021, the Company had trade accounts payable to other parties of Baht 24,494 million, Baht 25,804 million, and Baht 54,845 million, respectively. The rise in the 2020 period was due mainly to procuring certain items to sustain supplies through the COVID-19 epidemic. The surge in the 2021 period was owed primarily to Baht 27,022 million in trade accounts payable to other parties by the retail business, while the wholesale business committed Baht 2,019 million in purchasing orders during a high season in December.

(3) Trade accounts payable to related parties

As of 31 December 2019, 2020, and 2021, the Company had trade accounts payable from related parties in the amounts of Baht 1,932 million, Baht 2,170 million, and Baht 5,390 million, respectively. The amount in the 2020 period was due mainly to purchasing orders to sustain supplies through the COVID-19 pandemic. The jump in the 2021 period was due mainly to the retail business acquisition.

(4) Accrued expenses

As of 31 December 2019, 2020, and 2021, the Company accrued expenses in the amounts of Baht 2,378 million, Baht 2,838 million, and Baht 7,351 million, respectively. The uptick in the 2020 period was due mainly to increased employee benefits and advisory fees. The upswing in the 2021 period was mainly owing to accrued amounts from the retail business acquisition and amounts related to the issuance of shares in the public offering.

4.4.4 Non-current liabilities**(1) Other non-current payables**

As of 31 December 2019, 2020, and 2021, the Company had other non-current payables in the amounts of Baht 597 million, Baht 4 million, and Baht 187 million, respectively. The considerable fall in the 2020 period was due mainly to the Company's reclassification of particular other non-current payables as lease liabilities under the TFRS 16. The increase of other non-current payables between 31 December 2020 and 31 December 2021 was due mainly to the retail business acquisition.

(2) Lease liabilities

As of 31 December 2019, 2020, and 2021, the Company had total lease liabilities (including current and non-current) of Baht 641 million, Baht 8,117 million, and Baht 47,974 million, respectively. The significant rise in the 2020 period was due mainly to recording lease contracts under the TFRS 16. The upsurge in lease liabilities in the 2021 period was due mainly to the retail business acquisition.

(3) Long-term loans from financial institutions

As of 31 December 2019 and 2020, the Company had long-term loans from financial institutions (including current portion) totaling Baht 7,004 million and Baht 7,003 million, respectively, without any significant change during the periods. As of 31 December 2021, the Company had long-term loans from financial institutions (including current portion) totaling Baht 107,121 million, mostly representing outstanding balances under the retail conglomerate loan agreements from the business acquisition.

4.4.5 Total shareholders' equity

As of 31 December 2019, 2020, and 2021, the Company had total shareholders' equity of Baht 20,734 million, Baht 108,263 million, and Baht 288,498 million, respectively. The upsurge in the 2020 period was due mainly to unappropriated retained earnings from net profit and dividends paid for the year which rose from Baht 14,570 million as of 31 December 2019 to Baht 16,511 million as of 31 December 2020. However, due to the retail business acquisition, which was considered under common control, adjustments were made to subsidiary's equity before the business restructuring in the amount of Baht 85,552 million. The upsurge that continued in the 2021 period was owed primarily to the capital increase as a consideration for the

retail business acquisition and the public offering, including unappropriated retained earnings from net profit and dividends paid for the year that rose to Baht 25,459 million in the period, compared to Baht 16,511 million in the previous period.

4.5 Liquidity and funding sources

The financial position and liquidity of the Company has been and continues to be influenced by the following factors:

- The Company's ability to generate cash flow from operations;
- The level of outstanding debt of the Company;
- Interest on debt that the Company has to pay, affecting financial expenses;
- Market interest rates that affect the Company's ability to pay debts;
- The Company's ability to borrow money from financial institutions;
- The Company's ability to access public market for financing; and
- The Company's capital expenditure needs.

The Company's cash flow needs arise from the following activities, primarily:

- To finance operating activities;
- To fund capital expenditures;
- To finance acquisition of assets;
- To invest in subsidiaries outside of Thailand;
- Dividend payments;
- Debt payments; and
- Tax payments

The Company's sources of liquidity historically consisted, and will consist mainly of the following:

- Cash from the Company's operating activities; and
- Borrowings by issuing debt instruments

The Company's ability to generate operating cash flows depends on its future performance and, in part, on its competitiveness in the backdrop of overall economic conditions, financial markets, rules, and other factors, among which are beyond the control of the Company as shown in Section 2. Risk Management.

The Company believes that it has sufficient cash flow to operate the business over the next 12 months.

4.5.1 Cash flows

The following table summarizes the Company's cash flows for the specified periods:

	Year ended 31 December		
	2019	2020	2021
(unit: Baht, million)			
Net cash flows from operating activities	10,270	13,353	16,774
Net cash flows from (used in) investing activities	(3,130)	(2,288)	10,991
Net cash flows from (used in) financing activities	(7,402)	(5,413)	26,455

4.5.1.1 Operating activities

Net cash flow from operating activities amounted to Baht 10,270 million as of 31 December 2019, based primarily on earnings for the year totaling Baht 6,185 million, with adjustments to reconcile profit and cash receipts of Baht 4,915 million, namely depreciation and amortization of Baht 2,723 million, income tax expenses of Baht 1,710 million, finance costs of Baht 310 million, and changes in operating assets and liabilities of Baht 1,090 million, including changes in trade accounts payable of Baht 1,311 million and Baht 249 million in other current payables partially affected by (Baht 435) million from changes in inventories. As a result, the Company generated Baht 12,190 million in net cash flow from operating activities, which was partially used to cover income tax of (Baht 1,682) million and interest expenses of (Baht 256) million.

Net cash flow from operating activities amounted to Baht 13,353 million as of 31 December 2020, based primarily on yearly earnings of Baht 6,461 million, with adjustments to reconcile profit and cash receipts of Baht 6,291 million, namely depreciation and amortization of Baht 3,577 million, income tax expenses of Baht 1,813 million, finance costs of Baht 619 million, and changes in operating assets and liabilities of Baht 2,602 million as a result of changes in trade accounts payable of Baht 1,550 million, Baht 461 million in accrued expenses, and Baht 258 million in inventories. Thus, the Company generated Baht 15,282 million in net cash from operating activities, which was partially used to cover income tax of (Baht 1,733) million and interest expenses of (Baht 236) million.

Net cash flows from operating activities amounted to Baht 16,774 million as of 31 December 2021, based primarily on earnings from the period of Baht 13,298 million, with adjustments to reconcile profit and cash receipts of Baht 3,122 million, namely gain on step acquisition of (Baht 6,714) million, depreciation of property, plant and equipment of Baht 6,128 million, income tax expenses of Baht 2,127 million, finance cost of Baht 1,557 million, and changes in operating assets and liabilities of Baht 3,005 million primarily changes in trade accounts payable in the amount of Baht 9,701 million, (Baht 2,416) million in inventories, (Baht 2,161) million in other payable amounts, and (Baht 1,688) million in rebate accrual. As a result, the Company generated net cash flow operating activities of Baht 19,425 million, which was partially used to cover income tax of (Baht 2,383) million and (Baht 313) million in interest expenses.

4.5.1.2 Investing activities

Net cash flow used in investment activities amounted to (Baht 3,130) million as of 31 December 2019, namely in cash paid for property, plant and equipment of (Baht 2,577) million, mostly for opening new stores, (Baht 414) million in cash paid for other intangible assets, and (Baht 120) million in cash paid for leasehold rights.

Net cash flow used for investment activities amounted to (Baht 2,288) million as of 31 December 2020, namely in cash paid for property, plant and equipment of (Baht 1,831) million mostly for opening new Cash and Carry stores in Thailand, intangible assets other than goodwill of (Baht 292) million, and right-of-use assets of (Baht 191) million.

Net cash flow generated from investment activities amounted to Baht 10,991 million as of 31 December 2021, namely cash received from the business transfer of Baht 13,165 million, cash received from short-term investments of Baht 2,037 million. In the same period, cash flow used for investment activities included cash paid for property, plant and equipment in the amount of (Baht 2,377) million, right-of-use assets of (Baht 501) million, and intangible assets other than goodwill of (Baht 1,082) million.

4.5.1.3 Financing activities

Net cash flows used in financing activities amounted to (Baht 7,402) million as of 31 December 2019, due mainly to dividend payments to Company shareholders of (Baht 4,608) million, repayment of short-term loans from financial institutions (Baht 2,735) million, and cash to pay off liabilities under financial leases of (Baht 124) million. Net cash flows used

in financing activities amounted to (Baht 5,413) million as of 31 December 2020, due mainly to dividend payments to Company shareholders in the amount of (Baht 4,608) million, lease liabilities payments of (Baht 1,007) million under the TFRS 16. Net cash flows generated from financing activities jumped to Baht 26,455 million as of 31 December 2021, due mainly to cash received from the issuance of ordinary shares of Baht 33,007 million, minus dividend payments to Company shareholders of (Baht 4,800) million, and liability payments under lease agreements of (Baht 1,655) million.

4.6 Financial ratios

4.6.1 Financial ratios of the Company

4.6.1.1 Liquidity ratios

Liquidity ratios (current ratio) as of 31 December 2019, 2020, and 2021 were 0.7 times, 0.7 times, and 0.9 times, respectively, which remained unchanged in 2019 and 2020 due to the proportional changes in current assets and current liabilities during the periods. The higher rate in 2021 was due to cash and cash equivalents. The quick ratios as of 31 December 2019, 2020, and 2021 were 0.2 times, 0.3 times, and 0.6 times, respectively, where the rise in 2021 was due mainly to cash and cash equivalents.

The average cash cycles as of 31 December 2019, 2020, and 2021 were (20.7) days, (22.2) days, and (29.2) days, respectively. The cycles were negative as the average payment periods were greater than the sum of the inventory turnover ratio and the average payment collection periods. Notwithstanding, the wholesale Cash and Carry business and the retail business had payment periods to pay their suppliers for procurements of 7 to 60-day and 15 to 90-day, respectively.

4.6.1.2 Profitability ratios

The gross profit margins as of 31 December 2019, 2020, and 2021 were 10.3%, 10.3%, and 11.8%, respectively. The rise in the 2021 period was due mainly to the retail business acquisition. The operating profit margin appeared to change the same way, by 4.0%, 4.2%, and 4.1% as of 31 December 2019, 2020, and 2021, respectively. From the above ratios, the net profit margins were 2.9%, 3.0%, and 5.0% as of 31 December 2019, 2020, and 2021, respectively, where the above normal net profit margin in 2021 was due to a one-time Baht 6,714 million gain on step acquisition.

The return on equity was 32.0%, 30.9%, and 8.8% as of 31 December 2019, 2020, and 2021, respectively, where the lower rate in 2021 was due to the issuance of shares as a consideration for the retail business acquisition and the public offering.

4.6.1.3 Efficiency ratios

Returns on assets as of 31 December 2019, and 2020 were 9.9% and 5.8%*, respectively, where the return on assets as of 31 December 2021 dropped to 3.6% due mainly to the rise in assets transferred in the retail business. Returns on fixed assets were 26.9%, 28.1%* and 22.3% as of 31 December 2019, 2020, and 2021, respectively, where the decline in fixed asset yield during the year 2021 was due mainly to the rise in assets transferred in the retail business.

4.6.1.4 Financial policy ratios

The interest-bearing debt to equity ratios were 0.4 times, 0.1* times, and 0.6 times as of 31 December 2019, 2020, and 2021, respectively. The drop in 2020 was due mainly to recognizing subsidiary shareholders' equity before the business restructuring (retail business). The rise in 2021 was due to the consolidation of the retail business. The debt to equity ratios were 2.0 times and 0.5* times as of 31 December 2019, and 2020, respectively, where the drop in 2020 was due mainly to the recognition of subsidiary shareholders' equity before the business restructuring (retail business). The debt to equity ratio increased to 1.0 times as of 31 December 2021, due mainly to the recognition of business transfer liabilities from the retail business, the issuance of shares as a consideration for the retail business acquisition and the public offering.

*The ratio in 2020 was revised due to adjustments of financial statements to reflect the business restructuring following the retail business transfer.

4.7 Liabilities

4.7.1 Liabilities of the wholesale business

The following table shows all interest-bearing liabilities other than the wholesale business's lease liabilities for the specified periods:

	As of 31 December		
	2019	2020	2021
(Baht, million)			
Short-term loans from financial institutions	827	1,050	915
Short-term loans from other businesses	14	6	-
Long-term loans from financial institutions	7,004	7,003	7,002
Total interest-bearing debt other than lease liabilities	7,845	8,059	7,917

The following table shows the maturity of interest-bearing liabilities other than lease liabilities of the wholesale business as of 31 December 2021:

	As of 31 December 2021
	(Baht, million)
Within 1 year	2,916
Over 1 year but less than 5 years	5,001
Over 5 years	-
Total interest-bearing liabilities other than lease liabilities	7,917

On 21 October 2021, CP Retail Development Co., Ltd. and its subsidiaries refinanced to pay off existing loans from the Tesco acquisition under the refinancing transaction. Under refinancing transaction terms, CP Retail Development and its subsidiaries had entered into a new loan agreement and applied the loan funds to repay the existing debt in full, whereby the Company became the repayment guarantor for the new loan in the amount of Baht 9,500 million and USD570 million, since 25 October 2021 (the date the Company completed the entire business transfer of Lotus's).

As of 31 December 2019, 2020, and 2021, the wholesale business had lease liabilities of Baht 641 million, Baht 8,117 million, and Baht 8,826 million, respectively.

The following table shows the maturity of lease liabilities of the wholesale business, taking into account the contractual interest rates and contractual cash flows based on pre-discounted contract repayments as of 31 December 2021.

	As of 31 December 2021
	(Baht, million)
Within 1 year	978
Over 1 year but less than 5 years	3,005
Over 5 years	12,555
Total	16,538
Minus deferred interest	(7,712)
Total lease liabilities	8,826

4.7.2 Liabilities of the Retail Business Group

The following table shows total liabilities of the retail business for the specified periods:

	As of 31 December		
	2019	2020	2021
(Baht, million)			
Loans from financial institutions	120,823	120,823	128,402
Lease liabilities (including the portion due within 1 year)	34,365	37,810	39,148
Total liabilities	155,188	158,633	167,550

The following table shows the maturity of interest bearing liabilities other than lease liabilities of the retail business , as of 31 December 2021:

	Year Ended 31 December 2021
	(Baht, million)
Within 1 year	28,283
Over 1 year but less than 5 years	100,119
Over 5 years	-
Total interest-bearing liabilities other than lease liabilities	128,402

The following table shows the maturity of lease liabilities under the retail business, taking into account the contractual interest rate and contractual cash flows based on contractual repayment without a discount as of 31 December 2021:

	As of 31 December 2021
	(Baht, million)
Within 1 year	3,860
Over 1 year but less than 5 years	13,529
Over 5 years	37,764
Include sub items	55,153
<u>Minus</u> deferred interest	(16,005)
Total lease liabilities	39,148

4.8 Capital expenditures

The Company's capital expenditures, consisting of property, plant and equipment purchases and other intangible assets other than goodwill, amounted to Baht 2,712 million, Baht 2,051 million, and Baht 9,195 million as of 31 December 2019, 2020, and 2021, respectively.

The Company expects that cash and cash equivalents from business operations or financing activities, or both, will fund capital expenditure needs in the future. The Company's ability to finance and repay debts on time depends on a number of uncertainties, including future performance, financial position, cash flow, economic conditions in Thailand and other countries where the Company operates, as well as the readiness of banks to grant the Company credit.

4.9 Contractual obligations and other commitments

As of 31 December 2021, the Company's contractual obligations and other significant commitments comprised that of the wholesale and retail business. Obligations of the wholesale business include loan guarantee agreements of subsidiaries, service agreements, purchase agreements, consulting agreements, contracts between companies, and derivatives for hedging, among others. Obligations of the retail business include service contracts, operating leases, construction contracts, and bank guarantees.

The Company's ability to obtain appropriate financing to meet contractual and payment obligations may be limited by its financial position and operating results, including the liquidity of domestic and international financial markets.

Off-balance sheet commitments: As of 31 December 2021, the Company was a significant party in neither a contractual obligation nor an off-balance sheet relationship.

Contingent liabilities: As of 31 December 2021, the Company had no recorded significant contingent liability in its financial statements.

4.10 Factors affecting Company Performance

4.10.1 Impact of the COVID-19 Epidemic

The COVID-19 epidemic has had an unprecedented impact on the global and regional economy, with seemingly interminable waves of increasingly infectious and fatal strains than the last outbreak. Markets in Thailand, Malaysia, and other countries where the Company operates have definitely been affected. Though comparatively harmless in the early stages in Thailand, the subsequent waves of the epidemic became increasingly severe in December 2020 to April 2021 and intensified in August 2021, seeing the highest infection and mortality rates since the onset of the epidemic, country-wide. If not all, some Company shops, stores, and malls faced forced closures as a result. Control measures were implemented in many areas in the following period, reinforcing home isolations throughout the curfew and disrupting already-struggling business operations in high and low-risk zones alike.

International and domestic travel and transport, including airlines, hospitality, and tourism-related industries, also faced closure during this period. In addition, after August 2021, many provinces in Thailand had implemented measures requiring business operators with more than 50 employees to develop preventive outbreak control measures, namely bubble and seal, in specific locations to establish field hospitals in the operating area to facilitate employee quarantine. The Company's business in Thailand was no exception, adopting control measures that resulted in higher operating costs in the foreseeable future.

The Company's management has closely monitored the situation and collaborated with municipal governments in implementing food security and minimizing the impact on

operational capacities. Although the ongoing epidemic has affected the business sector to different extents in other countries where the Company operates, the marks are somewhat smaller than that of Thailand and Malaysia. In general, the Company believes that the consequences will neither materialize nor bear any significant effect on its business in the respective areas or the operating results or financial position.

Notwithstanding, the epidemic impact on the Company's business in Thailand and Malaysia were as follows:

- The wholesale and retail businesses the upshot of strenuous safety standards and restrictions under the government's containment and lockdown measures ramified various operational aspects. Operating hours and foot traffic at wholesaling and retailing stores were restricted. Although food-related services were allowed and thus continued running through the stores and distribution centers throughout the period, revenue streams from non-essential goods seized with prohibited sales, namely clothing, alcohol, and electric appliances. The inventory of particular products saw shortages from anxious consumers stockpiling products through wholesaling and retailing outlets as lockdown commenced. The problem was exacerbated with border closures at crossing points between neighboring countries and Thailand, triggering import transport issues. The government's economic stimulus program that benefited traditional retailers rather than large modern retailers saw intensified competition against the Company's retailing and wholesaling businesses. While consumption rapidly shifted to online channels as traveling inconveniences and infection concerns during the outbreak mounted, the Company leveraged digital capacities to accelerate online presence and accommodate online shopping, including

local modern retail stores benefiting from the program. Overall, the change in wholesale business revenue during the lockdown period was slight, considering pre-epidemic typical operating performance. Revenue streams from online orders and grocery chain customers benefiting from economic stimulus programs offset the decline in wholesaling revenue resulting from non-existing HoReCa customers. The governmental emergency relief measure to mitigate the impact on the business sector also helped the Company reduce social security contributions as well as land and building property tax. On the other hand, Lotus's Thailand saw a Baht 3,690 million reduction in revenue, or -2.3% from Baht 162,962 million at the year ended 31 December 2020 to Baht 159,272 million at the year ended 31 December 2021. Similar governmental control measures were announced in Malaysia, such as prohibiting the sale of non-essential goods, restrictions on traveling distance, cross-district and interstate transport, foot traffic and operating hours, along with additional measures by severity level in each zone. Lotus's retail business in Malaysia saw a drop in revenue by MYR143 million (Baht 1,102 million) or 3.1% from MYR4,640 million (Baht 34,498 million) as of 31 December 2020 to MYR4,497 million (Baht 34,457 million) as of 31 December 2021.

In Thailand and Malaysia, as governmental control measures forced most establishments to close or shorten operating hours during the lockdown, Lotus's malls business saw revenue cuts from rental and rendering retail services in both countries as lease spaces became vacant throughout malls and stores. In Thailand, the permanent occupancy rate of Lotus's malls was approximately 90% as of 31 December 2021, an insignificant change year-on-year where the average pre-COVID-19 epidemic rate was about 95%. Despite the slight occupancy difference, the significant impact on Lotus's

rental income was due to rising costs of financial assistance to help mall tenants in Thailand mitigate the epidemic in 2021, namely rental fee reduction. As such, revenue from leases and services of Lotus's Thailand dropped by Baht 322 million or 3.3% from Baht 9,670 million as of 31 December 2020, to Baht 9,348 million as of 31 December 2021. Similarly, while Lotus's malls business under Lotus's Malaysia maintained an occupancy rate at approximately 92% throughout the epidemic period, it offered lease exemptions and lease discounts to tenants, resulting in a slip in revenue from rental and rendering retail services, from MYR204 million (Baht 1,518 million) as of 31 December 2020, to MYR203 million (Baht 1,555 million) as of 31 December 2021.

The COVID-19 pandemic changed the consumer's shopping behavior with Lotus's retailers. Retail customers became increasingly price-sensitive and prudent, spending more on fresh food and other groceries but less on non-durable goods. They also switched to shop from small and medium-sized local retailers such as supermarkets, mini-grocers, and local retail shops, preferring close residential neighborhoods over longer distance trips, along with online. In Thailand, government stimulus measures encouraged more shopping at traditional retail shops than modern retailers. Travel and cross-province mobility restrictions in high-risk zones also saw dramatic customer behavior changes. Compared to total revenue from the sale of goods and other income relating to retail business (comprising revenue from Lotus's consignments, delivery services and employee discounts), total revenue from supermarkets and mini-supermarkets decreased by 1.6% from Baht 162,367 million as of 31 December 2020 to Baht 156,157 million as of 31 December 2021.

Aside from the traditional retail business, Lotus's customers increasingly turned to online shopping immediately following a government announcement to impose lockdown measures. As Lotus's accelerated its online presence in Thailand and Malaysia markets to take full advantage of the shopping shift to online channels amid the COVID-19 pandemic, its revenue from online sales in Thailand doubled by 211%, from Baht 1,216 million as of 31 December 2020, to Baht 3,662 million as of 31 December 2021. Online sales revenue of Lotus's Malaysia increased by 22.0 % from MYR168 million (Baht 1,246 million) as of 31 December 2020 to MYR205 million (Baht 1,579 million) as of 31 December 2021. The long-term impact on the Company's financial position and operating results remain uncertain, however, due to the unprecedented severity of the outbreak and unfolding developments.

4.10.2 Economic outlook

Changes in overall economic conditions and consumer behavior have significantly held the Company's business back. Whereas weak economic projections generally result in lower consumer spending to varying degrees by the severity of the situation, optimistic outlooks amid the backdrop of economic deterioration contributed to increased consumer spending in Company stores and alternative outlets. According to the World Bank, Thailand's annual GDP per capita had been gradually increasing over the years, from USD5,993 (Baht 211,542) in 2016 to USD6,594 (Baht 223,793), USD7,297 (Baht 235,764), and USD7,817 (Baht 242,699) in 2017, 2018, and 2019, respectively, before sliding back to USD7,189 (Baht 224,972) in 2020 due to the spread of COVID-19. Makro's total revenue was rising alongside the general uptrend with a CAGR of 6.07% throughout the 2016-2021 period. Other macroeconomic factors affecting consumer spending patterns and thus the Company's

performance include variations in the consumer price index, fuel and energy costs, rates related to employment, interest, tax, as well as business positions, and changes in the housing market and mortgage. For example, the Company may experience higher labor costs during low unemployment rates.

4.10.3 Consumer preferences and needs

The Company maintains its current customer base and attracts new customers by relying on its ability to innovate, develop, and offer products that cater to customer preferences. The Company may misjudge the market or the appropriate product mix, or both, or fail to adjust in response to changes in customer demand, or find itself in circumstances that inadvertently diminish customer spending and confidence (e.g., the COVID-19 epidemic). It thereby may encounter over-stocking problems and hence need to organize promotional campaigns to offlet certain products, affecting its revenues and gross profits in the process. Examples of need-induced changes in consumption behavior in Thailand are the apparent shift to online shopping during the pandemic and the reduction in food purchases from supermarkets as retail consumers increasingly relocate to busy urban areas where comfort and convenience take precedence; hence prefer eating out. To ascertain persisting trends in consumer preferences and needs, the Company applies various methods to track consumer information, such as organizing customer engagement teams, loyalty programs, and seminars, to motivate customers to provide feedback about received services and maintain long-term relationships with the Company.

4.10.4 Capital expenditure

The Company has made significant investments in core competencies that lay the foundation for sustainable and profitable growth. This requires leveraging digital capacities to expand and optimize existing store networks (IT system) and enhance the Company's overall operational potential. The digitized distribution management system will positively impact the Company's profitability in all distributional aspects. The Company's capital expenditure consists of property, plant and equipment acquisition, including intangible assets beyond goodwill, additional expenses, and investment assets. In so doing, wholesaling and retailing businesses incurred capital expenditures of Baht 2,051 million and Baht 8,007 million as of 31 December 2020, and Baht 2,625 million and Baht 18,998 million as of 31 December 2021, respectively.

4.10.5 Product mix

To provide alternatives to customers, both Makro and Lotus's tend to offer cheaper private label products under their trademarks proportionately to competing brand names, affecting the Company's operating performance with changes in private label proportions. When the Company can provide comparable quality with a better profit margin, comparatively larger proportions of private label products increase sales volume and positively affect Makro's profit margins. On the other hand, Lotus's private labels do not result in higher profit margins than competing brand names but differentiate Lotus's stores and increase consumer confidence and loyalty. In Thailand, for the fiscal year ended 31 December 2020 and 31 December 2021, private labels accounted for 14% and 15% of total wholesaling Cash and Carry sales and 21% and 20% of Lotus's total retailing sales, respectively.

The proportion of the product mix that the Company offers for sale may also affect the Company's operating performance, where increasing the proportion of one group of products can lead to a sales increase in other groups. For example, the Company plans to increase the proportion of fresh food products in the currently offered product mix in retailing stores. The product mix should positively impact foot traffic in the stores and thus revenue streams from other products, improving the Company's overall retail profit margin in the process.

The following table shows the total sales from the wholesale business under Cash and Carry business in each period by product type for the specified periods:

	Year ended 31 December					
	2019	%	2020	%	2021	%
(unaudited) (Unit: Baht, million, except %)						
Revenue from sale of goods (Cash and carry business)						
Fresh food	73,539	36.7	79,373	37.8	83,167	38.5
Dry food and essentials	107,473	53.6	112,784	53.7	115,288	53.3
Non-food items	19,360	9.7	17,769	8.5	17,720	8.2
Total sales: Cash and Carry business	200,372	100.0	209,926	100.0	216,175	100.0

The following table shows the sales revenue of the retail business of Lotus's Thailand by product type for the specified periods:

	Year ended 31 December			
	2020	%	2021 ⁽¹⁾	%
(unaudited) (Unit: Baht, million, except %)				
Revenue from the sale of goods (Retail business)				
Dry grocery	92,985	56.9	87,282	54.6
Fresh food	33,425	20.4	36,886	23.1
General goods	16,035	9.8	15,965	10.0
Alcohol and tobacco	15,251	9.3	15,262	9.5
Apparel	5,881	3.6	4,401	2.8
Revenues from deliveries and others ⁽²⁾	6	0.0	23	0.0
Total revenues from sale of goods (Retail business)	163,583	100.0	159,819	100.0
(minus) Other retailing costs ⁽³⁾	(621)		(547)	
Revenue from the sale of goods	162,962		159,272	

Note: ⁽¹⁾ The Company completed the entire business transfer of the retail business on October 25, 2021.
⁽²⁾ Mainly the revenue from the delivery of goods.
⁽³⁾ Other income relating to retail business consists of revenue from consignment - revenue from delivery and employee discounts from the retail business.

The following table shows the sales revenue of the retail business of Lotus's in Malaysia by product category for the specified periods:

	Year ended 31 December			
	2020	%	2021 ⁽¹⁾	%
(unaudited) (Unit: Malaysian Ringgit, million; except %)				
Revenue from the sale of goods (Retail business)				
Consumer goods	3,246	69.3	3,152	69.5
Fresh food	882	18.8	859	18.9
General goods	431	9.2	394	8.7
Apparel	128	2.7	133	2.9
Total revenue from the sale of goods (Retail business)	4,687	100.0	4,538	100.0
(minus) Other income relating to retail business ⁽²⁾	(47)		(41)	
Revenue from the sale of goods	4,640		4,497	

Notes: ⁽¹⁾ The Company completed the entire business transfer of Lotus's on October 25, 2021.
⁽²⁾ Other income relating to retail business consisted of consignment income from Lotus's retail business.

4.10.6 Efficient sourcing and distribution

The Company's revenue and gross profit performance hinge on its ability to supply sufficient quantities of goods at competitive prices in the market. Established relationships with key suppliers throughout the supply chain give the Company a strategic procurement advantage, especially for fresh food, directly sourcing from farmers, local producers, distributors, and SME entrepreneurs with optimal efficiency. However, the Company neither makes large procurements from particular manufacturers or distributors nor relies on one or few to supply critical products predominantly. From the Company's top ten manufacturers and distributors in 2021, no order was over 30% of the total purchase orders for the wholesaling business in Thailand, and no order was over 30% and 35% of the total purchase orders for the retailing business in Thailand and Malaysia, respectively. No purchase order from

one single manufacturer or distributor was over 10% in the period. The Company believes that its suppliers can adequately respond to current and future demand for their products under normal circumstances. Given the unusual circumstances, however, sales revenue may be negatively impacted should supply chain glitches occur in the future. This could be due to the inability to purchase and store sufficient quantities of certain goods to meet market demand or the failure to negotiate with manufacturers and distributors to obtain goods at quantities and prices mutually agreeable. In addition, the COVID-19 epidemic has created unprecedented pressure on supply chains, causing disruptions and delays in production and procurement, which has had significant impacts on the sufficiency of many products and possibly again in the future.

4.10.7 Cyclical dynamics and quarterly performance fluctuations

In any country where the Company operates, changes in the Company's annual operating performance typically correlate directly with major public holidays and shopping habits during the particular periods. In Thailand, the Company experiences the highest retail revenue stream during April and December as customers shop for the Songkran Festival and New Year holiday period. The same is true for Malaysia, where retail revenues are high during the Chinese New Year and the Eid-ul-Fitr Festival. In contrast, the Company's wholesaling sales are the lowest during the second quarter of each year as retailers, one of Makro's largest buyers, would have less demand from their end-user customers and usually focus budgets on preparing the children for the opening semester at school and agricultural farms for the new season. The sales typically begin to recover in the second half of each year. Sales of durable goods and non-essential items such as clothing, alcohol, and electrical appliances, declined significantly during the COVID-19 outbreak. The Company's inventory for the foodservice business increased during the same period. Given such volatility, the requirements for working capital as well as shipping and distribution activities may change annually or quarterly.

4.10.8 Inflation and deflation trends

The Company expects financial performance to be directly affected by significant increases in the cost of goods sold. While a rise in commodity costs or overall inflation could decrease sales volume and gross margins, the Company may not be able to pass the additional costs to consumers. Although the World Bank shows that the inflation rate in Thailand has declined in recent years, dropping from 0.71% as of 31 December 2019 to (0.85%) as of 31 December 2020, respectively, and rose back to 1.2% as of 31 December 2021.

The Company has taken steps to mitigate the impact of increased commodity prices or overall inflation by implementing cost optimization policies, for instance, procuring goods from other suppliers, changing the proportion of the product mix, or increasing the product price if necessary. However, the price levels of many daily necessities are closely regulated in Thailand by government policy, limiting Makro's ability to pass on rising costs to consumers.

4.10.9 Competition

The Company faced intensified competition in the wholesale and retail business in operating countries during the COVID-19 outbreak, with competitors focusing on online products and services and customers shopping predominately through mobile devices and personal computers and communicating through social media. Online to mobile distribution channels allow customers to compare product information before deciding on a purchase, intensifying the level of competition from both existing and emerging competitors that are new to the market. The changes in consumer behavior occur not only in the shopping cart, but also in expectations for swift standard delivery of placed orders. Failure to adjust strategically to keep abreast with changes in customer expectations and new developments by competitors may hurt the Company's performance. As such, the Company aims to apply the Offline-to-Online (O2O) mix strategy and has invested significant amounts in its technological infrastructure with progressive plans for the web portal and mobile applications.

4.10.10 Goodwill

In preparing the financial statements as of 31 December 2021, the Company estimated the value of identifiable acquired assets and assumed liabilities in connection with the business acquisition by considering the latest draft appraisal report received from independent appraisers. As the value was estimated to be close to the fair value, the Company recorded Baht 232,545 million as the difference between the transferred value and assumed assets and liabilities under Goodwill.

Notwithstanding in principle, a decrease in projected operating cash flow, changes in market conditions, and a change in the hidden cost of capital could indicate potential impairment to Goodwill items recorded in the financial statements. This may hurt the Company's operating results and financial position during the period of stated impairment.



4.3 Financial Statement and Significant Financial Ratio

Summary of Consolidated Financial Statement of the Company for the year ended December 31 2019, 2020 and 2021

(1) Statement of Financial Position

Consolidated statement of financial position	As of December 31					
	2019		2020 (Restated)		2021	
	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
Assets						
<i>Current assets</i>						
Cash and cash equivalents	4,800	7.7	10,484	6.6	64,555	11.3
Current investments	43	0.1	35	0.0	3,974	0.7
Trade accounts receivable	1,078	1.7	945	0.6	2,302	0.4
Other current receivables	592	0.9	483	0.3	1,985	0.4
Inventories	14,774	23.6	14,478	9.1	31,967	5.6
Purchase discount receivables	1,261	2.0	1,188	0.7	3,776	0.7
Accrued income	652	1.0	632	0.4	782	0.1
Current portion of leasehold rights	119	0.2	-	-	-	-
Derivative assets	-	-	-	-	607	0.1
Other current assets	14	0.0	8	0.0	52	0.0
Total current assets	23,333	37.2	28,253	17.7	110,000	19.3
<i>Non-current assets</i>						
Investments in associate	-	-	85,552	53.6	9,140	1.6
Investments in joint ventures	-	-	-	-	4,875	0.9
Investments in related companies	-	-	-	-	295	0.1
Other non-current receivables	417	0.7	13	0.0	45	0.0
Investment properties	112	0.2	112	0.1	45,268	7.9

Consolidated statement of financial position	As of December 31					
	2019		2020 (Restated)		2021	
	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
Property, plant and equipment	31,579	50.4	30,564	19.2	118,443	20.8
Right-of-use assets	-	-	10,204	6.4	36,831	6.5
Leasehold rights	2,245	3.6	-	-	-	-
Goodwill	2,191	3.5	2,191	1.4	234,736	41.2
Other intangible assets other than goodwill	2,277	3.6	2,201	1.4	8,060	1.4
Deferred tax assets	441	0.7	453	0.3	530	0.1
Other non-current assets	46	0.1	45	0.0	1,267	0.2
Total non-current assets	39,308	62.8	131,335	82.3	459,490	80.7
Total assets	62,641	100.0	159,588	100.0	569,490	100.0
Liabilities and equity						
<i>Current liabilities</i>						
Short-term borrowings from financial institutions	827	1.3	1,050	0.7	29,198	5.1
Trade accounts payable to other parties	24,494	39.1	25,804	16.2	54,845	9.6
Trade accounts payable to related parties	1,932	3.1	2,170	1.4	5,390	0.9
Other current payables to other parties	1,736	2.8	1,672	1.0	13,042	2.3
Other current payables to related parties	193	0.3	304	0.2	1,010	0.2
Short-term borrowings from other parties	14	0.0	6	0.0	-	-
Corporate income tax payable	845	1.3	927	0.6	1,126	0.2
Accrued expenses	2,378	3.8	2,838	1.8	7,351	1.3
Current portion of long-term borrowings from financial institution	1	0.0	5,001	3.1	2,001	0.4
Current portion of lease liabilities	92	0.1	495	0.3	3,070	0.5
Derivative liabilities	-	-	5	0.0	703	0.1

Consolidated statement of financial position	As of December 31					
	2019		2020 (Restated)		2021	
	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
Other current liabilities	237	0.4	202	0.1	475	0.1
Total current liabilities	32,749	52.3	40,475	25.4	118,211	20.7
<i>Non-current liabilities</i>						
Long-term borrowings from financial institutions	7,003	11.2	2,002	1.3	105,120	18.5
Other non-current payables	597	1.0	4	0.0	187	0.0
Lease liabilities	549	0.9	7,622	4.8	44,904	7.9
Rental deposit from tenants	-	-	32	0.0	2,475	0.4
Provisions for employee benefits	898	1.4	1,032	0.6	2,570	0.5
Other non-current provisions	-	-	76	0.0	2,395	0.4
Deferred tax liabilities	82	0.1	80	0.1	4,447	0.8
Non-current derivative liabilities	-	-	-	-	173	0.0
Other non-current liabilities	29	0.0	-	-	510	0.1
Total non-current liabilities	9,158	14.6	10,848	6.8	162,781	28.6
Total liabilities	41,907	66.9	51,324	32.2	280,992	49.3
<i>Equity</i>						
Share capital						
Authorized share capital	2,400	3.8	2,400	1.5	5,586	1.0
Issued and paid-up share capital	2,400	3.8	2,400	1.5	5,290	0.9
Premium on ordinary shares						
Premium on ordinary shares	3,290	5.3	3,290	2.1	263,882	46.3
Deficit from changes in ownership interests in subsidiary	-	-	(20)	(0.0)	(20)	(0.0)
Deficit from acquisition of interests under common control	-	-	-	-	(6,714)	(1.1)

Consolidated statement of financial position	As of December 31					
	2019		2020 (Restated)		2021	
	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
Retained (loss) earnings						
Appropriated – Legal reserve	240	0.4	240	0.2	240	0.0
Unappropriated	14,570	23.3	16,511	10.3	25,459	4.5
Other components of equity	(257)	(0.4)	(182)	(0.1)	(140)	(0.0)
Equity attributable to equity	20,243	32.3	22,239	13.9	287,997	50.6
Equity of subsidiary before business restructuring	-	-	85,552	53.6	-	-
Non-controlling interests	491	0.8	471	0.3	501	0.1
Total equity	20,734	33.1	108,263	67.8	288,498	50.7
Total liabilities and equity	62,641	100.0	159,587	100.0	569,490	100.0

(2) Statement of Comprehensive Income

Statement of Comprehensive Income	For the year ended 31 December					
	2019		2020 (Restated)		2021	
	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
<i>Revenues</i>						
Revenue from sale of goods	206,180	97.9	214,140	97.9	258,847	97.2
Revenue from rendering of services	3,592	1.7	3,757	1.7	4,177	1.6
Revenue from rental and rendering retail services	-	-	361	0.2	2,521	0.9
Other income	855	0.4	502	0.2	890	0.3
Total revenues	210,627	100.0	218,760	100.0	266,435	100.0
<i>Expenses</i>						
Cost of sale of goods	185,012	87.8	192,016	87.8	228,405	85.7
Cost of rental and rendering of services	-	-	57	0.0	1,046	0.4
Distribution costs	12,669	6.0	12,701	5.8	19,150	7.2
Administrative expenses	4,741	2.3	5,030	2.3	7,340	2.8
Total expenses	202,422	96.1	209,804	95.9	255,941	96.1
Profit from operating activities	8,205	3.9	8,956	4.1	10,494	3.9
Gain on step acquisition	-	-	-	-	6,714	2.5
Share of loss of associate and joint ventures accounted for using equity method	-	-	63	0.0	226	0.0
Profit before finance costs and income tax expense			8,893	4.1	16,982	6.4
Finance costs	310	0.1	619	0.3	1,557	0.6
Profit before income tax expense	7,895	3.7	8,274	3.8	15,425	5.8
Income tax expense	1,710	0.8	1,813	0.8	2,127	0.8
Profit for the year	6,185	2.9	6,461	3.0	13,298	5.0

Statement of Comprehensive Income	For the year ended 31 December		
	2019	2020 (Restated)	2021
	Million Baht	Million Baht	Million Baht
Profit (loss) attributable			
Equity holders of the Company	6,245	6,563	13,687
Former shareholders before business restructuring	-	(63)	(375)
Non-controlling interests	(60)	(39)	(14)
Profit for the year	6,185	6,461	13,298
Other comprehensive income			
<i>Item that will be reclassified subsequently to profit or loss</i>			
Exchange differences on translating financial statements	(78)	73	205
Loss on cash flow hedges	-	-	(66)
Income tax income relating to components of other comprehensive income on loss on cash flow hedges	-	-	13
Loss on cash flow hedges reclassified to profit or loss	-	-	(68)
Share of gain (loss) of other comprehensive income of associate accounted for using equity method	-	(19)	364
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Loss on remeasurements of defined benefit plans	(86)	(54)	82
Income tax relating to components of other comprehensive income on gain (loss) on remeasurements of defined benefit plans	17	11	(21)
Other comprehensive income for the year - net of income tax	(147)	11	509
Total comprehensive income (loss) for the year /period	6,038	6,472	13,807
Total comprehensive income (loss) attributable to:			
Equity holders of the Company	6,122	6,594	13,791
Former shareholders before business restructuring	-	(82)	(11)
Non-controlling interests	(84)	(40)	27
Total comprehensive income (loss) for the year /period	6,038	6,472	13,807

(3) Statement of Cash Flows

Consolidated statement of cash flows	For the year ended 31 December		
	2019	2020 (Restated)	2021
	Million Baht		
Cash flows from operating activities			
Profit for the year	6,185	6,461	13,298
Adjustments to reconcile profit to cash receipts			
Depreciation of investment properties	-	-	749
Depreciation of property, plant and equipment	2,315	2,269	3,321
Depreciation of right-of-use assets	-	946	1,521
Amortisation of leasehold rights	118	-	-
Amortisation of other intangible assets other than goodwill	290	362	537
Interest income	(19)	(38)	(51)
Finance costs	310	619	1,557
Income tax expense	1,710	1,813	2,127
Unrealised gain on exchange	(1)	-	76
(Reversal of) loss on decline in value of inventories	(22)	40	(589)
Impairment losses	4	45	129
Share of loss of associate and joint ventures accounted for using equity method	-	63	226
Loss on sales and write-off of investment properties	-	-	5
Allowance for doubtful accounts	22	-	-
(Gain) loss on sales and write-off of property, plant and equipment	3	7	108
Gain on write-off of lease liabilities, net of right-of-use assets	-	(5)	(24)

Consolidated statement of cash flows	For the year ended 31 December		
	2019	2020 (Restated)	2021
	Million Baht		
Loss on write-off of other intangible assets other than goodwill	-	1	1
Provisions for employee benefits	184	95	145
Gain on step acquisition	-	-	(6,714)
Other	1	2	(2)
Changes in operating assets and liabilities			
Trade accounts receivable	(94)	94	3
Other current receivables	(9)	(15)	563
Inventories	(435)	258	(2,416)
Purchase discount receivables	(167)	73	(1,688)
Accrued income	19	17	(32)
Derivative assets	-	-	(24)
Other current assets	8	7	(5)
Other non-current receivables	(185)	-	(8)
Other non-current assets	4	1	(174)
Trade accounts payable to other parties	981	1,313	7,316
Trade accounts payable to related parties	330	237	2,385
Other current payables to other parties	200	25	(2,404)
Other current payables to related parties	49	105	243
Accrued expenses	127	461	(411)
Derivative liabilities	-	5	(5)
Other current liabilities	29	(11)	(226)

Consolidated statement of cash flows	For the year ended 31 December		
	2019	2020 (Restated)	2021
	Million Baht		
Other non-current payables	251	(3)	183
Rental deposit from tenants	-	1	(176)
Provisions for employee benefits paid	(18)	(14)	(61)
Net cash inflow from employee benefits from other entities	-	-	47
Other non-current provisions	-	48	152
Other non-current liabilities	-	-	(257)
Net cash generated from operating	12,190	15,282	19,425
Interest received	18	40	45
Interest paid	(256)	(236)	(313)
Income tax paid	(1,682)	(1,733)	(2,383)
Net cash from operating activities	10,270	13,353	16,774
Cash flows from investing activities			
Dividend received	-	-	81
Cash inflow on current investments	-	7	2,037
Acquisition of investment properties	(44)	-	-
Proceeds from sale of investment properties	-	-	(66)
Acquisition of property, plant and equipment	(2,577)	(1,831)	(2,377)
Proceeds from sale of property, plant and equipment	25	19	29
Acquisition of right-of-use assets	-	(191)	(501)
Acquisition of leasehold right	(120)	-	-
Acquisition of other intangible assets other than goodwill	(414)	(292)	(1,082)
Cash outflow on investment in related companies	-	-	(295)

Consolidated statement of cash flows	For the year ended 31 December		
	2019	2020 (Restated)	2021
	Million Baht		
Cash inflow on entire business transfer	-	-	13,165
Cash from (used in) investing activities	(3,130)	(2,288)	10,991
Cash flows from financing activities			
Proceeds from issue of ordinary shares	-	-	33,007
Payment of lease liabilities	(124)	(1,007)	(1,655)
(Decrease) increase in short-term borrowings from financial institutions	(2,735)	220	(81)
Proceeds from long-term borrowings from financial institutions	3	-	5,000
Payment of financing fees	-	-	(6)
Repayment of long-term borrowings from financial institutions	(1)	(2)	(5,001)
Proceed from short-term borrowings from other parties	15	-	-
Repayment of short-term borrowings from other parties	-	(9)	(6)
Dividends paid to equity holders of the Company	(4,608)	(4,608)	(4,800)
Acquisition of non-controlling interests	48	5	3
Payment of changes in ownership interests in subsidiary without a change in control	-	(12)	(6)
Net cash from (used in) financing activities	(7,402)	(5,413)	26,455
Net increase (decrease) in cash and cash equivalents, before exchange differences on translating financial statements	(262)	5,652	54,220
Exchange differences on translating financial statements	(34)	32	(149)
Net increase (decrease) in cash and cash equivalents	(296)	5,684	54,071
Cash and cash equivalents as at beginning period	5,096	4,800	10,484
Cash and cash equivalents as at ending period	4,800	10,484	64,555

(4) Key Financial Ratios

Key Financial Ratios ⁽¹⁾	For the year ended 31 December		
	2019	2020 (Restated)	2021*
Liquidity Ratios			
Current ratio (times) ¹	0.7	0.7	0.9
Quick ratio (times) ²	0.2	0.3	0.6
Cash flow liquidity ratio (times) ^{3, 28}	0.3	0.4	0.2
Accounts receivable turnover (times) ^{4, 28}	191.3	202.1	140.2
Average collection period (days) ⁵	1.9	1.8	2.6
Inventory turnover (times) ^{6, 28}	13.0	13.3	9.5
Average inventory days (days) ⁷	27.7	27.0	37.8
Accounts payable turnover (times) ^{8, 28}	7.2	7.1	5.2
Accounts payable days (days) ⁹	50.2	51.0	69.5
Cash cycle (days) ¹⁰	(20.7)	(22.2)	(29.2)
Profitability Ratios			
Gross profit margin (%) ¹¹	10.3	10.3	11.8
Operating margin (%) ¹²	4.0	4.2	4.1
Other profit margin (%) ¹³	0.4	0.2	0.3
Cash flow to income ratio (%) ¹⁴	125.2	149.1	159.8
Net profit margin (%) ^{15, 29}	2.9	3.0	5.0
Return on equity (%) ^{16, 28}	32.0	30.9	8.8

Key Financial Ratios ⁽¹⁾	For the year ended 31 December		
	2019	2020 (Restated)	2021*
Efficiency Ratios			
Return on total assets (%) ^{17, 29}	9.9	5.8	3.6
Return on fixed assets (%) ^{18, 28, 29}	26.9	28.1	22.3
Total asset turnover (times) ¹⁹	3.4	2.0	0.7
Financial Policy Ratios			
Interest bearing debt to equity (times) ^{20, 28}	0.4	0.1	0.6
Net interest bearing debt to equity (times) ^{21, 28}	0.2	0.1	0.4
Debt to equity (times) ^{22, 28}	2.0	0.5	1.0
Interest coverage ratio (times) ²³	47.7	65.0	62.2
Obligation coverage ratio (cash basis) (times) ²⁴	0.9	1.7	1.1
Dividend payout ratio (%) ^{25, 29}	73.8	70.2	35.1

* The beginning balance of statement of financial statements excludes transactions from retail businesses.
And statement of income includes operating results from October 25 to December 31, 2021

Notes:Liquidity Ratios

- 1/ Current ratio = current assets/current liabilities.
- 2/ Quick ratio = (cash and cash equivalents + current investments + trade accounts receivable)/current liabilities
- 3/ Cash flow liquidity ratio = net cash from operating activities/average current liabilities
- 4/ Accounts receivable turnover = revenue from sale of goods/average trade accounts receivable (before allowance for expected credit loss)
- 5/ Average collection period = 360/account receivable turnover
- 6/ Inventory turnover = cost of sale of goods/average inventories ²⁶
- 7/ Average inventory days = 360/inventory turnover
- 8/ Accounts payable turnover = cost of sales of goods/average trade accounts payable to other parties and related parties
- 9/ Average accounts payable days = 360/accounts payable turnover
- 10/ Cash cycle = average collection period + average inventory days - average accounts payable days

Profitability Ratios

- 11/ Gross profit margin = (revenue of sale of goods - cost of sale of goods)/revenue of sale of goods x 100
- 12/ Operating margin = profit from operating activities/revenue from sale of goods x 100
- 13/ Other profit margin = other income/total revenues x 100
- 14/ Cash flow to income ratio = net cash from operating activities/profit from operating activities x 100
- 15/ Net profit margin = profit (loss) for the period/total revenues x 100
- 16/ Return on equity = profit (loss) attributable to equity holders of Company/average equity attributable to equity holders of Company x 100

Efficiency Ratios

- 17/ Return on total assets = profit (loss) for the period/average total assets x 100
- 18/ Return on fixed assets = (profit (loss) for the period + depreciation of property, plant and equipment)/average net. property, plant and equipment x 100
- 19/ Total asset turnover = total revenues/average total assets

Financial Policy Ratios

- 20/ Interest bearing debt to equity = total interest bearing debt ²⁷/total equity
- 21/ Net interest bearing debt to equity = total interest bearing debt ²⁷ - (cash and cash equivalents + current investments)/total equity
- 22/ Debt to equity = total liabilities/total equity
- 23/ Interest coverage ratio = net cash from operating activities before interest and income tax paid/interest paid
- 24/ Obligation coverage ratio (cash basis) = net cash from (used in) operating activities/(cash outflow on current investments + acquisition of property, plant and equipment + acquisition of right-of-use assets + acquisition of leasehold rights + acquisition of other intangible assets other than goodwill + payment of lease liabilities + Increase (decrease) of short-term borrowings from financial institutions + repayment of long-term borrowings from financial institutions + repayment of short-term borrowings from other parties + interest paid + dividends paid to equity holders of Company)
- 25/ Dividend payout ratio = dividends paid to equity holders of Company profit (loss) attributable to equity holders of Company
- 26/ Average inventories = finished goods before allowance for obsolete and slow-moving inventories
- 27/ Total interest-bearing debt = short-term borrowings from financial institutions + short-term borrowings from other parties + current portion of long-term borrowings from financial institutions + current portion of lease liabilities + long-term borrowings from financial institutions + lease liabilities
- 28/ Significant increase in equity was due to capital increase during year 2021
- 29/ Net profit of year 2021 included gain on step acquisition of Baht 6,714 million

5. General information and other important information

5.1 General information and other important information

Siam Makro Public Company Limited (SML)

Company registration No. : 0107537000521 (Formerly No. Bor Mor Jor. 299)

Date of incorporation : 10 May 1988

Head office : 1468 Phatthanakan Road, Phatthanakan Subdistrict,
Suan Luang District
Telephone 0 2067 8999 Fax 0 2067 9888

Website : www.siammakro.co.th

Business type : Retail and wholesale business, and mall management

Number and type of shares : Registered ordinary shares: 10,580,323,500 shares

Registered capital : 5,586,161,750 Baht, 10,580,323,500 shares with a par value of 0.50 Baht per share

Issued and paid-up capital : 5,290,161,750 Baht, 10,580,323,500 shares, 0.50 Baht per share

Share Registrar : Thailand Securities Depository Company Limited
The Stock Exchange of Thailand Building
93 Ratchadaphisek Road, Dindaeng, Dindaeng, Bangkok 10400
Telephone 0 2009 9000, 0 2009 9999
Fax 0 2009 9991

External Auditors : 1) Mrs. Piyatida Tangdenchai
Certified Public Accountant Registration number 11766
2) Mr. Charoen Phosamritlert
Certified Public Accountant Registration number 4068
3) Mrs. Manchupa Singsuksawat
Certified Public Accountant Registration number 6112

KPMG Phoomchai Audit Co., Ltd.
50th Floor, Empire Tower, 1 South Sathorn Road, Yannawa,
Sathorn, Bangkok 10120
Telephone 0 2677 2000 Fax 0 2677 2222

Legal Advisor : SCL Nishimura Co., Ltd.
20th Floor Rajanakarn Building
3 South Sathorn Road, Yannawa, Sathorn, Bangkok 10120
Telephone 0 2676 6667-8 Fax 0 2676 6188-9

Chawalit and Associates Company Limited
20th Floor Rajanakarn Building
3 South Sathorn Road, Yannawa, Sathorn, Bangkok 10120
Telephone 0 2676 6667-8 Fax 0 2676 6188-9

5.2 Other essential information

5.2.1 Essential information of important contracts

5.2.1.1 Summary of essential information of important contracts of Makro

(1) Trademark License Agreement

Counterparties	: (1) CPALL as a Licensor (2) Makro PCL as a Licensee
Contract period	: 1 January 2022 to 31 December 2022
Service nature	: Trademark License, Service Mark
Contract service fee	: 0.5% of gross sales of the first 10 Makro stores in operation
Contract scope	: The Licensee operates under “Makro” and “Aro”, etc., where the trademarks are applied in various forms in store formats, product arrangements, and business management. As new stores develop in different countries under the Makro model, the Licensee gains business expertise and techniques that promote business efficiency.
Other important conditions	: The term of the contract is 1 year with a recurring annual renewal clause. Either party has the right to terminate the contract with at least a 60-day notice in advance.

Note : In 2013, CPALL acquired Makro PCL shares from SHVNLand B.V., the former majority shareholder of Makro PCL. With the acquisition, CPALL obtains the right to access information technology, intellectual property rights, and thus the trademark and service mark rights with exclusive use in 11 countries, including Thailand, Cambodia, China, Indonesia, Laos, Malaysia, Myanmar, Vietnam, Philippines, Taiwan, and Pakistan, where Makro PCL is the trademark and service mark licensee in the exact contract form as it was prior to the acquisition.

5.2.1.2 Summary of essential information of important contracts of Lotus and/or its subsidiaries

(2) Trademark and Service Mark License Agreements in Thailand

Counterparties	: (1) CPG as a Licensor (2) Ek-Chai as a Licensee
Contract date	: 12 October 2021
Contract purpose	: CPG agrees to grant Ek-Chai the right to use the “CP Fresh Mart” trademark and the “Lotus” service mark (the “Marks”) as outlined in the contract for the purpose of conducting business in Thailand and agrees that Ek-Chai has the right to use the website under the domain name www.lotuss.com in so doing as well.
Validity period duties	: From 1 March 2021 to 31 December 2023, with a recurring 3-year contract renewal upon contract expiration where the conditions and compensation rates are to be negotiated by the parties.
Important contractual duties	: (1) CPG cannot use the Marks to compete with Ek-Chai or allow usage by any other party without a written consent from Ek-Chai. (2) CPG and Ek-Chai jointly acknowledge that the Marks are undergoing the approval and registration process by the Department of Intellectual Property under the Ministry of Commerce of Thailand and agree to cooperate in all respects to see the Marks successfully registered. Once the Marks are registered, CPG agrees to proceed the registration of this Trademark and Service Mark License Agreement with the Department of Intellectual Property, Ministry of Commerce, in full compliance with the law, while Ek-Chai agrees to be responsible for all registration fees.

Compensation rate : Ek-Chai agrees to pay the compensation at the rate of 0.5% of the sales of goods and services, per Ek-Chai's audited financial statements (by the auditors), to CPG once a year within 30 April of the following year.
Ek-Chai has the right to deduct from the compensation all advertising, public relations, and marketing expenses according to its audited financial statements.
Nevertheless, Ek-Chai agrees to compensate CPG at the contractual minimum compensation rate, regardless of the deduction.

Contract termination : In the event a party breaches the terms and conditions of this contract, the other party may notify the party in breach, in writing, to amend or rectify or take action as specified in the contract within a reasonable period of time. Failure to comply with the terms and conditions of the contract can result in contract termination or claim for damages from the breaching party, or both.

Contract termination effects : Upon contract expiration or termination, Ek-Chai must immediately discontinue usage of the Marks unless the contract is renewed. However, Ek-Chai has the right to continue to sell all remaining products under the Marks that were manufactured prior to the end of the contract. This is not considered an infringement of intellectual property as long as CPG continues to be compensated for the sales of such products at the described rate.

Sublicense and transfer of rights : Ek-Chai does not have any right to the Marks other than the rights described under this contract, where neither the rights to the Marks nor the obligations under the contract can be sublicensed or transferred or delegated to a third-party unless written consent has been obtained from CPG.

(3) Copyright License Agreement in Malaysia

Counterparties : (1) CPG as a Licensor
(2) Lotus's Malaysia as a Licensee

Contract date : 12 October 2021

Contract purpose : CPG agrees to grant Lotus's Malaysia a non-exclusive license under this Agreement which includes copyright to the "Lotus's" mark (the "Mark") as a trading name for Lotus's Malaysia to conduct business in Malaysia and, in so doing, Lotus's Malaysia has the right to use the website under the domain name www.lotuss.com.

Validity period : From 1 March 2021 to 31 December 2023 where the parties may request to renew the contract upon the end of the period for an additional 3 years and renegotiate the terms and rates of compensation upon renewal.

Material obligations : CPG and Lotus's Malaysia jointly acknowledge that the marks licensed under this Agreement are pending trademark registration by the Intellectual Property Corporation of Malaysia and agree to fully cooperate in all respects to see the Mark successfully registered. Once the Mark becomes a registered trademark, the parties agree to enter into another trademark license agreement with the same terms and conditions as this contract.

Compensation rate : Lotus's Malaysia agrees to pay the compensation to CPG once a year by 30 April of the following year or within a period agreed upon by both parties at the rate of 0.5% of the net sales of goods and services per Lotus's Malaysia's audited financial statements (by the auditors).
Lotus's Malaysia has the right to deduct from the compensation all advertising, public relations, and marketing expenses as

stated in the annual management accounts prepared in accordance with IFRS standards or in the preparation of audited financial statements.

Nevertheless, Lotus's Malaysia agrees to compensate CPG at the contractual minimum compensation rate, regardless of the deduction.

Contract termination : CPG has the right to terminate the contract in the following events.

- (1) Lotus's Malaysia breaches the contract or fails to comply with any contractual provisions or conditions under this Agreement and continues to do so for a period of 30 days after being notified by CPG.
- (2) Lotus's Malaysia, under normal operating conditions, suspends or ceases business operations, dissolves or terminates the operation, or fails to compensate CPG as agreed.
- (3) Lotus's Malaysia either enters, declares, or is forced to enter into either a bankruptcy process, a reorganization, or related proceedings.
- (4) An order or resolution imposing Lotus's Malaysia to dissolve the company or liquidate, or for Lotus's Malaysia to pass a resolution or declare that there will be a resolution to dissolve the company, liquidate or merge.
- (5) CPG no longer holds shares in Lotus's Malaysia, directly or indirectly.

Contract termination effects : Upon termination of this Agreement, Lotus's Malaysia must proceed as follows:

- (1) Immediately discontinue usage of the Marks. However, Lotus's Malaysia has the right to continue to sell all remaining products under the Marks that were manufactured prior to the end of the contract where Lotus's Malaysia must continue to compensate CPG for the sales of such products at the rate described in this contract.

- (2) Change the company name immediately in order to avoid illicit reference of the authorized Mark (Lotus's).
- (3) Pay copyright royalties for the period up to the date of termination.
- (4) Consent to the cancellation of registration as a licensee with the right to use the Mark.
- (5) Lotus's Malaysia can claim no compensation of any nature, including but not limited to depreciation, projected profits, expenses, and investments.

Sublicense

: Lotus's Malaysia does not have any right to the Mark other than the rights described under this contract, where neither the rights to the Mark nor the obligations under the contract can be sublicensed or transferred or delegated to a third-party unless written consent has been obtained from the licensor beforehand.

(4) Mutual Undertakings

Parties

: (1) LPF Mutual Funds ("LPF")
(2) Ek-Chai

Contract date

: 13 March 2012

Objectives

: LPF and Ek-Chai seek to impose obligations on counterparties that wish to exercise the right of first refusal to sell, transfer or dispose any ownership of land and building or land leasehold rights. A case in point, LPF and Ek-Chai agreed to enter into a land and building purchase agreement (or leasehold right of the land) dated 13 March 2012, (the "Purchase Agreement") where Ek-Chai was appointed as the property manager by the fund management under the Property Management Agreement dated 13 March 2012, between Ek-Chai and LPF ("Property Management Agreement").

Validity period : The contract is effective from the date that Ek-Chai successfully sells any land or buildings or transfers the leasehold right of the land to LPF to the expiration or termination date of the real estate management contract.

Material obligations : (1) If Ek-Chai wishes to sell, transfer or dispose to any third party of:

- ownership of land (which Ek-Chai owns or is a registered tenant) on which Ek-Chai's hypermarket, retail store, or mall with sales floor area of 3,000 sq. m. or more ("Mall ") is located
- leasehold rights in the said land, or
- ownership of the Mall,

(Called collectively as the "Transfer")

Ek-Chai must notify LPF in writing of the price and other material terms of the agreement that are essential to the proposed Transfer and must propose the Transfer to LPF beforehand. As such, LPF has the right to accept the proposal within 2 months ("Acceptance Period"). If LPF does not accept the offer within the Acceptance Period, Ek-Chai may transfer to the third party, provided that the terms of agreement with such third party are not more favourable than what Ek-Chai proposed to LPF.

(2) Ek-Chai shall not construct a mall in competition with the Mall in which Ek-Chai had leased from LPF as the main tenant. Such construction is prohibited within a distance of 500 meters from the aforesaid established shopping malls in the Bangkok areas and within 2 kilometers in other areas in Thailand unless Ek-Chai has obtained a written consent from LPF prior to commencement of construction of the competing mall.

(3) LPF shall not invest in a mall that competes with Ek-Chai's Malls unless it has obtained a written consent from Ek-Chai prior to the investment.

(4) Ek-Chai shall neither act or allow its subsidiary to act as a property manager for any property fund with shopping mall as its main property. However, Ek-Chai and its subsidiary are not restricted to sponsoring, holding investment units, or otherwise investing in any property fund (regardless of having shopping malls as its main property).

(5) Ek-Chai grants LPF a non-exclusive license to use the "LOTUS" trademark and a sub-license to use "TESCO" mark (collectively, the "Marks") in Thailand, but only in respect of LPF's name and business.

Contract termination : The agreement shall immediately terminate without prior notice upon the expiration or termination of the Property Management Agreement.

The license and sub-license granted to LPF shall be terminated upon:

- (1) the expiration or termination of the Property Management Agreement;
- (2) Ek-Chai no longer has the right to use the "TESCO" mark; or
- (3) Ek-Chai is no longer the primary tenant in the majority of the Malls owned or operated by LPF.

Sublicense : Neither party can delegate the rights and duties under this Agreement without the written consent of LPF and Ek-Chai unless Ek-Chai designates an associate as a transferee or lessee.

5.2.2 Restrictions on Foreign Shareholders

Company shares can be freely transferred without restrictions unless the transfer causes the Company to lose the rights and benefits that are granted by law, or the transfer does not comply with legal provisions or causes the shareholding proportion of non-Thai nationals in the Company to exceed 49.0% of the total issued and paid-up shares. The Company has the right to reject any share transfer that is a violation of legal provisions or causes the aforementioned results.

However, the transfer of Company ordinary shares becomes valid when the transferor endorses the share certificate by specifying the name of the transferee along with the signature of both the transferor and the transferee and delivers the share certificate to the transferee. The transfer of ordinary shares can be confirmed against the Company only after the Company has received a request to register the transfer and can be confirmed against a third party only after the Company has registered the transfer in the Company's registration book. The transfer of shares is registered within 14 days from the date of receiving the request once the Company determines that the transfer of shares is legal. An incomplete transfer is notified to the applicant within 7 days from the date of receiving the request. The transfer of Company shares that are listed as securities on the Stock Exchange of Thailand, on the other hand, are transacted per regulations put forth by the Stock Exchange of Thailand and the Securities and Exchange Act B.E. 2535 (including amendments).

5.3 Legal disputes

Conducting business in the operating environment may at any time involve regulatory or legal proceedings to settle dispute in a civil case, be it administrative action, compliance, arbitration or litigation.

In any event, the Company or its subsidiary (the "Company") is neither an adverse party in a significant case nor is it aware of any ongoing or developing case by or against the Company that may result in either significant loss to Company assets in the amount of over 5.0 percent of shareholders' equity per audited financial statements of fiscal year-end 2021, or any other significant impact of indeterminable value on its business or financial status or operating results, nor is it in a legal proceeding as a result of unusual business practice other than the following case.

As of 31 December 2021, Lotus's was involved in two regulatory proceedings pending litigation as the Trade Competition Commission ("TCC") and the Office of the Trade Competition Commission ("OTCC") had been sued for a business merger order that allowed Lotus's to acquire Lotus's Thailand. Previously, Lotus's had entered a contract with Tesco on 9 March 2020, to acquire Lotus's Thailand and Lotus's Malaysia, acquisitions of which could not have taken place at that time without the permission of the TCC under the Trade Competition Act, B.E. 2560. Later on in November of the same year, the TCC issued an order (the "TCC order") authorizing Lotus's to acquire Lotus's Thailand. Lotus's and Tesco subsequently completed the acquisition on 18 December 2020, per the TCC order.

In March 2021, the Consumer Foundation, together with other organizations and individuals, filed a lawsuit with the Central Administrative Court (the "Court") against the TCC

(the "TCC lawsuit") and the OTCC on abuse of process grounds whereby the TCC had approved the order with improper and illicit discretion. The plaintiff thus requested a revocation of the order unless amendments are made to adjust the conditions. The amendments are as follows:

- Lotus's shall sell part of its business or assets to reduce the impact of its dominance in the market where its market share has to be adjusted to 50% or less.
- Lotus's expansion is prohibited for a period of 10 years after the merger.
- Extend the period in Condition 2 (as described below) from originally 5 years to 10 years and in Condition 4 (as described below) from originally 2 years to 5 years.
- Condition 2: CPALL and Ek-Chai to increase the proportion of SME (small and medium enterprises) goods being sold by at least 10 percent from the previous year for a period of 5 years, where SME goods consist of agricultural products, community agricultural products, community products, small and micro-community enterprise (SMCE) products, or one tambon (sub-district) one product (OTOP) products, and other product lines under 7-Eleven and Tesco stores (since the Lotus's store rebranding) combined. In so doing, the SME criteria must be under the legal provisions of the Designation of Characteristics of Small and Medium Enterprises Promotion Act.
- Condition 4: Ek-Chai is to honor the terms of the contract and agreement between the manufacturer and the original supplier of goods or raw material that have been in a contract or agreement for 2 years unless changes to the terms of the contract are approved by and in the favor of the original manufacturer and supplier.

Not directly prosecuted, Lotus's and Lotus's Thailand were summoned as the third party (the petitioner) in the lawsuit against TCC as the Court determined they could assist with information and facts required to lay the foundation for the case.

In the court hearing, the plaintiff also filed a request for a temporary suspension of the execution of the TCC order, which was dismissed by the Court in May 2021 as it was determined at that stage that the order had been duly issued under the Trade Competition Act. The ruling against the plaintiff was final and could not be appealed.

Against any revocation or amendment, the TCC, OTCC, Lotus's and Lotus's Thailand have testified along the same lines in their defense, that the TCC order was lawful and in compliance with legal procedures in all respects, and that the TCC had carefully, lawfully, and appropriately exercised discretion in examining the facts and issuing the order.

In addition to the TCC lawsuit, a local convenience store owner also filed a lawsuit against the order with requests on similar grounds. As such, in June 2021, the Court ordered to combine the case with the TCC lawsuit. Moreover, as of the date of this document, the case had been in the middle of the Court process of determining the facts. Involved parties would not be able to file an appeal until a judgment is rendered whereby the appeal period with the Supreme Administrative Court of 30 days after the ruling may not be extended and the ruling on the appeal would be final.

The Company discerns that the TCC order was duly decided by the legal entity with the authority to approve the acquisition under the Act, through which Lotus's submitted

a business acquisition application and required documents in full compliance with legal procedures. The Company thus ascertains that revocation is unlikely, granted the direction of the Court ruling and the consequences to Lotus's and Lotus's Thailand are indefinable.

On the other hand, should the TCC order be revoked, the Company believes that there is no legal ground for the Court or the TCC to cancel or void the acquisition or impose administrative fines as the acquisition was done in good faith under the TCC order which was legally binding at the time of the acquisition. Notwithstanding a revocation, the TCC may order Lotus's to resubmit the acquisition application. In any case, the Company is not able to speculate on any re-acquisition or amendment to which the TCC may or may not impose, or whether Lotus's will be able to fully comply with such imposition. Lotus's, nonetheless, has the right to appeal within the period specified by the law should it disagree with any unfavourable terms that transpire. By inference, as of the date of this document, the Company is neither involved nor aware of any litigation or arbitration proceedings that may arise with significant adverse effect in any way that has been reasonably considered by the management team.

5.4 Secondary Market

The Company is not currently listed on the stock exchange of any other countries.

5.5 Financial institutions that are in constant contact (only in the case of debt instruments)

- None -

Section 2

Corporate Governance



6. Corporate Governance

6.1 Corporate Governance Overview

The Board of Directors places great importance on Corporate Governance and Code of Conduct that are founded on key Corporate Values; namely, integrity, transparency, social and environmental responsibility, as well as loyalty and accountability to customers and all stakeholders. Sustainable growth depends on business practices and operations that adhere to these principles, with which stringent anti-corruption policies and reinforcement also transpire. As such, established Corporate Governance Policy is reflected in writing in the Corporate Governance and Code of Conduct Manual, the Anti-Corruption Policy, and the Board of Directors and Sub-committees Charters.

Assigned by the Board of Directors, the Corporate Governance Committee is responsible for reviewing, improving and developing Corporate Governance and Code of Conduct policies and procedures that reflect the Company's vision and strategy, and abide by SEC and SET legal provisions, including domestic and international assessment criteria. The committee is also responsible for governing, monitoring and supporting Company operations in accordance with established guidelines.

6.1.1 Policies and Guidelines for the Board of Directors

The Corporate Governance and Code of Conduct Manual, the Board of Directors Charter and the sub-committees charters (Appendix 5) provide key provisions established by the Board of Directors in relation to directors, including the Chairman, and independent directors; for instance, the

components and qualifications, appointments, terms of office, resignation, duties and responsibilities, board meetings, performance appraisal, nomination, remuneration and development of directors, among others.

Recruitment

Director Selection Criteria and Process

Directors are selected and appointed in accordance with the board's skill matrix, which is established by the Nomination and Remuneration Committee (the NRC). The matrix specifies a strategic mixture of qualifications; namely, knowledge, capabilities, work experience, and skills required of the board in meeting current and future challenges for the Company. In the process, the committee is responsible for ensuring that selection is non-discriminatory with respect to gender, race, religion, age and other personal characteristics. A board candidate must be able to undertake the range of duties and responsibilities required of a director in its entirety. Notwithstanding, candidates with prohibited characteristics concerning legal provisions are not considered for selection.

When a board position becomes vacant, the NRC screens for potential candidates to consider and nominate for the position. Selected candidates are presented to the Board of Directors or the shareholders' meeting, or both, for consideration and approval for appointment to the vacancy. In addition, minority shareholders are encouraged by the NRC to nominate candidates for a vacant board position, provided the provisions of the Articles of Association as well as legal provisions are observed. To facilitate and pro-

tect the rights of the minority shareholders in the process, the nominated candidates are voted individually at the general meeting of shareholders for the agenda of director election.

Qualifications of a Company Director

A director must:

- 1) Meet set qualification criteria and display no prohibited characteristics concerning legal provisions, including provisions governing public limited companies and securities and exchange.
- 2) Exhibit a wide range of skills in different areas, such as industry, accounting, finance, business, management, marketing, strategy, crisis management, law and corporate governance, as well as experiences, competency and specific attributes, regardless of age and gender. In addition, at least one of the board members must be a non-executive director with experience in the particular business or industry in which the Company operates.
- 3) Exhibit leadership and the capacity to effectively control the business operation of executives.
- 4) Hold a board position in no more than 5 public listed companies that are registered with the Stock Exchange of Thailand (SET), including the Company board. Such position holding in other public listed companies shall not affect the ability to serve the Company board.
- 5) Exhibit integrity and ethical judgement and capable of devoting the level attention and effort required to perform the duties and responsibilities that come with the position.

Additional Qualifications of an Independent Director

In addition to qualifications of a director, an independent director must also meet the following set of qualifications and legal requirements put forth by the Capital Market Supervisory Board.

- 1) Holding no more than 0.5% of voting shares of the Company or its parent companies, subsidiaries, associates, major shareholders or controlling persons, whereby shares held by related persons of the independent director are also included.
- 2) Neither being nor ever was a director with involvements in the management of the Company; an employee; a consultant with a regular salary; a controlling person of the Company or its parent companies, subsidiaries, associates, same-level subsidiary companies, major shareholders or controlling persons; with the exceptions of involvements that have been ended for no less than 2 years. However, such prohibited characteristics shall not include the case where the independent director used to be a government official or advisor of a government unit which is a major shareholder or controlling person of the Company.
- 3) Neither being related by birth nor by legal registration as an immediate family member - i.e. father, mother, spouse, sibling, and child, including spouse of child - of the executives, major shareholders, controlling persons, or nominated executive candidates or controlling persons of the Company or its subsidiaries.
- 4) Neither being nor ever was a person having business relationship with the Company or its parent companies, subsidiaries, associates, major shareholders or controlling persons in any manner that may hinder impartial judgement. Neither being nor ever was a significant shareholder or controlling person of any person having business relationship with the Company or its parent companies, subsidiaries, associates, major shareholders

or controlling persons. An exception is for the case that such relationship has been ended for no less than 2 years.

The term “business relationship” under paragraph one includes any normal business transaction, rental or lease of immovable property, transaction relating to assets or services or granting or receiving of financial assistance including loans, guarantee, providing assets as collateral, and any other similar actions, which result in the Company or its counterpart being subject to indebtedness payable to the other party in the amount of 3% or more of the net tangible assets of the Company or Baht 20 million or more, whichever is lower. The amount of such indebtedness shall be calculated according to the method for calculation of value of connected transactions under the Notification of the Capital Market Supervisory Board governing rules on connected transactions mutatis mutandis. The consideration of such indebtedness shall include indebtedness occurred during the period of 1 year prior to the date on which the business relationship with the person commences.

- 5) Neither being nor ever was an auditor of the Company or its parent companies, subsidiaries, associates, major shareholders or controlling persons; and not being a significant shareholder, controlling person; or partner of the audit firm which employs auditors of the Company or its parent companies, subsidiaries, associated companies, major shareholders or controlling persons unless the foregoing relationship has been ended for no less than 2 years.
- 6) Neither being nor ever was a professional service provider including a legal counsellor or financial advisor receiving service fee over Baht 2 million per year from the Company or its parent companies, subsidiaries,

associates, major shareholders or controlling persons and not being a significant shareholder, controlling person or partner of the aforementioned professional service provider; with the exception of services that have been ended for no less than 2 years.

- 7) Is not a director appointed as a representative of a Board member, major shareholders or a shareholder who is related to the major shareholders.
- 8) Not undertaking any business of the same nature that competes with the Company or its subsidiaries; neither being a significant partner in a partnership nor a director who involves in the management, an employee, a staff member, an advisor with regular salary; not holding shares exceeding 0.5% of the total number of shares with voting rights of other companies which undertake businesses of the same nature that competes with the Company or its subsidiaries.
- 9) Not having any other characteristics that hinder impartial judgement with regard to the Company’s business operations.
- 10) An independent director shall serve the office no longer than 9 years.

Notwithstanding, the independent directors may be assigned by the Board of Directors to make a collective decision on its behalf in operational matters of the Company or its parent companies, subsidiaries, associates, same-level subsidiary companies, major shareholders or controlling persons.

First-Level Executive Recruitment and Succession Plan

In addition to setting the qualification criteria, the NRC is in charge of screening and recruiting potential candidates to be considered and appointed as the first-level executive. Unless a member of the Board of Directors is designated

as the appraiser on the board's behalf, the NRC is also responsible for evaluating the performance of the first-level executive on a regular basis, along with considering the appropriate remuneration, reviewing succession plan, and presenting the conclusive opinion to the Board of Directors for approval.

With development and succession plans in place, an assessment process is carried out to determine readiness of potential successors, such as undergoing a wide range of assessments to examine aptitude, leadership and psychological capacities, among other soft and hard skills. Assessment results are analysed and compiled into individual profiles where feedback is communicated to the management and the successor to be used as a basis for individual development plan. The subsequent developmental approach is a diversified model that commences the career road map with progressive stages and steps that construct the shortest path to realize the plan and attend to business needs in a timely manner. For instance, a successor can be arranged to join important Company projects, reassigned to a particular branch in a foreign country, or enrolled in a compulsory leadership development workshops of different levels, such as Charoen Pokphand Group's Leadership Development Program, among others.

Appointment of a Director

- 1) To be considered by the Board of Directors or shareholders, or both, depending on the circumstance, the appointment of a director must be in accordance with the Articles of Association and relevant legal requirements. The appointment process must be transparent and carried out in accordance with the appointment process put forth by the NRC. The presented information must also be sufficient, of

which case the complete profile of the candidate must be produced.

- 2) In the event that directors retire from office, the election of new directors shall be proposed to the general meeting of shareholders, where the majority vote of the shareholders who attend the meeting and cast their votes shall constitute a resolution. In the event that cast votes result in a two-way tie, the chairman of the meeting can cast a tie-breaking vote as the decider.
- 3) In the event that a director position becomes vacant for any reason other than retiring from office, the vacancy is to be filled by a candidate selected and appointed by the Board of Directors the subsequent board of directors meeting unless the remaining term of office of the vacated position is less than 2 months. A placeholder shall serve out the remainder of the term. Such appointment requires no less than three-fourths of the remaining directors to constitute a resolution.
- 4) In the event a prohibited business or commercial relationship becomes known of a serving director, whereby compensation received as a result of the relationship exceeds the limit specified under clause 4 or 6, Additional Qualifications of an Independent Director, a waiver may be approved by the Board of Directors to have the director in question continue on as usual should the board be of the opinion that such relationship affects neither performing responsible duties nor expressing an objective opinion. Notwithstanding, to be considered for a waiver in such a case, the following information regarding the prohibited relationship must be fully disclosed at the general meeting of shareholders, in the agenda that considers the election of such director.
 - a) The nature of business relationship or professional

service that disqualifies the candidate or fails to meet specified criteria.

- b) The reason and necessity to maintain or appoint the person as an independent director.
- c) The Board of Directors' opinion regarding the appointment of the person as an independent director.
- 5) The Chairman and Vice Chairman are appointed by the Board of Directors.

Terms of Office

- 1) A director holds office for a term of three years and may be considered for re-election upon term expiration.
- 2) An independent director shall serve the office no longer than 9 years.

Termination of Directorship

- 1) Notwithstanding the remaining terms of office upon commencement of the annual general meeting, a third of directors are to retire by rotation. Directors with the longest tenures in comparison are the first to vacate office, and eligible for re-election. In the event the total number of active members is indivisible by three, the number that is the closest to a third is applied.
- 2) Aside from retiring by rotation, a director is vacated from the office in the event of death, disqualification, or becoming known for prohibited characteristics according to resolutions passed at the shareholders meeting and legal provisions, namely, the Securities and Exchange Act, the law governing public limited companies, or a court order for imprisonment, with the exception of offenses committed by negligence, petty offenses or where the offender is deemed incompetent, quasi-incompetent or is bankrupt.

- 3) To resign from directorship, a director is required to submit a formal resignation letter to the Chairman of the Board. The resignation becomes effective on the date the letter is filed with the Company. The resigning director may also notify the Public Company Limited Registrar.
- 4) The shareholders' meeting may pass a resolution to remove any director from office prior to retirement by rotation, by a vote of no less than three-fourths of the number of shareholders who are present at the meeting and entitled to vote, with the aggregate number of shares not less than half of the number of shares held by the shareholders who are present at the meeting and entitled to vote.

Board Composition

- 1) The Board of Directors is composed of 5 independent directors, one of whom is female, out of 15 directors. Aside from meeting the qualification criteria based on SEC regulations, all board members must be capable of carrying out responsible duties and expressing objective opinions on a regular basis.
- 2) In order to oversee and administer pertinent business aspects throughout the organization in accordance with good corporate governance, sub-committees, top executives and the Company Secretary have roles and duties to support the Board of Directors in performing their duties.
- 3) The board composition is based on the board's skill matrix, or a strategic mixture of collective qualifications, a wide range of skills, knowledge, competency and experience that are beneficial to the Company such as technology, finance and accounting, business, management, international marketing, strategy, crisis management, law and corporate governance, regardless of age, gender and other personal characteristics.

Development

Development of Directors and Executives

- 1) Significant resources are allocated by the Board of Directors to promote and make available educational training programs and material to Company personnel under the Corporate Governance umbrella; namely, Company directors, Audit Committee members, executives, Company Secretary, among others. Such programs and material are provided by either expert in-house agencies or contracting third-party institutions with subject matter know-how.
- 2) An orientation is arranged for newly appointed directors and executives to provide updates on current business affairs, operations, guidelines and corporate strategies. The event also serves to prepare legal documents pertaining to applicable rules and regulations, operational and business information, and other information and knowledge essential to performing responsible duties.
- 3) As consistent operational efficiency and development requires both comprehensive and practical understanding of complex operational environments among key decision makers, it is Company policy that directors and executives have access to a wide range of knowledge developmental programs. The leaders are encouraged to continually hone their skills and attend tactical seminars and training courses that are organized by subject matter experts; such as, the Thai Institute of Directors Association (IOD), the Stock Exchange of Thailand, and other institutions providing all-inclusive and hands-on training vital to development.

Assessment of the Board Performance

The Board of Directors requires an annual performance assessment that consists of the Board of Directors and sub-committee assessment, and the individual self-assessment. Each include assessment areas as follows:

Board of Directors and Sub-Committee Assessment

- 1) Board Policy
- 2) Board Composition and Qualifications
- 3) Roles, Duties and Responsibilities of the Board
- 4) Board Meeting Preparation and Conduction
- 5) Board Performance
- 6) Relationship with Management
- 7) Committee Member Self-development and Executive Development
- 8) Audit committee Performance
- 9) Nomination and Remuneration Committee Performance
- 10) Corporate Governance Committee Performance

Self-assessment: 3 Main Categories

- 1) Board Structure and Qualifications
 - 2) Roles, Duties and Responsibilities of the Board
 - 3) Board Meetings
- Assessment criteria (as a percentage of the full score) are as follows:

Above 85%	=	excellent
Above 75%	=	very good
Above 65%	=	good
Above 50%	=	fair
Below 50%	=	need improvement
 - For Company directors towards the end of every year, the Company Secretary is in charge of distributing the annual assessment form, preparing the assessment report, and reporting it to the Board of Directors for acknowledgement and consideration.

Performance Assessment of the Chief Executive Officer

The NRC, or a designated director, is assigned by the Board of Directors to assess the performance of the Chief Executive Officer on a yearly basis. The assessment criteria consists of 3 parts as follows:

Part 1 Assessment of key performance indicators

Part 2 Assessment of general management efficiency

Part 3 Assessment of budget and project management

Assessment results are presented to the Board of Directors or the board designee to determine the appropriate remuneration for the Chief Executive Officer.

Remuneration of the Chief Executive Officer

It is Company policy to determine the attractive remuneration level for the Chief Executive Officer that is competitive and comparable with the industry peers. In so doing, the scope, scale and performance of duties and responsibilities, as well as the collective Company performance under the leadership and return for shareholders, are all considered.

Board of Directors Meeting

- Board meetings are held at least once quarterly to review the Audit Committee Report and approve the financial statements on annual basis and quarterly basis, and at least once a year to consider the Company's strategy and business plan. The meeting dates are pre-scheduled every year to allow directors sufficient time to manage appointments and be able to attend the meetings. In addition, the Chairman may convene additional meetings should an urgent matter arise to require the board's immediate attention.
- It is board policy to encourage independent directors and non-executive directors to meet at least once a year, or as often as possible, to share and discuss persisting matters and interests without the presence of the executives. Meeting minutes are presented to the Chief Executive Officer for acknowledgement.
- The Chairman of the Board considers and approves board meeting agendas, including those requested by directors. The Chief Executive Officer and the Company Secretary can present agendas that need to be included before each board meeting.
- The Company Secretary is in charge of drafting and delivering the meeting invitation letter, together with the meeting agenda and meeting documents, to the board no less than 7 days in advance to allow sufficient time for the meeting material to be reviewed and studied before the important convention.
- The Company Secretary, or a designee, is responsible for recording the meeting minutes in writing, documenting, and submitting it to the board for approval before storing the documents for future reference.

Remuneration of Directors

The Nomination and Remuneration Committee is responsible for determining remuneration for directors. In doing so, many performance benchmarks are taken into consideration, for instance, performance outcome and consistency with corporate goals and long term benefits, industry remunerations standards and comparison with other companies in the industry peers of similar size of business, suitability of assigned duties and responsibilities of directors, attractiveness to retain skillful directors to drive the Company to achieve short and long term goals. Notwithstanding, such remuneration shall be approved by the shareholders meeting.

The following remuneration rates were approved at the 2021 Annual General Meeting of Shareholders, held on 21 April 2021.

Remuneration Components	Baht/Person/Month	Baht/Person/Year
1. Regular Remuneration		
• Chairman	155,000	1,860,000
• Independent Director and Chairman of the Audit Committee	140,000	1,680,000
• Independent Director and Member of the Audit Committee	115,000	1,380,000
• Director/ Independent Director	100,000	1,200,000
• Chairman of other Sub-committees ⁽¹⁾	15,000	180,000
• Member of other Sub-committees ⁽¹⁾	5,000	60,000
2. Annual bonus (entire board)	Baht 24.00 million ⁽²⁾ (0.50 percent of dividend paid from 2020 profit)	
3. Other benefits	None	

Note: ⁽¹⁾ Sub-committees apart from the Audit Committee

⁽²⁾ Representing 0.50 percent of the dividends paid to shareholders based on 2020 operating results, whereby the Chairman of the board determines the appropriate amount to be allocated to each Company director.

In addition, the Company provides Directors and Officers Liabilities Insurance with a sum insured not to exceed USD 30 million or Baht 918.40 million (exchange rate at Baht 30.6133 per USD 1).

6.1.1 Policies and Guidelines for Shareholders and Stakeholders

Company policies and guidelines regarding shareholders and stakeholders cover important issues in accordance with Corporate Governance principles as follows:

Section 1: Shareholder Rights

The Company protects the rights of all shareholders as a principal matter. Aside from dividends and financial or performance inquiries, Company shareholders are equally entitled to basic rights that grant ability to do several things as a shareholders' meeting; such as, attend, vote, propose agendas, nominate a candidate to be appointed as director, inspect documents, submit inquiries about meetings and express opinions, elect and remove the directors, and determine directors' remuneration, among others. To ensure that the rights are not infringed upon, the Company works tirelessly to remove barriers to these rights. The rights of all shareholders and investors are also facilitated with supportive and effective management, in the framework of pertinent legal bodies, Corporate Governance and Code of Conduct, with the utmost interest of the shareholders at heart.

Annual General Meeting of Shareholders 2021

The Company held the 2021 Annual General Meeting of Shareholders on April 21, 2021, at Siam Makro's Convention Room, 4th Floor, Siam Makro Public Company Limited, Tara Pattanakarn Building, No. 1468 Phatthanakan Road, Phatthanakan Subdistrict, Suan Luang District, Bangkok.

Prior to the 2021 Annual General Meeting of Shareholders

- (1) Between October 22, 2020 and January 31, 2021, shareholders had had the opportunity to exercise the right to propose meeting agendas and nominate a qualifying candidate to be considered for appointment as Company director prior to the 2021 Annual General Meeting of Shareholders. For shareholders' information, rules and procedures for exercising rights at the meeting had been shared on the Company's website, www.siammakro.co.th, and through the Stock Exchange of Thailand's notification system.
- (2) The 2021 Annual General Meeting of Shareholders invitation letter, in Thai and English, had been posted, first, on the Company's website no less than 30 days prior to the

meeting date. The meeting invitation letter, along with a complete set of supporting documents specifying the objectives and opinions made by the Board of Directors, including the Annual Report and the Sustainability Report for 2020 in a QR Code format, had been distributed to shareholders at least 21 days prior to the meeting date. Both events had been planned well in advance to allow sufficient preparation time for shareholders to thoroughly review and study the material for the annual event.

- (3) Proxy forms had been distributed, along with the meeting invitation letter, to allow unattending shareholders to appoint a proxy to attend the meeting on their behalf. Profile information of independent directors had also been distributed to shareholders for consideration, should they opt to vote by proxy. Shareholders had been encouraged to appoint a proxy with the right and ability to vote in correlating agendas, one that is supervisable to the direction of the vote.
- (4) Question submission forms had been distributed in advance, along with the meeting notice, to allow shareholders to submit questions or express concerns for meeting agendas in advance.
- (5) Institutional investors had been encouraged to attend the shareholders' meeting and had been contacted in advance to coordinate and prepare proxy forms before the meeting date in order to facilitate registration for the shareholders' meeting.

The 2021 Annual General Meeting of Shareholders

- (1) Technology and a barcode system was adopted to facilitate registration, vote counting and score display with real time and accurate processing.
- (2) Registration had been opened to shareholders 2 hours prior to meeting commencement. Late shareholders that arrived and registered after the meeting had started could still vote for agendas that were still being considered, not yet voted on or the votes had not been counted, yet. Late shareholders would be included in the quorum from the first attended agenda onward.
- (3) Shareholders were granted a number of votes according to the number of held shares. One share was entitled to one vote. A separate set of voting ballots were used for each meeting agenda, including ballots for the director election agenda. A vote auditor was assigned to inspect the vote counts in the meeting.
- (4) All 15 directors attended the meeting, along with Company auditors and legal advisors. The chairman of the meeting announced the number and proportions of shareholders attending the meeting, the number of assigned proxies, voting practices, and the vote count method from the beginning of the meeting. The chairman then commenced the meeting and arranged for the shareholders to vote according to the agenda

specified in the meeting invitation letter. No additional agenda was added to the meeting other than those specified in the meeting invitation letter. The meeting was held in accordance with the Articles of Association, where shareholders had equal rights to inquire and voice opinions in appropriate agendas, and receive straight and sufficient responses in return.

- (5) To voice concerns and comments, the shareholders assessed the quality of the meeting by answering provided assessment forms. The feedback was used to improve efficiency and transparency of the meeting for the interest of the shareholders, first and foremostly.

After the 2021 Annual General Meeting of Shareholders

- (1) The meeting resolutions, together with the vote counts of each agenda, were publicised in the evening of the same day through the Stock Exchange of Thailand's notification system and the Company's website.
- (2) The meeting minutes was publicised in complete detail within 14 days after the meeting, including meeting resolutions, vote counts, and inquiries and questions made by shareholders in each agenda. The shareholders were notified through the Stock Exchange of Thailand's notification system and on the Company's website.

Section 2 Equitable Treatment of Shareholders

As a standard of competency and conduct expected of a professional at all times, Company employees are accountable for their personal and workplace ethical behavior. As Corporate Governance Policy, as well as a legal requirement, customers and shareholders are to be treated fairly and with respect, always. Important guidelines are as follows:

- (1) To keep key personnel informed and to guide best practices and professional conduct in key operational situations, pertinent policy and standard operating

procedures (SOPs) are put forth and announced, regularly. SEC rules and regulations and the Company Code of Conduct both establish provisions that govern authorized and unauthorized access to classified information that lead to insider trading, and conflicts of interest incurred by connected parties with connected stakes, either between Company staff or with an affiliate or partner. Serious punishment and consequences awaits involvement of such nature for personal gains or the gain of a connected party. The Code of Conduct and related SOPs are listed in detail in the Corporate Governance and Code of Conduct Manual, where the e-version can be downloaded at any time on the Company's website. No violation of the nature took place with regards to Company directors and executives throughout fiscal year 2021.

- (2) No financial assistance is made available to any person or juristic person other than a subsidiary.
- (3) An Investor Relations Unit is in place to serve as a communication channel for all stakeholders; namely, significant and minority shareholders, institutional investors and analysts, to submit inquiries, suggestions, comments or requests or provide additional information. The unit can be reached directly via email at ir@siammakro.co.th, or, by phone at 02 067 8285 (direct line).
- (4) Company measures and procedures are in place to govern the approval of connected transactions in accordance with SEC and SET legal provisions pertaining to connected parties and connected transactions. Connected transactions that are authorized by the Board of Directors or the management are always conducted in a manner that is transparent, fair, at arm's length, and takes account of price levels and general trading conditions.

Section 3 Roles of Stakeholders

(1) Corporate Governance and Code of Conduct

As patrons with vested interest in the performance of the business, the Company respects and values all individual and group stakeholders. Guidelines for Corporate Governance and Code of Conduct are in place, moreover, to maintain the interest of different groups with the most serviceable approach possible. Applicable administrative policies and guidelines under the Corporate Governance and Code of Conduct body can be summarized as follows:

Shareholders

Business operations are conducted with honesty, transparency and fairness to all shareholders in the Company's best interest to maintain a stable and sustainable growth with good returns for shareholders in the long run.

Customers

Customer satisfaction is of priority considerably above the normal to the Company. To retain hard earned contentment and trust, the Company is determined to identify new products and expand the variety of what is available whilst quality and safety standards are enhanced simultaneously. Safety standards of food products, in particular, are of the utmost importance. Operations and services are continually developed and optimized as a key path to create a memorable shopping experience and sustain satisfying relationships with customers over the long run.

Agents from the Customer Relationship Development Unit make regular visits to customers to build on the hard earned relationships. Customer satisfaction surveys are also conducted regularly every year, where survey results are processed and applied to improve current services and better meet customer needs. The customer satisfaction score in 2021 was 86%.

Employees

- The Company places great importance on staff training and development to ensure of work efficiency and their abilities to grow in the chosen career path. Career development is a progressive preparation for management in rotational positions.
- A succession plan is in place to prepare successors to key organizational positions. Successors are assessed for readiness, where results are used to design individual developmental plans in preparation of the succession. This better prepares the Company for business expansion, organizational change and replacement of future retirees. The plan is reviewed regularly, every year.
- Safety and health in the workplace is amongst the top on the Company's list of priorities. To circumnavigate unnecessary occupational risks, accidents and injuries that come with hazardous work environments, including exposure to harmful substances; the "Occupational Health and Safety and Workplace Environmental Management Policy" and the Occupational Health and Safety and Workplace Environmental Management Committee as well as the occupational safety officers at supervisory level and executive level were established to ensure that industry safety standards are met. In addition, the Health and Safety Manual is put in place for employees to follow, with helpful advice, guidelines and procedures, along with key rules and regulations included in the manual. Employees can join health and safety campaigns held by relevant governmental agencies that take place on an ongoing basis.
- An Employee Engagement Survey is conducted regularly to learn about the factors that contribute to employee satisfaction and loyalty to the organization. Survey results are analysed and applied to potential areas of improvement.

- Human capital is the most important asset in any organization. To retain this asset, a policy is in place to provide competitive remuneration and welfare packages. Offers are based on many factors, both internal and external. Internal factors are; for instance, expertise, educational and professional background, duties and responsibilities, as well as performance and professional contribution in accordance with set objectives, among others. External factors are also reviewed; for instance, industry standard and ongoing rates offered in comparable positions at comparable companies. Both aspects considered, a competitive rate is offered to retain and motivate employees to march towards future goals with the Company. Guidelines for annual salary adjustment take into consideration increased responsibilities, inflation and changes in market conditions, among other factors. A provident fund is also included in the benefit package, along with other medical, life and accidental insurance policies, to serve as long term savings and a source of income after retiring.
- Salary increase is considered once a year, where annual performance assessment results serve as the basis for consideration. Key Performance Indicators (KPIs), nevertheless, are used as the principal basis to assess both current professional performance (short-term) and performance in accordance with corporate strategy in the long term.

By linking remuneration to short and long term Company performance, assessment is consistent with outcome-based principles as the overall organizational competitiveness correlates directly with human resource capacity. This is an industry standard followed by comparable leading organizations. The Company also offers a competitive variable bonus scheme where bonus amounts depend on Company performance (for staff in department level management and above) to motivate teamwork

and team efforts to progress towards established organizational objectives.

Suppliers and Creditors

- Business partners or suppliers, creditors and co-signers are treated fairly and with respect, where all agreements are honored and followed. Company debts and loans are paid according to the conditions specified in the agreement. In the event where a condition cannot be met, the Company will promptly notify the creditor to find common grounds and mutual solutions.
- Procurement Policy is in place to provide guidelines for the approving authority and setting budget approval limits, and to ensure operations are carried out in a systematic fashion that is effective, transparent and in accordance with Corporate Governance.
- Special attention is allocated to the selection of suppliers. The qualification criteria and selection process are as follows:
 - 1) Have a solid financial history and the potential to grow with the Company over the long term.
 - 2) Produce or sell quality products that are in demand and can be inspected for quality.
 - 3) Support marketing and sales promotions and provide after-sale services to customers.
- The "Supplier Code of Conduct" is established to ensure that the suppliers conduct their business in a manner that is respectful of human rights and responsible for the respective society, community, as well as other traders in the supply chain. Sustainable Business Practices seminars are organized annually to communicate with suppliers the sustainable business policies, pertinent body of knowledge and the importance of preparation, consistency and maintaining a good relationship with all parties.

Competitors

It is Company policy to conduct business in a manner that adheres to international rules and regulations that guides trade competition fair play. Guidelines are in place as follows:

- 1) Operate business according to international legal frameworks for trade competition fair play.
- 2) Refrain from acquiring confidential information of competitors by dishonest or inappropriate means.
- 3) Refrain from any unlawful, unethical or disrespectful engagement with competitors in an attempt to cause harm or damage in one way or another.

Social and Environmental Responsibility

The Company realizes the importance of corporate social and environmental responsibility. All stores are encouraged to operate in a way that takes respective communal capacities into account, as well as the underlying ecosystem to which it depends. The Company also supports participation in various public activities in the immediate community and contributes to the development of social and environmental education. In addition, policies and guidelines pertaining to energy usage, energy efficiency applications and waste management are established and reinforced.

(2) Monitoring of Compliance and Whistleblowing

It is the duty and responsibility of all employees, from top to bottom, to strictly adhere to the Corporate Governance Policy. The Company relies on the supervisory capacity of leaders throughout the organization to ensure that guidelines are acknowledged, understood and complied. Their ability to provide practical guidance to all team members in the immediate line of command, nevertheless, is a top priority.

Whistleblowing Policy

Whistleblowing procedures and channels are in place for staff to submit a formal complaint and report unprofessional conduct. The process starts with the filing of a complaint, ongoing investigation and reaching a conclusion. Confidentiality is provided by the non-disclosure clause to encourage whistleblowers, stakeholders, witnesses and involved parties to come forth, where they may otherwise be discouraged or at risk of retaliation or threats. Notwithstanding, the behavior being reported must be a violation of the Code of Conduct or the Anti-Corruption Policy established in Company Corporate Governance and Code of Conduct Manual. The manual clearly defines main areas of misconduct; for instance, connected transaction, unauthorized access and disclosure, insider trading, as well as unlawful financial undertakings; such as, embezzlement, corruption, and fraud, among other wrongdoings.

Whistleblowing Channels



Chairman of the Board/ Chairman of the Audit Committee/ Chief Executive Officer/ Board of Directors/ Head of Internal Audit
Siam Makro Public Company Limited
No. 1468 Phatthanakan Road, Phatthanakan Subdistrict, Suan Luang District, Bangkok 10250



cgoffice@siammakro.co.th



0 2067 9300



0 2067 9119

Whistleblowing Process and Management

As misconduct undergoes investigation, the Company encourages identity disclosure of the whistleblower and involved parties to allow responsible agents to make contact for additional inquiries and, in return, inform them about gathered facts, updates, and progress on the case. On the other hand, whistleblowers can opt to remain anonymous under confidentiality, should they determine that further involvement would affect their safety or entail negative results in any way. Once a complaint is filed, appropriate action is decided and taken by the officer that received the case, or, the matter is designated to the appropriate party. In so delegating, credibility of the designee is considered, namely work ethics and knowledge of applicable Code of Conduct, along with overall suitability. The designee is expected to handle the investigation and ensure that necessary action is taken in the most effective manner possible.

False Allegation with Intent

In the event that reported misconduct is proven to be a baseless or false allegation with the intent to misrepresent facts in order to offend or disgrace the accused, the responsible whistleblower is thereby deemed a slanderer guilty of defamation with disciplinary action or punishment, or both, in accordance with the Company Code of Conduct and the terms of law.

Whistleblowing Protection

Whistleblowers and related parties can expect to receive appropriate and fair protection without fear of work related changes, such as work location, position, job description, suspension, environment, intimidation, interference with work, termination of employment or any other actions taken by the Company that is unfair to the whistleblower or related parties. Complaint-related information is confidential with the exception of when disclosure is required by law.

All parties related to or involved in an undergoing whistleblowing investigation must honor the confidentiality of the case and refrain from disclosing or sharing any information about the case to any party that is not involved with or related to the case. Disclosure of such information may only take place when required by law. On the other hand, failure to comply with the non-disclosure clause or intentional breach of confidentiality can result in legal or disciplinary action, or both, depending on the case.

Disciplinary Action

Disciplinary action is enforceable against Code of Conduct violation and is taken seriously. The Company Code of Conduct is communicated to employees to promote work ethics awareness across the organization. Information gathered from complaints and closed cases are analysed for knowledge that can be applied to enhance policy and preventive measures in the working environment.

(3) Anti-Corruption Policy

Corruption tarnishes not only the Company's hard earned trust and reputation but that of its investors, business partners, customers and beyond with far-reaching consequences. In the big picture, it also holds back Company growth and economic development of the entire nation over the long run. As a matter of principle, the Company operates the business under the guidance of a fundamental Corporate Value; transparency, and Anti-Corruption Policy and guidelines supplied by the Corporate Governance and Code of Conduct Manual, along with international and industry standards for best practices.

The policy is reviewed and revised regularly by the Board of Directors and supplies in great detail (Appendix 5) the protocol to circumnavigate risky areas. Directors, Managements and staff across the board are required to acknowledge,

study and strictly follow. Disciplinary action is taken against violation or failure to comply with the Company Code of Conduct. The maximum penalty can result in termination of employment or any effective contract. Disciplinary action imposition is exempt from an alleged person under allegation that denies corruption despite, however, the case in question results in the loss of business opportunity. Cases that violate legal provisions are carried out in a court of law.

(4) Intellectual Property Policy and Guidelines

Intellectual Property Policy and Guidelines are specified in the Corporate Governance and Code of Conduct Manual as follows:

- Observe the Intellectual Property Law and refrain from assisting or taking part in intellectual property or copyright infringement. Necessary steps are taken swiftly to ensure that access to the source of the alleged infringement is terminated.
- Steps are taken in accordance with Company rules and regulations pertaining to disciplinary action. Personnel under allegation for alleged infringement are promptly notified of the actions being taken.

(5) Human Rights

Inalienable freedom and privileges are granted to every person by birth. To protect and support a non-discriminatory corporate culture, it is Company policy to promote awareness of intrinsic values across organizational staff; namely, dignity, fairness, equality, respect and freedom. In extension, customers, stakeholders and partners alike are to be treated with respect to protected characteristics. It is also Company policy to avoid undertakings that violate human rights, such as forced, child, or undocumented foreign labor, including discrimination, notwithstanding such engagements are also illegal.

(6) Conflict of Interest Policy

As the integral part to preventive measures against conflicts of interest, supervisory guidelines and capacity work in tandem to the utmost effect. The Corporate Governance and Code of Conduct Manual lays the groundwork to realize the Company Code of Conduct and provides the whys and wherefores of Corporate Values; namely, integrity, transparency and fairness. The stakeholder mobilization strategy and stakeholder engagement protocol are clearly stated and outlined in the manual, with individual phases and associated steps to take to circumnavigate duties with potential risk. The Company also established guidelines for Directors and Top Executives to report their vested interests and for Management and employees of the Company and its subsidiaries to declare their conflicts of interest, as well as guidelines for connected transactions. Details are as follows:

Reporting on Vested Interests

Guided by transparency, policy is put to practice to prevent unnecessary conflicts of interest. Directors and Top Executives are obligated to report their and their related persons' vested interests according to the Notification of the Capital Market Supervisory Board, Tor Jor 2/2009 on the Report on Vested Interests of Board of Directors, Executives, and any Related Persons. The first declaration form must be submitted within 30 days after the day of taking office at the Company, whereby the report is prepared as of December 31 of every year. Changes to declared items are to be reported on a quarterly basis, if any. The Company Secretary is in charge of gathering individual declaration forms to produce a collaborated Conflict of Interest Report and delivering a copy to the Chairman of the Board and the Chairman of the Audit Committee. The report is to be used for internal purposes only.

Declaration of Conflicts of Interest

All full-time employees of the Company and its subsidiaries; and part-time employees whose responsibilities involve suppliers, distributors, customers, contractors, and service providers are required to declare their conflicts of interest on a yearly basis. Changes to declared items are to be reported within 3 business days. New employees are required to declare the information within 7 working days after the first day of work with the Company. This is, mainly, the basis of consideration to workaround potential conflicts of interest and connected parties. This allows the Company to avoid risky work appointments and assignments that could otherwise result in complaints, revoked privileges, or reassignments.

Connected Transaction

In the event a connected transaction is necessary, strict compliance to applicable rules and regulations is required. A connected transaction under normal trading conditions must always comply with the principles approved by the Board of Directors and must be treated in the same way as other transactions undertaken with third parties, considering the best interests of the Company as the primary concern. Any stakeholders involved in a connected transaction with conflicts of interest must be identified and withdrawn from the approval process.

Transactions that do not meet the criteria for a normal trade must be reviewed and endorsed by the Audit Committee before being presented to the Board of Directors or shareholders, or both, depending on the size of the transaction, for approval. The Company strictly complies with established rules and guidelines for disclosing relevant information in its entirety.

(7) Inside Information and Confidentiality

As a listed company on the Stock Exchange of Thailand,

ensuring fair and equal treatment of all shareholders is a standard practice expected of the Company. The Company Code of Conduct provides the guidelines for disclosing classified information (or inside information) to shareholders as well as protocol to prevent Company personnel from getting involved in prohibited relationships and trades by means of classified information.

The confidentiality of inside information is of utmost importance in the success of the Company as well as the job security of Company personnel across the board. In responding to inquiries and disclosing Company information, particularly much needed Company securities for stock exchange purposes, any inside information yet to be formally disclosed to the public and has the potential to influence stock exchanges is considered classified information that must be handled with precaution for internal purposes only.

To ensure that sensitive information is released to outsiders in a manner that safeguards hard earned relationships and reputation, regulatory measures and control systems are put in place to prevent and manage classified information. Company personnel are to strictly comply with established rules and guidelines pertaining to confidentiality and inside information and refrain from using such information for personal gain or the gain of a related party, either during or after employment.

Inside information that should be safeguarded against uncoordinated or unauthorized disclosure can include a wide range of material; for instance, performance information, trade agreements, financial information, ongoing court proceedings and legal documents, and survey results. This also includes any information that may affect Company image; for instance, land acquisition, employee profiles, human resource figures, passwords and access to classified sources or information, among others. Notwithstanding,

information is classified when it is yet to be formally disclosed to the public.

Protocol

1. Company personnel are to safeguard inside information and documents that cannot be disclosed to outsiders as it could lead to unlawful exploitation for self-interest or to the interest of competitors or affiliates, namely information that can affect the stock price, trade secrets, or any inventions where the copyright belongs to the Company.
2. Company personnel are not authorized to use inside information for personal gain or the gain of others.
3. Company personnel with authorized access to personal data must protect the data from unauthorized access and usage and can only use such data for authorized work purposes. Personal data may be used with the owner's approval for the purpose it is approved for, only, of which case must strictly comply with the rules and regulations defined in the Personal Data Protection Act B.E. 2562 as well as Company personal data protection policy.
4. Company personnel may never use personal data for any purpose other than authorized work purposes. In the event where clarification is needed concerning data applications in the prescribed operation, advice from the Data Protection Officer (DPO) is required and must be obtained immediately.
5. Standard operating procedures (SOPs) and control systems must be put in place to effectively manage inside information within departments and sub-units to prevent sensitive Company information from being disclosed to unauthorized parties prior to the formal release. In so doing, such measures can serve as the integral part of the overall risk management and cybersecurity infrastructure.

6. It is Company policy that information related to partners and partnership agreements are inside information and cannot be disclosed to an unauthorized party without further approval from the Company or the contracting partner.
7. Company personnel must not disclose inside information either during or after their employment.
8. For inquiries about inside information or information that one is not authorized to give, the inquirer is to be directed to the authorized or responsible unit to make a formal request for such disclosure. This allows the authorized unit to review and document the request, handle disclosure in a safe and considerate manner, as well as sensor unnecessary disclosure and provide consistent information to all approved inquirers.
9. Leaked inside information or rumors of false or incomplete information must be notified to the immediate supervisor, immediately, in order for management to evaluate the situation and consider public clarification.

Trading Company Securities

Directors, Executives, and employees have their right to trade Company securities. By exercising the right, the directors and executives, including their spouse and minor children, are required to report and disclose the change of their Company securities holding to the supervising agency and to the Board of Directors in accordance with specified requirements on a quarterly basis.

As a measure to prevent conflict of interest and insider trading, all Company personnel, as well as the immediate family members, of whom duties involve accessing inside information are required to refrain from trading Company securities and related transactions at least 1 month prior to the public disclosure of the Company's financial statements. A formal letter requesting such cooperation is distributed by the Company Secretary well in advance.

Non-Disclosure Agreement

Management, employees and related outsiders involved in an ongoing project that has not yet been formally disclosed to the public must sign a Non-Disclosure Agreement to acknowledge the sensitive matter and prevent the mishandling of such classified information or disclosing such information to unauthorized parties.

In this respect, the guidelines for professional ethics are established in the Company Code of Conduct to put in place a corporate standard of behavior expected of professionals in the workplace at all times. Unprofessional personal traits and unproductive practices that must be discouraged in the workplace, as well as unethical undertakings that may result in disciplinary action or even court proceedings, are also specified in the document. The unauthorized access and disclosure of inside information and insider trading, by any means, is a violation of Company Code of Conduct and subject to investigation and possible disciplinary action or even a lawsuit. Punishment is considered on a case-by-case basis and can be harsh or lenient according to the nature of the offense and damage caused to the Company and related parties.

Section 4 Disclosure and Transparency

- (1) In addition to information disclosed through the SET, the Form 56-1 and Annual Report, Company information is also disclosed on the Company's website in Thai and English. All information disclosed by the Company is updated regularly.
- (2) The Board of Directors places great importance on disclosing Company financial and non-financial information that is reliable, transparent and sufficient, and in accordance with specified rules and regulations. As such information is required by decision makers and traders on a regular basis; namely, stakeholders,

analysts and the general public from domestic and international sources alike, the Company has set up the Investor Relations Unit that is responsible for communicating and disseminating information, in accordance with criteria set by the SET and the SEC offices. Aside from the information reporting systems of the SET and of the SEC and the Company's website, Company information is also disclosed through various communication channels, in Thai and in English, through both conventional and online sources. Conventional sources are magazines, the media and news reporting agencies, among others. Online sources are social media, press releases, analyst meetings, virtual meetings, text messages and emails, among others. In 2021, channels for disseminating and communicating Company information were adjusted in accordance with COVID-19 countermeasures to cope with the ongoing pandemic.

- (3) A Report on the Board of Directors' Responsibilities for Financial Statements is put forth by the Board of Directors, along with the Auditor's Report in the Annual Report.
- (4) The roles, duties and responsibilities of the Board of Directors, Sub-committees and Chief Executive Officer, as well as Director's Terms of Office, Board of Directors Meeting and the Remuneration Policy for Directors and Management are disclosed as detailed in "Section 7.1 Management Structure and 7.2 Board of Directors Information".
- (5) Directors and executives are obligated to report Company securities trades or transfer, including such transactions of their spouse and minor children, to the SEC in accordance with Section 59 of the Securities Act as well as to the Board of Directors at the board meeting on a quarterly basis. This measure is fundamental to manage conflicts of interest and reinforce overall organizational transparency.

It is Company policy for directors, executives and their related persons to prepare an annual reporting of their conflict of interest, and to report the changes on a quarterly basis, if any. Such information is documented for internal use only. This is in compliance with the Capital Market Supervisory Board Notification No. TorJor. 2/2552, regarding the Reporting of Interests of Directors, Executives and Related Persons.

Section 5 Responsibilities of the Board of Directors

Details stated in section 6.1.1 Policy and guidelines for the Board of Directors

6.2 Corporate Governance and Code of Conduct Manual

The Company Code of Conduct for employees and business ethics is established by the Board of Directors to provide Company personnel with principles and guidelines for best practices in the respective business operations and the performance of duties. This is in accordance with the principles of Corporate Governance, to treat all parties with respect and in a way that is professional, transparent, and nondiscriminatory.

Continuous human resources development is the key path to realize a corporate culture of awareness and professionalism. The former requires adherence to unified principles that govern the decisions made in a professional environment as a team with the same goals. The latter requires adherence to a unified personal and organizational standard of behavior with a level of competency and consistency that can be expected at all times. In so doing, directors and executives must lead by example as key role models that exhibit the highest standard of leadership and behavior through performed duties that always adhere to established principles and guidelines under Company

Codes of Conduct in the context of Corporate Governance and overarching Corporate Values.

The Corporate Governance and Code of Conduct Manual is provided to personnel of the Company and its subsidiaries. Established rules and guidelines for performing duties and business operations requires strict adherence. A signature is required on the “Acknowledgement and Confirmation of Compliance Form” upon receiving a copy, which is sent back to the Human Resources Department for documentation. As one for all, the concepts and fine points are to be studied and understood thoroughly. Notwithstanding ever-changing standards, the manual is reviewed and updated regularly to ensure applicability in the context of key business and technological developments that unfold, new normals expected to persist over time, as well as changes to domestic and international guidelines. The e-version of the manual is also available for download on the Company’s website, https://www.siammakro.co.th/investor_corporate.php, to provide easy access to stakeholders and the general public.

6.3 Significant changes and developments in policies, practices and Corporate Governance body in 2021.

In 2021, Company operations were supervised by the Board of Directors in accordance with the principles of Corporate Governance and set objectives for sustainable growth.

6.3.1 Important reviews and developments about Company policy and practices took place in 2021, including the Corporate Governance and the Board of Directors Charter. Resolutions are as follows:

1. Supplementary duties and responsibilities apropos of complaint filing and whistleblowing procedures were

added in the Audit Committee Charter and the Internal Audit Department Charter, based on resolutions from Audit Committee Meeting No. 9/2021, dated November 5, 2021, in compliance with the Company Code of Conduct.

2. As the current versions were determined to be appropriate apropos of pertinent guidelines and operational business requirements, no amendments are required regarding the Corporate Governance Committee Charter, the Corporate Governance and Code of Conduct Manual and the Anti-Corruption Policy, based on resolutions from the Corporate Governance Committee Meeting No. 2/2021, dated December 17, 2021.
3. As the current version was resolved to be appropriate apropos of pertinent guidelines and operational business requirements, no amendment is required regarding the Nomination and Remuneration Committee Charter, based on the resolution from the Nomination and Remuneration Committee Meeting No. 2/2021, dated December 17, 2021.

6.3.2 Corporate Governance Principles for Other Practices

Company Corporate Governance policy and practices are reviewed regularly by the Board of Directors, where useful principles and guidelines for a listed Company set forth by the SET and the SEC office are adapted for Company purposes accordingly.

Company corporate governance is consistent with SET and SEC guidelines. Notwithstanding, inconsistent practices are reviewed by management and presented to the Corporate Governance Committee for readjustment and improvement, annually.

In 2021, Company practices inconsistent with SET and SEC guidelines were as follows:

SET and SEC Guidelines	Company Practices
1. The Board of Directors consists of no less than 5 members and should not exceed 12 members.	Considering the size of the business and the industry, continuous expansion both domestic and internationally, and good Corporate Governance, the Board of Directors is of the opinion that a total of 15 Company Directors is appropriate at the present time as it is necessary to have diverse base of knowledge and experience presence to ensure management and business operations are in accordance with the direction and strategies set forth.
2. The Chairman of the board should be an independent director.	To ensure a balance of powers, although the present Chairman of the Board of Directors is not an independent director, the Board of Directors has established sufficient and appropriate internal control and audit systems. In addition, the scope of duties and responsibilities of the Chairman of the Board of Directors, specified in the Charter of the Board of Directors, are clearly separated from that of the Board of Directors and the Chief Executive Officer. Without interfering in operations of management, the Chairman is free to carry out necessary duties, express objective opinion and vote independently.
3. The Board of Directors consists of more than half of independent directors.	<p>At present, the Board of Directors consists of 5 independent directors, representing one-third of the total number of directors, in accordance with SEC rules. The Board of Directors is of the opinion that such amount is appropriate for business operations, where current independent directors are able to perform duties effectively.</p> <p>With regards to selecting directors, the Company takes into account the importance of independent directors with respect to the rights and interests of minority shareholders. To maximize the benefits of the shareholders and of the Company over the long run, the overall qualification profile that is appropriate and consistent with Company business is also taken into account. In addition, the criteria for considering and approving various transactions specifies that a stake holding director is refrained from transacting or voting on matters with conflicting interests, as engagement either as or with a connected party is strictly prohibited.</p>
4. Electing directors by Cumulative Voting	Company directors are elected by the majority of votes and each shareholder is granted the number of votes equal to the number of held shares. The Board of Directors is of the opinion that this practice is fair to all shareholders and consistent with the Articles of Association and general practice. In addition, the Company has always had various measures in place to protect the rights of minority shareholders, such as encouraging minor shareholders to exercise the right to propose additional meeting agendas or potential directors for appointment consideration in advance of the annual general meeting, among others.
5. Quorum of no less than two-thirds of directors is required for voting at the Board meetings	The Board of Directors is of the opinion that the minimum quorum, of no less than half of the total number of directors, is appropriate, in accordance with the Articles of Association, and is feasible for businesses in case an urgent meeting is needed to vote on something that needs immediate direction. Practically, no less than two-thirds of directors attend all Board meetings.

6.3.3 Other Assessment Support under CG Principles

In 2021, the Company achieved the Corporate Governance Assessment results and its Corporate Governance plans as follows:

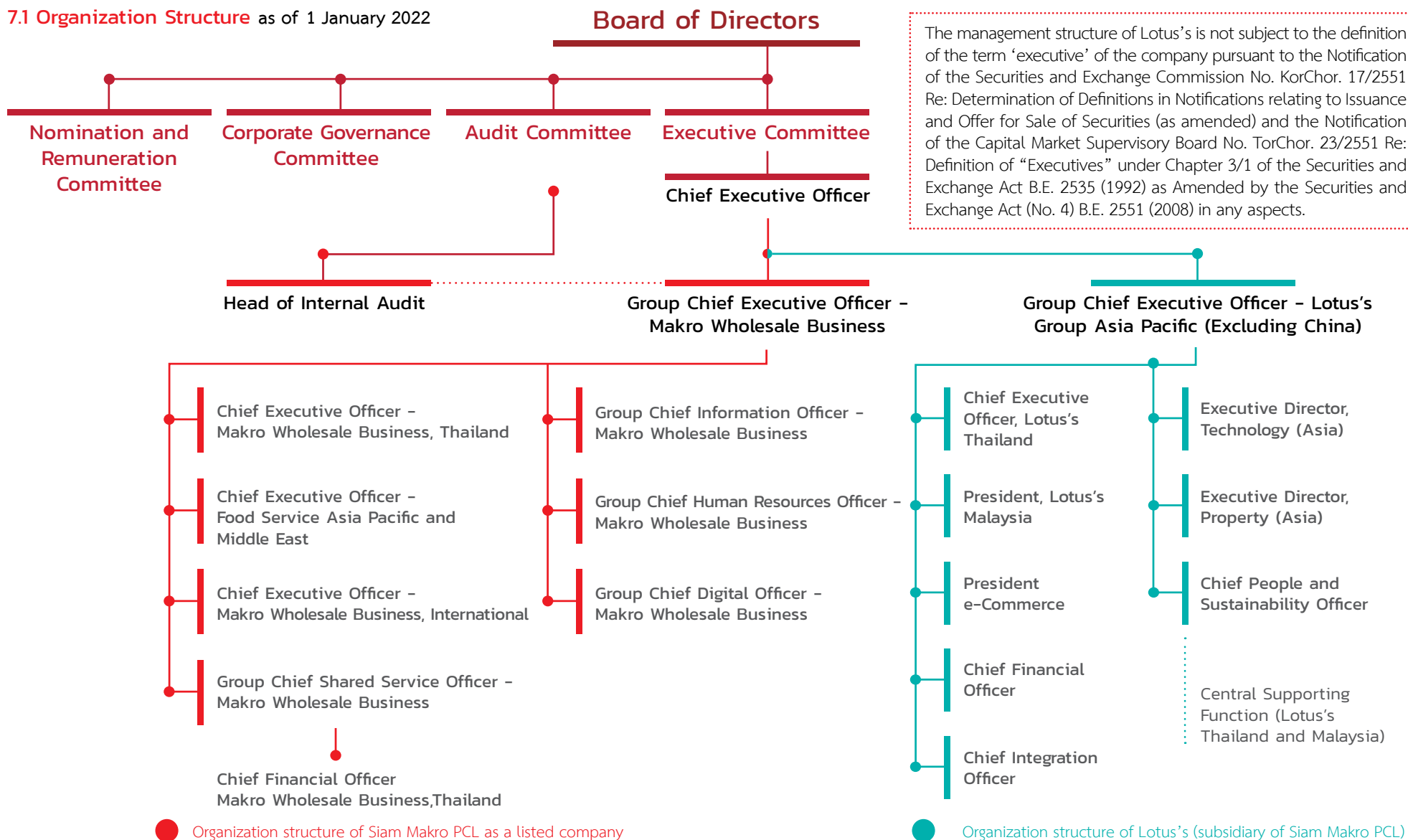
- The Company received an Excellent rating for the fourth consecutive year in the 2021 Corporate Governance Report of Thai Listed Companies (CGR) project, as well as a full score of 100 for the fifth consecutive year according to the AGM Checklist, assessed by the Thai Investors Association.
- The Company was recertified for a membership of the Thai Private Sector Collective Action against Corruption (CAC) project on March 31, 2021. The certificate is valid for 3 years, with an expiration date of March 30, 2024.
- The Company developed and implemented an online Policy Acknowledgement and Confirmation of Compliance through the Human Resource Information System (HRIS) to facilitate the employee acknowledgement and confirmation process with respect to important policies that require immediate attention. In addition, the process for retrieving information and following up results with the Human Resources Department is enhanced for convenience and speed. This implementation also lessens excessive burdens that come with paper usage and document storage.



7. Corporate Governance Structure

Board of Directors, Sub-committees, Executives, Employees, and others

7.1 Organization Structure as of 1 January 2022



7.2 The Board of Directors

7.2.1 The Composition of the Board of Directors

According to the Company's Articles of Association and the Board of Directors' Charter, the board consists of no more than 15 directors and no less than five unless the shareholders meeting passes a resolution to approve a different minimum that is consistent with the law. At least one-third must be independent directors, and at least half must reside in Thailand.

The Chairman of the Board of Directors and the Chief Executive Officer should not be the same person as the roles and duties of each, as well as directors and committee members, must be separated to balance the Company powers.

As of January 1, 2022, 15 directors served on the Board of Directors, consisting of:

- 13 non-executive directors, including 5 independent directors (one-third of the board)
- 2 executive directors

7.2.2 Information of the Board of Directors and Company controlling persons

As of January 1, 2022, the board consisted of 15 directors as follows:

- | | |
|----------------------------------|--|
| 1) Mr. Suphachai Chearavanont | Chairman of the Board of Directors |
| 2) Mr. Joti Bhokavanij | Independent Director/Chairman of the Audit Committee/
Chairman of the Nomination and Remuneration Committee |
| 3) Mr. Rawat Chamchalerm | Independent Director/ Chairman of the Corporate
Governance Committee |
| 4) Mrs. Kannika Ngamsopee | Independent Director/Member of the Audit Committee |
| 5) Mr. Jukr Boon-Long | Independent Director/Member of the Audit Committee/
Member of the Corporate Governance Committee |
| 6) Mr. Prasobsook Boondech | Independent Director/Member of the Nomination and
Remuneration Committee |
| 7) Mr. Korsak Chairasmisak | Director/First Vice Chairman/Member of the Nomination
and Remuneration Committee |
| 8) Mrs. Suchada Ithijarakul | Director/Second Vice Chairman |
| 9) Mr. Prasert Jarupanich | Director |
| 10) Mr. Pittaya Jearavisitkul | Director |
| 11) Mr. Piyawat Titasattavorakul | Director |
| 12) Mr. Narong Chearavanont | Director |
| 13) Mr. Adirek Sripratak | Director |

- | | |
|-------------------------------|---|
| 14) Mr. Umroong Sanphasitvong | Director/Member of the Corporate Governance Committee |
| 15) Ms. Saowaluck Thithapant | Director |

Authorized Directors

Mr. Korsak Chairasmisak or Mr. Umroong Sanphasitvong or Mr. Narong Chearavanont or Mr. Prasert Jarupanich signs jointly with either Mrs. Suchada Ithijarakul or Mrs. Saowaluck Thithapant or Mr. Pittaya Jearavisitkul, totaling two persons, with the Company's seal be affixed.

7.2.3 Roles and Duties of the Board

Duties and Responsibilities of the Board of Directors

- 1) Determine the direction of the Company and set corporate policy that is concise, realistic, and attainable considering the operational environment and persisting developments. To realize policy, the board has to supervise Company executives to ensure that set principles and guidelines are implemented in a way that is effective, transparent, and fair, with the best interests of the Company and stakeholders at heart, given the framework of business ethics, social and environmental responsibility, legal provisions as well as national and international industry standards.
- 2) Determine the corporate vision, objectives, goals and medium-term strategies together with action plans that correspond with set annual budgets that take into account the appropriate allocation of resources, operational environment and control, risk factors, and other persisting matters that may affect stakeholders throughout the value chain. The Board also supervises the Management to ensure of efficient and effective operations according to the business plans and annual budget to maximize economic values for the business. The mission and strategic plans shall be reviewed at least once a year.
- 3) Prepare the Board of Directors Charter, Corporate Governance Policy, and Code of Conduct, which serve as principles and guidelines for Company directors, executives, and all employees to follow in conjunction with the Company rules and regulations for the benefit of all parties involved.
- 4) Perform duties to the best knowledge and competency, be accountable for their actions, and exercise independent discretion based on integrity and prudence with the best interests of the Company and shareholders at heart.
- 5) Approve financial operations related to Company investments in the best interests of the Company and fairness to all parties involved.

- 6) Supervise the Management to ensure that the Company and its subsidiaries have reliable accounting systems, financial reporting, accounting audit, risk management, internal control, and internal audit. The board also has to monitor, assess and review these competencies regularly to make necessary adjustments and optimize policy and guidelines accordingly.
- 7) Ensure that protocol is in place to manage conflicts of interest, connected transactions, and disclosure of information in a manner that is efficient, effective, and consistent with regulations and legal provisions, with the best interests of the Company and stakeholders at heart. Along the same lines, board members and their immediate family members must refrain from any engagement as a stakeholder in a conflict of interest with the Company.
- 8) Appoint a Company Secretary to assist in the management of board activities and ensure that undertakings of the board and the Company comply with regulations and relevant terms of the law.
- 9) Arrange to assess the performance of committees and individual committee members at least once a year, where the assessment results are assessed by board members to consider the problems together and collaborate countermeasures and solutions.
- 10) Conduct a performance assessment and determine the remuneration of the Chief Executive Officer.
- 11) Attend every board meeting and shareholders meeting unless an important mission arises to require their presence elsewhere. Absence from the meetings must be notified to the Chairman of the Board.
- 12) Assess the effectiveness of the Corporate Governance Policy and Code of Conduct at least once a year.
- 13) Oversee the promotion of innovation and the application of innovation and technology to enhance the competitiveness of the Company while remaining socially and environmentally responsible.
- 14) Determine the corporate governance policy of subsidiaries, including the appropriate internal control systems and the appointment of Company personnel to take key positions in a subsidiary, such as directors, executives, or controlling persons.
- 15) Support the development of directors with regular arrangements to attend; for instance, training sessions, seminars, and developmental programs abroad, among others.
- 16) Oversee and review the succession plan of the Chief Executive Officer and top executives at least once a year.
- 17) Ensure that the Management reviews, develops, and manages Company resources in the most efficient and effective manner possible; namely, finance, assets, human resources, and knowledge management, in so doing, taking into account persisting internal and external developments.
- 18) Oversee the preparation of Anti-Corruption Policy and Protocol and promote compliance awareness among Company personnel at all levels across the organization, along with pertinent regulations and legal provisions.
- 19) Oversee that disclosure of Company information, namely, financial statements, and annual reports (Form 56-1 One Report), adequately reflects the financial position and operating results of the Company; as well as encourage the preparation of the Management Discussion and Analysis in conjunction with the disclosure of the financial statements every quarter. In addition, in the event disclosure includes information related to a particular director, the director should ensure that the information being released to the public is complete and accurate.
- 20) Supervise the Management to ensure that the financial position of the Company is monitored and assessed,

and feedback is reported to the board regularly. In the event the Company expects or is in financial trouble, the board has to ensure that the Management formulates a financial recovery plan with the best interests of the Company and stakeholders at heart.

- 21) Undertake duties and responsibilities with the best interests of the shareholders at heart. In so doing, shareholders' meetings are convened to facilitate the exercise of given rights in the framework of rules, regulations, and the terms of the law.
- 22) Oversee that an information security management system is in place with data integrity and availability and proper control of classified information, namely market-sensitive information that can affect the price of Company securities. Thus, the board has to establish a confidentiality policy to ensure compliance to protocol by Company directors, executives, employees, and all involved parties.
- 23) Perform other duties related to Company business as assigned by the shareholders.

Roles and Duties of the Chairman of the Board of Directors

The duties of the Chairman as stipulated in the board charter are as follows:

1. The Chairman of the board, or a designee assigned by the Chairman, has to convene board meetings by distributing the meeting invitation notice no less than 7 days prior to the meeting date to give the directors sufficient time to review and make careful decisions about matters of included agendas.
2. Play a role in setting meeting agendas with the Chief Executive Officer.
3. Ensure the meeting is managed in an operative fashion by allocating enough time for the Management to present supporting information, providing the opportunity for directors to ask questions and express opinions

independently, as well as controlling the topic of discussion and concluding the meeting resolutions.

4. Encourage board members to comply with Corporate Governance guidelines; such as meeting presence, abstention, and excuse to vacate the meeting when the agenda under discussion may present a conflict of interest, among others.
5. Communicate important information to the board for acknowledgment.
6. Encourage board members to attend the shareholders meeting and act as the meeting Chairman to better facilitate, control, and answer questions from shareholders in the meeting.
7. Encourage board members to undertake duties as prescribed by laws, the Board of Directors Charter, and the corporate governance principles.

7.3 Committees

7.3.1 Sub-committees

1) Audit Committee

As of January 1, 2022, the committee consisted of 3 independent directors that review Company operations, financial transactions, and internal control systems, as well as select auditors and evaluate connected transactions. All of the Audit Committee members possess sufficient knowledge and experience to audit financial credibility in accordance with the qualification criteria set by the SEC and SET. The 3 independent directors are as follows:

- | | |
|---------------------------|---------------------------------|
| 1) Mr. Joti Bhokavanij | Chairman of the Audit Committee |
| 2) Mrs. Kannika Ngamsopee | Member of the Audit Committee |
| 3) Mr. Jukr Boon-Long | Member of the Audit Committee |

Roles and responsibilities of the Audit Committee

- 1) To review the Company's financial reporting process in order to ensure that it is accurate and adequate;
- 2) To review the Company's internal control system including risk management and internal audit system ensuring that they are suitable and effective, to determine the degree of independence of the internal audit group, as well as to approve the appointment, transfer and dismissal of the head of an internal audit group or any other group responsible for internal audit functions within the Company;
- 3) To review the Company's compliance with the laws on Securities and Exchange, the SET's regulations, and any other laws relating to the Company's business;
- 4) To consider the qualifications, independence, performance and audit fee of the external auditors in order to exercise final approval on the appointment or termination of the auditors;
- 5) To meet separately with the external auditors without the presence of management at least once a year;
- 6) To review any connected transactions or transactions that may lead to a conflict of interests situation, in order to ensure that they are in full compliance with the laws and regulations of the SET as well as that such transactions are reasonable and undertaken for the fullest benefit of the Company;
- 7) To prepare the Audit Committee's Report to be included in the Company's Annual Report, which must be signed by the Audit Committee Chairman and consists of at least the following information:
 - a. An opinion on the accuracy, completeness and reliability of the Company's financial report.
 - b. An opinion on the adequacy of the Company's risk management and internal controls system.
 - c. An opinion on the compliance with the laws on Securities and Exchange, the SET's regulations or any other laws relating to the Company's business.

- d. An opinion on the suitability of an auditor.
- e. An opinion on the transactions that may lead to conflict of interests situations.
- f. The number of the Audit Committee meetings and the attendance record at such meetings by each member of the Audit Committee.
- g. Any opinions or comments that are received by the Audit Committee in performing its duties in accordance with its Charter.
- h. Other transactions which, in the opinion of the Audit Committee, should be made known to the Shareholders and general investors, subject to the scope of duties and responsibilities as assigned by the Company's Board of Directors.
- 8) To review the Company's compliance with private sector's anti-corruption and certification programs, including the Collective Action Coalition against Corruption's Self-Evaluation Tool.
- 9) To perform any other activities as assigned by the Company's Board of Directors and concurred to by the Audit Committee.

In the year 2021, the Audit Committee performed its duties as described in the 'Report of the Audit Committee'.

2) The Nomination and Remuneration Committee

As of January 1, 2022, the Nomination and Remuneration Committee consisted of 3 members as follows:

- | | |
|----------------------------|---|
| 1) Mr. Joti Bhokavanij | Chairman of the Nomination and Remuneration Committee |
| 2) Mr. Prasobsook Boondech | Member of the Nomination and Remuneration Committee |
| 3) Mr. Korsak Chairasmisak | Member of the Nomination and Remuneration Committee |

Roles and responsibilities of the Nomination and Remuneration Committee

In addition to ad hoc duties assigned by the Board of Directors, the committee has prescribed duties as follows:

1) Nomination

- 1.1) Consider the criteria for Directors' nomination and determine the qualifications of the Directors.
- 1.2) Consider the structure, size, and composition of the Board of Directors and sub-committees that suits the Company's strategies and situation, consisting of experts in diverse field of knowledge, expertise, skills and experience beneficial to the Company's business, who can devote the time, regardless of gender and age.
- 1.3) Consider the nomination and selection of qualified candidates to become Directors for consideration and approval of the Board of Directors and the Shareholders' Meeting.
- 1.4) Encourage the Company to provide opportunity for minority shareholders to nominate director candidates.
- 1.5) Consider the selection of the Company's Directors who are qualified to be a member in sub-committees for the Board's appointment as appropriate or when the position becomes available.
- 1.6) Consider the selection criteria and qualifications for the Chief Executive Officer.
- 1.7) Regularly review the succession plan of the Chief Executive Officer.
- 1.8) Search and select qualified candidates who are suitable for the appointment of the Chief Executive Officer to the Board of Directors for consideration and appointment of the Chief Executive Officer when the position becomes available.

2) Remuneration

- 2.1) Review the criteria, structure, and composition of the remuneration of the Directors, sub-committees, and the Chief Executive Officer every year by considering the Company's operating results and responsibilities, and benchmarking with those of other companies within the same or similar industry and size of business.
- 2.2) Consider the determination of the remuneration of the Directors and sub-committees for consideration and approval of the Board of Directors and the Shareholders' Meeting.
- 2.3) Evaluate the performance and review the reasonable remuneration for the Chief Executive Officer by proposing to the Board of Directors for approval, unless the Board assigns any particular Director to be the evaluator.
- 3) Regularly review the Charter of the NRC to be in line with the international practice and guidelines or suggestions of relevant institutions or agencies.
- 4) The NRC appoints the secretary of the Committee.
- 5) The NRC has the duty to report the Board of Directors for acknowledgement of the meeting outcome or any other matters that the Board should be informed in the following Board's Meeting.
- 6) The Chairman of the NRC has the duty to report to the shareholders for acknowledgement of their performance in the annual report/Form 56-1 (Form 56-1 One Report), providing the basic details as follows:
 - 6.1) No. of meetings,
 - 6.2) No. of the meetings that each member of the NRC attends, and
 - 6.3) Operating results as defined by the Charter.

In the year 2021, the committee performed its duties as

described in the 'Report of the Nomination and Remuneration Committee'.

3) Corporate Governance Committee

As of January 1, 2022, the Corporate Governance Committee consisted of 3 members as follows:

- | | |
|------------------------------|--|
| 1) Mr. Rawat Chamchalerm | Chairman of the Corporate Governance Committee |
| 2) Mr. Jukr Boon-Long | Member of the Corporate Governance Committee |
| 3) Mr. Umroong Sanphasitvong | Member of the Corporate Governance Committee |

Roles and responsibilities of the Corporate Governance Committee

In addition to ad hoc requirements by the Board of Directors, the committee has the following duties:

- 1) Determine the Corporate Governance Policy and Guidelines that continually meet the international standards as operational frameworks for the Company and subsidiaries.
- 2) Encourage the Company to do self-assessment for corporate governance and regularly arrange the standard assessment by renowned and internationally accepted appraisers.
- 3) Supervise and monitor the Company's operation to comply with the Corporate Governance policies and guidelines determined by the Company as well as the good corporate governance principles of relevant institutions and agencies such as the Stock Exchange of Thailand and the Securities and Exchange Commission.
- 4) Regularly review the Charter of the CGC and the Company's Corporate Governance Policies to be in line with international practice and guidelines or suggestions of relevant external institutions or agencies.

- 5) Promote the work culture under the good corporate governance principles at the Management level and employees at all levels and ensure the results in action.
- 6) The CGC appoints the secretary of the Committee.
- 7) The CGC has the duty to report the Board of Directors for acknowledgement of the meeting outcome or any other matters that the Board should be informed in the following Board's Meeting.
- 8) The Chairman of the CGC has the duty to report to the shareholders for acknowledgement of their performance in the annual report/Form 56-1 (Form 56-1 One Report), providing the basic details as follows:
 - 8.1) No. of meetings,
 - 8.2) No. of the meetings that each member of the CGC attends, and
 - 8.3) Operating results as defined by the Charter.

In the year 2021, the committee performed its duties as described in the 'Report of the Corporate Governance Committee'.

4) The Executive Committee

As of January 1, 2022, the Executive Committee consisted of 12 members as follows:

- | | |
|---|--|
| 1) Mr. Suphachai Chearavanont | Chairman of the Executive Committee |
| 2) Mr. Narong Chearavanont | Vice Chairman of the Executive Committee |
| 3) Mr. Tanin Buranamanit ⁽¹⁾ | Vice Chairman of the Executive Committee |
| 4) Mr. Umroong Sanpasitwong | Member of the Executive Committee |
| 5) Mr. Pittaya Jearavisitkul | Member of the Executive Committee |
| 6) Mr. Piyawat Titasattavorakul | Member of the Executive Committee |
| 7) Mrs. Suchada Ithijarukul | Member of the Executive Committee |
| 8) Mr. Naris Thamkuekool | Member of the Executive Committee |
| 9) Mr. Ricardo Boarotto | Member of the Executive Committee |
| 10) Mr. Sompong Runghirattisai | Member of the Executive Committee |
| 11) Mr. Tarin Thaniyavarn | Member of the Executive Committee |
| 12) Mr. Tanit Chearavanont | Member of the Executive Committee |

Remarks: ⁽¹⁾ The Board of Directors Meeting No. 13/2021 dated December 30, 2021, resolved to approve the appointment of Mr. Tanin Buranamanit as the Chief Executive Officer and Vice Chairman of the Executive Committee, effective from January 1, 2022, onwards.

Roles and responsibilities of the Executive Committee

- 1) Review and propose to the Board of Directors for approval on the followings matters:
 - 1.1) Company's strategies, financial targets and business plan
 - 1.2) Annual budgeting
 - 1.3) Investment and disposal of assets with total value of more than 500 MB and any other related business transactions under the scope of authority of the Executive Committee, except related party transactions and transactions that may involve conflicts of interest between the Company and its related persons
 - 1.4) Transaction and process of merger and acquisition and investment in new countries
- 2) Monitor and control the performance of the Company and its subsidiaries to achieve the financial target and business plan
- 3) The Executive Committee Chairman or any one authorized by the Executive Committee Chairman has the power to approve the management structure of the Company and its subsidiaries including the scope of authority
- 4) Review and approve transactions on investment and disposal of assets with total value of exceeding 200 MB but limited to 500 MB and any other related business transactions under the scope of authority of the Executive Committee, except related party transactions and transactions that may involve conflicts of interest between the Company and its related persons
- 5) Consider financing options when there is a need for source of funds for various investment projects e.g. issuance of debentures, capital increase, borrowings from financial institution, etc.
- 6) Monitor the progress and results of synergy between Makro and Lotus's to create value for B2B and B2C businesses respectively
- 7) Establish sub-committees to drive the synergies between Makro and Lotus's (B2B and B2C)
- 8) Oversee various operations related to sustainability
- 9) Perform any other tasks as considered appropriate and assigned by the Board of Directors.
- 10) The Executive Committee Chairman has sole authorization to appoint/remove the executive committee members as deemed appropriate on the principal of preserving the Company's interest.

7.4 Information about the Executives

7.4.1 List of Executive Titles and Occupancy

The Executive Officers

As of January 1, 2022, Company executive officers consisted of 7 executives, with the Chief Executive Officer as the highest-ranking officer. The list is as follows:

Name	Position
1. Mr. Tanin Buranamanit ⁽¹⁾	Chief Executive Officer
2. Mrs. Suchada Ithijarakul	Group Chief Executive Officer - Makro Wholesale Business; Chief Executive Officer - Makro Wholesale Business, International (Acting)
3. Mr. Ricardo Boarotto	Chief Executive Officer - Makro Wholesale Business, Thailand
4. Mr. Lin, Chi-Lung	Chief Executive Officer - Food Service Asia Pacific and Middle East
5. Mrs. Saowaluck Thithapant	Group Chief Shared Service Officer - Makro Wholesale Business; Group Chief Human Resources Officer - Makro Wholesale Business (Acting); and, the person assigned to the highest responsibility in Accounting and Finance
6. Mr. Paul Stephen Howe	Group Chief Information Officer - Makro Wholesale Business
7. Mr. Tirayu Songvetkasem	Group Chief Digital Officer - Makro Wholesale Business

Remarks: ⁽¹⁾ The Board of Directors Meeting No. 13/2021 dated December 30, 2021, resolved to approve the appointment of Mr. Tanin Buranamanit as the Chief Executive Officer and Vice Chairman of the Executive Committee, effective January 1, 2022.

The relevant information and details of Company executives are included in Appendix 1 (*details of directors, executives, controlling persons, those assigned with the highest responsibility in the Accounting and Finance Department, those assigned to be directly responsible for the supervision of Accounting and the Company Secretary*).

Duties and Responsibilities of the Chief Executive Officer

The Chief Executive Officer is assigned by the Board of Directors to oversee the management and operation of the retail and wholesale business groups under normal business conditions per set goals, strategic plans, and budgets approved by the board, where the scope of executive power and duties is consistent with legal provisions, Company objectives, the articles of association as well as meeting resolutions of the Board of Directors, the Executive Committee, and the shareholders.

7.4.2 Remuneration Policy for Executive Directors and Executives

Remuneration Policy and Method

Company Executive Directors are not remunerated.

The Chief Executive Officer is remunerated according to the policy and principles established by the Nomination and Remuneration Committee, which is based on the duties, responsibilities, annual performance appraisal, and overall Company performance. The remuneration of the next level of executives is determined based on duties, responsibilities, and performance of the individual together with Company performance.

7.4.3 Remuneration of Executive Directors and Executives

a) Monetary Remuneration of Executives

For the fiscal year ended December 31, 2021, 6 Company executives received remuneration in the form of salary and bonus. The total amount was Baht 183 million. Two executives of the total 6; namely, Mrs. Suchada Ithijarakul and Mrs. Saowaluck Thithapant, also received remuneration as Company directors. Details are listed under topic 8.1.2. Board Meeting Attendance and Total Remuneration for Individual Directors.

b) Other remunerations of Executives

For the fiscal year ending December 31, 2021, 6 Company executives received other forms of remuneration including the Company's contribution to the provident fund (equal to 3% of salary) and expenses of foreign executives such as house rental fee, tax payments, insurance premiums, and travel expenses, along with bills for water, electricity and telephone service. The total amount was Baht 39 million.

The above list is based on Company remuneration that was paid during the year, which is different from the amounts stated in the consolidated or separate financial statements that were prepared under the Generally Accepted Accounting Principles in Thailand Under the Accounting Act B.E. 2543.

7.5 Employees

The number of Company employees and the number of employees in each of the core business units.

(a) Makro

As of December 31, 2021, Makro wholesale business had 18,808 permanent and temporary employees, respectively. As of the same date, approximately 90% of employees in the wholesale business were employed by Makro for domestic operational purposes, while the remaining 10% were mainly employees of Makro subsidiaries for overseas operations, as displayed in the following table:

Department	Number (Employees)	Percentage
Head Office	2,085	11.1
Stores	16,723	88.9
Total	18,808	100.0

(b) Lotus's

The following table shows the number of Lotus's employees in Thailand by Department as of December 31, 2021.

Department	Number (Employees)	Percentage
Head Office	5,521	9.7
Stores	51,230	90.3
Total	56,751	100.0

The following table shows the number of Lotus's employees in Malaysia by Department as of December 31, 2021.

Department	Number (Employees)	Percentage
Head Office	1,609	20.0
Stores	6,433	80.0
Total	8,042	100.0

7.5.1 Significant change in headcount over the past 3 years

None

7.5.2 Labor disputes in the past 3 years.

Only one labor dispute case has transpired in the past 3 years as a result of a compromising labor dispute policy where administrative procedures provide sufficient opportunities for involved parties to share facts and supporting material and where the handling agent allows the time required to learn about differing opinions and evidence. In the event a dispute case is valid, it can be handled in a fair and considerate way.

7.5.3 Employee Compensation.

(a) Makro

For the fiscal year ended December 31, 2021, a total of Baht 7,333 million was remunerated to employees of Makro and its subsidiaries combined, where the remuneration included salary and provident fund.

(b) Lotus's

For the fiscal year ended December 31, 2021, a total of Baht 2,642 million was remunerated to employees of Lotus's Thailand, where the remuneration included salary and provident fund.

For the fiscal year ended December 31, 2021, the amounts of MYR 49 million were remunerated to employees of Lotus's Malaysia, where remuneration included salary and provident fund.

7.6 Other important information

7.6.1 List of personnel with assigned responsibilities

1) Company Secretary

The Board of Directors Meeting No. 2/2019, held on May 7, 2019, resolved to appoint Ms. Kanyaphat Prayoonpoakarach as the Company Secretary, effective June 1, 2019, to perform duties per legal provisions, namely the Securities and Exchange Act B.E. 2535 (including amendments), Section 89/15. Prescribed duties and responsibilities are as follows:

1. Prepare and maintain the following documents
 - a) Register of Directors
 - b) Notice of Board of Directors Meetings, Minutes of the Board of Directors Meetings, and the Company's Annual Report.
 - c) Notice of the Shareholders' Meetings and meeting minutes.
2. Document and store the Conflict of Interest Report reported by directors and executives.
3. Perform other tasks as required by the Capital Market Supervisory Board.
4. Submit a copy of the Conflict of Interest Report (of directors, executives, or related persons, or all) to the Chairman of the Board of Directors and the Chairman of the Audit Committee within seven days from the date the Company received such reports.
5. Perform the above duties with responsibility, caution, and honesty, according to Company objectives and regulations, articles of association as well as meeting resolutions of the Board of Directors and shareholders' meetings.

In this regard, relevant information and details of the Company Secretary is included in Appendix 1 (*details of directors, executives, controlling persons, those assigned with the highest responsibility in the Accounting and Finance Department, those assigned to be directly responsible for the supervision of Accounting and the Company Secretary*).

2) Personnel assigned to be directly responsible for overseeing bookkeeping

Ms. Thanyamas Vorachart is assigned to be directly responsible for supervising Company Accounting per established financial reporting standards and Company regulations.

In this regard, relevant information and details of those directly responsible for the supervision of the bookkeeping of the Company is included in Appendix 1 (*details of directors, executives, controlling persons, those assigned with the highest responsibility in the Accounting and Finance Department, those assigned to be directly responsible for the supervision of Accounting and the Company Secretary*).

3) Head of Internal Audit and Head of Compliance

Ms. Busakorn Rakkanka, Head of Internal Audit Department, is the Secretary of the Audit Committee as appointed at the Audit Committee Meeting No. 1/2017 on February 21, 2017.

Mrs. Patama Rawangpai Umphawa, Director of Legal and Compliance Department, is the Head of the Compliance Office, responsible for overseeing corporate governance policy and operations per the Company vision and mission.

In this regard, the relevant information and details of the person who is directly responsible for internal audit and compliance are included in Appendix 3 (details about the Head of the Company internal audit and compliance).

7.6.2 List of Heads of Investor Relations

Ms. Choenporn Subhadhira, Associate Director - SET and Investor Relations Department, is the head of the Investor Relations, responsible for communicating and disseminating Company information that is useful, accurate, and complete, per the criteria set by the SET and the SEC, to shareholders, investors, analysts and the general public, both domestically and internationally, through a variety of communication channels, in Thai and English, such as the SET and the SEC news and information reporting systems, the Company's website, newspapers, magazines, press releases, analyst meetings, virtual meetings, telephone information, among others. In 2021, the Company adjusted the format of activities and communication under the regulations and measures to control the COVID-19 pandemic.

The Investor Relations can be reached by shareholders, investors, and others, for Company inquiries through 4 different channels as follows:



Siam Makro Public Company Limited
SET and Investor Relations Department
No. 1468 Phatthanakan Road, Phatthanakan Subdistrict, Suan Luang District,
Bangkok 10250



ir@siammakro.co.th



0 2067 8285 (direct line)



0 2067 9044

7.6.3 Remuneration of Auditors

(1) Audit fee

For the fiscal year ended December 31, 2021, the Company and its subsidiaries paid the audit fees to KPMG Phoomchai Audit Limited in the amount of Baht 9.5 million, to KPMG Group Overseas in the amount of Baht 1.2 million, and to other auditing firms in the amount of Baht 19.5 million.

For the fiscal year ended December 31, 2021, the Company 2021 Annual General Meeting of Shareholders, dated April 21, 2021, resolved to appoint KPMG Phoomchai Audit Limited, a SEC licensed auditing service provider, as the auditor of the Company and its subsidiaries for the fiscal year ended December 31, 2021, and approved the remuneration for the auditors in the amount of 7.2 million Baht. An extraordinary general meeting of shareholders convened on October 12, 2021, resolved to approve an additional remuneration for the auditors for the fiscal year ended December 31, 2021 in the amount of Baht 2.0 million. The total amount was Baht 9.2 million.

(2) Non-audit fees

For the fiscal year ended December 31, 2021, the Company and its subsidiaries paid other non-audit fees to KPMG Phoomchai Audit Limited in the amount of Baht 23.4 million, and to other auditing companies in the amount of Baht 59.0 million, where non-audit fees were such as various business consulting fees unrelated to auditing, legal and tax services, and auditing by a mutually agreed method.



8. Important Corporate Governance Results

8.1 Summary of the Board of Directors' Performance Results (2021)

8.1.1 Recruitment, Development and Performance Assessment of the Board of Directors Recruitment

Recruitment of Board Members

The Nomination and Remuneration Committee (the “NRC”) always promotes and encourages the Company to allow minority shareholders to nominate an independent director to represent them on the board. In 2021, the Committee re-nominated 5 independent directors with expiring terms to the Board of Directors to consider a subsequent term re-appointment, namely Mr. Joti Bhokavanij, Prof. Rawat Chamchalerm, Mrs. Kannika Ngamsopee, Mr. Jukr Boon-Long, and Mr. Piyawat Titasattavorakul. Observing legal provisions and the Board of Directors Charter, the NRC carefully examined the qualifications of individual directors and the composition of the board. For the latter, the qualification diversity of the board’s skill matrix was determined in a nondiscriminatory fashion. The NRC ensured that the matrix represented the best assembly of knowledge, experience, and specific abilities that were beneficial to the Company, particularly the ability to manage the Company’s business and dedicate the time and effort required to perform prescribed duties. As such, approved candidates were presented to the 2021 Annual General Meeting of Shareholders under re-election criteria and guidelines. Notwithstanding stake-holding candidates, Mr. Joti Bhokavanij was excluded from voting for such proposal.

In shareholders meetings to vote for director election, shareholders were granted a number of votes according to the number of held shares. One share is entitled to one vote. All entitled votes are to be cast to elect directors on an individual basis.

Recruitment of the Highest Ranking Executive

The NRC reviewed the succession plan and qualified candidates for the Chief Executive Officer role after the completion of the entire business transfer from existing shareholders of Lotus’s Group. The applicability and suitability of qualifications, such as knowledge, abilities, skills, and experiences under set goals and strategies for the business of the Company as well as the retail and the wholesale business groups, were considered for post-acquisition business operational efficiency. The NRC presented its opinion on the succession plan for the highest-ranking executive to the Board of Directors for consideration and possible appointment effective January 1, 2022 onwards per Company bylaws.

Development

Development and Training Attendance of Directors in 2021

Board Members	Detail
1. Mr. Narong Chearavanont	Director Refreshment Training Program, Lesson Learnt from Financial Cases : How Board should React, the Thai Institute of Directors (IOD)
2. Mrs. Saowaluck Thithapant	<ul style="list-style-type: none"> • TFRS 16: Commercial Leases and Deferred Tax • Electronic Tax Filing and Documentation in Thailand: Latest updates on e-Payment laws; Rules and SOPs: e-Tax Invoice, e-Receipt, e-Withholding Tax, and e-Filing • Executive Accounting Course: Planning and Decision Making • Techniques and areas of concern for accountants in regards to the Internal Control and the Optimization of Accounting System

Performance Assessment of the Board of Directors

- The results of the 2021 performance assessment of the board can be summarized as follows:

Performance assessment category	2021 (%)	Criterion
Performance of the Board and of Sub-committees	95.6	Excellent
Individual self-assessment	96.6	Excellent

- The summary of the 2021 performance assessment indicates that the overall performance was in the “Excellent” criterion, representing the average assessment from both assessment areas of approximately “96.1%”. As such, the appraisal was presented in the Board of Directors’ meeting, along with commentaries, for board members to jointly evaluate the opportunities to improve overall performance efficiency.

8.1.2 Board Meeting Attendance and Total Remuneration for Individual Directors

Board Meeting Attendance of Board Members 2021

Name	Position	Meeting (number per year)				
		Board of Directors (13 meetings)	Audit Committee (11 meetings)	Remuneration Committee (3 meetings)	Corporate Governance Committee (2 meetings)	Annual General Stockholders (2 meetings)
1. Mr. Suphachai Chearavanont	Chairman of the Board of Directors	13/13	-	-	-	2/2
2. Mr. Joti Bhokavanij	Independent Director/Chairman of the Audit Committee/Chairman of the Nomination and Remuneration Committee	13/13	11/11	3/3	-	2/2
3. Mr. Rawat Chamchalerm	Independent Director/Chairman of the Corporate Governance Committee	13/13	-	-	2/2	2/2
4. Mrs. Kannika Ngamsopee	Independent Director/Member of the Audit Committee	13/13	11/11	-	-	2/2
5. Mr. Jukr Boon-Long	Independent Director/Member of the Audit Committee/ Member of the Corporate Governance Committee	13/13	11/11	-	2/2	2/2
6. Mr. Prasobsook Boondech	Independent Director/Member of the Nomination and Remuneration Committee	13/13	-	3/3	-	2/2
7. Mr. Korsak Chairasmisak	Director/First Vice Chairman/Member of the Nomination and Remuneration Committee	11/13	-	3/3	-	2/2
8. Mrs. Suchada Ithijarukul	Director/Second Vice Chairman/Group Chief Executive Officer - Makro Wholesale Business	13/13	-	-	-	2/2
9. Mr. Umroong Sanphasitvong	Director/ Member of the Corporate Governance Committee	13/13	-	-	2/2	2/2
10. Mr. Prasert Jarupanich	Director	13/13	-	-	-	2/2
11. Mr. Pittaya Jearavisitkul	Director	13/13	-	-	-	2/2
12. Mr. Piyawat Titasattavorakul	Director	12/13	-	-	-	2/2
13. Mr. Narong Chearavanont	Director	13/13	-	-	-	2/2
14. Mr. Adirek Sripratak	Director	13/13	-	-	-	2/2
15. Ms. Saowaluck Thithapant	Director/Group Chief Shared Service Officer - Makro Wholesale Business	13/13	-	-	-	2/2

Remuneration of Individual Board Members 2021

Name	Position	Fixed Remuneration				Total Fixed Remuneration	2020 Performance Bonus ⁽¹⁾	Total Annual Remuneration
		Member of the Board of Directors	Member of the Audit Committee	Member of the Corporate Governance Committee	Member of the Remuneration Committee			
1. Mr. Suphachai Chearavanont	Chairman of the Board of Directors	1,860,000				1,860,000	1,933,700	3,793,700
2. Mr. Joti Bhokavanij	Independent Director/Chairman of the Audit Committee/ Chairman of the Nomination and Remuneration Committee		1,680,000		180,000	1,860,000	2,231,200	4,091,200
3. Mr. Rawat Chamchalerm	Independent Director/Chairman of the Corporate Governance Committee	1,200,000		180,000		1,380,000	1,655,400	3,035,400
4. Mrs. Kannika Ngamsopee	Independent Director/Member of the Audit Committee		1,380,000			1,380,000	1,655,400	3,035,400
5. Mr. Jukr Boon-Long	Independent Director/Member of the Audit Committee/ Member of the Corporate Governance Committee		1,380,000	60,000		1,440,000	1,727,400	3,167,400
6. Mr. Prasobsook Boondech ⁽²⁾	Independent Director/ Member of the Nomination and Remuneration Committee	1,200,000			60,000	1,260,000	1,511,500	2,771,500
7. Mr. Korsak Chairasmisak	Director/ First Vice Chairman/ Member of the Nomination and Remuneration Committee	1,200,000			60,000	1,260,000	1,511,500	2,771,500
8. Mrs. Suchada Ithjarukul	Director/ Second Vice Chairman/ Group Chief Executive Officer - Makro Wholesale Business	1,200,000				1,200,000	1,439,500	2,639,500
9. Mr. Umroong Sanphasitvong	Director/ Member of the Corporate Governance Committee	1,200,000		60,000		1,260,000	1,511,500	2,771,500
10. Mr. Prasert Jarupanich	Director	1,200,000				1,200,000	1,439,500	2,639,500
11. Mr. Pittaya Jearavisitkul	Director	1,200,000				1,200,000	1,439,500	2,639,500
12. Mr. Piyawat Titasattavorakul	Director	1,200,000				1,200,000	1,439,500	2,639,500
13. Mr. Narong Chearavanont	Director	1,200,000				1,200,000	1,439,500	2,639,500
14. Mr. Adirek Sripratak	Director	1,200,000				1,200,000	1,439,500	2,639,500
15. Ms. Saowaluck Thithapant	Director/ Group Chief Shared Service Officer - Makro Wholesale Business	1,200,000				1,200,000	1,439,500	2,639,500
Directors that resigned in 2020								
1. Mr. Arsa Sarasin	Chairman of the Board of Directors (Resigned on February 1, 2020)	-	-	-	-	-	185,900	185,900
	Net total	15,060,000	4,440,000	300,000	300,000	20,100,000	24,000,000	44,100,000

Note: ⁽¹⁾ 2020 performance bonus paid in April 2021 per the resolution of 2021 Annual General Meeting of Shareholders, dated April 21, 2021.

⁽²⁾ Holding the position of Independent Director and Chairman of the Sustainability and Corporate Governance Committee, CP All Public Company Limited, receiving remuneration in 2021, totaling Baht 5,170,000

Director remuneration for the fiscal year ended December 31, 2021, totaled Baht 44.10 million, according to the resolution of 2021 Annual General Meeting of Shareholders dated April 21, 2021, where a range of criteria was considered in conjunction with comparable companies of the same business size and industry, along with Company operating results, roles, and responsibilities of the board and the overall business environment.

8.1.2 Operational Supervision of Subsidiaries and Associated Companies

Regulatory Mechanism

The Board of Directors deploys regulatory mechanisms to supervise the operations of subsidiaries and associated companies to maintain Company investment benefits as follows:

1. With the board's approval, Company representatives are deployed to assume positions in the companies as directors, executives, or persons with controlling power proportionately to the number of held shares.
2. The scope of executive authority, duties, and responsibilities of the Company representatives is determined according to the level of control or participation required to formulate important policies for business operations.
3. The Company ensures complete and accurate disclosure of financial information and operating results, related party transactions, acquisition or disposition of assets, or any other important transactions of the companies, by applying Company standards and rules across the board through the accounting and finance departments as well as the Internal Audit. In addition, the Articles of Association for subsidiaries specify provisions for connected transactions and the acquisition or disposition of assets to be conducted per legal requirements and principles approved by the board.

4. The appropriate and concise internal control system is determined for Company subsidiaries and is monitored by the Internal Audit of the Company. In addition, the companies are required to obtain board approval prior to engage in important transactions that require resolutions of the shareholders, such as capital increase, capital reduction, liquidation, among others.

Shareholders' Agreements for Managing Subsidiaries and Associates

- None -

8.1.3 Monitoring of Corporate Governance Compliance

The Board of Directors places great importance on operating the business under the principles of good corporate governance. The Corporate Governance and Code of Conduct Manual thus outlines the policy and guidelines with defined duties and responsibilities of Company directors, executives, and all personnel. A supervisory capacity is expected of leadership at all levels across the organization to supervise the immediate line of command for acknowledgment, comprehension, and compliance.

In 2021, the Company implemented the Policy Acknowledgement and Confirmation of Compliance online form through the Human Resource Information System (HRIS) interface to allow employees to study and understand important policies such as the Corporate Governance and Code of Conduct Manual, and the Anti-Corruption Policy, and confirm their acknowledgment and compliance with convenience and speed. The application has reduced the burden of cumbersome documentation-related processes, namely form distribution, retaining signatures, form gathering, and documenting and storing the signed documents.

The Human Resource department can now quickly and accurately retrieve information to follow up on employee policy awareness.

The Company monitors the implementation of corporate governance principles and code of conduct to reinforce professional conduct and protocol over a wide range of engagements; for instance, fair treatment of stakeholders, respect for human and labor rights, information security and personal data protection, promotion of occupational health, safety and security, all the way to communal, social and environmental care. Transparency is the key principle to guide business operations and ensure compliance in four particular areas as follows:

(1) Prevention of Conflicts of Interest

The Company Code of Conduct for preventing Conflicts of Interest in the Corporate Governance and Code of Conduct Manual lays out the guidelines for directors and executives to report stake holdings and for management and employees of the Company and its subsidiaries to report conflicts of interest. The manual also prescribes guidelines for submitting Connected Transactions as detailed in section "6.1.2 Policies and Guidelines for Shareholders and Stakeholders".

In 2021, the Company monitored the supervision and prevention of conflicts of interest as follows:

- All directors and executives prepared a personal stake holding or connected transactions report, or both, per criteria set by the Board of Directors.
- All Company personnel reported information about their conflicts of interest or a related party, or both, per Company guidelines.

- Connected transactions for normal business engagements or supporting normal business under general trading conditions are considered and entered with transparency, in compliance with the guidelines set by the Board of Directors, and always engaged upon as if transacting with a third-party on the Company's behalf thus is conducted with the best interests of the Company at heart. Stakeholders with stakes associated with a connected party were excluded from the approval process. These transactions were reported to the Audit Committee quarterly.

Connected transactions with potential conflicts of interest or do not meet general trading conditions, or both, were reviewed by the Audit Committee and further presented to the Board of Directors or the shareholders for approval, depending on the size of the transaction. The Company strictly complied with relevant regulations and always ensured that complete and accurate disclosure of connected transactions were managed per regulatory and legal provisions.

In 2021, the Company received no complaints regarding directors or executives that engaged in activities that incurred conflicts of interest.

(2) Exploitation of Inside Information for Personal Advantage

The Corporate Governance and Code of Conduct Manual establishes the Company Code of Conduct and guidelines for using inside information and confidentiality of classified information. The details are shown in section "6.1.2 Policies and Guidelines for Shareholders and Stakeholders".

In 2021, the Company monitored the supervision and prevention of exploitation of inside information for personal advantage as follows:

- The Company secretary distributed a letter of cooperation requesting all directors, top executives and Company personnel whose duty involves accessing and using inside information to refrain from buying, selling, transferring, or accepting transfers of Company securities for a period of one month prior to the public disclosure of financial statements for each quarter. The cooperation is requested of the spouses and underage children of the Company personnel as well.
- The Company Secretary prepared a report of Company securities holding of directors and executives for the Board of Directors every quarter.
- The Company supervised and ensured a Non-Disclosure Agreement was signed by

Company personnel and third-parties involved with ongoing projects or information that had yet to be disclosed to the public, or both, as a reminder to handle sensitive information with care and precaution and to refrain from disclosing such information to unauthorized parties.

In 2021, no director or executive was involved in insider trading and no trading of Company securities violated regulations of the SEC. The Company did not receive any complaints regarding a director or executive exploiting inside information for personal gain.



Report of Company Securities Holding of Directors and Executives (including spouse and underage children) as of December 31, 2021 and 2020

List of Directors/Executives	Position	2021		2020	increase/ (decrease)
		% of paid-up capital	Number of ordinary shares (shares)	Number of ordinary shares (shares)	
Mr. Suphachai Chearavanont	Chairman of the Board of Directors	0.01	600,000 ⁽¹⁾	-	600,000
Mr. Joti Bhokavanij	Independent Director/Chairman of the Audit Committee/Chairman of the Nomination and Remuneration Committee	-	-	-	-
Mr. Rawat Chamchalerm	Independent Director/Chairman of the Corporate Governance Committee	0.00	22,500 ⁽¹⁾	10,000	12,500
Mrs. Kannika Ngamsopee	Independent Director/Member of the Audit Committee	0.00	16,000	-	16,000
Mr. Jukr Boon-Long	Independent Director/Member of the Audit Committee/ Member of the Corporate Governance Committee	-	-	-	-
Mr. Prasobsook Boondech	Independent Director/Member of the Nomination and Remuneration Committee	-	-	-	-
Mr. Korsak Chairasmisak	Director/First Vice Chairman/Member of the Nomination and Remuneration Committee	-	-	-	-
Mrs. Suchada Ithijarakul	Director/Second Vice Chairman/Group Chief Executive Officer - Makro Wholesale Business	-	-	-	-
Mr. Umroong Sanphasitvong	Director/Member of the Corporate Governance Committee	0.00	51,628	-	51,628
Mr. Prasert Jarupanich	Director	0.00	200	200	-
Mr. Pittaya Jearavisitkul	Director	0.00	131,080	-	131,080
Mr. Piyawat Titasattavorakul	Director	0.00	6,000	-	6,000
Mr. Narong Chearavanont	Director	-	-	-	-
Mr. Adirek Sripratak	Director	-	-	-	-
Ms. Saowaluck Thithapant	Director/Group Chief Shared Service Officer - Makro Wholesale Business	-	-	-	-
Mr. Lin, Chi-Lung	Chief Executive Officer - Food Service Asia Pacific and Middle East	-	-	-	-
Mr. Ricardo Boarotto	Chief Executive Officer - Makro Wholesale Business, Thailand	-	-	-	-
Mr. Paul Stephen Howe	Group Chief Information Officer - Makro Wholesale Business	-	-	-	-
Mr. Tirayu Songvetkasem	Group Chief Digital Officer - Makro Wholesale Business	-	-	N/A	-
Total shareholding of directors and executives		0.01	827,408	10,200	817,208

Note ⁽¹⁾ Holding shares by spouse

(3) Anti-Corruption

The Company Anti-Corruption Policy is set forth as detailed in section “6.1.2 Policies and Guidelines for Shareholders and Stakeholders, and Appendix 5”.

Important policies and guidelines are in place to implement practices with tangible results and demonstrate the intent and determination against corruption as follows:

- Anti-corruption policies and related practices are disseminated both internally and outside the organization to alarm stakeholders of the Company’s intention and commitment against all forms of corruption through various channels such as circulated material, notices, intranet systems, Company websites, employee training programs, and new employee orientation, among others.
- The No Gift Policy is promoted during New Year’s Eve through internal and external communication channels, namely public relations materials at various points at the head office and stores, to encourage transparency in the workplace. Letters of cooperation are also distributed to business partners, customers, financial institutions, and related business parties requesting no gifts or favors be made for executives and employees of the Company or its subsidiaries.
- Employees who are responsible for promoting, monitoring, and supervising anti-corruption practices are encouraged to attend training courses and seminars on corruption prevention that are organized by third-party agencies with subject matter expertise and apply learned knowledge to review and develop Company anti-corruption capacities regularly.

- A risk management process is established, starting with the identification of internal and external risk factors, assessment of persisting factors and critical risk analysis, to determine accountable agents that are responsible for mitigating and managing the risk to an acceptable level. The process must be incorporated into all aspects of Company strategy such as investment strategies and operational planning, including the anti-corruption policy.
- Clear guidelines are in place to prevent high-risk areas of corruption, including political contributions, charitable donations and grants, gifts and favors, hospitality, and other expenses and payments of facilitation. This ensures that Company personnel are discouraged from any undertakings that may lead to alleged corruption.
- An internal control system is established to prevent the risk of corruption. The approval authority for high-risk engagements is clearly defined under the scope of duties and responsibilities of involved personnel in related positions. The Internal Audit unit is also set up to monitor the work of various departments to ensure that operations are implemented entirely under operating budget and regulations, among other internal measures.
- The Company was re-certified for a membership of the Thai Private Sector Collective Action against Corruption (CAC) project on March 31, 2021. The certificate is valid for 3 years, with an expiration date of March 30, 2024.
- The Company joined the CAC Change Agent project to extend the business transparency network to business partners. Company partners are encouraged to announce their anti-corruption intent by joining the CAC project and attending a special lecture held by the project.

(4) Whistleblowing

The Company has made available channels for reporting or submitting complaints about whistleblowing. Details are shown in section 6.1.2 Policies and Guidelines for Shareholders and Stakeholders.

In the fiscal year ended 2021, the Company received a total of 304 complaints. Among these complaints, there were 11 complaints on frauds, misconducts or Code of Conduct infringement. The details as shown in section 3. Sustainability Development.

8.2 Performance of the Audit Committee 2021

The details are shown in the “Audit Committee Report”.

8.3 Performance Summary of other Sub-committees

8.3.1 Number of Meetings of Other Sub-committees

- 1) Nomination and Remuneration Committee
- 2) Corporate Governance Committee

Details are shown in section “8.1.2 Board Meeting Attendance and Total Remuneration for Individual Directors”.

8.3.2 Performance of Other Sub-committees

- 1) Performance of the Nomination and Remuneration Committee

Details are shown in the Nomination and Remuneration Committee Report.

- 2) Performance of the Corporate Governance Committee

Details are shown in the Corporate Governance Committee Report.

9. Internal Control and Related Party Transactions

9.1 Internal Control

The Board of Directors' opinion related to Internal Control of the Company and Subsidiaries

The Company recognises the importance of the internal control system and risk management as mechanisms that enhance operational efficiency and effectiveness to achieve its goals. Moreover, internal control processes aim to provide reasonable assurance concerning operations, reporting and compliance with statutory requirements and corporate policies. Internal control policies foster the accuracy, transparency and auditability of the Company's operations including reducing and preventing potential risks. Furthermore, the Company constantly develops its internal control system to ensure continuous efficiency and effectiveness.

The Board of Directors appointed an Audit Committee, which consists of three Independent Directors who are qualified and experienced in various fields, and are independent as stipulated by the Stock Exchange of Thailand's requirements. The Audit Committee is responsible for reviewing financial reports, the disclosure of the Company's information, and the Company's connected transactions or conflict of interest to ensure its reasonableness and best interests of the Company. The Audit Committee also reviews the adequacy and appropriateness of the risk

management process, internal control system, and internal audit plan; considers material issues related to internal control; and provides recommendations for any required improvements to the management. The Audit Committee considers the appointment or termination of the external auditors and expresses their opinion to the Board of Directors. The Audit Committee also reviews the Company's compliance with the law of Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET)'s rules and regulations, and any other laws applicable to the Company's businesses.

The Audit Committee assigns the Internal Audit Department, as an independent unit from the Company's management, to evaluate the internal control system and review the operations of each department within the Company and its subsidiaries to ensure that each department complied with internal control policies and procedures. The Internal Audit Department has duly evaluated the adequacy and appropriateness of the internal control system under the five key aspects of the Internal Control - Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as highlighted below:

1. Control Environment

The Board performs its duties independently from the management and oversees overall business operations. The Company has established Corporate Governance Policy and Code of Conduct in compliance with good corporate governance principles and published the Corporate Governance and Code of Conduct Manual, and also Anti-Corruption Policy. The Corporate Governance and Code of Conduct Manual prohibit the management and the employees from any misconduct which may constitute conflicts of interest. The Manual has been communicated to the management, staff, contractors, the Company's representatives to acknowledge and strictly comply as guidelines in performing their respected duties. Disciplinary actions will be imposed in case of violations. The Manual is continuously reviewed and modified to be consistent with the Company's business. The management outlines the organisational structure that aligns with the business plan and properly adjusts the structure to serve the business needs. The lines of command with separate duties and appropriate responsibilities are established to ensure that the management and employees' performances are efficient and can be clearly monitored, audited and assessed.

The Company management also realizes the significance of reinforcing Anti-Corruption Policy. The Internal Audit Department is responsible for auditing and reviewing the performance; and promoting a good internal control environment. On 31 March 2021, the Company received a certification of renewal from the Thai Private Sector Collective Action Against Corruption (CAC) for a period of 3 years. In addition, the Company prioritises continuous human resource development and provides trainings to enhance knowledge and skills required for the assigned tasks. The Company determines short-term and long-term manpower plans, conducts manpower analysis on an annual basis in response to the business direction, and identifies succession plans to ensure business continuity.

2. Risk Assessment

The Company recognises the importance of enterprise risk management system. A Risk Management Committee is responsible for formulating a systematic risk assessment framework including risk management policies. Every business unit shall assess various risk factors, the likelihood of each occurrence and its impact from internal and external perspectives, and it must have mitigating measures to manage risks to an acceptable level. The Risk Management Committee shall report to the Audit Committee at least once a year. The Company has established a Business Continuity Plan

(BCP) and a Disaster Recovery Plan (DRP) to prepare for risks and potential crises and ensure that the Company's key operations will continue to operate without any disruption. The Company has appointed a committee task force to respond to risk exposures from the ongoing Covid-19 pandemic under governmental control measures and internal protocol for risk mitigation in the advent of exposure. Furthermore, the Company continually revises its short-term and long-term corporate strategies to reflect the ever-changing business environment in the best interests of the Company and its sustainability. The Internal Audit Department regularly reviews the adequacy and appropriateness of the internal control system by carrying out audit planning on key operational processes.

3. Control Activities

The Company implements transparent and appropriate internal control activities, applies key performance indicators (KPIs) as tools for planning and control, establishes policies and guidelines including the Anti-corruption Policy, the Conflicts of Interest Declaration, and the Corporate Governance and Code of Conduct Manual for employees and business partners. The Company sets out policies and operating procedures for appropriate internal control with a segregation of duties and clearly defined functional responsibilities and delegation of authority such as different

levels of signing power and categories of expenditure for management. Standard operation procedures are in writing and regularly reviewed. In addition, the IT system categorises the roles on the level of control and access to information, identifies access rights and database management that can be retrieved for verification. The Company has set clear guidelines on the connected transactions for transparency and best interests of the Company, and the Internal Audit Department regularly reviews the adequacy and the appropriateness of the internal control system, which is aligned with the audit plan covering key operational processes. In addition, the Company has consistently monitored the operations of its subsidiaries to ensure their operations are aligned with the Company's business policies.

4. Information and Communication

Information and communication plays an important role in the Company. Information technology has been deployed in order to manage information and analyse data to support management's decision making process. The Company has fully supported employees to develop innovations; in order to increase work efficiency, decrease costs and expenses, and use digital technology such as Robotic Process Automation (RPA) in certain business process. Furthermore, the Company is fully aware and has developed a cyber-security system with installation of hardware and software

to counter such threats and protect its assets and properties. The Company has communicated to every staff member information relating to policies, regulations and announcements, and examples of threats from the use of information through many internal communication channels, e.g. intra-net, stores' notice board, Company's emails and VDO Conference (Broadcast) to ensure that every staff member is fully, correctly and timely informed.

Furthermore, the Company has put in place complaint-making and whistle-blowing communication channels. These cover offenses or suspicious behavior that may imply fraud or corruption or misconduct of any person in the organisation. Communication can be made through the Company's website or e-mail cgooffice@siammakro.co.th. The Company also has other appropriate and efficient communication channels for external stakeholders to access the Company's information at all time, such as Call Center (0 2335 5300) for customers' inquiries or complaints about products and services of the Company, and Investor Relations Department for shareholders and investors. This will facilitate the stakeholders' understanding about the Company's business, as well as disclose information to SET. At same time, the Company has clear policies to control unauthorised access and to prevent inappropriate use of the Company's information in compliance with the Computer-related Crime Act.

5. Monitoring

The Company has monitoring and evaluation processes designed to assess the adequacy of its internal control system. Internal Audit Department as an independent Department from management directly reports to Audit Committee. The Internal Audit Department continually encourage to develop work compliance with international standards. It undergoes quality assessment by leading third-party assessors once every five years to ensure that the Company's internal audit followed international standards and good practices. Internal Audit Department has duly evaluated the effectiveness of internal control activities in accordance with professional standards for internal auditing and risk-based audit. Audit plan was annually designed in accordance with the Company's strategies and key risks that would impact on operations and the Company's objectives. The Internal Audit Department makes recommendations to management for any required improvement to the business process to increase the efficiency and effectiveness of the internal control and reports to the Audit Committee on a quarterly basis. Moreover, the Company has policy and communication channel to directly report to Audit Committees in the event that any acts of fraud or corruptions are found within the Company. The Company also reports the progress of remedial actions in significant issues to the Audit Committees.

In 2021, the Audit Committee is of the same opinion with the external auditor that there is no significant issue on internal control. The Company has appropriate internal control system aligning with the business. Furthermore, all business units have complied with the stipulated processes and working procedures.

9.2 Related Party Transaction

Details of Related Party Transactions

In the year-ended 31 December 2021, Makro PCL and its subsidiaries* conducted transactions with related parties, which are summarized as follows:

Party with Potential Conflict of Interest and Nature of Relationship as of 31 December 2021	Type of transaction	Transaction Value (THB million)		Description of Transaction and Necessity and Reasonableness of the Transaction
		For the year ended 31 December 2020	For the nine months ended 31 December 2021	
1. CP ALL Public Company Limited (“CP ALL”) <u>Nature of Relationship</u> It is a major shareholder of Makro PCL and has 9 common directors namely: 1. Mr. Suphachai Chearavanont 2. Mr. Korsak Chairasmisak 3. Mr. Umroong Sanphasitvong 4. Mr. Piyawat Titasattavorakul 5. Mr. Pittaya Jearavisitkul 6. Mr. Adirek Sripratak 7. Mr. Prasert Jarupanich 8. Mr. Narong Chearavanont and 9. Mr. Prasobsook Boondech (Independent Director)	Revenue from Sales of Goods and Services	-	15.0	Makro PCL and its subsidiaries are granted the right to use trademarks and service marks including the use of trademarks such as “Makro PCL” and “Aro”, among others, in operating businesses in Thailand, Cambodia, Myanmar and China. The use of trademarks and service marks is considered necessary for various aspects of Makro PCL’s businesses, such as product labels, store name, store format and business management, to increase operational efficiency. In addition, the fees paid to CPALL is proportional to the total sales as agreed in the Trademark and Service Mark License Agreement. The key conditions of the agreement are consistent with the conditions that Makro PCL entered into before CPALL became a major shareholder of Makro PCL. The Board of Directors (including independent directors and members of the audit committee but excluding interested directors) viewed that such transaction is appropriate and in Makro PCL’s best interest. Such transaction is considered as a supporting transaction related to the normal course of business where the price and payment conditions were determined by the terms and conditions used in arm’s-length transactions and by general market practice.
	Distribution costs and administrative expenses	175.6	181.7	
	Trade Accounts Receivable	-	3.1	
	Other Current Payables	96.6	96.0	
	Other non-current liabilities	-	2.8	

* Subsidiaries means subsidiaries of Makro PCL during the year ended 31 December 2021.

Party with Potential Conflict of Interest and Nature of Relationship as of 31 December 2021	Type of transaction	Transaction Value (THB million)		Description of Transaction and Necessity and Reasonableness of the Transaction
		For the year ended 31 December 2020	For the nine months ended 31 December 2021	
2. C.P. Retailink Co., Ltd. (“CP Retailink”) <u>Nature of Relationship</u> It is a subsidiary of CPALL, a major shareholder of Makro PCL, and has 2 common directors with Makro PCL namely: 1. Mr. Pittaya Jearavisitkul and 2. Mr. Piyawat Titasattavorakul	Revenue from Sales of Goods and Services	59.5	16.1	Makro PCL sold general grocery and consumer products to C.P. Retailink, provided rental space and services to C.P. Retailink for setting up shops in Makro PCL’s stores, and rented chiller equipment such as refrigerator from C.P. Retailink for fresh product storage display in neighborhood Makro PCL stores.
	Purchase of Goods	-	7.8	
	Service Fees	-	2.3	
	Trade Accounts Receivable	1.2	18.1	In addition, the sales price, rental fees, service fees and payment conditions were determined by the terms and conditions used in arm’s-length transactions for non-related companies and by market price. ⁽¹⁾
	Other Current Receivables	1.8	-	
	Other Creditors	-	11.9	
	Other Non-current Liabilities	6.6	6.7	
3. CPRAM Co., Ltd. (“CPRAM”) <u>Nature of Relationship</u> It is a subsidiary of CPALL, a major shareholder of Makro PCL, and has 2 common directors with Makro PCL namely: 1. Mr. Pittaya Jearavisitkul and 2. Mr. Piyawat Titasattavorakul	Revenue from Sales of Goods and Services	-	50.2	Makro PCL sold fresh and dry foods such as frozen fruits and dried mushrooms to CPRAM, and purchased ready-to-eat food products such as dumplings, buns and shrimp dumplings. The purchase of such products was for resale in Makro PCL stores.
	Purchase of Goods	293.2	294.9	
	Trade Accounts Receivable	-	8.2	The price and payment conditions were determined by the terms and conditions used in arm’s-length transactions for non-related companies and by market price. ⁽¹⁾
	Trade Accounts Payable	69.2	87.7	
4. Gosoft (Thailand) Co., Ltd (“Gosoft (Thailand)”) <u>Nature of Relationship</u> It is a subsidiary of CPALL, a major shareholder of Makro PCL, and has 2 common directors with Makro PCL namely: 1. Mr. Pittaya Jearavisitkul and 2. Mr. Piyawat Titasattavorakul	Trade Accounts Payable	109.9	95.8	Makro PCL and its subsidiaries purchased fixed assets and intangible assets such as computer equipment and software as well as software maintenance services from Gosoft (Thailand) Co., Ltd. Such assets and services are related to normal course of business and the purchase price and services expenses were determined by the terms and conditions used in arm’s-length transactions for non-related companies and by market price. ⁽¹⁾
	Fixed Assets and Intangible Assets Expenses			
	Service Fees	121.8	266.9	
	Other Accounts Payable	52.7	316.9	
	Other Accounts Receivable	3.8	42.5	

Party with Potential Conflict of Interest and Nature of Relationship as of 31 December 2021	Type of transaction	Transaction Value (THB million)		Description of Transaction and Necessity and Reasonableness of the Transaction
		For the year ended 31 December 2020	For the nine months ended 31 December 2021	
5. CPF (Thailand) Plc. (“CPF”) <u>Nature of Relationship</u> It is an indirect major shareholder of Makro PCL and has 2 common directors with Makro PCL namely: 1. Mr. Suphachai Chearavanont 2. Mr. Adirek Sripratak	Revenue from Sales of Goods and Services	-	46.6	Makro PCL and its subsidiaries purchased freshwater fish products such as red tilapia fish, Nile tilapia fish, sea bass and catfish. The purchase of such products was for resale in Makro PCL’s stores. Makro PCL also sold frozen food products to CPF and earned from trade mark transfer, the value of which was determined by independent appraisers. The price and payment conditions were determined by the terms and conditions used in arm’s-length transactions for non-related companies and by market price. ⁽¹⁾
	Purchase of Goods	354.1	369.6	
	Trade Accounts Receivable	-	7.7	
	Trade Accounts Payable	24.8	37.8	
6. CP Merchandising Co Ltd. (“CPM”) <u>Nature of Relationship</u> It is a direct and indirect major shareholder of Makro PCL and has one common director with Makro PCL, namely: Mr. Adirek Sripratak.	Purchase of Goods	570.1	1,383.4	Makro PCL and its subsidiaries purchased premium fresh food products imported from overseas such as beef, lamb, salmon and other product parts. The purchase of such products is for resale in Makro PCL’s stores. The purchase price is agreed between the trade partners as such products are commodities whose price are determined by the prevailing market price. In addition, the price and payment conditions were determined by the terms and conditions used in arm’s-length transactions for non-related companies and by market price. ⁽¹⁾
	Trade Accounts Payable	85.3	168.5	
7. CPF Trading Co., Ltd. (“CPF Trading”) <u>Nature of Relationship</u> It has indirect major shareholder in common with Makro PCL.	Revenue from Sales of Goods and Services	-	32.9	Makro PCL and its subsidiaries purchased fresh food products and processed foods such as pork, chicken, egg, sausages, ham and egg tofu. The purchase of such products is for resale in Makro PCL’s stores. The purchase price is agreed between the trade partners at certain periods as such products are commodities whose prices are determined by the prevailing market price. Makro PCL also used transportation services from CPF Trading Co., Ltd. In addition, the price and payment conditions were determined by the terms and conditions used in arm’s-length transactions for non-related companies and by market price. ⁽¹⁾
	Purchase of Goods	12,607.9	14,118.8	
	Service Fees	56.4	62.6	
	Trade Accounts Receivable	-	2.0	
	Other Receivable	-	9.1	
	Trade Accounts Payable	1,695.6	3,549.1	
	Other Current Payables	12.5	45.2	

Party with Potential Conflict of Interest and Nature of Relationship as of 31 December 2021	Type of transaction	Transaction Value (THB million)		Description of Transaction and Necessity and Reasonableness of the Transaction
		For the year ended 31 December 2020	For the nine months ended 31 December 2021	
8. CP-Meiji Co., Ltd. (“CP-Meiji”) <u>Nature of Relationship</u> It has an indirect major shareholder in common with Makro PCL and has a common director with Makro PCL, namely: Mr. Adirek Sripratak.	Revenue from Sales of Goods and Services	-	10.7	Makro PCL purchased milk related products such as pasteurised milk, fermented milk and yogurt. The purchase of such products was for resale in Makro PCL’s stores. The price and payment conditions were determined by the terms and conditions used in arm’s-length transactions for non-related companies and by market price. ⁽¹⁾
	Purchase of Goods	479.3	644.0	
	Trade Accounts Receivable	-	1.1	
	Other Receivable	-	4.7	
	Trade Accounts Payable	77.8	244.1	
9. CPF (Thailand) Plc. (“CPF (Thailand)”) <u>Nature of Relationship</u> It has an indirect major shareholder in common with Makro PCL and has a common director with Makro PCL, namely: Mr. Adirek Sripratak.	Revenue from Sales of Goods and Services	218.5	335.7	Makro PCL and its subsidiaries sell general grocery and consumer products to CPF (Thailand) such as rice, laundry detergent, toilet paper and office paper; and purchase products such as cheese from CPF (Thailand) in normal course of business. The price and payment conditions for sales of goods and services were determined by the terms and conditions used in arm’s-length transactions for non-related companies and by market price. ⁽¹⁾
	Purchase of Goods	-	40.7	
	Trade Accounts Receivable	28.8	48.6	
	Trade Accounts Payable	-	13.1	
	Lease Liabilities	-	7.5	
10. Perfect Companion Group Co., Ltd. (“Perfect Companion”) <u>Nature of Relationship</u> It has an indirect major shareholder in common with Makro PCL and has a common director with Makro PCL, namely: Mr. Prasert Jarupanich.	Revenue from Sales of Goods and Services	-	42.7	Makro PCL purchased pet food products such as dog food and cat food. The purchase of such products was for resale in Makro PCL’s stores. The price and payment conditions were determined by the terms and conditions used in arm’s-length transactions for non-related companies and by market price. ⁽¹⁾
	Purchase of Goods	304.3	408.4	
	Trade Accounts Receivable	-	3.1	
	Other Receivable	-	4.2	
	Trade Accounts Payable	52.7	159.2	

Party with Potential Conflict of Interest and Nature of Relationship as of 31 December 2021	Type of transaction	Transaction Value (THB million)		Description of Transaction and Necessity and Reasonableness of the Transaction
		For the year ended 31 December 2020	For the nine months ended 31 December 2021	
11. Freewill Solutions Co., Ltd. (“Freewill Solutions”) <u>Nature of Relationship</u> It has an indirect major shareholder in common with Makro PCL. Seven directors of Makro PCL, namely: Mr. Suphachai Chearavanont Mr. Narong Chearavanont Mr. Umroong Sanphasitvong Mr. Adirek Sripratak Mr. Korsak Chairasmisak Mr. Piyawat Titasattavorakul and Mr. Pittaya Jearavisitkul hold shares in an aggregate amount of 23.3% of total paid-up capital of Freewill Solutions. It has 2 directors in common with Makro PCL, namely: 1. Mr. Suphachai Chearavanont and 2. Mr. Prasert Jarupanich	Intangible Assets Expenses	10.5	9.2	Makro PCL and its subsidiaries purchased intangible assets such as SAP computer software and cloud service as well as software maintenance services from Freewill Solutions, which specialises in installation and maintenance of SAP systems and also has experience in serving our food service businesses. Such purchases of assets and services were made in the ordinary course of business and the purchase price and services expenses were determined by the terms and conditions used in arm’s-length transactions for non-related companies and by market price. ⁽¹⁾
	Service Fees	13.2	10.9	
	Other Current Payable	2.3	2.4	
12. Ascend Food Co., Ltd. (“Ascend Food”) <u>Nature of Relationship</u> It has an indirect major shareholder in common with Makro PCL.	Revenue from Sales of Goods and Services	84.8	6.3	Makro PCL sold to Ascend Food general grocery and consumer products through Makro PCL’s stores. The price and payment conditions were determined by the terms and conditions used in arm’s-length transactions for non-related companies and by market price. ⁽¹⁾

Party with Potential Conflict of Interest and Nature of Relationship as of 31 December 2021	Type of transaction	Transaction Value (THB million)		Description of Transaction and Necessity and Reasonableness of the Transaction
		For the year ended 31 December 2020	For the nine months ended 31 December 2021	
13. True Internet Data Center Co., Ltd. (“True Internet Data Center”) <u>Nature of Relationship</u> It has an indirect major shareholder in common with Makro PCL. A director of Makro PCL, namely: Mr. Suphachai Chearavanont is an indirect major shareholder through Freewill Solutions Co., Ltd.	Service Fees	17.5	12.7	Makro PCL and its subsidiaries used data centre services for its business disruption plan from True Internet Data Center. The price and payment conditions for service expenses were determined by the terms and conditions used in arm’s-length transactions for non-related companies and by market price. ⁽¹⁾
	Other Current Payable	5.4	2.3	
14. True Leasing Co., Ltd. (“True Leasing”) <u>Nature of Relationship</u> It has an indirect major shareholder in common with Makro PCL. A director of Makro PCL, namely: Mr. Suphachai Chearavanont is an indirect major shareholder.	Service Fees	67.0	106.0	Makro PCL and its subsidiaries rented automobiles for executives from True Leasing. The price and payment conditions for service expenses were determined by the terms and conditions used in arm’s-length transactions for non-related companies and by market price. ⁽¹⁾
	Interest Expenses	3.4	4.2	
	Other Current Payable	24.1	51.0	
	Lease Liabilities	130.7	344.3	
15. C.P. Food Store Co., Ltd. (“C.P. Food Store”) <u>Nature of Relationship</u> Chearavanont family members are indirect major shareholders of C.P. Food Store Co., Ltd.	Revenue from Sales of Goods and Services	-	39.1	Makro PCL and its subsidiaries purchased dry food such as rice products from C.P. Food Store for resale in Makro PCL’s stores and provided marketing activities for such products to C.P. Food Store. The purchase price and service fees were agreed upon with the trade partners at certain periods and the price and payment conditions for purchase of goods were determined by the terms and conditions used in arm’s-length transactions for non-related companies and by market price. ⁽¹⁾
	Purchase of Goods	550.4	589.1	
	Other Receivable	-	4.4	
	Trade Accounts Payable	95.9	210.8	

Party with Potential Conflict of Interest and Nature of Relationship as of 31 December 2021	Type of transaction	Transaction Value (THB million)		Description of Transaction and Necessity and Reasonableness of the Transaction
		For the year ended 31 December 2020	For the nine months ended 31 December 2021	
16. Other related parties (including transactions with CPG, CPF, CPALL, True Corporation PCL and entities under such companies.)	Revenue from Sales of Goods and Services	386.4	332.7	Makro PCL and its subsidiaries' revenue from sales of goods and services was primarily derived from selling products in stores, transportation of goods and sales support from suppliers.
	Purchase of Goods	596.2	2,027.5	
	Service Fees	210.3	505.3	Purchase of goods are primarily for purchase transaction for resale in stores and the cost of transportation between warehouses and Makro PCL's stores.
	Interest Expenses	4.0	36.1	
	Fixed Assets and Intangible Assets Expenses	0.2	-	Service fees are an expense for ordinary business operations such as office building management, land rental fees for stores and internet service fees.
	Trade Accounts Receivable	35.0	117.4	
	Other Current Receivables	2.0	96.5	These transactions are considered supporting transactions in the ordinary course of business where the price and payment conditions were determined by the terms and conditions used in arm's-length transactions for non-related companies. ⁽¹⁾
	Trade Accounts Payable	68.9	919.8	
	Other Current Payables	110.5	483.5	
	Lease Liabilities	129.8	6,989.4	
	Other Non-current Liabilities	1.2	0.5	

Remarks: ⁽¹⁾ The Board of Directors resolved to approve in principle to authorize Makro PCL and its subsidiaries to proceed Related Party Transactions which are normal business transactions or supporting normal course of business. In addition, the Internal Audit reviewed all Related Party Transactions and proposed to the Audit Committee for consideration on a quarterly basis. The Related Party Transactions as of 31 December 2021 were reviewed by the Audit Committee's Meeting on 2 February 2022 and were claimed as the transactions related to the normal course of business.

Policies regarding related party transactions

The Company entered into related party transactions only as required as part of our ordinary course of business and mainly in the interest of the Company. The licensing transactions for trademarks and service marks are considered necessary for the Company's business undertakings and operations. Such related party transactions are approved by the Board of Directors in accordance with our Articles of Association prior to their engagement or payment of service fees.

The Company's Board of Directors approved in principle for related party transactions relating to commercial undertakings on general trading terms that a reasonable individual would find acceptable under the same circumstances and with the bargaining power free of influence from directors, executives or related parties. Details of such internal policies are as follows:

1. Purchase of goods

When Makro PCL or its subsidiaries purchase goods from a related company that has a director and/or a group of shareholders in common with Makro PCL or its subsidiaries, such transaction must be on arm's-length terms comparable to those transactions without any related parties and the price must be consistent with market standards.

2. Use of services

When Makro PCL or its subsidiaries receive services provided by a related company which has a director and/or a group of shareholders in common with Makro PCL or its subsidiaries, such transaction must have arm's-length business terms and prices that are comparable to transactions involving services provided by non-related parties under similar circumstances.

3. Sale of goods and services

When Makro PCL or its subsidiaries agree to sell any goods to their directors and/or executives, including selling of any goods or services to a related company which has a director and/or a group of shareholders in common with Makro PCL or its subsidiaries, such transaction must have arm's-length business terms and prices that are comparable to transactions involving selling of goods and services to non-related parties under similar circumstances.

For purchasing and selling goods and services and for purchasing fixed assets and intangible assets under an ordinary course of business, the Company has put in place procedures to protect investors and to prevent transfer of interests. The internal audit department reviews the necessity of such transactions to ensure that the prices of the transactions for goods and services and purchase of fixed assets and intangible assets are at the prevailing market rates. The internal audit department submits its review reports to the audit committee on a quarterly basis.

Makro PCL and its subsidiaries have a policy and tends to enter into related party transactions only as required as part of our ordinary course of business, which shall be approved or ratified by the Board of Directors prior to the engagement of such transactions. The price and conditions are determined by the terms and conditions used in arm's-length transactions for non-related companies. However, the Board of Directors resolved to approve in principle to authorize Makro PCL and its subsidiaries to enter into related party transactions under normal trading terms and conditions, namely terms and conditions a reasonable individual would find acceptable under the same circumstances and with the bargaining power free of influence from directors, executives or related parties. Future related party transactions shall be conducted as necessary according to our business growth and strictly complied with the relevant rules and regulations of SEC and SET as well as the approval process and procedures as specified above.

Section 3

Financial Statements



**Siam Makro Public Company Limited
and its Subsidiaries**

**Financial Statements
for the year ended**

31 December 2021

and Independent Auditor's Report

Independent Auditor's Report

To the Shareholders of Siam Makro Public Company Limited

Opinion

I have audited the consolidated and separate financial statements of Siam Makro Public Company Limited and its subsidiaries (the “Group”) and of Siam Makro Public Company Limited (the “Company”), respectively, which comprise the consolidated and separate statements of financial position as at 31 December 2021, the consolidated and separate statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group and the Company, respectively, as at 31 December 2021 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of my report. I am independent of the Group and the Company in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that is relevant to my audit of the consolidated and separate financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of my audit of the consolidated and separate financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Valuation of inventories	
Refer to notes 3 (f) and 8 to the financial statements	
The key audit matter	How the matter was addressed in the audit
The valuation of inventories was focused on because the estimation of net realisable value of inventories involves management's judgment relating to estimate quantity and valuation for deteriorated, damaged, obsolete and slow-moving and shrinkage inventories.	<p>My audit procedures included:</p> <ul style="list-style-type: none"> • Understood the inventory control and management policy and the estimation of net realisable value of inventories. • Tested a sample of the aging of inventory and the reasonableness of assumptions used to set the percentage of deteriorated, damaged, obsolete, slow-moving and shrinkage inventories determined by management and compared that percentage with information for destruction and shrinkage inventories. • Tested a sample of selling prices post year-end and the estimated costs to make the sale with related documents including recalculation of net realisable value. • Considered the adequacy of the Group's disclosures in accordance with Thai Financial Reporting Standards.

Impairment of goodwill and other intangible assets	
Refer to note 3 (j), 3 (k), 3 (m), 4, 14 and 15 to the financial statements	
The key audit matter	How the matter was addressed in the audit
<p>The Group has significant goodwill and other intangible assets with indefinite useful life which was mainly arising from business combinations.</p> <p>The management normally assesses the impairment from the estimated recoverable amount at the end of the period. The recoverable amount was based on its value in use, determined by discounting future cash flows to be generated from the continuing use of assets and related assumptions.</p> <p>The judgments of management required to be applied over assumptions and the inherent uncertainty involved in forecasting and discounting future cash flows. This area was focused on my audit accordingly.</p>	<p>My audit procedures included:</p> <ul style="list-style-type: none"> • Understood the process of the estimated recoverable amount to assess the impairment. • Considered the key assumptions in the estimated recoverable amount reports, which were approved by management, by comparing the actual operation results, industry trends and information derived from external and internal sources and assessed financial methodologies used by the Group and discount rate and performed sensitivity analysis around the key assumptions. • Considered the adequacy of the Group's disclosures in accordance with Thai Financial Reporting Standards.

Business combination by entire business transfer	
Refer to notes 3 (a), 4 to the financial statements	
The key audit matter	How the matter was addressed in the audit
<p>On 25 October 2021, the Group completed business combination by entire business transfer of Lotus's group. The Group has engaged independent valuers to estimate fair value of assets acquired, and liabilities assumed, including consideration transferred, which result in the recording of provisional intangible assets of Baht 5,221 million and provisional goodwill of Baht 232,545 million in the consolidated statement of financial position as at 31 December 2021.</p> <p>Due to the materiality, complexities of the transactions, and the significant judgment involved in identification and determining the fair value of assets acquired and liabilities assumed, including consideration transferred, I considered this matter as a key audit matter.</p>	<p>My audit procedures included:</p> <ul style="list-style-type: none"> • Inquired management and read the entire business transfer agreements to understand key objective, terms and conditions of the transactions. • Evaluated appropriateness of the identification of all the assets acquired and liabilities assumed by the Group. • Evaluated knowledge, competency and independence of the independent valuers of the Group. • Evaluated appropriateness of assumptions and methodologies underpinning the valuations of the fair value of assets acquired, and liabilities assumed, including consideration transferred in independent valuer's draft appraisal report and tested calculation. • Involved KPMG valuation specialist to evaluate the financial parameters applied to the discount rate, identification of the intangible assets, valuation methodology used and calculation rationale. • Assessed the adequacy of the disclosure in accordance with Thai Financial Reporting Standards.

Emphasis of Matter

I draw attention to note 4, during the year ended 31 December 2021, the Group completed the business combination by entire business transfer of Lotus's group, the independent valuers are still in the process of appraising the fair value of the identifiable assets acquired and liabilities assumed from the business combination. For the preparation of the consolidated financial statements for the year ended 31 December 2021, the Group has provisionally estimated the fair values of the identifiable assets acquired and liabilities assumed from the business combination by considering information in the draft appraisal report obtained from the independent valuers and recorded the difference between the consideration transferred and values of the assets and liabilities in the account "Goodwill" amounting to Baht 232,545 million. As at the reporting date, the reviews of appraisal report have not yet been completed therefore the determination of the fair value and the allocation of the consideration transferred was determined provisionally and is subject to potential amendment. My opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and separate financial statements and my auditor's report thereon.

My opinion on the consolidated and separate financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated and separate financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance and request that the correction be made. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements

Management is responsible for preparation and fair presentation of the consolidated and separate financial statements in accordance with TFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the Group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



(Piyatida Tangdenchai)
Certified Public Accountant
Registration No. 11766

KPMG Phoomchai Audit Ltd.
Bangkok
18 February 2022

Siam Makro Public Company Limited and its Subsidiaries

Statement of Financial position

		Consolidated financial statements		Separate financial statements				Consolidated financial statements		Separate financial statements	
		31 December		31 December				31 December		31 December	
Assets	Note	2021	2020	2021	2020	Liabilities and equity	Note	2021	2020	2021	2020
		(Restated)						(Restated)			
		(in Baht)						(in Baht)			
Current assets											
Cash and cash equivalents	6, 27	64,554,891,461	10,483,774,485	44,989,627,577	8,793,809,646	Short-term borrowings from financial institutions	16, 27	29,197,868,282	1,050,248,649	-	299,778,622
Current investments		3,974,700,000	34,568,950	-	-	Trade accounts payable to other parties	27	54,845,229,937	25,804,463,749	26,661,952,678	24,886,084,877
Trade accounts receivable	5, 7, 27	2,301,496,702	944,795,083	550,352,783	336,985,320	Trade accounts payable to related parties	5, 27	5,390,308,006	2,169,529,840	2,556,622,797	2,214,891,817
Other current receivables	5	1,985,490,137	482,725,901	410,343,128	189,951,675	Other current payables to other parties	27	13,041,810,384	1,672,314,694	1,732,327,939	1,574,472,097
Short-term loans to subsidiaries	5, 27	-	-	80,943,300	33,775,700	Other current payables to related parties	5, 27	1,010,403,367	303,976,865	404,196,688	290,952,201
Inventories	5, 8	31,966,575,834	14,477,505,762	13,992,303,985	13,251,096,028	Short-term borrowings from other parties	16, 27	-	6,007,420	-	-
Purchase discount receivables		3,775,760,372	1,188,115,256	1,216,680,687	1,181,449,539	Corporate income tax payable		1,126,006,053	927,351,890	856,808,693	919,054,742
Accrued income		782,351,163	631,692,727	637,639,673	602,391,827	Accrued expenses		7,350,802,952	2,837,756,211	3,482,758,735	2,631,506,678
Derivative assets	27	606,890,763	-	2,499,213	-	Current portion of long-term borrowings from financial institutions	16, 27	2,001,072,451	5,001,208,817	2,000,000,000	5,000,000,000
Other current assets		52,101,517	7,853,995	-	-	Current portion of lease liabilities	5, 16, 27	3,069,613,050	495,480,926	550,849,719	481,006,366
Total current assets		110,000,257,949	28,251,032,159	61,880,390,346	24,389,459,735	Derivative liabilities	27	702,935,939	4,653,030	-	4,653,030
Non-current assets											
Investments in subsidiaries	4, 9	-	-	232,649,106,235	8,104,029,580	Other current liabilities		475,019,605	202,223,054	201,389,882	197,210,769
Investments in associate	4, 10	9,139,468,357	85,552,404,610	-	-	Total current liabilities		118,211,070,026	40,475,215,145	38,446,907,131	38,499,611,199
Investments in joint ventures	10	4,875,371,520	-	-	-	Non-current liabilities					
Investments in related companies	5, 27	294,750,000	-	-	-	Long-term borrowings from financial institutions	16, 27	105,120,378,884	2,001,620,488	5,000,000,000	2,000,000,000
Other non-current receivables		44,832,693	13,265,915	-	-	Other non-current payables		187,262,670	4,316,802	2,916,810	4,316,802
Investment properties	11	45,268,353,686	112,498,502	112,498,502	112,498,502	Lease liabilities	5, 16, 27	44,904,541,660	7,621,593,843	6,149,385,897	5,829,190,481
Property, plant and equipment	5, 12	118,443,826,010	30,564,324,560	28,887,221,314	28,756,810,649	Rental deposit from tenants	5, 27	2,474,694,825	31,683,010	34,812,951	28,563,617
Right-of-use assets	13	36,830,567,933	10,204,159,161	9,185,634,048	8,591,920,123	Provisions for employee benefits	17	2,569,556,279	1,032,366,477	1,116,276,117	993,661,888
Goodwill	4, 14	234,736,022,257	2,190,598,824	-	-	Other non-current provisions	18	2,394,938,243	76,395,679	64,737,095	76,395,679
Other intangible assets						Deferred tax liabilities	24	4,447,183,308	80,330,977	-	-
other than goodwill	5, 15	8,059,821,049	2,200,651,034	1,426,783,589	1,427,118,694	Non-current derivative liabilities	27	172,710,535	-	-	-
Deferred tax assets	24	529,951,977	453,031,114	504,824,836	426,722,384	Other non-current liabilities		509,725,750	114,132	-	-
Other non-current assets		1,267,196,141	44,593,603	15,528,504	15,185,948	Total non-current liabilities		162,780,992,154	10,848,421,408	12,368,128,870	8,932,128,467
Total non-current assets		459,490,161,623	131,335,527,323	272,781,597,028	47,434,285,880	Total liabilities		280,992,062,180	51,323,636,553	50,815,036,001	47,431,739,666
Total assets		569,490,419,572	159,586,559,482	334,661,987,374	71,823,745,615						

The accompanying notes form an integral part of the financial statements.

Siam Makro Public Company Limited and its Subsidiaries

Statement of Financial position

Liabilities and equity (Continued)	Note	Consolidated financial statements		Separate financial statements	
		31 December		31 December	
		2021	2020	2021	2020
		(Restated)			
(in Baht)					
Equity					
Share capital					
Authorised share capital	19	5,586,161,750	2,400,000,000	5,586,161,750	2,400,000,000
Issued and paid-up share capital	19	5,290,161,750	2,400,000,000	5,290,161,750	2,400,000,000
Additional paid-in capital					
Premium on ordinary shares	19	263,881,502,666	3,290,152,068	263,881,502,666	3,290,152,068
Deficit from changes in ownership interests in subsidiary		(19,980,479)	(19,980,479)	-	-
Deficit from acquisition of interests under common control	4	(6,714,300,702)	-	(6,555,104,609)	-
Retained earnings					
Appropriated					
Legal reserve	20	240,000,000	240,000,000	240,000,000	240,000,000
Unappropriated		25,459,706,278	16,511,320,419	20,990,391,566	18,461,853,881
Other components of equity		(139,894,740)	(182,348,922)	-	-
Equity attributable to equity holders of the Company		287,997,194,773	22,239,143,086	283,846,951,373	24,392,005,949
Equity of subsidiary before business restructuring	4	-	85,552,404,610	-	-
Non-controlling interests		501,162,619	471,375,233	-	-
Total equity		288,498,357,392	108,262,922,929	283,846,951,373	24,392,005,949
Total liabilities and equity		569,490,419,572	159,586,559,482	334,661,987,374	71,823,745,615

Statement of income

	Note	Consolidated		Separate	
		financial statements		financial statements	
		For the year ended 31 December		For the year ended 31 December	
		2021	2020	2021	2020
		(Restated)			
(in Baht)					
Revenues	5				
Revenue from sale of goods		258,847,285,676	214,139,667,370	209,937,501,612	203,635,142,987
Revenue from rendering of services		4,176,526,630	3,757,472,016	3,896,472,710	3,778,751,453
Revenue from rental and rendering					
retail services		2,520,793,682	361,366,680	323,134,535	345,125,514
Other income		889,906,391	501,682,439	561,589,773	425,436,164
Total revenues	21	266,434,512,379	218,760,188,505	214,718,698,630	208,184,456,118
Expenses	5				
Cost of sale of goods	8	228,405,184,238	192,015,763,584	188,753,490,308	183,030,880,298
Cost of rental and rendering of services		1,045,691,503	56,647,491	63,767,212	56,647,491
Distribution costs		19,149,739,086	12,701,163,380	12,001,757,718	11,774,990,282
Administrative expenses		7,339,909,784	5,030,110,687	4,295,098,101	3,722,088,882
Total expenses	23	255,940,524,611	209,803,685,142	205,114,113,339	198,584,606,953
Profit from operating activities		10,493,987,768	8,956,503,363	9,604,585,291	9,599,849,165
Gain on step acquisition	4	6,714,300,702	-	-	-
Share of loss of associate and					
joint ventures accounted for using					
equity method	4, 10	(226,474,308)	(63,415,210)	-	-
Profit before finance costs and					
income tax expense		16,981,814,162	8,893,088,153	9,604,585,291	9,599,849,165
Finance costs		1,556,708,589	619,498,015	388,626,261	448,484,848
Profit before income tax expense		15,425,105,573	8,273,590,138	9,215,959,030	9,151,364,317
Income tax expense	24	2,127,544,688	1,812,840,394	1,835,503,640	1,806,193,833
Profit for the year		13,297,560,885	6,460,749,744	7,380,455,390	7,345,170,484
Profit (loss) attributable to:					
Equity holders of the Company		13,686,726,321	6,562,667,422	7,380,455,390	7,345,170,484
Former shareholders before					
business restructuring	4	(374,983,996)	(63,415,210)	-	-
Non-controlling interests		(14,181,440)	(38,502,468)	-	-
Profit for the year		13,297,560,885	6,460,749,744	7,380,455,390	7,345,170,484
Basic earnings per share					
of equity holders of the Company	25	2.38	1.37	1.28	1.53

The accompanying notes form an integral part of the financial statements.

Siam Makro Public Company Limited and its Subsidiaries

Statement of Comprehensive income

Note	Consolidated		Separate	
	financial statements		financial statements	
	For the year ended 31 December		For the year ended 31 December	
	2021	2020	2021	2020
		(Restated)		
		(in Baht)		
Profit for the year	13,297,560,885	6,460,749,744	7,380,455,390	7,345,170,484
Other comprehensive income				
<i>Item that will be reclassified subsequently to profit or loss</i>				
Exchange differences on translating financial statements	205,036,151	73,383,107	-	-
Loss on cash flow hedges	27 (66,468,535)	-	-	-
Income tax income relating to components of other comprehensive income on loss on cash flow hedges	24, 27 13,293,707	-	-	-
Loss on cash flow hedges reclassified to profit or loss	27 (68,234,991)	-	-	-
Share of gain (loss) of other comprehensive income of associate accounted for using equity method	4, 10 364,271,376	(19,027,971)	-	-
	447,897,708	54,355,136	-	-
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Gain (loss) on remeasurements of defined benefit plans	17 82,115,625	(53,998,062)	(64,897,131)	(62,664,927)
Income tax (expenses) income relating to components of other comprehensive income on gain (loss) on remeasurements of defined benefit plans	24 (20,456,087)	10,799,612	12,979,426	12,532,985
	61,659,538	(43,198,450)	(51,917,705)	(50,131,942)
Other comprehensive income for the year, net of income tax	509,557,246	11,156,686	(51,917,705)	(50,131,942)
Total comprehensive income for the year	13,807,118,131	6,471,906,430	7,328,537,685	7,295,038,542
Total comprehensive income (loss) attributable to:				
Equity holders of the Company	13,790,840,041	6,593,975,504	7,328,537,685	7,295,038,542
Former shareholders before business restructuring	4 (10,712,620)	(82,443,181)	-	-
Non-controlling interests	26,990,710	(39,625,893)	-	-
Total comprehensive income for the year	13,807,118,131	6,471,906,430	7,328,537,685	7,295,038,542

The accompanying notes form an integral part of the financial statements.

Siam Makro Public Company Limited and its Subsidiaries

Statement of changes in equity

Note	Consolidated financial statements												
	Retained earnings		Other components of equity							Equity attributable to equity holders of the Company	Equity of subsidiary before business restructuring	Non-controlling interests	Total equity
	Issued and paid-up share capital	Premium on ordinary shares	Deficit from changes in ownership interests in subsidiary	Deficit from acquisition of interests under common control	Legal reserve	Unappropriated	Translation reserve	Cash flow hedges reserve	Total other components of equity				
							(in Baht)						
For the year ended 31 December 2021													
Balance as at 1 January 2021	2,400,000,000	3,290,152,068	(19,980,479)	-	240,000,000	16,511,320,419	(182,348,922)	-	(182,348,922)	22,239,143,086	85,552,404,610	471,375,233	108,262,922,929
Transactions with equity holders, recorded directly in equity													
<i>Contributions by and distributions to equity holders</i>													
Issue of ordinary shares	19	385,000,000	32,621,631,348	-	-	-	-	-	-	33,006,631,348	-	-	33,006,631,348
Issue of ordinary shares as consideration of the entire business transfer	4, 19	2,505,161,750	227,969,719,250	-	-	-	-	-	-	230,474,881,000	-	-	230,474,881,000
Dividends	26	-	-	-	-	(4,800,000,000)	-	-	-	(4,800,000,000)	-	(323)	(4,800,000,323)
Total contributions by and distributions to equity holders		2,890,161,750	260,591,350,598	-	-	(4,800,000,000)	-	-	-	258,681,512,348	-	(323)	258,681,512,025
<i>Change in ownership interests in subsidiaries</i>													
Acquisition of non-controlling interests		-	-	-	-	-	-	-	-	-	-	2,796,999	2,796,999
<i>Change in ownership interest in associate</i>													
Change in ownership interest in associate		-	-	-	-	-	-	-	-	-	(66,040,292)	-	(66,040,292)
<i>Change in ownership interests arising from business restructuring</i>													
Acquisition of interests under common control	4	-	-	-	(6,714,300,702)	-	-	-	-	(6,714,300,702)	(85,475,651,698)	-	(92,189,952,400)
Total transactions with equity holders, recorded directly in equity		2,890,161,750	260,591,350,598	-	(6,714,300,702)	(4,800,000,000)	-	-	-	251,967,211,646	(85,541,691,990)	2,796,676	166,428,316,332
Comprehensive income for the year													
Profit or loss		-	-	-	-	13,686,726,321	-	-	-	13,686,726,321	(374,983,996)	(14,181,440)	13,297,560,885
Other comprehensive income		-	-	-	-	61,659,538	163,864,001	(121,409,819)	42,454,182	104,113,720	364,271,376	41,172,150	509,557,246
Total comprehensive income for the year		-	-	-	-	13,748,385,859	163,864,001	(121,409,819)	42,454,182	13,790,840,041	(10,712,620)	26,990,710	13,807,118,131
Balance as at 31 December 2021		5,290,161,750	263,881,502,666	(19,980,479)	(6,714,300,702)	240,000,000	25,459,706,278	(18,484,921)	(121,409,819)	(139,894,740)	287,997,194,773	-	288,498,357,392

The accompanying notes form an integral part of the financial statements.

Siam Makro Public Company Limited and its Subsidiaries

Statement of changes in equity

Consolidated financial statements										
Note	Issued and paid-up share capital	Premium on ordinary shares	Deficit from changes in ownership interests in subsidiary	Retained earnings		Other components	Equity attributable to equity holders of the Company	Equity of subsidiary before business restructuring	Non- controlling interests	Total equity
				Legal reserve	Unappropriated	of equity				
						Translation reserve <i>(in Baht)</i>				
For the year ended 31 December 2020										
(Restated)										
Balance as at 1 January 2020	2,400,000,000	3,290,152,068	-	240,000,000	14,599,851,447	(256,855,454)	20,273,148,061	-	504,787,827	20,777,935,888
Transactions with equity holders, recorded directly in equity										
<i>Distributions to equity holders</i>										
Dividends	26	-	-	-	-	(4,608,000,000)	-	(4,608,000,000)	-	(4,608,000,000)
<i>Total distributions to equity holders</i>		-	-	-	-	(4,608,000,000)	-	(4,608,000,000)	-	(4,608,000,000)
<i>Changes in ownership interests in subsidiary</i>										
Acquisition of non-controlling interests		-	-	-	-	-	-	-	5,222,820	5,222,820
Changes in ownership interests in subsidiary without a change in control		-	-	(19,980,479)	-	-	-	(19,980,479)	-	990,479
<i>Total changes in ownership interests in subsidiaries</i>		-	-	(19,980,479)	-	-	-	(19,980,479)	-	6,213,299
<i>Change in ownership interests arising from business restructuring</i>										
Acquisition of interests under common control	4	-	-	-	-	-	-	-	85,634,847,791	85,634,847,791
Total transactions with equity holders, recorded directly in equity		-	-	(19,980,479)	-	(4,608,000,000)	-	(4,627,980,479)	85,634,847,791	81,013,080,611
Comprehensive income for the year										
Profit or loss		-	-	-	-	6,562,667,422	-	6,562,667,422	(63,415,210)	6,460,749,744
Other comprehensive income		-	-	-	-	(43,198,450)	74,506,532	31,308,082	(19,027,971)	11,156,686
Total comprehensive income for the year		-	-	-	-	6,519,468,972	74,506,532	6,593,975,504	(82,443,181)	6,471,906,430
Balance as at 31 December 2020		2,400,000,000	3,290,152,068	(19,980,479)	240,000,000	16,511,320,419	(182,348,922)	22,239,143,086	85,552,404,610	108,262,922,929

The accompanying notes form an integral part of the financial statements.

Siam Makro Public Company Limited and its Subsidiaries

Statement of changes in equity

		Separate financial statements					
		Issued and paid-up share capital	Premium on ordinary shares	Deficit from acquisition of interests under common control	Retained earnings		Total equity
					Legal	Unappropriated	
Note					reserve		
					(in Baht)		
For the year ended 31 December 2021							
Balance as at 1 January 2021		2,400,000,000	3,290,152,068	-	240,000,000	18,461,853,881	24,392,005,949
Transactions with equity holders, recorded directly in equity							
<i>Contributions by and distributions to equity holders</i>							
Issue of ordinary shares	19	385,000,000	32,621,631,348	-	-	-	33,006,631,348
Issue of ordinary shares as consideration of the entire business transfer	4, 19	2,505,161,750	227,969,719,250	-	-	-	230,474,881,000
Dividends	26	-	-	-	-	(4,800,000,000)	(4,800,000,000)
<i>Total contributions by and distributions to equity holders</i>		2,890,161,750	260,591,350,598	-	-	(4,800,000,000)	258,681,512,348
<i>Change in ownership interests arising from business restructuring</i>							
Acquisition of interests under common control	4	-	-	(6,555,104,609)	-	-	(6,555,104,609)
Total transactions with equity holders, recorded directly in equity		2,890,161,750	260,591,350,598	(6,555,104,609)	-	(4,800,000,000)	252,126,407,739
Comprehensive income for the year							
Profit		-	-	-	-	7,380,455,390	7,380,455,390
Other comprehensive income		-	-	-	-	(51,917,705)	(51,917,705)
Total comprehensive income for the year		-	-	-	-	7,328,537,685	7,328,537,685
Balance as at 31 December 2021		5,290,161,750	263,881,502,666	(6,555,104,609)	240,000,000	20,990,391,566	283,846,951,373

The accompanying notes form an integral part of the financial statements.

Siam Makro Public Company Limited and its Subsidiaries

Statement of changes in equity

		Separate financial statements				
				Retained earnings		
	Note	Issued and paid-up share capital	Premium on ordinary shares	Legal reserve (in Baht)	Unappropriated	Total equity
For the year ended 31 December 2020						
Balance as at 1 January 2020		2,400,000,000	3,290,152,068	240,000,000	15,774,815,339	21,704,967,407
Transactions with equity holders, recorded directly in equity						
<i>Distributions to equity holders</i>						
Dividends	26	-	-	-	(4,608,000,000)	(4,608,000,000)
Total transactions with equity holders, recorded directly in equity		-	-	-	(4,608,000,000)	(4,608,000,000)
Comprehensive income for the year						
Profit		-	-	-	7,345,170,484	7,345,170,484
Other comprehensive income		-	-	-	(50,131,942)	(50,131,942)
Total comprehensive income for the year		-	-	-	7,295,038,542	7,295,038,542
Balance as at 31 December 2020		2,400,000,000	3,290,152,068	240,000,000	18,461,853,881	24,392,005,949

The accompanying notes form an integral part of the financial statements.

Siam Makro Public Company Limited and its Subsidiaries

Statement of cash flows

		Consolidated		Separate				Consolidated		Separate	
		financial statements		financial statements				financial statements		financial statements	
		For the year ended 31 December		For the year ended 31 December				For the year ended 31 December		For the year ended 31 December	
Note		2021	2020	2021	2020	Note		2021	2020	2021	2020
		(Restated)						(Restated)			
		(in Baht)						(in Baht)			
Cash flows from operating activities						Changes in operating assets and liabilities					
		13,297,560,885	6,460,749,744	7,380,455,390	7,345,170,484			3,415,166	94,383,039	(215,887,379)	(125,023,742)
								562,940,794	(14,800,016)	(129,362,494)	730,769
								(2,415,624,113)	258,367,627	(928,376,573)	44,305,507
								(1,687,843,448)	72,848,570	(35,231,148)	74,602,624
								(31,803,200)	16,777,276	(32,242,537)	5,827,855
								(24,089,428)	-	(2,499,213)	-
								(4,985,240)	6,529,671	-	-
								(8,389,559)	(23,647)	-	-
								(173,842,674)	1,280,835	(342,556)	1,679,202
								7,315,549,119	1,313,155,925	1,776,526,126	1,212,503,949
								2,384,517,852	237,196,261	341,730,980	233,513,352
								(2,403,832,019)	25,207,277	23,623,876	2,485,931
								243,223,496	105,112,318	110,357,340	102,655,794
								(410,845,139)	461,333,002	869,443,563	477,913,287
								(4,653,030)	4,653,030	(4,653,030)	4,653,030
								(226,267,021)	(10,627,698)	5,850,112	1,088,696
								182,945,868	(2,799,984)	(1,399,992)	(2,799,984)
								(175,822,104)	1,127,121	6,249,334	538,498
								(60,530,600)	(14,296,352)	(40,786,170)	(10,979,625)
								46,866,477	-	-	-
								152,045,133	46,895,679	(11,658,584)	46,895,679
								(257,131,682)	(566,959)	-	-
								19,425,712,689	15,282,379,163	14,724,167,746	14,972,596,277
								45,417,641	40,030,079	20,928,685	23,346,861
								(313,279,540)	(235,787,808)	(180,647,768)	(224,215,391)
								(2,383,385,892)	(1,733,590,584)	(1,962,872,716)	(1,705,094,824)
								16,774,464,898	13,353,030,850	12,601,575,947	13,066,632,923
		16,419,868,041	12,680,626,188	12,992,826,091	12,902,005,455						

The accompanying notes form an integral part of the financial statements.

Siam Makro Public Company Limited and its Subsidiaries

Statement of cash flows (Continued)

Note	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December		For the year ended 31 December	
	2021	2020 (Restated)	2021	2020
		(in Baht)		
Cash flows from investing activities				
Dividend received	10	81,162,222	-	-
Cash inflow on current investments		2,036,554,700	7,120,428	-
Acquisition of investment properties		(65,825,162)	-	-
Proceeds from sale of investment properties		222,796	-	-
Acquisition of property, plant and equipment		(2,377,443,063)	(1,831,116,766)	(2,028,081,438)
Proceeds from sale of property, plant and equipment		29,027,152	18,675,463	20,979,173
Acquisition of right-of-use assets		(501,459,272)	(190,728,327)	(501,459,272)
Acquisition of other intangible assets other than goodwill		(1,081,834,954)	(291,838,399)	(359,280,610)
Cash outflow on short-term loans to subsidiaries		-	-	(41,928,000)
Cash outflow on investment in subsidiary	9	-	-	(625,300,265)
Cash outflow on investment in related companies	5	(294,750,000)	-	-
Cash inflow on entire business transfer	4	13,165,259,377	-	-
Net cash from (used in) investing activities		10,990,913,796	(2,287,887,601)	(3,535,070,412)
Cash flows from financing activities				
Proceeds from issue of ordinary shares		33,006,631,348	-	33,006,631,348
Payment of lease liabilities	16	(1,654,292,806)	(1,007,488,344)	(777,318,952)
(Decrease) increase in short-term borrowings from financial institutions		(81,188,308)	220,362,806	(300,000,000)
Proceeds from long-term borrowings from financial institutions	16	5,000,000,000	496,902	5,000,000,000
Payment of financing fees		(5,508,147)	-	-
Repayment of long-term borrowings from financial institutions	16	(5,000,953,182)	(1,766,048)	(5,000,000,000)
Repayment of short-term borrowings from other parties	16	(6,007,420)	(8,762,236)	-
Proceed from short-term borrowing from subsidiary		-	-	150,000,000
Repayment of short-term borrowings from subsidiary		-	-	(310,000,000)
Dividends paid to equity holders of the Company	26	(4,800,000,000)	(4,608,000,000)	(4,800,000,000)
Dividends paid to non-controlling interests		(323)	-	-
Acquisition of non-controlling interests		2,796,999	5,222,820	-
Payment of changes in ownership interests in subsidiary without a change in control		(6,372,000)	(12,661,600)	-
Net cash from (used in) financing activities		26,455,106,161	(5,412,595,700)	27,129,312,396

The accompanying notes form an integral part of the financial statements.

Note	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December		For the year ended 31 December	
	2021	2020 (Restated)	2021	2020
		(in Baht)		
Net increase in cash and cash equivalents				
Net increase in cash and cash equivalents, before exchange differences on translating financial statements	54,220,484,855	5,652,547,549	36,195,817,931	5,197,517,895
Exchange differences on translating financial statements	(149,367,879)	31,068,719	-	-
Net increase in cash and cash equivalents	54,071,116,976	5,683,616,268	36,195,817,931	5,197,517,895
Cash and cash equivalents as at 1 January	10,483,774,485	4,800,158,217	8,793,809,646	3,596,291,751
Cash and cash equivalents as at 31 December	64,554,891,461	10,483,774,485	44,989,627,577	8,793,809,646
Supplemental disclosures of cash flows information:				
Investment properties purchased during the year are detailed as follows:				
Increases during the year	11	65,825,162	-	-
Paid by cash		65,825,162	-	-
Property, plant and equipment purchased during the year are detailed as follows:				
Increases during the year	12	8,038,892,433	1,770,452,823	2,162,319,842
(Less) add - changes in payables		(5,661,449,370)	60,663,943	(134,238,404)
Paid by cash		2,377,443,063	1,831,116,766	2,028,081,438
Right-of-use assets acquired during the year are detailed as follows:				
Increases during the year	13	1,647,378,796	987,861,405	1,442,906,671
(Less) - lease liabilities		(1,145,919,524)	(797,133,078)	(941,447,399)
Paid by cash		501,459,272	190,728,327	501,459,272
Other intangible assets other than goodwill purchased during the year are detailed as follows:				
Increases during the year	15	1,155,620,649	280,863,990	362,161,320
(Less) add - changes in payables		(73,785,695)	10,974,409	(2,880,710)
Paid by cash		1,081,834,954	291,838,399	359,280,610

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020

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These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 18 February 2022.

1 General information

Siam Makro Public Company Limited, the “Company”, is incorporated in Thailand and has its registered office at 1468, Phatthanakan Road, Phatthanakan, Suan Luang, Bangkok 10250, Thailand.

The Company was listed on the Stock Exchange of Thailand on 11 August 1994.

The parent company during the financial year was CP All Public Company Limited which incorporated in Thailand.

The principal business of the Company is the operation of Cash and Carry Trade Centres throughout Thailand, under the name “Makro”, selling food and non-food products to registered members, predominantly small and medium size businesses, retailers, caterers, professional sectors and institutions. The principal businesses of the subsidiaries of the Company (together with the Company referred to as the “Group”) involve the operation of retail business and mall rental in Thailand and foreign country, Cash and Carry Trade Centres in foreign countries, importing and trading of frozen and chilled foods, and operating restaurant and minimart.

As at 31 December 2021 the Company operated 135 Makro stores (2020: 130 Makro stores) and 7 frozen shops (2020: 7 frozen shops).

Details of the Company’s subsidiaries as at 31 December 2021 and 2020 are given in note 9 to the financial statements.

2 Basis of preparation of the financial statements

The financial statements are prepared in accordance with Thai Financial Reporting Standards (“TFRS”); guidelines promulgated by the Federation of Accounting Professions and applicable rules and regulations of the Thai Securities and Exchange Commission. The financial statements are presented in Thai Baht, which is the Company’s functional currency. The accounting policies described in each note have been applied consistently to all periods presented in these financial statements.

The consolidated financial statements relate to the Group and the Group’s interests in associate and joint ventures. The preparation of financial statements in conformity with TFRS requires management to make judgments, estimates and assumptions that affect the application of the Group’s accounting policies. Actual results may differ from these estimates. Estimates and underlying assumptions that described in each note are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

3 Significant accounting policies

The accounting policies described in each note have been applied consistently to all periods presented in these financial statements.

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020**(a) Basis of consolidation**

The consolidated financial statements relate to the Group and the Group's interests in associate and joint ventures.

Business combinations

The Group applies the acquisition method when the Group assess that the acquired set of activities and assets include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. The acquisition date is the date on which control is transferred to the Group, other than business combinations with entities under common control. Expenses in connection with a business combination are recognised as incurred.

Goodwill is measured as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less net fair value of the identifiable assets acquired and liabilities assumed. Any gain on bargain purchase is recognised in profit or loss immediately.

Consideration transferred includes assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, any contingent consideration and equity interests issued by the Group.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group estimates provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Business combination under common control are accounted for using a method similar to the pooling of interest method, by recognising assets and liabilities of the acquired businesses at their carrying amounts in the consolidated financial statements of the ultimate parent company at the transaction date. The difference between the carrying amount of the acquired net assets and the consideration transferred is recognised as surplus or deficit from business combination under common control in shareholder's equity. The surplus or deficit will be written off upon divestment of the businesses acquired. The results from operations of the acquired businesses will be included in the consolidated financial statements of the acquirer from the beginning of the comparative period or the moment the businesses came under common control, whichever date is later, until control ceases.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Non-controlling interests

At the acquisition date, the Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree. In addition, when there is a change in the Group's interest in a subsidiary that do not result in a loss of control, any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received from the acquisition or disposal of the non-controlling interests with no change in control are accounted for as other surpluses/deficits in shareholders' equity.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities, any related non-controlling interests and other components of equity of the subsidiary. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Interests in equity-accounted investee

Associate is the entity in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

The Group recognised investments in associate and joint ventures using the equity method in the consolidated financial statements. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's dividend income and share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated on consolidation. Unrealised gains arising from transactions with associate and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currencies

Transactions in foreign currencies including non-monetary assets and liabilities denominated in foreign currencies are translated to the respective functional currencies of each entity in the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate at the reporting date. Non-monetary assets and liabilities measured at fair value in foreign currencies are translated at the exchange rates at the dates that fair value was determined.

Foreign currency differences are generally recognised in profit or loss. However, foreign currency differences arising from the translation of qualifying cash flow hedges to the extent the hedge is effective are recognised in other comprehensive income.

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020*Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Thai Baht at the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated to Thai Baht at rates approximating the exchange rates at the dates of the transactions.

Foreign exchange differences are recognised in other comprehensive income and accumulated in the translation reserve until disposal of the investment, except to the extent that the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of associate or joint ventures while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity until disposal of the investment.

(c) Financial instruments*(c.1) Classification and measurement*

Financial assets and financial liabilities (except trade accounts receivables (see note 3 (c)) are initially recognised when the Group becomes a party to the contractual provisions of the instrument, and measured at fair value, taking into account for transaction costs that are directly attributable to its acquisition, except for financial assets and financial liabilities measured at FVTPL, which are initially and subsequently measured at fair value, and any transaction costs that are directly attributable to its acquisition are recognised in profit or loss.

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI); or fair value through profit or loss (FVTPL). Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified prospectively from the reclassification date.

On initial recognition, financial liabilities are classified as measured at amortised cost using the effective interest method. Interest expense, foreign exchange gains and losses and any gain or loss on derecognition are recognised in profit or loss.

Financial assets measured at amortised costs are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by expected credit losses. Interest income, foreign exchange gains and losses, expected credit loss, and any gain or loss on derecognition are recognised in profit or loss.

Equity investments measured at FVOCI are subsequently measured at fair value. Dividend income is recognised as income in profit or loss on the date on which the Group's right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(c.2) Derecognition and offset

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

The difference between the carrying amount extinguished and the consideration received or paid is recognised in profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and the Group intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(c.3) Derivatives

Derivatives are recognised at fair value and remeasured at fair value at each reporting date. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting in which case recognition of any resultant gain or loss depends on nature of the item being hedged (see note 3 (c.4)).

(c.4) Hedging

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the risk, the economic relationship between the hedged item and the hedging instrument, including consideration of the hedge effectiveness at the inception of the hedging relationship and throughout the remaining period to determine the existence of economic relationship between the hedged item and the hedging instrument.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts (forward points) is recognised in a cash flow hedging reserve within equity.

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the cash flow hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the cash flow hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the cash flow hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the cash flow hedging reserve are immediately reclassified to profit or loss.

(c.5) Impairment of financial assets other than trade accounts receivables

The Group recognises expected credit losses (ECLs) equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition or credit-impaired financial assets, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

ECLs are a probability-weighted estimate of credit losses based on forward-looking and historical experience. Credit losses are measured as the present value of all cash shortfalls discounted by the effective interest rate of the financial asset.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 365 days past due, significant deterioration in credit rating, significant deterioration in the operating results of the debtor and existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security; or
- the financial asset is more than 365 days past due.

(c.6) Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering. Subsequent recoveries of an asset that was previously written off, are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(c.7) Interest

Interest income and expense is recognised in profit or loss using the effective interest method. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and highly liquid short-term investments which has a maturity of three months or less from the date of acquisition.

(e) Trade accounts receivable

A trade receivable is recognised when the Group has an unconditional right to receive consideration. A trade receivable is measured at transaction price less allowance for expected credit loss. Bad debts are written off when incurred.

The Group estimates lifetime expected credit losses (ECLs), using a provision matrix to find ECLs rate. This method groups the debtors based on shared credit risk characteristics and past due status, taking into account historical credit loss data, adjusted for factors that are specific to the debtors and an assessment of both current economic conditions and forward-looking general economic conditions at the reporting date.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is calculated using the weighted average cost principle. Cost includes direct costs incurred in acquiring the inventories less purchase discount as specified in the contractual agreements. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and to make the sale.

(g) Investments in subsidiaries

Investments in subsidiaries in the separate financial statements are measured at cost less allowance for impairment losses. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established. If the Company disposes of part of its investment, the deemed cost of the part sold is determined using the weighted average method. Gains and losses on disposal of the investments are recognised in profit or loss.

(h) Investment properties

Investment properties are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the investment property includes the cost of self-constructed assets.

Depreciation is calculated on a straight-line basis over the estimated useful lives of investment properties of 22 to 99 years or according to lease term and recognised in profit or loss. No depreciation charged on freehold land under investment properties.

Differences between the proceeds from disposal and the carrying amount of investment property are recognised in profit or loss.

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020**(i) Property, plant and equipment**

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Differences between the proceeds from disposal and the carrying amount of property, plant and equipment are recognised in profit or loss.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item when the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of each component of an asset and recognised on profit or loss. No depreciation is provided on freehold land and assets under construction.

The estimated useful lives are as follows:

Buildings, building improvements and right-of-use assets improvements	3 to 50 years or lease term
Machinery and equipment	3 to 12 years
Furniture, fixtures and office equipment	1 to 15 years
Vehicles	4 to 10 years

(j) Goodwill

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investee, the carrying amount of goodwill is included in the carrying amount of the investment.

(k) Intangible assets

Intangible assets that have indefinite useful lives are measured at cost less impairment losses. Other intangible assets are measured at cost less accumulated amortisation and impairment losses. Subsequent expenditure is capitalised only when it will generate the future economic benefits. Amortisation is calculated on a straight-line basis over the estimated useful lives of intangible assets and recognised in profit or loss.

The estimated useful lives are as follows:

Computer software	1 to 10 years
Trademark and other	10 years and indefinite useful lives
Customer relationship	10 years

(l) Leases

At inception of a contract, the Group assesses that a contract is, or contains, a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or on modification of a contract, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices of each component. For the leases of property, the Group has elected not to separate non-lease components and accounted for the lease and non-lease components wholly as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date, except for leases of low-value assets and short-term leases which is recognised as an expense on a straight-line basis over the lease term.

Right-of-use asset is measured at cost, less any accumulated depreciation and impairment loss, and adjusted for any remeasurements of lease liability. The cost of right-of-use asset includes the initial amount of the lease liability adjusted for any prepaid lease payments, plus any initial direct costs incurred and an estimate of restoration costs, less any lease incentives received. Depreciation is charged to profit or loss on a straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment.

The lease liability is initially measured at the present value of all lease payments that shall be paid under the lease. The Group uses the Group's incremental borrowing rate to discount the lease payments to the present value. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a lease modification, or a change in options specified in the lease. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

As a lessor

At inception or on modification of a contract, the Group allocates the consideration in the contract to each component on the basis of their relative standalone selling prices.

At lease inception, the Group considers to classify a lease that transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to lessees as a finance lease. A lease that does not meet this criteria is classified as an operating lease.

When the Group is an intermediate lessor, the Group classifies the sub-lease either as a finance lease or an operating lease with reference to the right-of-use asset arising from the head lease. In case of a head lease is a short-term lease, the sub-lease is classified as an operating lease. Those right-of-use assets are presented as investment properties.

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Notes to the financial statements For the year ended 31 December 2020

The Group recognises lease payments received under operating leases in profit or loss on a straight-line basis over the lease term as part of rental income. Initial direct costs incurred in arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as rental income in the accounting period in which they are earned.

The Group estimates lifetime expected credit losses (ECLs), using a provision matrix to find ECLs rate. This method groups the lease receivables based on shared credit risk characteristics and past due status, taking into account historical credit loss data, adjusted for factors that are specific to the debtors and an assessment of both current economic conditions and forward-looking general economic conditions at the reporting date. The Group derecognises the lease receivables as disclosed in note 3(e).

(m) Impairment of non-financial assets

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill and intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount, unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

The recoverable amount is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses of assets recognised in prior periods is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Employee benefits*Defined contribution plans*

Obligations for contributions to the Group's provident funds are expensed as the related service is provided.

Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods. The defined benefit obligations is discounted to the present value, which performed annually by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognised immediately in OCI. The Group determines the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement immediately occurs.

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(p) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are based on unobservable input.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and asset positions at a bid price and liabilities and liability positions at an ask price.

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The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price, the financial instrument is initially measured at fair value adjusted for the difference between the fair value on initial recognition and the transaction price and the difference is recognised in profit or loss immediately. However, for the fair value categorised as level 3, such difference is deferred and will be recognised in profit or loss on an appropriate basis over the life of the instrument or until the fair value level is transferred or the transaction is closed out.

(q) Revenues*Revenue recognition*

Revenue is recognised when a customer obtains control of the goods or services in an amount that reflects the consideration to which the Group expects to be entitled, excluding those amounts collected on behalf of third parties, value added tax or other sales taxes and is after deduction of any trade discounts and volume rebates.

Revenue from sales of goods is recognised on the date on which the goods are delivered to the customers. For the sales that permit the customers to return the goods, the Group estimates the returns based on the historical return data, does not recognise revenue for this transaction and remains recognition of inventory for the estimated products to be returned. Revenue for rendering of services is recognised over time as the services are provided.

Customer loyalty programme

For customer loyalty programme that the Group offers to customers, the consideration received are allocated based on the relative stand-alone selling price of the products and the loyalty points. The amount allocated to the loyalty points is recognised as contract liabilities and revenue is recognised when loyalty points are redeemed or the likelihood of the customer redeeming the loyalty points becomes remote. The stand-alone selling prices of the points is estimated based on discount provided to customers and the likelihood that the customers will redeem the points, and the estimate shall be reviewed at the end of the reporting period.

Other income

Other operating income is recognised in profit or loss as it accrues.

(r) Income tax

Income tax expense for the year comprises current and deferred tax, which is recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is recognised in respect of the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Current deferred tax assets and liabilities are offset in separate financial statements.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(s) Earnings per share

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

(t) Related parties

A related party is a person or entity that has direct or indirect control or joint control, or has significant influence over the financial and managerial decision-making of the Group; a person or entity that are under common control or under the same significant influence as the Group; or the Group has direct or indirect control or joint control or has significant influence over the financial and managerial decision-making of a person or entity.

(u) Segment reporting

Segment results that are reported to the Executive Committee and Group Chief Executive Officer-Makro Wholesale Business (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly finance costs, income tax expenses, goodwill and other assets.

4 Business combination by entire business transfer

On 6 March 2020, C.P. Retail Holding Company Limited ("CPRH") and C.P. Retail Development Company Limited ("CPRD" or "Lotus's group") were incorporated in Thailand for the purpose of investing in retail business and mall rental in Thailand and Malaysia.

CPRH's major shareholders are (i) CP All Public Company Limited ("CPALL"), (ii) Charoen Pokphand Holdings Company Limited ("CPH") and (iii) C.P. Merchandising Company Limited ("CPM"). CPALL, CPH and CPM holds 40%, 40% and 20% of CPRH's ordinary shares, respectively. CPRH holds 99.99% of CPRD's ordinary shares.

On 18 December 2020, CPRD completed its acquisition of (i) 86.9% of ordinary shares of Tesco Stores (Thailand) Limited ("Lotus's Thailand") (subsequently known as "Lotus's Stores (Thailand) Co., Ltd."), which holds ordinary shares of 99.99% in Ek-Chai Distribution System Co., Ltd., a retail operator under the Tesco Lotus trademark in Thailand, and (ii) 100.0% of ordinary shares of Tesco Stores (Malaysia) Sdn. Bhd. ("Lotus Malaysia") (subsequently known as "Lotus Stores (Malaysia) Sdn. Bhd."), which operates retail business under the Tesco trademark in Malaysia, for the total consideration transferred of USD 10,735 million or equivalent to Baht 321,970 million.

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At the Company's Extraordinary General Meeting of Shareholders held on 12 October 2021, the Company's shareholders approved the Company to accept the transfer of the entire business ("EBT Transaction") of CPRH to reinforce the business of the Company and support the Company's long-term strategies to become the leader in the retail and wholesale business and to expand the coverage of its business operations to be at a regional level, pursuant to which the Company will accept the transfer of the entire business of CPRH, including all assets, debts, rights, obligations and liabilities of CPRH existing at present and in the future as at the entire business transfer date.

On 25 October 2021, the Company completed the entire business transfer transaction of CPRH. As part of the EBT Transaction, all assets and liabilities of CPRH were transferred to the Company at the closing date. CPRH's main assets and liabilities included cash and cash equivalents, accrued expenses and 99.99% of CPRD's ordinary shares. CPRD holds (a) 99.99% of Lotus's Stores (Thailand) Company Limited's ordinary share which holds 99.99% of Ek-Chai Distribution System Company Limited's ordinary share, an operator of a retail business under the name Lotus's in Thailand; and (b) 100.00% of Lotuss Stores (Malaysia) Sdn. Bhd.'s ordinary share which operates a retail business under the name Lotus's in Malaysia. The business of the Lotus's Group is divided into two main groups which are the retail business and the business of leasing space in shopping malls. The Lotus's Group is a leading operator in the retail business of groceries and consumer products with multi-store formats comprising supermarkets, supermarkets and mini-supermarkets, and operates the business of leasing space in shopping malls in Thailand and Malaysia.

Under the EBT Transaction, the Company issued and allocated up to 5,010,323,500 new ordinary shares of the Company with a par value of Baht 0.50 each at the offering price of Baht 43.50 per share, totaling Baht 217,949,072,250 to CPRH in consideration of the entire business transfer from CPRH as payment in kind through the private placement offering (the "Private Placement Transaction").

After the completion of the EBT Transaction, CPRH proceeded with dissolution and completed liquidation within the same fiscal year in order to be in accordance with the rules, procedures and conditions stipulated under the Revenue Department for the purpose of tax exemption for such transaction. CPRH has allocated ordinary shares of the Company to the existing shareholders of CPRH (i.e. CPALL, CPH and CPM), proportionately.

As the entire business transfer transaction of CPRH in which CPALL (the parent company of the Group) holds 40% part were under business restructuring and acquisition of interests under common control. As a result, they have been accounted for using a method similar to pooling of interests method, to reflect the economic substances of the companies in the Group which were under common control throughout the related period for the benefit of comparison, although the legal form of the relationship of the Company and the subsidiaries was effective subsequently.

The effects of the business restructuring on the financial statements of 2020 as previously issued is presented below.

Consolidated statement of financial position as at 31 December 2020	As previously reported	Impact from restructuring (in million Baht)	As currently reported
Investment in associate	-	85,552	85,552
Equity of subsidiary before business restructuring	-	(85,552)	(85,552)

Consolidated statement of income for the year ended 31 December 2020	As previously reported	Impact from restructuring (in million Baht)	As currently reported
Share of loss of associate accounted for using equity method	-	63	63
Consolidated statement of comprehensive income for the year ended 31 December 2020	As previously reported	Impact from restructuring (in million Baht)	As currently reported
Share of other comprehensive income of associate accounted for using equity method	-	19	19

The entire business transfer transaction of CPRH in which CPH and CPM hold 40% and 20% respectively, were the business combination achieved in stages ("step acquisition") pursuant to the provisions of Thai Financing Reporting Standards ("TFRS") No. 3, *Business Combinations*, which requires, among other things, that (i) the previously held equity interest in CPRD be remeasured to fair value by the Company at the date of business combination with any resulting gain or loss recognised in profit or loss and (ii) assets acquired and liabilities assumed in a business combination be recognised at their fair values as of the date of business combination.

Deficit from acquisition of interests under common control is determined as follows:

	Consolidated financial statements (in million Baht)	Separate financial statements
Fair value of previously held equity interests	92,190	92,190
Carrying amount of previously held equity interests	85,476	85,635
Deficit from acquisition of interests under common control	6,714	6,555

The gain recognised as a result of remeasuring to fair value of the previously held equity interests is determined as follows:

	Consolidated financial statements (in million Baht)
Fair value of previously held equity interests	92,190
Carrying amount of previously held equity interests	85,476
Gain recognised as a result of remeasuring to fair value of the previously held equity interests	6,714

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020

The Company engaged independent valuers to appraise the fair value of identifiable assets acquired and liabilities assumed, and allocation of fair value at the date of business combination. At the report date, the independent valuers are still in the process of appraising the fair value of those; and the fair value appraisal has not yet been completed. The principal factors that contributed to goodwill are that this subsidiary is one of the leading player in retail market that is trusted by customers for their daily purchase with nationwide store network providing them with convenience regardless of their location with ability to operate retail business, experienced human resources in retail business, ability to generate revenue from various store formats and from store space management and innovation, ability to further expand business to neighbouring countries, capability of management, staff and technology that will help to accelerate overseas expansion as well as business sustainability. The overall components of such subsidiary will contribute to the Company's capability to fulfill its Mission "To become the number 1 B2B and B2C retailer in Asia, combining both online and offline, by fulfilling our customers' daily needs with technology, innovation and operational excellence; together with people and partners in a sustainable way". Goodwill from the business combination will not qualify for any tax deduction.

For the preparation of the financial statements for the year ended 31 December 2021, the Company has provisionally estimated the fair values of the identifiable assets acquired and liabilities assumed from the business combination by considering information in the latest draft appraisal report obtained from the independent valuers and recorded the difference between the consideration transferred and values of the assets and liabilities in the account "Goodwill" amounting to Baht 232,545 million.

Identifiable assets acquired and liabilities assumed

	Fair values (in million Baht)
CPRH	
Cash and cash equivalents	4
Accrued expenses	(2)
CPRD	
Cash and cash equivalents	13,161
Current investment	5,975
Trade accounts receivable and other current receivables	3,240
Inventories	14,478
Derivative assets	583
Other current assets	1,023
Investments in associate	9,174
Investments in joint ventures	4,774
Investment properties	51,017
Property, plant and equipment	77,943
Right-of-use assets	26,028
Other intangible assets other than goodwill	5,221
Deferred tax assets	2,157
Other non-current assets	1,054
Short-term borrowings from financial institutions	(28,220)
Trade accounts payable and other current payables	(30,967)
Corporate income tax payable	(496)
Current portion of lease liabilities	(1,907)
Derivative liabilities	(809)
Other current liabilities	(4,939)
Long-term borrowings from financial institutions	(100,093)
Lease liabilities	(36,982)
Rental deposit from tenants	(2,620)

	Fair values (in million Baht)
CPRD (continued)	
Provisions for employee benefits	(1,487)
Other non-current provisions	(2,166)
Deferred tax liabilities	(6,447)
Other non-current liabilities	(767)
Total identifiable net assets received	(2,070)
Goodwill	232,545
Consideration transferred	230,475

The Company is continuing its review of these matters during the measurement period. If new information obtained within one year from the date of business combination about facts and circumstances that existed at the date of business combination identifies adjustments to the above provisional fair values, or any additional assets or liabilities that existed at the date of business combination, then the business combination accounting will be revised.

Business combination-related costs

The Company had business combination-related costs, totaling Baht 197 million, which were recorded in the administrative expenses account in the consolidated statement of income for the year ended 31 December 2021.

Operations of new subsidiary after the date of business combination

In the preparation of the consolidated statement of income for the year ended 31 December 2021, the Company included the operation results of new subsidiary for the period from 25 October 2021 to 31 December 2021. Significant details are as follows:

	For the period from 25 October 2021 to 31 December 2021 (in million Baht)
Total revenues	40,197
Profit for the period attributable to equity holders of the Company	397

If the business combination had occurred on 1 January 2020, management estimates that consolidated total revenues of the Group would have increased by Baht 166,390 million and consolidated profit attributable to equity holders would have increased by Baht 518 million. In determining these amounts, management has assumed that the fair value adjustments including finance costs related transactions, determined provisionally, that arose on the date of business combination would have been the same if the business combination had occurred on 1 January 2021.

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020**5 Related parties**

Relationships with subsidiaries, associate and joint ventures are described in note 9 and 10 to the financial statements. Relationships with key management and other related parties that the Group had significant transactions were as follows:

Name of parties	Country of incorporation/ nationality	Nature of relationships
Charoen Pokphand Group Company Limited ("CPG")	Thailand	Shareholder of the parent company
CP ALL Public Company Limited	Thailand	Parent company of the Group
CPRAM Co., Ltd.	Thailand	Subsidiary of the parent company
C.P. Retailink Co., Ltd.	Thailand	Subsidiary of the parent company
Gosoft (Thailand) Co., Ltd.	Thailand	Subsidiary of the parent company
C.P. Food Store Co., Ltd.	Thailand	Chearavanont family is a major shareholder
Advance Transport Co., Ltd.	Thailand	Chearavanont family is a major shareholder
All Now Management Co., Ltd.	Thailand	Company under CPG Group
Ascend Commerce Co., Ltd.	Thailand	Company under CPG Group
Charoen Pokphand Foods Public Company Limited	Thailand	Company under CPG Group
CPF Food And Beverage Company Limited	Thailand	Company under CPG Group
CPF Restaurant And Food Chain Company Limited	Thailand	Company under CPG Group
CPF Trading Co., Ltd.	Thailand	Company under CPG Group
CPF (Thailand) Public Company Limited	Thailand	Company under CPG Group
CP B&F (Thailand) Co., Ltd.	Thailand	Company under CPG Group
CP-Meiji Co., Ltd.	Thailand	Company under CPG Group
CP Sales & Service Co., Ltd.	Thailand	Company under CPG Group
C.P. Consumer Product Co., Ltd.	Thailand	Company under CPG Group
C.P. Land Public Company Limited	Thailand	Company under CPG Group
C.P. Merchandising Co., Ltd.	Thailand	Company under CPG Group
C.P. Packaging Industry Co., Ltd.	Thailand	Company under CPG Group
C.P. Tower Growth Leasehold Property Fund	Thailand	Company under CPG Group
Dynamic Transport Company Limited	Thailand	Company under CPG Group
Egg Digital Co., Ltd.	Thailand	Company under CPG Group
Freewill Solutions Co., Ltd.	Thailand	Company under CPG Group
International Pet Food Company Limited	Thailand	Company under CPG Group
Leadership Development Charoen Pokphand Group Co., Ltd.	Thailand	Company under CPG Group
Pokphand enterprise Co., Ltd.	Thailand	Company under CPG Group
Perfect Companion Group Co., Ltd.	Thailand	Company under CPG Group
True Digital Group Co., Ltd.	Thailand	Company under CPG Group
True Distribution & Sales Co., Ltd.	Thailand	Company under CPG Group
True e-Logistics Company Limited	Thailand	Company under CPG Group
True Internet Corporation Co., Ltd.	Thailand	Company under CPG Group
True Internet Data Center Co., Ltd.	Thailand	Company under CPG Group
True Leasing Co., Ltd.	Thailand	Company under CPG Group

Name of parties	Country of incorporation/ nationality	Nature of relationships
True Money Co., Ltd.	Thailand	Company under CPG Group
True Move H Universal Communication Co., Ltd.	Thailand	Company under CPG Group
Wire & Wireless Co., Ltd.	Thailand	Company under CPG Group
Asia Aquaculture (M) Sdn. Bhd.	Malaysia	Company under CPG Group
C.P. Cambodia Co., Ltd	Cambodia	Company under CPG Group
C.P. Vietnam Corporation	Vietnam	Company under CPG Group
Pk Agro-industrial Product (Malaysia) Sdn.	Malaysia	Company under CPG Group
Key management personnel	Thai/ Foreigners	Persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

<i>Significant transactions with related parties</i> <i>Year ended 31 December</i>	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
<i>(in million Baht)</i>				
Parent company				
Revenue from sale of goods	15	9	15	9
Revenue from rendering of services and other income	6	6	6	6
Distribution costs and administrative expenses	182	176	177	171
Subsidiaries				
Revenue from sale of goods	-	-	179	244
Revenue from rendering of services, rental and other income	-	-	59	69
Purchases of goods and services	-	-	545	262
Associate				
Revenue from rendering of services and other income	23	-	-	-
Dividend income	81	-	-	-
Distribution costs and administrative expenses	110	-	-	-
Purchases of goods and services	20	-	-	-
Interest expenses	32	-	-	-
Joint ventures				
Revenue from rendering of services and other income	20	-	-	-
Distribution costs and administrative expenses	30	-	-	-
Purchases of goods and services	1	-	-	-

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Notes to the financial statements For the year ended 31 December 2020

<i>Significant transactions with related parties</i> <i>Year ended 31 December</i>	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
	<i>(in million Baht)</i>			
Other related parties				
Revenue from sale of goods	744	581	606	513
Revenue from rendering of services and other income	214	152	132	147
Distribution costs and administrative expenses	827	486	561	472
Purchases of goods and services	19,884	15,737	16,836	15,635
Purchases of equipment	24	106	3	106
Purchases of other intangible assets other than goodwill	81	14	1	5
Interest expense	8	7	7	7
Key management personnel				
Key management benefit expenses				
Short-term employee benefits	265	244	265	244
Severance pay for employees	8	7	8	7
Total key management benefit expenses	273	251	273	251

Balances as at 31 December 2021 and 2020 with related parties were as follows:

	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
	<i>(in million Baht)</i>			
Trade accounts receivable				
Parent company	3	1	3	1
Subsidiaries	-	-	25	45
Associate	12	-	-	-
Joint ventures	2	-	-	-
Other related parties	192	64	76	57
Total	209	65	104	103
Less allowance for expected credit loss	-	-	-	-
Net	209	65	104	103
Other current receivables				
Subsidiaries	-	-	53	57
Associate	26	-	-	-
Joint ventures	21	-	-	-
Other related parties	115	8	44	6
Total	162	8	97	63
Less allowance for expected credit loss	-	-	-	-
Net	162	8	97	63
Short-terms loans to subsidiaries				
Subsidiaries	-	-	81	34
Total	-	-	81	34

	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
	<i>(in million Baht)</i>			
Expected credit losses for the year ended 31 December				
Trade accounts receivable	-	-	-	-
Other current receivables	-	-	-	-
Short-term loans to subsidiaries	-	-	-	-
Investment in related companies				
All Now Management Co., Ltd.	234	-	-	-
Egg Digital Co., Ltd.	61	-	-	-
Total	295	-	-	-
Trade accounts payable				
Subsidiaries	-	-	87	52
Other related parties	5,390	2,170	2,470	2,163
Total	5,390	2,170	2,557	2,215
Other current payables				
Parent company	96	97	89	86
Subsidiaries	-	-	1	-
Other related parties	914	207	314	205
Total	1,010	304	404	291
Lease liabilities				
Associate	6,758	-	-	-
Joint ventures	21	-	-	-
Other related parties	562	261	242	260
Total	7,341	261	242	260
Rental deposit from tenants				
Parent company	3	1	3	1
Other related parties	7	7	6	7
Total	10	8	9	8
Capital commitments				
Property, plant and equipment	1	2	1	2
Computer software	3	2	3	2
Total	4	4	4	4

Significant agreements with related parties

As at 31 December 2021 the Group had the following significant agreements with related parties:

- The Company and the foreign subsidiaries have service agreements with CP ALL Public Company Limited, the parent company. Under the terms of these agreements, the Company and the subsidiaries obtain the right to use of trademarks and services under conditions stipulated in the agreements. In consideration thereof, the Company and the subsidiaries are committed to pay to the parent company fees calculated as percentages of their sales as stipulated in the agreements. These agreements are effective for periods of 1 year to 5 years and will expire on various dates until December 2026.

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020

- b) The local subsidiary and foreign subsidiary have service agreement with Charoen Pokphand Group Co., Ltd., a shareholder of the parent company. Under the terms of agreement, the subsidiary obtains the right to use of trademarks and services under conditions stipulated in the agreement. In consideration thereof, the subsidiary is committed to pay to the related company fees calculated as a percentage of its sales as stipulated in the agreement. The agreement is effective for periods of 2 years and will expire in December 2023.
- c) The Company has lease and service agreements with C.P. Retailink Co., Ltd., a related company. Under the terms of the agreements, the Company agrees to provide space for trading and related services to the related company. In consideration thereof, the related company agrees to pay monthly rental and services fees, and places guarantee deposits with the Company as stipulated in the agreement. The guarantee deposits will be refunded to the related company upon the termination of the lease. These agreements are effective for a period of 1 year and 3 years, and will expire on various dates until January 2025.
- d) The Company has a service agreement with True Internet Corporation Co., Ltd., a related company. Under the terms of the agreement, the related company agrees to provide services in relation to data center service and disaster recovery site to the Company. In consideration thereof, the Company agrees to pay to the related company a monthly service fee at the rate stipulated in the agreement. This agreement is effective for a period of 1 year and will expire in April 2022.
- e) The Company entered into commitments as guarantor under new facilities agreement of CPRD, a local subsidiary, due to the refinancing transaction with financial institutions covering the borrowing amounting to Baht 9,500 million and USD 570 million.

6 Cash and cash equivalents

	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
	<i>(in million Baht)</i>			
Cash on hand	5,600	1,681	1,673	1,666
Cash at banks	58,872	8,694	43,317	7,128
Highly liquid short-term investments	83	109	-	-
Total	64,555	10,484	44,990	8,794

7 Trade accounts receivable

Consolidated financial statements			
	Trade accounts receivable - other parties	Trade accounts receivable - related parties (Note 5)	Total carrying amounts
	<i>(in million Baht)</i>		
As at 31 December 2021			
Within credit terms	1,333	118	1,451
Overdue:			
Less than 3 months	749	79	828
3 - 6 months	107	9	116
6 - 12 months	92	2	94
Over 12 months	190	1	191
Total	2,471	209	2,680
Less allowance for expected credit loss	(379)	-	(379)
Net	2,092	209	2,301

As at 31 December 2020			
Within credit terms	632	48	680
Overdue:			
Less than 3 months	253	15	268
3 - 6 months	4	1	5
6 - 12 months	35	1	36
Over 12 months	22	-	22
Total	946	65	1,011
Less allowance for expected credit loss	(66)	-	(66)
Net	880	65	945

Separate financial statements			
	Trade accounts receivable - other parties	Trade accounts receivable - related parties (Note 5)	Total carrying amounts
	<i>(in million Baht)</i>		
As at 31 December 2021			
Within credit terms	293	73	366
Overdue:			
Less than 3 months	160	24	184
3 - 6 months	1	6	7
6 - 12 months	-	1	1
Over 12 months	1	-	1
Total	455	104	559
Less allowance for expected credit loss	(9)	-	(9)
Net	446	104	550

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020

	Separate financial statements		
	Trade accounts receivable - other parties	Trade accounts receivable - related parties (Note 5)	Total carrying amounts
As at 31 December 2020			
Within credit terms	164	72	236
Overdue:			
Less than 3 months	75	29	104
3 - 6 months	-	1	1
6 - 12 months	2	1	3
Total	241	103	344
Less allowance for expected credit loss	(7)	-	(7)
Net	234	103	337
Allowance for expected credit loss			
	Consolidated financial statements		Separate financial statements
	2021	2020	2021 2020
	(in million Baht)		
As at 1 January	66	30	7 4
Increase	24	45	2 3
Acquired through business combination	355	-	- -
Reversal	(52)	-	- -
Write-off	(16)	(8)	- -
Exchange differences on translating financial statements	2	(1)	- -
As at 31 December	379	66	9 7

Information of credit risk is disclosed in note 27 (b.1).

8 Inventories

	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
	(in million Baht)			
Finished goods	33,522	14,411	14,039	13,306
Work in process	7	8	-	-
Goods in transit	618	311	326	130
Total	34,147	14,730	14,365	13,436
Less allowance for losses on decline in value of inventories	(2,180)	(252)	(373)	(185)
Net	31,967	14,478	13,992	13,251
Cost of inventories recognised in cost of sale of goods for the year ended 31 December				
- Cost of sales	226,477	191,977	188,565	183,009
- Allowance for losses on decline in value of inventories	1,928	39	188	22
Total	228,405	192,016	188,753	183,031

9 Investments in subsidiaries

Movements during the years ended 31 December 2021 and 2020 were as follows:

	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
	(in million Baht)			
As at 1 January	-	-	8,104	7,329
Acquired through business combination*	-	-	224,115	-
Increase	-	-	430	775
As at 31 December	-	-	232,649	8,104

Details of the increases in investment in subsidiaries during the years ended 31 December 2021 and 2020 were as follows:

	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
	(in million Baht)			
Makro ROH Co., Ltd.	-	-	430	775
Total	-	-	430	775

*Information for the increase in investment with C.P. Retail Development Co., Ltd during the year has disclosed in note 4

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020

Investments in subsidiaries as at 31 December 2021 and 2020, and dividend income for the years then ended were as follows:

Name of party	Type of business	Country of operation	Separate financial statements							
			Ownership interest		Paid-up capital		At cost		Dividend income	
			2021	2020	2021	2020	2021	2020	2021	2020
			(%)				(in million Baht)			
Local direct subsidiaries										
Siam Food Services Limited	Importing and trading of food products from international and domestic sources and providing freight, delivery rental and storage services	Thailand	99.99	99.99	3,183	3,183	3,408	3,408	-	-
Makro ROH Co., Ltd.	Providing technical and supporting services to the Group	Thailand	99.99	99.99	4,962	4,532	4,962	4,532	-	-
ProMart Co., Ltd.	Trading of non-food products	Thailand	99.99	99.99	3	3	3	3	-	-
C.P. Retail Development Company Limited	Investing in retail business and mall rental	Thailand	99.99	-	199,475	-	224,115	-	-	-
Total							232,488	7,943	-	-

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020

Name of party	Type of business	Country of operation	Separate financial statements							
			Ownership interest		Paid-up capital		At cost		Dividend income	
			2021	2020	2021	2020	2021	2020	2021	2020
			(%)		(in million U.S. Dollar)		(in million Baht)		(in million Baht)	
<i>Foreign direct subsidiary</i>										
Indoguna Vina Food Service Company Limited	Trading and distribution, and import and export food products	Vietnam	100	100	5	5	161	161	-	-
Total							161	161	-	-
Grand total							232,649	8,104	-	

Additional investments during the year

In March 2021 a local subsidiary, Makro ROH Co., Ltd. (“MROH”) called for additional paid-up share capital of Baht 175 million. The additional paid-up share capital was completed in March 2021.

Later on 11 August 2021 and 26 August 2021 MROH’s Board of Directors and shareholders respectively approved to increase the authorised share capital of Baht 340 million (increase from Baht 4,707 million to Baht 5,047 million) and to call for paid-up share capital at 35% of Baht 119 million. In this regard, the Company has a 99.99% investment in the subsidiary’s paid-up share capital. The registration of the increased authorised share capital with the Ministry of Commerce and the additional paid-up share capital were completed in August 2021.

Later on 5 October 2021 and 24 November 2021 MROH’s Board of Directors approved to call for paid-up share capital at 10% and 30% respectively totaling Baht 136 million. In this regard, the Company has a 99.99% investment in the subsidiary’s paid-up share capital. The additional paid-up share capital were completed in October and December 2021 respectively, paid-up share capital totaling Baht 4,962 million.

Notes to the financial statements For the year ended 31 December 2020

Name of party	Type of business	Country of operation	Ownership interests	
			2021	2020 (%)
Local indirect subsidiaries				
Lotus’s Stores (Thailand) Co., Ltd.	Investing in retail businesses	Thailand	99.99	-
Ek-Chai Distribution System Co., Ltd.	Retail operator and related businesses	Thailand	99.99	-
Lotus’s Mobile (Thailand) Co., Ltd.	Telecommunication business	Thailand	99.99	-
Foreign indirect subsidiaries				
ARO Commercial Company Limited	Wholesale and retail operator and related businesses	Republic of the Union of Myanmar	99.99	99.99
ARO Company Limited	Providing marketing and consulting services	Republic of the Union of Myanmar	99.99	99.99
CP Wholesale India Private Limited	Wholesale and related business	India	99.99	99.99
Guangzhou Huadu Makro Food Supermarket Company Limited	Wholesale and retail operator and related businesses	The People’s Republic of China	99.99	99.99
Indoguna (Cambodia) Company Limited	Importing and trading of food related products	Cambodia	99.99	99.99
Indoguna (Singapore) Pte Ltd	Manufacturing, trading, importing and exporting of food related products	Singapore	80	80
Indoguna Dubai L.L.C*	Importing and trading of food related products	United Arab Emirates	80	80
Indoguna Lordly Company Limited	Manufacturing, trading, importing and exporting of food related products	Hong Kong Special Administrative Region of the People's Republic of China	80	80
Just Meat Company Limited	Importing and trading of food related products	Hong Kong Special Administrative Region of the People's Republic of China	80	80
Lotuss Stores (Malaysia) Sdn. Bhd.	Retail operator and related businesses	Malaysia	99.99	-
Makro (Cambodia) Company Limited	Wholesale and retail operator and related businesses	Cambodia	70	70
Makro (Guangzhou) Food Company Limited	Wholesale and retail operator and related businesses	The People’s Republic of China	99.99	99.99
MAXZI THE GOOD FOOD RESTAURANT & CAFE L.L.C*	Restaurant and minimart	United Arab Emirates	80	80

* The Group interest is 80% after taking account of nominee holdings.

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020*Additional investments during the year*

- a) On 8 March 2021 a foreign subsidiary, CP Wholesale India Private Limited (“CPWI”)’s Board of Directors and shareholders approved to increase the authorised share capital of INR 40 million (increase from INR 675 million to INR 715 million) and called for additional paid-up share capital of INR 70 per share (with the par value of INR 10 per share and the share premium of INR 60 per share) totaling INR 150 million. The registration of the increase authorised and the additional paid-up share capital were completed in March 2021.

Later in May 2021 the subsidiary called for additional paid-up share capital of INR 70 per share (with the par value of INR 10 per share and the share premium of INR 60 per share) totaling INR 150 million. The additional paid-up share capital was completed in May 2021.

Later on 2 September 2021 and 3 September 2021, CPWI’s Board of Directors and shareholders respectively approved to increase the authorised share capital of INR 87 million (increase from INR 715 million to INR 802 million) and called for additional paid-up share capital of INR 70 per share (with the par value of INR 10 per share and the share premium of INR 60 per share) totaling INR 200 million. The registration of the increase authorised and the additional paid-up share capital were completed in September 2021.

And later in November 2021 the subsidiary called for additional paid-up share capital of INR 70 per share (with the par value of INR 10 per share and the share premium of INR 60 per share) totaling INR 200 million. The additional paid-up share capital was completed in December 2021. Therefore, the total paid-up share capital amounted to INR 771 million with the share premium of INR 4,029 million.

- b) On 16 March 2021 a foreign subsidiary, Makro (Guangzhou) Food Company Limited (“MGZ”)’s Board of Directors and shareholders approved to increase the authorised share capital of RMB 4 million (increase from RMB 111 million to RMB 115 million). The registration of the increase authorised share capital and the additional paid-up share capital were completed in March 2021.

Later on 30 April 2021 MGZ’s Board of Directors and shareholders approved to increase the authorised share capital of RMB 5 million (increase from RMB 115 million to RMB 120 million). The registration of the increase authorised share capital and the additional paid-up share capital were completed in May 2021.

Later on 11 August 2021 MGZ’s Board of Directors and shareholders approved to increase the authorised share capital of RMB 6 million (increase from RMB 120 million to RMB 126 million). The registration of the increase authorised share capital and the additional paid-up share capital were completed in August 2021.

And later on 5 October 2021 and 7 December 2021 MGZ’s Board of Directors and shareholders approved to increase the authorised share capital of RMB 7 million and RMB 6 million respectively (increase from RMB 126 million to RMB 139 million). The registration of the increase authorised share capital and the additional paid-up share capital were completed in October and December 2021 respectively.

- c) On 8 September 2021 a foreign subsidiary, Indoguna Dubai L.L.C (“INDD”)’s shareholders approved to increase the authorised share capital of AED 1.5 million (increase from AED 0.3 million to AED 1.8 million). The registration of the increase authorised share capital and the additional paid-up share capital were completed in September 2021.

10 Investments in associate and joint ventures

Movements during the years ended 31 December 2021 and 2020 were as follows:

		Consolidated financial statements		Separate financial statements	
	<i>Note</i>	2021	2020	2021	2020
			<i>(in million Baht)</i>		
As at 1 January		85,552	-	-	-
Acquisition/transfer of interests under common control	4	(85,476)	85,635	-	-
Acquired through business combination	4	13,948	-	-	-
Change in ownership interest in associate		(66)	-	-	-
Add (less) share of gain loss of investment using equity method		138	(83)	-	-
Less dividend income		(81)	-	-	-
As at 31 December		14,015	85,552	-	-

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020

Investments in associate and joint ventures as at 31 December 2021 and 2020, and dividend income for the years then ended were as follows:

Name of party	Type of business	Consolidated financial statements									
		Ownership interest		Paid-up capital		At cost		At equity method		Dividend income	
		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
		(%)		(in million Baht)							
Associate											
C.P. Retail Holding Company Limited	Investing activities	-	40.00	-	199,480	-	85,635	-	85,552	-	-
Indirect associate											
Lotus’s Retail Growth Freehold and Leasehold Property Fund	Real estate rental	25.00	-	23,828	-	6,373	-	9,139	-	81	-
Total						6,373	85,635	9,139	85,552	81	-
Indirect joint ventures											
Retail Properties Co., Ltd.	Mall rental services and related utilities service	50.00	-	210	-	248	-	503	-	-	-
Lotus’s Money Services Limited	Credit card services	50.00	-	2,080	-	1,040	-	4,053	-	-	-
Synergistic Property Development Co., Ltd.	Property development	50.00	-	465	-	256	-	319	-	-	-
Total						1,544	-	4,875	-	-	-

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020

Lotus's Retail Growth Freehold and Leasehold Property Fund is listed on the Stock Exchange of Thailand. The fair value of this investment was calculated from its closing price at 31 December 2021, amounting to Baht 8,823 million.

All associate and joint ventures are registered and operate in Thailand.

The Group has considered that none of associate and joint ventures is regarded as individually material to the Group.

Immaterial associate and joint ventures

The following summarises the financial information of the Group's interest in immaterial associate and joint ventures based on the amounts reported in the Group's consolidated financial statements:

	Immaterial associate		Immaterial joint ventures	
	2021	2020	2021	2020
	<i>(in million Baht)</i>			
Carrying amount of interests in immaterial associate and joint ventures	9,139	85,552	4,875	-
Group's share of:				
- (Loss) profit from continuing operations	(328)	(63)	102	-
- Other comprehensive income	364	(19)	-	-
- Total comprehensive income	<u>36</u>	<u>(82)</u>	<u>102</u>	<u>-</u>

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020**11 Investment properties**

		Consolidated financial statements				Separate financial statements	
	<i>Note</i>	Land	Buildings	Right-of-use assets (in million Baht)	Total	Land	Total
Cost							
As at 1 January 2020		127	-	-	127	127	127
As at 31 December 2020 and 1 January 2021		127	-	-	127	127	127
Increase		10	56	-	66	-	-
Acquired through business combination	4	16,812	25,955	8,250	51,017	-	-
Reclassification		(1,535)	(3,937)	-	(5,472)	-	-
Disposals and write-off		-	(23)	(1)	(24)	-	-
Lease modification		-	-	330	330	-	-
Exchange differences on translating financial statements		(14)	(11)	(4)	(29)	-	-
As at 31 December 2021		15,400	22,040	8,575	46,015	127	127
Accumulated depreciation and accumulated impairment losses							
As at 1 January 2020		(15)	-	-	(15)	(15)	(15)
As at 31 December 2020 and 1 January 2021		(15)	-	-	(15)	(15)	(15)
Depreciation charge for the year		(7)	(654)	(88)	(749)	-	-
Reversal of impairment losses		-	1	-	1	-	-
Disposals and write-off		-	18	1	19	-	-
Exchange differences on translating financial statements		(1)	(2)	-	(3)	-	-
As at 31 December 2021		(23)	(637)	(87)	(747)	(15)	(15)

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020

	Consolidated financial statements				Separate financial statements	
	Land	Buildings	Right-of-use assets (in million Baht)	Total	Land	Total
<i>Net book value</i>						
As at 1 January 2020	<u>112</u>	<u>-</u>	<u>-</u>	<u>112</u>	<u>112</u>	<u>112</u>
As at 31 December 2020 and 1 January 2021	<u>112</u>	<u>-</u>	<u>-</u>	<u>112</u>	<u>112</u>	<u>112</u>
As at 31 December 2021	<u>15,377</u>	<u>21,403</u>	<u>8,488</u>	<u>45,268</u>	<u>112</u>	<u>112</u>

The gross amount of the Group's fully depreciated investment properties that were still in use as at 31 December 2021 amounted to Baht 1,184 million in the consolidated financial statements.

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020**12 Property, plant and equipment**

Consolidated financial statements								
	<i>Note</i>	Land	Buildings, building improvements and right-of-use improvements	Machinery and equipment	Furniture, fixtures and office equipment <i>(in million Baht)</i>	Vehicles	Assets under construction and installation	Total
Cost								
As at 1 January 2020		12,350	18,071	16,800	2,786	65	376	50,448
Additions		-	313	718	247	19	473	1,770
Transfers		-	479	226	108	-	(813)	-
Disposals and write-off		-	(27)	(356)	(130)	(21)	-	(534)
Exchange differences on translating financial statements		-	(3)	(2)	(1)	-	34	28
As at 31 December 2020 and 1 January 2021		12,350	18,833	17,386	3,010	63	70	51,712
Additions		84	825	795	3,192	19	3,124	8,039
Acquired through business combination	4	22,191	40,957	-	13,023	185	1,587	77,943
Transfers		-	1,435	304	(13)	(1)	(1,725)	-
Reclassification		1,535	3,937	-	-	-	-	5,472
Disposals and write-off		-	(159)	(435)	(1,120)	(3)	(4)	(1,721)
Exchange differences on translating financial statements		(15)	(27)	60	(1)	4	3	24
As at 31 December 2021		36,145	65,801	18,110	18,091	267	3,055	141,469

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020**Consolidated financial statements (Continued)**

	Land	Buildings, improvements and right-of-use improvements	Machinery and equipment	Furniture, fixtures and office equipment <i>(in million Baht)</i>	Vehicles	Assets under construction and installation	Total
<i>Accumulated depreciation and accumulated impairment losses</i>							
As at 1 January 2020	-	(6,269)	(11,017)	(2,070)	(34)	-	(19,390)
Depreciation charge for the year	-	(502)	(1,405)	(351)	(11)	-	(2,269)
Disposals and write-off	-	21	338	129	20	-	508
Reversal of allowance (additional allowance) for impairment losses	-	(2)	1	1	-	-	-
Exchange differences on translating financial statements	-	(1)	2	1	1	-	3
As at 31 December 2020 and 1 January 2021	-	(6,753)	(12,081)	(2,290)	(24)	-	(21,148)
Depreciation charge for the year	-	(758)	(1,334)	(1,196)	(33)	-	(3,321)
Disposals and write-off	-	107	422	1,053	2	-	1,584
Reversal of allowance (additional allowance) for impairment losses	-	(89)	(1)	10	-	-	(80)
Exchange differences on translating financial statements	-	(19)	(31)	(7)	(3)	-	(60)
As at 31 December 2021	-	(7,512)	(13,025)	(2,430)	(58)	-	(23,025)

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020**Consolidated financial statements (Continued)**

	Land	Buildings, building improvements and right-of-use improvements	Machinery and equipment	Furniture, fixtures and office equipment (in million Baht)	Vehicles	Assets under construction and installation	Total
<i>Net book value</i>							
As at 1 January 2020	<u>12,350</u>	<u>11,802</u>	<u>5,783</u>	<u>716</u>	<u>31</u>	<u>376</u>	<u>31,058</u>
As at 31 December 2020 and 1 January 2021	<u>12,350</u>	<u>12,080</u>	<u>5,305</u>	<u>720</u>	<u>39</u>	<u>70</u>	<u>30,564</u>
As at 31 December 2021	<u>36,145</u>	<u>58,289</u>	<u>5,085</u>	<u>15,661</u>	<u>209</u>	<u>3,055</u>	<u>118,444</u>

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020

	Separate financial statements						Total
	Land	Buildings, building improvements and right-of-use improvements	Machinery and equipment	Furniture, fixtures and office equipment <i>(in million Baht)</i>	Vehicles	Assets under construction and installation	
Cost							
As at 1 January 2020	12,350	17,339	16,174	2,598	44	84	48,589
Additions	-	51	624	191	18	461	1,345
Transfers	-	175	197	108	-	(480)	-
Disposals and write-off	-	(17)	(348)	(128)	(18)	-	(511)
As at 31 December 2020 and 1 January 2021	12,350	17,548	16,647	2,769	44	65	49,423
Additions	-	97	769	304	8	984	2,162
Transfers	-	388	303	12	-	(703)	-
Disposals and write-off	-	(60)	(403)	(89)	-	-	(552)
As at 31 December 2021	12,350	17,973	17,316	2,996	52	346	51,033
Accumulated depreciation and accumulated impairment losses							
As at 1 January 2020	-	(6,179)	(10,893)	(1,988)	(27)	-	(19,087)
Depreciation charge for the year	-	(454)	(1,305)	(303)	(7)	-	(2,069)
Disposals and write-off	-	12	333	127	18	-	490
Reversal of allowance (addition allowance) for impairment losses	-	(2)	1	1	-	-	-
As at 31 December 2020 and 1 January 2021	-	(6,623)	(11,864)	(2,163)	(16)	-	(20,666)
Depreciation charge for the year	-	(463)	(1,228)	(300)	(9)	-	(2,000)
Disposals and write-off	-	42	394	88	-	-	524
Addition allowance for impairment losses	-	(3)	(1)	-	-	-	(4)
As at 31 December 2021	-	(7,047)	(12,699)	(2,375)	(25)	-	(22,146)

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020**Separate financial statements (Continued)**

	Land	Buildings, building improvements and right-of-use improvements	Machinery and equipment	Furniture, fixtures and office equipment (in million Baht)	Vehicles	Assets under construction and installation	Total
<i>Net book value</i>							
As at 1 January 2020	12,350	11,160	5,281	610	17	84	29,502
As at 31 December 2020 and 1 January 2021	12,350	10,925	4,783	606	28	65	28,757
As at 31 December 2021	12,350	10,926	4,617	621	27	346	28,887

The gross amount of the Group's and the Company's fully depreciated plant and equipment that were still in use as at 31 December 2021 amounted to Baht 28,706 million (2020: Baht 8,226 million) in the consolidated financial statements and Baht 9,098 million (2020: Baht 8,116 million) in the separate financial statements respectively.

Security

As at 31 December 2021, the Group's property, plant and equipment with total net book value of Baht 14,756 million (2020: Baht 3 million) were pledged under long-term borrowings from financial institutions.

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020**13 Right-of-use assets**

Consolidated financial statements							
	Note	Land	Buildings	Machinery and equipment <i>(in million Baht)</i>	Furniture, fixtures and office equipment	Vehicles	Total
Cost							
As at 1 January 2020		7,887	2,282	1,425	227	110	11,931
Additions		304	102	460	22	100	988
Write-off		-	(33)	(14)	(11)	(9)	(67)
Exchange differences on translating financial statements		7	(11)	-	-	-	(4)
As at 31 December 2020 and 1 January 2021		8,198	2,340	1,871	238	201	12,848
Additions		703	453	377	24	90	1,647
Acquired through business combination	4	13,024	12,063	126	471	344	26,028
Write-off		(1)	(148)	(58)	(2)	(40)	(249)
Lease modification		-	359	1	-	68	428
Exchange differences on translating financial statements		66	89	1	1	9	166
As at 31 December 2021		21,990	15,156	2,318	732	672	40,868

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020**Consolidated financial statements (Continued)**

	Land	Buildings	Machinery and equipment (in million Baht)	Furniture, fixtures and office equipment	Vehicles	Total
<i>Accumulated depreciation</i>						
As at 1 January 2020	(1,024)	(27)	(505)	(181)	(1)	(1,738)
Depreciation charge for the year	(352)	(323)	(188)	(21)	(62)	(946)
Write-off	-	8	11	10	9	38
Exchange differences on translating financial statements	-	2	-	-	-	2
As at 31 December 2020 and 1 January 2021	(1,376)	(340)	(682)	(192)	(54)	(2,644)
Depreciation charge for the year	(610)	(597)	(197)	(24)	(93)	(1,521)
Write-off	1	146	58	2	40	247
Lease modification	-	(13)	-	-	-	(13)
Addition of allowance for impairment losses	(36)	(44)	-	-	-	(80)
Exchange differences on translating financial statements	(7)	(12)	-	-	(7)	(26)
As at 31 December 2021	(2,028)	(860)	(821)	(214)	(114)	(4,037)
<i>Net book value</i>						
As at 1 January 2020	<u>6,863</u>	<u>2,255</u>	<u>920</u>	<u>46</u>	<u>109</u>	<u>10,193</u>
As at 31 December 2020 and 1 January 2021	<u>6,822</u>	<u>2,000</u>	<u>1,189</u>	<u>46</u>	<u>147</u>	<u>10,204</u>
As at 31 December 2021	<u>19,962</u>	<u>14,296</u>	<u>1,497</u>	<u>518</u>	<u>558</u>	<u>36,831</u>

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020

	Separate financial statements					
	Land	Buildings	Machinery and equipment (in million Baht)	Furniture, fixtures and office equipment	Vehicles	Total
Cost						
As at 1 January 2020	7,056	1,417	1,407	217	84	10,181
Additions	304	59	457	18	97	935
Write-off	-	-	(13)	(10)	(7)	(30)
As at 31 December 2020 and 1 January 2021	7,360	1,476	1,851	225	174	11,086
Additions	658	348	375	24	37	1,442
Write-off	-	(121)	(49)	(1)	(20)	(191)
As at 31 December 2021	8,018	1,703	2,177	248	191	12,337
Accumulated depreciation						
As at 1 January 2020	(992)	(25)	(499)	(180)	-	(1,696)
Depreciation charge for the year	(334)	(239)	(182)	(19)	(52)	(826)
Write-off	-	-	11	10	7	28
As at 31 December 2020 and 1 January 2021	(1,326)	(264)	(670)	(189)	(45)	(2,494)
Depreciation charge for the year	(359)	(239)	(181)	(18)	(52)	(849)
Write-off	-	121	49	2	20	192
As at 31 December 2021	(1,685)	(382)	(802)	(205)	(77)	(3,151)
Net book value						
As at 1 January 2020	6,064	1,392	908	37	84	8,485
As at 31 December 2020 and 1 January 2021	6,034	1,212	1,181	36	129	8,592
As at 31 December 2021	6,333	1,321	1,375	43	114	9,186

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020**14 Goodwill**

Note	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
	(in million Baht)			
As at 31 December				
As at 1 January	2,191	2,191	-	-
Acquired through business combination	4 232,545	-	-	-
Less impairment loss	-	-	-	-
Net book value	234,736	2,191	-	-

Most of the Goodwill arose from the Company completed the entire business transfer transaction of C.P. Retail Holding Company Limited ("CPRH") and the Group's purchase of shares at 80% shareholding each of 4 companies, namely Indoguna (Singapore) Pte Ltd, Indoguna Dubai L.L.C, Just Meat Company Limited and Indoguna Lordly Company Limited (together referred to as "Indoguna group of companies").

Cash generating units ("CGUs") containing goodwill

For the purposes of impairment testing, goodwill has been allocated to the Group's CGUs as follows.

	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
	(in million Baht)			
C.P. Retail Development Company Limited and its subsidiaries ("Lotus's group")*	232,545	-	-	-
Indoguna group	2,023	2,023	-	-
Siam Food Services Limited	168	168	-	-
Total	234,736	2,191	-	-

*The company is currently assessing the allocation of Lotus's group's goodwill because it is still during the measurement period.

Impairment testing for carrying amount of goodwill and other intangible assets within indefinite useful lives

The recoverable amount was based on its value in use, determined by discounting future cash flows to be generated from the going concern and the continuing use of assets.

The values assigned to the key assumptions represented management's assessment of future trends in the relevant industries and were based on historical data from external and internal sources. The key assumptions used in the estimation of the recoverable amount were as follows:

Discount rate

The discount rates were based on weighted average cost of capital comprised of key financial assumptions such as cost of debt and cost of equity.

Terminal value growth rate

Terminal value growth rates were determined based on average consumer price index in the country of operation, inflation rates and growth rates of historical earnings before income tax, depreciation and amortisation ("EBITDA").

Budgeted EBITDA

Budgeted EBITDA were based on expectations of future outcomes taking into the past experience, adjusted for the anticipated revenue growth. Revenue growth was projected from past experience and estimate sale growth.

Management has identified that a reasonably possible change in three key assumptions, discount rate, terminal value growth rate and estimate sale growth rate, which in 2021 if discount rate increases by 2% (2020: 3%) or terminal value growth rate decreases by 3% (2020: 6%) or estimate sale growth rate decreases by 5% (2020: 6%) could cause the recoverable amount to be equal to the carrying amount.

Based on the impairment testing, the recoverable amount was estimated to be higher than its carrying amount and no impairment was required to the consolidated financial statements.

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020**15 Other intangible assets other than goodwill**

Consolidated financial statements						
	Note	Computer software	Trademarks and other	Customer relationship (in million Baht)	Computer software under development and other	Total
Cost						
As at 1 January 2020		2,761	462	59	90	3,372
Additions		117	4	-	160	281
Transfers		119	2	-	(121)	-
Exchange differences on translating financial statements		4	-	-	-	4
As at 31 December 2020 and 1 January 2021		3,001	468	59	129	3,657
Additions		290	1	-	865	1,156
Acquired through business combination	4	1,571	-	1,078	2,572	5,221
Transfers		2,785	2	-	(2,787)	-
Write-off		(3)	-	-	(10)	(13)
Exchange differences on translating financial statements		29	-	-	3	32
As at 31 December 2021		7,673	471	1,137	772	10,053

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020**Consolidated financial statements (Continued)**

	Computer software	Trademarks and other	Customer relationship (in million Baht)	Computer software under development and other	Total
<i>Accumulated amortisation and accumulated impairment losses</i>					
As at 1 January 2020	(1,079)	(4)	(12)	-	(1,095)
Amortisation charge for the year	(357)	(2)	(3)	-	(362)
Exchange differences on translating financial statements	1	-	-	-	1
As at 31 December 2020 and 1 January 2021	(1,435)	(6)	(15)	-	(1,456)
Amortisation charge for the year	(509)	(2)	(26)	-	(537)
Write-off	3	-	-	-	3
Reversal of allowance for impairment losses	8	-	-	-	8
Exchange differences on translating financial statements	(11)	1	(1)	-	(11)
As at 31 December 2021	(1,944)	(7)	(42)	-	(1,993)
<i>Net book value</i>					
As at 1 January 2020	1,682	458	47	90	2,277
As at 31 December 2020 and 1 January 2021	1,566	462	44	129	2,201
As at 31 December 2021	5,729	464	1,095	772	8,060

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020

	Separate financial statements		
	Computer software	Computer software under development (in million Baht)	Total
Cost			
As at 1 January 2020	2,471	64	2,535
Additions	66	140	206
Transfers	97	(97)	-
As at 31 December 2020 and 1 January 2021	2,634	107	2,741
Additions	45	317	362
Transfers	129	(129)	-
Write-off	(4)	(9)	(13)
As at 31 December 2021	2,804	286	3,090
Accumulated amortisation and accumulated impairment losses			
As at 1 January 2020	(1,008)	-	(1,008)
Amortisation charge for the year	(306)	-	(306)
As at 31 December 2020 and 1 January 2021	(1,314)	-	(1,314)
Amortisation charge for the year	(360)	-	(360)
Write-off	3	-	3
Reversal of allowance for impairment losses	8	-	8
As at 31 December 2021	(1,663)	-	(1,663)
Net book value			
As at 1 January 2020	1,463	64	1,527
As at 31 December 2020 and 1 January 2021	1,320	107	1,427
As at 31 December 2021	1,141	286	1,427

The gross amount of the Group's and the Company's fully amortised other intangible assets other than goodwill that were still in use as at 31 December 2021 amounted to Baht 2,936 million (2020: Baht 393 million) in the consolidated financial statements and Baht 410 million (2020: Baht 360 million) in the separate financial statements respectively.

16 Interest-bearing liabilities

	Consolidated financial statements					
	2021			2020		
	Secured	Unsecured	Total (in million Baht)	Secured	Unsecured	Total
Short-term borrowings from financial institutions						
Liabilities under trust receipts	-	915	915	-	526	526
Short-term borrowings	28,283	-	28,283	-	45	45
Bills of exchange	-	-	-	-	480	480
Short term borrowings from other parties	-	-	-	-	6	6
Long-term borrowings from financial institutions	18,103	89,018	107,121	3	7,000	7,003
Lease liabilities	-	47,974	47,974	-	8,117	8,117
Total interest-bearing liabilities	46,386	137,907	184,293	3	16,174	16,177
	Separate financial statements					
	2021			2020		
	Secured	Unsecured	Total (in million Baht)	Secured	Unsecured	Total
Short-term borrowings from financial institution						
Bills of exchange	-	-	-	-	300	300
Long-term borrowings from financial institutions	-	7,000	7,000	-	7,000	7,000
Lease liabilities	-	6,700	6,700	-	6,310	6,310
Total interest-bearing liabilities	-	13,700	13,700	-	13,610	13,610

As at 31 December 2021 the Group and the Company had unutilised credit facilities totaling Baht 33,886 million (2020: Baht 17,016 million) in the consolidated financial statements and Baht 13,017 million (2020: Baht 16,002 million) in the separate financial statements respectively.

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020

Movements during the years ended 31 December 2021 and 2020 were as follows:

		Consolidated financial statements		Separate financial statements	
	Note	2021	2020	2021	2020
		(in million Baht)			
Short-term borrowings from financial institutions					
As at 1 January		1,050	827	300	-
Increases		9,711	220	6,750	300
Acquired through business combination	4	28,220	-	-	-
Decreases		(9,867)	-	(7,050)	-
Interest paid calculated using effective interest rate method		52	-	-	-
Other non-cash movement		32	3	-	-
As at 31 December		29,198	1,050	-	300
Short-term borrowings from other parties					
As at 1 January		6	14	-	-
Decreases		(6)	(9)	-	-
Other non-cash movement		-	1	-	-
As at 31 December		-	6	-	-
Lease liabilities					
As at 1 January		8,117	641	6,310	641
Impact of changes in accounting policies		-	7,347	-	5,524
Purchase of assets under lease liabilities		1,146	797	941	746
Acquired through business combination	4	38,889	-	-	-
Payment of lease liabilities		(1,654)	(1,007)	(777)	(824)
Write-off		(25)	(34)	-	(2)
Finance costs under lease		623	385	226	225
Lease modification		721	-	-	-
Other non-cash movement		157	(12)	-	-
As at 31 December		47,974	8,117	6,700	6,310
Long-term borrowings from financial institutions					
As at 1 January		7,003	7,004	7,000	7,000
Increases		5,000	-	5,000	-
Acquired through business combination	4	100,093	-	-	-
Decreases		(5,001)	(1)	(5,000)	-
Interest paid calculated using effective interest rate method		68	-	-	-
Other non-cash movement		(42)	-	-	-
As at 31 December		107,121	7,003	7,000	7,000

As at 31 December 2021 the Group had long-term borrowings agreements with some local branch of foreign financial institutions and local financial institutions. Details of significant agreements are as follows:

Borrowing agreement	Approved credit facilities	Interest rate (% per annum)	Term of payment
The first agreement	Baht 1,000 million	Fixed interest rate as stipulated in the agreement	Entire principal of borrowing in November 2022
The second agreement	Baht 1,000 million	Fixed interest rate as stipulated in the agreement	Entire principal of borrowing in December 2022
The third agreement	Baht 2,000 million	Fixed interest rate as stipulated in the agreement	Entire principal of borrowing in November 2024
The fourth agreement	Baht 1,000 million	Fixed interest rate as stipulated in the agreement	Entire principal of borrowing in January 2025
The fifth agreement	Baht 2,000 million	Fixed interest rate as stipulated in the agreement	Entire principal of borrowing in January 2026
The sixth agreement	U.S. Dollar 2,500 million	Variable interest rate as stipulated in the agreement	Entire principal of borrowing in October 2024
The seventh agreement	Malaysian Ringgit 2,300 million	Variable interest rate as stipulated in the agreement	Installment until October 2026

In this regard, the Group must comply with the specified covenants in each long-term borrowings agreements, such as to maintain debt to equity ratio and the shareholdings of the parent company as stipulated in the agreements, etc.

17 Provisions for employee benefits**Defined benefit plan**

The Group operates defined benefit plans which have characteristics as follows:

Pension fund benefit

The Group operates a pension scheme for employees who joined before 1 January 2003 and choose to retain the benefits of the original scheme. Employees, upon resignation or retirement from the Group after having completed 3 years of service, shall be entitled to receive cash payment equivalent to their prevailing salary multiplied by the number of years of service, but not exceeding the equivalent of 10 months of final salary.

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Notes to the financial statements For the year ended 31 December 2020*Severance benefit*

Under Thai Labour Protection Act B.E 2541 (1998) and Group's employment policy, all employees completing 120 days of service are entitled to severance pay on termination or retrenchment without cause or upon retirement age of 60 years. The severance pay will be at the rate according to number of years of service as stipulated in the Labor Law which is currently at a maximum rate of 400 days of final salary.

Additional benefit related to provident fund

The Company operates an employee benefit scheme under which employees who are members of the Company's provident fund, being a defined contribution plan, for at least 9 years are entitled to receive additional contribution from the Company on their resignation or retirement from employment with the Company. Employees, who are member of the provident fund for at least 9 years, shall be entitled to receive an additional 50% of the contributions made by the Company on their behalf.

Other long-term employee benefit plan

The subsidiary provides other long-term employee benefit plan, namely long service awards.

The defined benefit plans expose the Group to actuarial risks, such as interest rate risk, future salary growth risk and employee turnover risk.

<i>Present value of the defined benefit obligations</i>	<i>Note</i>	Consolidated financial statements		Separate financial statements	
		2021	2020	2021	2020
		<i>(in million Baht)</i>			
As at 1 January		1,032	898	994	854
Included in profit or loss:					
Current service costs		125	80	86	74
Past service costs		4	-	-	-
Interest on obligation		16	15	12	14
		<u>145</u>	<u>95</u>	<u>98</u>	<u>88</u>
Included in other comprehensive income:					
Actuarial loss					
- Changes in assumptions		(60)	26	-	34
- Experience adjustments		(22)	28	65	29
		<u>(82)</u>	<u>54</u>	<u>65</u>	<u>63</u>
Other:					
Benefits paid by the plan		(61)	(15)	(41)	(11)
Acquired through business combination	4	1,487	-	-	-
Exchange differences on financial statements		49	-	-	-
As at 31 December		<u>2,570</u>	<u>1,032</u>	<u>1,116</u>	<u>994</u>

Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
	<i>(%)</i>			
Discount rate	1.3 - 2.2	1.3 - 1.7	1.3	1.3
Future salary growth	3.0 - 8.0	4.0 - 5.0	4.0	4.0
Employee turnover	0.0 - 50.0	0.0 - 50.0	0.0 - 50.0	0.0 - 50.0

Assumptions regarding future mortality have been based on published statistics and mortality table.

As at 31 December 2021, the weighted average duration of the defined benefit obligations were 7 to 15 years (2020: 8 to 15 years).

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts as follows:

	Consolidated financial statements		Separate financial statements	
	Increase	Decrease	Increase	Decrease
	<i>(in million Baht)</i>			
As at 31 December 2021				
Discount rate (0.5% movement)	(83)	89	(39)	41
Future salary growth (0.5% movement)	63	(58)	17	(15)
Employee turnover (0.5% movement)	(81)	66	(31)	18
As at 31 December 2020				
Discount rate (0.5% movement)	(37)	40	(36)	38
Future salary growth (0.5% movement)	31	(30)	30	(28)
Employee turnover (0.5% movement)	(31)	17	(29)	16

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020**18 Other non-current provisions**

Consolidated financial statements					
2021					2020
		Provision for litigation claim	Other	Total	Provision for litigation claim
Note	Dismantling provision	(in million Baht)			
As at 1 January	-	76	-	76	29
Acquired through business combination	4	2,101	16	2,166	-
Provision made	141	35	16	192	47
Provision used	-	(36)	-	(36)	-
Provision reverse	(3)	-	-	(3)	-
As at 31 December	2,239	91	65	2,395	76

Separate financial statements			
Provision for litigation claim			
		2021	2020
(in million Baht)			
As at 1 January		76	29
Provision made		25	47
Provision used		(36)	-
Provision reverse		-	-
As at 31 December		65	76

19 Share capital

	Par value per share <i>(in Baht)</i>	2021 Number <i>(million shares /in million Baht)</i>	Baht	2020 Number <i>(million shares /in million Baht)</i>	Baht
Authorised shares at 31 December		<u>11,172</u>	<u>5,586</u>	<u>4,800</u>	<u>2,400</u>
<i>Issued and paid-up shares</i>					
At 1 January					
- ordinary shares	0.50	4,800	2,400	4,800	2,400
Increase of new shares	0.50	<u>5,780</u>	<u>2,890</u>	<u>-</u>	<u>-</u>
At 31 December					
- ordinary shares	0.50	10,580	5,290	4,800	2,400

At the Company's Extraordinary General Meeting of Shareholders held on 12 October 2021, the Company's shareholders approved the Company to increase the registered capital of the Company in the amount of Baht 3,186,161,750, from the current registered capital of Baht 2,400,000,000 to be the registered capital of Baht 5,586,161,750, by issuing up to 6,372,323,500 new ordinary shares with a par value of Baht 0.50 each, consisting of (a) up to 5,010,323,500 shares with a par value of Baht 0.50 each as an offering to CPRH which is an offering to a specific person (Private Placement) as payment of consideration for the entire business transfer; and (b) up to 1,362,000,000 shares with a par value of Baht 0.50 each as an offering to the public (Public Offering). The registration of the increased authorised share capital with the Ministry of Commerce and the additional paid-up share capital totaling Baht 2,890,161,750 were completed in December 2021, paid-up share capital totaling Baht 5,290,161,750.

Share premium

Section 51 of the Public Companies Act B.E. 2535 requires companies to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account ("share premium"). Share premium is not available for dividend distribution.

20 Legal reserve

Section 116 of the Public Companies Act B.E. 2535 requires that a public company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward (if any), to a reserve fund ("legal reserve"), until this fund reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

21 Segment information and disaggregation of revenue*Revenue*

The Group's operations is derived from sale of goods from cash and carry business, retail business, mall rental business, food services business and rendering of services related to those businesses.

Segment information

Segment information is taken from internal reports of the Group which are reviewed by the Chief Operating Decision Maker (CODM). CODM is the Executive Committee and Group Chief Executive Officer-Makro Wholesale Business, who makes decisions about resource allocation and assesses the segment performance.

The CODM considers the following to be the Group's reporting segments:

Segment 1:	Cash and carry
Segment 2:	Retail
Segment 3:	Mall rental
Segment 4:	Food services

The Group did not have single external customer that contributed 10% or more of the Group's total revenues.

The CODM considers the monthly performance of each reporting segment based upon profit before income tax expense.

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Notes to the financial statements For the year ended 31 December 2020

Disaggregation of revenue, timing of revenue recognition and results, based on segments, in the consolidated financial statements for the years ended 31 December 2021 and 2020 were as follows:

Year ended 31 December	Consolidated financial statements									
	Cash and carry		Retail		Mall rental		Food services		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	<i>(in million Baht)</i>									
Type of revenues										
Revenue from sale of goods	216,175	209,926	37,503	-	-	-	5,169	4,214	258,847	214,140
Revenue from rendering of services	3,926	3,756	140	-	110	-	1	1	4,177	3,757
Revenue from rental and rendering retail services	-	-	-	-	2,521	361	-	-	2,521	361
External revenues	220,101	213,682	37,643	-	2,631	361	5,170	4,215	265,545	218,258
Total income	220,653	214,123	37,913	-	2,631	361	5,238	4,276	266,435	218,760
Timing of revenue recognition										
At a point in time	216,175	209,926	37,503	-	-	-	5,169	4,214	258,847	214,140
Overtime	3,926	3,756	140	-	2,631	361	1	1	6,698	4,118
Total	220,101	213,682	37,643	-	2,631	361	5,170	4,215	265,545	218,258
Interest income									51	38
Depreciation and amortisation									(6,128)	(3,577)
Finance costs									(1,557)	(619)
Share of loss in investments in associate and joint ventures									(226)	(63)
Profit before income tax expense									15,425	8,274
Income tax expense									(2,127)	(1,813)
Profit for the year									13,298	6,461

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Notes to the financial statements For the year ended 31 December 2020

Year ended 31 December	Separate financial statements					
	Cash and carry		Mall rental		Total	
	2021	2020	2021	2020	2021	2020
	<i>(in million Baht)</i>					
Type of revenues						
Revenue from sale of goods	209,938	203,635	-	-	209,938	203,635
Revenue from rendering of services	3,896	3,779	-	-	3,896	3,779
Revenue from rental and rendering retail services	-	-	323	345	323	345
External revenues	<u>213,834</u>	<u>207,414</u>	<u>323</u>	<u>345</u>	<u>214,157</u>	<u>207,759</u>
Total income	<u>214,396</u>	<u>207,839</u>	<u>323</u>	<u>345</u>	<u>214,719</u>	<u>208,184</u>
Timing of revenue recognition						
At a point in time	209,938	203,635	-	-	209,938	203,635
Overtime	<u>3,896</u>	<u>3,779</u>	<u>323</u>	<u>345</u>	<u>4,219</u>	<u>4,124</u>
Total	<u>213,834</u>	<u>207,414</u>	<u>323</u>	<u>345</u>	<u>214,157</u>	<u>207,759</u>
Interest income					<u>24</u>	<u>23</u>
Depreciation and amortisation					<u>(3,209)</u>	<u>(3,201)</u>
Finance costs					<u>(389)</u>	<u>(448)</u>
Profit before income tax expense					<u>9,216</u>	<u>9,151</u>
Income tax expense					<u>(1,836)</u>	<u>(1,806)</u>
Profit for the year					<u>7,380</u>	<u>7,345</u>

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020

Details of assets, based on segments, in the consolidated financial statements as at 31 December 2021 and 2020 were as follows:

	Cash and carry		Retail		Mall rental		Food services		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	<i>(in million Baht)</i>									
Property, plant and equipment	30,308	30,307	87,880	-	-	-	256	257	118,444	30,564
Goodwill	-	-	232,545	-	-	-	2,191	2,191	234,736	2,191
Other assets	76,641	123,700	90,321	-	45,801	-	3,547	3,132	216,310	126,832
Segment assets										
as at 31 December	106,949	154,007	410,746	-	45,801	-	5,994	5,580	569,490	159,587

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020**Information about geographical areas**

In presenting information on the basis of information about geographical areas, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of assets.

Detail of the geographic segment financial information of the geographical area of the Group as at 31 December and for the year then ended were as follows:

	Consolidated financial statements			
	Revenue		Non-current assets (excluded goodwill)	
	2021	2020	2021	2020
	<i>(in million Baht)</i>			
Thailand	250,032	209,719	184,368	124,982
Malaysia	6,818	-	36,188	-
Others	9,585	9,041	4,198	4,163
Total	266,435	218,760	224,754	129,145

22 Leases*As a lessee*

The Group has enter into a number of various assets categories primarily on respect of land and building lease agreements. These agreements are effective for periods of 1 year to 99 years and will expire on various dates until August 2077 with extension options at the end of lease term. The rental is payable as specified in the contract.

For the year ended 31 December	<i>Note</i>	Consolidated financial statements		Separate financial statements	
		2021	2020	2021	2020
		<i>(in million Baht)</i>			
Included in profit or loss					
Sub-lease income		906	7	7	7
Depreciation of right-of-use assets	13	1,521	946	849	826
Interest on lease liabilities	16	623	385	226	225
Expenses relating to short-term leases		216	201	118	113
Expenses relating to leases of low-value assets		130	120	112	120
Variable lease payments based on sales	15	-	-	-	-

In 2021, total cash outflow for leases presented in consolidated and separate statements of cash flows were Baht 2,015 million and Baht 1,007 million respectively. (2020: Baht 1,328 million and 1,057 million respectively)

As a lessor

The Group has enter into a number of land and building spaces lease agreements which were classified as operating leases. These lease agreements are effective for periods of 1 year to 30 years and will expire on various dates until May 2048.

Lease payments to be received from operating leases as at 31 December

	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
	<i>(in million Baht)</i>			
1 st year	1,901	71	63	58
2 nd year	2,840	35	30	34
3 rd year	1,180	11	13	10
4 th year	241	5	-	5
5 th year	67	-	-	-
After 5 th year	1,090	-	-	-
Total	7,319	122	106	107

23 Expenses by nature

The statement of income includes an analysis of expenses by function. Expenses by nature are as follows:

<i>Note</i>	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
	<i>(in million Baht)</i>			
Changes in inventories of finished goods	17,489	(297)	741	(66)
Purchase of raw materials, finished goods and other related costs	210,916	192,313	188,012	183,097
Depreciation - investment properties	11	749	-	-
Depreciation - property, plant and equipment	12	3,321	2,269	2,000
Depreciation - right-of-use assets	13	1,521	946	826
Amortisation - other intangible assets other than goodwill	15	537	362	306
Employee benefit expenses		10,249	7,131	6,577
Utilities expenses		3,572	2,597	2,453
Advertising and sale promotion expenses		1,208	761	688
Maintenance and repair expenses		968	332	329
Computer expenses		687	573	589
Lease-related expenses	22	361	321	230
Trademark fees		184	176	171
Other		4,179	2,320	1,789
Total cost of sale of goods, cost of rental and rendering of services, distribution costs and administrative expenses		255,941	209,804	205,114
				198,585

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020**24 Income tax***Income tax recognised in profit or loss*

	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
	(in million Baht)			
Current income tax				
Current year	2,140	1,859	1,905	1,846
Over provided in prior years	(48)	(43)	(4)	(42)
	<u>2,092</u>	<u>1,816</u>	<u>1,901</u>	<u>1,804</u>
Deferred income tax				
Movements in temporary differences	36	(3)	(65)	2
	<u>36</u>	<u>(3)</u>	<u>(65)</u>	<u>2</u>
Total	<u>2,128</u>	<u>1,813</u>	<u>1,836</u>	<u>1,806</u>

Income tax recognised in other comprehensive income

	Consolidated financial statements					
	2021		2020			
	Before income tax	Tax expense (income)	Net of income tax	Before income tax	Tax income	Net of income tax
	(in million Baht)					
(Gain) losses on remeasurement of defined benefit plans	(82)	20	(62)	54	(11)	43
Cashflow hedges reserve	66	(13)	53	-	-	-
Total	<u>(16)</u>	<u>7</u>	<u>(9)</u>	<u>54</u>	<u>(11)</u>	<u>43</u>

	Separate financial statements					
	2021		2020			
	Before income tax	Tax income	Net of income tax	Before income tax	Tax income	Net of income tax
	(in million Baht)					
Losses on remeasurement of defined benefit plans	65	(13)	52	63	(13)	50
Total	<u>65</u>	<u>(13)</u>	<u>52</u>	<u>63</u>	<u>(13)</u>	<u>50</u>

Reconciliation of effective tax rate

	Consolidated financial statements			
Applicable tax rate (%)	0%	20%	Other	Total
	(in million Baht)			
2021				
Accounting profit (loss) before income tax expense	34	15,854	(463)	15,425
Income tax at the applicable tax rates	-	2,410	51	2,461
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit	-	(393)	108	(285)
Over provided in prior years	-	(4)	(44)	(48)
Net	<u>-</u>	<u>2,013</u>	<u>115</u>	<u>2,128</u>
2020				
Accounting profit (loss) before income tax expense	(27)	9,106	(742)	8,337
Income tax at the applicable tax rates	-	1,837	-	1,837
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit	-	21	(2)	19
Over provided in prior years	-	(42)	(1)	(43)
Net	<u>-</u>	<u>1,816</u>	<u>(3)</u>	<u>1,813</u>

	Separate financial statements	
Applicable tax rate (%)	20%	20%
	2021	2020
	(in million Baht)	
Accounting profit before income tax expense	9,216	9,151
Income tax at the applicable tax rate	1,843	1,830
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit	(3)	18
Over provided in prior years	(4)	(42)
Net	<u>1,836</u>	<u>1,806</u>

Deferred income tax

Deferred tax assets and liabilities as at 31 December 2021 and 2020 were as follows:

	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
	(in million Baht)			
Deferred tax assets	530	453	505	427
Deferred tax liabilities	(4,447)	(80)	-	-

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020

Movements in deferred tax assets and liabilities during the years ended 31 December 2021 and 2020 were as follows:

	As at 1 January 2021	Consolidated financial statements (Charged)/ credited to		Acquired through business combination (Note 4)	Exchange differences on translating financial statements	As at 31 December 2021
		profit or loss	other comprehensive income			
				(in million Baht)		
Deferred tax assets (liabilities)						
Inventories	98	456	-	17	(3)	568
Investment in associate	-	-	-	(1,311)	-	(1,311)
Property, plant and equipment	21	(791)	-	(5,516)	47	(6,239)
Right-of-use assets	(1,196)	(1,072)	-	2,401	-	133
Other intangible assets other than goodwill	(62)	1	-	-	-	(61)
Lease liabilities	1,262	78	-	-	-	1,340
Provisions for employee benefits	204	490	(20)	(138)	-	536
Other non-current provisions	-	621	-	(179)	-	442
Other	46	181	13	436	(1)	675
Total	373	(36)	(7)	(4,290)	43	(3,917)

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020**Consolidated financial statements**

(Charged)/ credited to

As at 1 January 2020	profit or loss	other comprehensive income	As at 31 December 2020
(in million Baht)			

Deferred tax assets (liabilities)

Inventories	95	3	-	98
Property, plant and equipment	18	3	-	21
Right-of-use assets	(104)	(1,092)	-	(1,196)
Other intangible assets other than goodwill	(63)	1	-	(62)
Lease liabilities	121	1,141	-	1,262
Provisions for employee benefits	176	17	11	204
Other	116	(70)	-	46
Total	359	3	11	373

Separate financial statements

(Charged)/ credited to

As at 1 January 2021	profit or loss	other comprehensive income	As at 31 December 2021
(in million Baht)			

Deferred tax assets (liabilities)

Inventories	95	(7)	-	88
Property, plant and equipment	39	1	-	40
Right-of-use assets	(1,196)	(15)	-	(1,211)
Lease liabilities	1,262	78	-	1,340
Provisions for employee benefits	199	11	13	223
Other	28	(3)	-	25
Total	427	65	13	505

Separate financial statements

(Charged)/ credited to

As at 1 January 2020	profit or loss	other comprehensive income	As at 31 December 2020
(in million Baht)			

Deferred tax assets (liabilities)

Inventories	92	3	-	95
Property, plant and equipment	36	3	-	39
Right-of-use assets	(104)	(1,092)	-	(1,196)
Lease liabilities	121	1,141	-	1,262
Provisions for employee benefits	171	15	13	199
Other	100	(72)	-	28
Total	416	(2)	13	427

25 Basic earnings per share

Consolidated financial statements	2021	2020	Separate financial statements	2021	2020
(in million Baht /in million share)					

Profit attributable to equity holders of the Company for the year ended 31 December

13,687	6,563	7,380	7,345
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Ordinary shares outstanding

Number of ordinary shares outstanding at 1 January	4,800	4,800	4,800	4,800
Effect of shares issued related to business combination	934	-	934	-
Effect of shares issued on 22 December 2021	21	-	21	-

Weighted average number of ordinary shares outstanding at 31 December

5,755	4,800	5,755	4,800
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Basic earnings per share (in Baht)

2.38	1.37	1.28	1.53
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26 Dividends

The dividends paid by the Company to the shareholders are as follows:

	Approval date	Payment schedule	Dividend rate (Baht/Share)	Amount (in million Baht)
<i>Year 2021</i>				
Annual dividend	21 April 2021	20 May 2021	0.60	2,880
Interim dividend	10 August 2021	8 September 2021	0.40	1,920
Total				4,800

Year 2020

Interim dividend	3 April 2020	22 April 2020	0.56	2,688
Interim dividend	10 August 2020	8 September 2020	0.40	1,920
Total				4,608

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020**27 Financial instruments****(a) Carrying amounts and fair values**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities measured at amortised cost if the carrying amount is a reasonable approximation of fair value.

Consolidated financial statements									
Carrying amount					Fair value				
Hedging instruments	Financial instruments measured at FVTPL	Financial instruments measured at FVOCI	Financial instruments measured at amortised cost	Total	Level 1	Level 2	Level 3	Total	
<i>(in million Baht)</i>									
31 December 2021									
Financial assets									
Forward exchange contracts	-	607	-	-	607	-	607	-	607
Investment in related companies	-	-	295	-	295	-	-	295	295
Financial liabilities									
Long-term borrowings from financial institutions	-	-	-	107,121	107,121	-	108,405	-	108,405
Forward exchange contracts	876	-	-	-	876	-	876	-	876

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020

	Consolidated financial statements						
	Carrying amount			Fair value			
	Financial instruments measured at FVTPL	Financial instruments measured at amortised cost	Total	Level 1	Level 2	Level 3	Total
				(in million Baht)			
31 December 2020							
Financial liabilities							
Long-term borrowings from financial institutions	-	7,003	7,003	-	7,094	-	7,094
Forward exchange contracts	5	-	5	-	5	-	5
	Separate financial statements						
	Carrying amount			Fair value			
	Financial instruments measured at FVTPL	Financial instruments measured at amortised cost	Total	Level 1	Level 2	Level 3	Total
				(in million Baht)			
31 December 2021							
Financial assets							
Forward exchange contracts	2	-	2	-	2	-	2
Financial liabilities							
Long-term borrowings from financial institutions	-	7,000	7,000	-	6,895	-	6,895
31 December 2020							
Financial liabilities							
Long-term borrowings from financial institutions	-	7,000	7,000	-	7,091	-	7,091
Forward exchange contracts	5	-	5	-	5	-	5

The following tables present valuation technique of financial instruments measured at fair value in the statements of financial position:

Type	Valuation technique
Forward exchange contracts	<i>Forward pricing:</i> The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Investment in related companies	Discounted cash flows	Discount rate: (2021: 10.5-11.0%)	The estimated fair value would increase (decrease) if the discount rate was lower (higher)

The following tables present valuation technique of financial instruments measured at amortised costs in the statements of financial position:

Type	Valuation technique
Other financial liabilities*	Discounted cash flows

* Other financial liabilities include secured and unsecured long-term borrowings from financial institutions.

Sensitivity analysis

For the fair values of financial assets measured at fair value Level 3, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

Effect to profit or loss	Consolidated financial statements	
	1% increase in assumption	1% decrease in assumption
	(in million Baht)	
31 December 2021		
Equity securities		
Risk-adjusted discount rate	(35)	28

(b) Financial risk management policies

Risk management framework

The Group's Board of directors has overall responsibility for the establishment of the Group's risk management by established the risk management committee, which is responsible for presenting risk management framework in accordance with the COSO standard (*Committee of Sponsoring Organisation of The Treadway Commission*) to cover entire business activities and associate with the Group's strategies, and also including assessing and monitoring the Group's risk management which covers financial risk management. The risk management committee reports to the audit committee and the Board of directors on its activities every year.

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020

The Group's risk management policies are established to identify and analyse the risks assessed by the Group, to set up the standard risk level, to control and to monitor risk management in order to limit the risks to acceptable level. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group audit committee oversees how management monitors compliance with the Group's Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group audit committee is assisted in its oversight role by internal audit who verify whether the Group's risk management practices complied with risk management framework. Also, the risk management committee reports the risk management results to the audit committee every year.

(b.1) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

(b.1.1) Trade accounts receivable

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, the management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The Group has established credit sale strategies and policies, including the credit policy which analyses the customers financial position to determine credit limits for each customer and will be reviewed by annually.

The Group limits its exposure to credit risk from trade accounts receivables by establishing a maximum payment period of 90 days. Outstanding trade receivables are regularly monitored by the Group. An impairment analysis is performed by the Group at each reporting date. The provision rates of expected credit loss are based on days past due for individual trade receivables/groupings of various customer segments with similar credit risks to reflect differences between economic conditions in the past, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Information relevant to credit risk and expected credit loss of trade accounts receivable are disclosed in note 7.

(b.1.2) Cash and cash equivalents and derivatives

Impairment on cash and cash equivalents was measured on a 12-month ECLs. The Group considers that cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

(b.1.3) Guarantees

The Company's policy is to provide financial guarantees only for subsidiary's liabilities. At 31 December 2021, the Company has issued a guarantee to certain banks in respect of credit facilities granted to a subsidiary (see note 5).

(b.2) Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

The following table are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

	Consolidated financial statements					
			Contractual cash flows			
	Carrying	1 year	More than	More than	More than	
	amount	or less	1 year but	2 years but	5 years	Total
<i>As at 31 December 2021</i>			less than 2	less than 5		
			years	years		
			<i>(in million Baht)</i>			
<i>Non-derivative financial liabilities</i>						
Short-term borrowings from financial institutions	29,198	29,345	-	-	-	29,345
Trade accounts payable to other parties	54,845	54,845	-	-	-	54,845
Trade accounts payable to related parties	5,390	5,390	-	-	-	5,390
Other current payables to other parties	12,430	12,430	-	-	-	12,430
Other current payables to related parties	1,010	1,010	-	-	-	1,010
Long-term borrowings from financial institutions	107,121	4,271	87,433	23,271	-	114,975
Lease liabilities	47,974	4,837	4,605	11,931	50,319	71,692
Rental deposit from tenants	2,475	-	11	6	2,458	2,475
	<u>260,443</u>	<u>112,128</u>	<u>92,049</u>	<u>35,208</u>	<u>52,777</u>	<u>292,162</u>
<i>Derivative financial liabilities</i>						
Forward exchange contracts used for hedging:	876	-	-	-	-	-
- Cash outflow	-	(50,807)	-	(6,787)	-	(57,594)
	<u>876</u>	<u>(50,807)</u>	<u>-</u>	<u>(6,787)</u>	<u>-</u>	<u>(57,594)</u>

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020**Consolidated financial statements**

Contractual cash flows

<i>As at 31 December 2020</i>	Carrying amount	1 year or less	More than 1 year but less than 2 years (in million Baht)	More than 2 years but less than 5 years	More than 5 years	Total
Non-derivative financial liabilities						
Short-term borrowings from financial institutions	1,050	1,052	-	-	-	1,052
Trade accounts payable to other parties	25,804	25,804	-	-	-	25,804
Trade accounts payable to related parties	2,170	2,170	-	-	-	2,170
Other current payables to other parties	1,449	1,449	-	-	-	1,449
Other current payables to related parties	304	304	-	-	-	304
Short-term borrowings from other parties	6	6	-	-	-	6
Long-term borrowings from financial institutions	7,003	5,161	2,061	1	-	7,223
Lease liabilities	8,117	852	784	2,030	11,656	15,322
Rental deposit from tenants	32	-	5	6	21	32
	<u>45,935</u>	<u>36,798</u>	<u>2,850</u>	<u>2,037</u>	<u>11,677</u>	<u>53,362</u>
Derivative financial liabilities						
Forward exchange contracts	5	5	-	-	-	5
	<u>5</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5</u>

Separate financial statements

Contractual cash flows

<i>As at 31 December 2021</i>	Carrying amount	1 year or less	More than 1 year but less than 2 years (in million Baht)	More than 2 years but less than 5 years	More than 5 years	Total
Non-derivative financial liabilities						
Trade accounts payable to other parties	26,662	26,662	-	-	-	26,662
Trade accounts payable to related parties	2,557	2,557	-	-	-	2,557
Other current payables to other parties	1,596	1,596	-	-	-	1,596
Other current payables to related parties	404	404	-	-	-	404
Long-term borrowings from financial institutions	7,000	2,159	98	5,169	-	7,426
Lease liabilities	6,700	765	690	1,562	5,764	8,781
Rental deposit from tenants	35	-	11	6	18	35
	<u>44,954</u>	<u>34,143</u>	<u>799</u>	<u>6,737</u>	<u>5,782</u>	<u>47,461</u>
As at 31 December 2020						
Non-derivative financial liabilities						
Short-term borrowings from financial institution	300	300	-	-	-	300
Trade accounts payable to other parties	24,886	24,886	-	-	-	24,886
Trade accounts payable to related parties	2,215	2,215	-	-	-	2,215
Other current payables to other parties	1,370	1,370	-	-	-	1,370
Other current payables to related parties	291	291	-	-	-	291
Long-term borrowings from financial institutions	7,000	5,159	2,060	-	-	7,219
Lease liabilities	6,310	682	612	1,553	5,422	8,269
Rental deposit from tenants	29	-	5	6	18	29
	<u>42,401</u>	<u>34,903</u>	<u>2,677</u>	<u>1,559</u>	<u>5,440</u>	<u>44,579</u>
Derivative financial liabilities						
Forward exchange contracts	5	5	-	-	-	5
	<u>5</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5</u>

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020

The cash inflows/cash outflows disclosed in the above table represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are not usually closed out before contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement.

(b.3) Market risk

The Group is exposed to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is as follows:

(b.3.1) Foreign currency risk

The Group is exposed to foreign currency risk relating to purchases and sales which are denominated in foreign currencies. The Group primarily utilises forward exchange contracts with maturities of less than one year to hedge such financial assets and liabilities denominated in foreign currencies. The forward exchange contracts entered into at the reporting date also relate to anticipated purchases and sales, denominated in foreign currencies, for the subsequent period.

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020

As at 31 December 2021 and 2020 the Group was exposed to foreign currency risk in respect of financial assets and liabilities denominated in the following currencies

<i>Exposure to foreign currency as at 31 December 2021</i>	Consolidated financial statements									
	Yen	Australia Dollar	Euro	U.S. Dollar	Yuan Renminbi	Pound Sterling	NZD Dollar	Thai Baht	Cambodia Riel	Total
	<i>(in million Baht)</i>									
Cash and cash equivalents	-	1	-	162	-	-	-	-	109	272
Trade accounts receivable and other current receivables	-	-	1	-	-	-	-	-	-	1
Short-term borrowings from financial institutions	-	-	-	(18,927)	-	-	-	-	-	(18,927)
Trade accounts payable and other current payables	(186)	(85)	(50)	(945)	(28)	(21)	(9)	(7)	-	(1,331)
Long-term borrowings from financial institutions	-	-	-	(56,344)	-	-	-	-	-	(56,344)
Net statement of financial position exposure	(186)	(84)	(49)	(76,054)	(28)	(21)	(9)	(7)	109	(76,329)
Forward exchange purchase contracts	-	-	-	76,013	-	-	-	4	-	76,017
Net exposure	(186)	(84)	(49)	(41)	(28)	(21)	(9)	(3)	109	(312)

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020

Exposure to foreign currency as at 31 December 2020	Consolidated financial statements								Total
	U.S. Dollar	Euro	Australian Dollar	Pound Sterling	Yen (in million Baht)	Singapore Dollar	Yuan Renminbi	Cambodia Riel	
Cash and cash equivalents	17	-	-	-	-	-	-	19	36
Trade accounts receivable and other current receivables	9	2	8	-	-	-	-	-	19
Trade accounts payable and other current payables	(588)	(93)	(83)	(34)	(5)	(2)	(1)	-	(806)
Net statement of financial position exposure	(562)	(91)	(75)	(34)	(5)	(2)	(1)	19	(751)
Forward exchange purchase contracts	248	-	-	-	-	-	-	-	248
Net exposure	(314)	(91)	(75)	(34)	(5)	(2)	(1)	19	(503)

Exposure to foreign currency as at 31 December	Separate financial statements											
	2021							2020				
	U.S. Dollar	Australian Dollar	Euro	Yuan Renminbi	Yen	Total	U.S. Dollar	Australian Dollar	Euro	Yuan Renminbi	Singapore Dollar	Total
	<i>(in million Baht)</i>											
Trade accounts receivable and other current receivables	26	-	-	-	-	26	40	-	-	-	-	40
Short-term loans to subsidiaries	81	-	-	-	-	81	34	-	-	-	-	34
Trade accounts payable and other current payables	(915)	(83)	(30)	(29)	(1)	(1,058)	(514)	(41)	(16)	(1)	(1)	(573)
Net statement of financial position exposure	(808)	(83)	(30)	(29)	(1)	(951)	(440)	(41)	(16)	(1)	(1)	(499)
Forward exchange purchase contracts	272	-	-	-	-	272	248	-	-	-	-	248
Net exposure	(536)	(83)	(30)	(29)	(1)	(679)	(192)	(41)	(16)	(1)	(1)	(251)

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020*(b.3.2) Interest rate risk*

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Group's operations and its cash flows because some of loan interest rates (Note 16) are variable.

<i>Exposure to interest rate risk as at 31 December</i>	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
	<i>(in million Baht)</i>			
Financial instruments with variable interest rates				
Financial liabilities	72,799	-	-	-
Net statement of financial position exposure	72,799	-	-	-
Interest rate swaps	-	-	-	-
Net exposure	72,799	-	-	-

Cash flow sensitivity analysis for variable-rate instruments

A reasonable possible change of 1% in interest rates at the reporting date; this analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Consolidated financial statements		Separate financial statements	
	1% increase in interest rate	1% decrease in interest rate	1% increase in interest rate	1% decrease in interest rate
<i>Effect to profit or loss</i>	<i>(in million Baht)</i>			
2021				
Financial instruments with variable interest rate	(137)	137	-	-

*(c) Hedging accounting**(c.1) Cash flow hedges*

The amounts at the reporting date relating to items designated as hedged items were as follows.

	Consolidated financial statements		
	Change in value used for calculating hedges ineffectiveness	Cash flow hedges reserve	Costs of hedging reserve
<i>At 31 December 2021</i>			
		<i>(in million Baht)</i>	
Foreign currency risk			
Long-term borrowings	-	(10)	(111)

At 31 December 2021, the Group held the following financial instruments to hedge exposures to changes in foreign currency.

<i>As at 31 December 2021</i>	Consolidated financial statements		
	Maturity		
	1-6 months	6-12 months	More than 1 year
	<i>(in million Baht)</i>		
Foreign currency risk			
Forward exchange contracts			
Net exposure <i>(in million Baht)</i>	-	50,807	6,787
Average forward exchange rate contracts of U.S. Dollars to Thai Baht	-	33.8	33.9

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows.

<i>At 31 December 2021</i>	Consolidated financial statements
	<i>(in million Baht)</i>
Forward exchange contracts - nominal amount	56,814
Carrying amount included in:	
- Derivative liabilities	876
For the year ended 31 December 2021	
<i>Recognised in OCI</i>	
- Changes in the value of hedging instruments	58
- Costs of hedging	(111)
<i>Recognised in profit or loss</i>	
- The amount reclassified from hedging reserve included foreign exchange losses	(68)

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting.

Cash flow hedges	Consolidated financial statements	
	Hedging reserve	Costs of hedging reserve
	<i>(in million Baht)</i>	
Balances at 1 January 2021	-	-
Change in fair value:		
- Borrowings	73	(139)
The amount reclassified to profit or loss		
- Borrowings	(68)	-
- Tax on movements on reserve during the year	(15)	28
Balances at 31 December 2021	(10)	(111)

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020**28 Capital management**

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns to the Group's shareholders and benefits to other stakeholders. The management sets strategies to support the Group's operations for more efficiency, and better performance and stronger financial status, including dividend and capital management policies to maintain the optimal capital structure and cost of capital.

29 Commitments with non-related parties

<i>As at 31 December</i>	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
	<i>(in million Baht)</i>			
Capital commitments				
Property, plant and equipment	1,992	401	1,781	384
Right-of-use assets	889	-	-	-
Computer software	283	74	262	52
Total	3,164	475	2,043	436
Letters of guarantee				
Letters of guarantee issued by financial institutions (mainly for guarantees of electricity, rental and service agreements and sale of goods)	1,709	303	474	281
Total	1,709	303	474	281
Other commitments				
Unused letters of credit for purchases of goods and supplies	4	9	4	6
Total	4	9	4	6

30 Events after the reporting period

- a) At the Board of Directors' meeting of the Company held on 18 February 2022, the Company's Board of Directors approved to propose to the annual general shareholders' meeting of the Company for approval to
 - 1) additionally allocate profit to legal reserve amounted to Baht 318,616,175, totaling Baht 558,616,175 of reserve.
 - 2) declare the final dividends from the profit attributable to equity holders of the Company for the year 2021 of Baht 0.32 per share for 10,580,323,500 ordinary shares, totaling Baht 3,386 million. Such declaration of final dividend payment must be approved by the shareholders' meeting.

- b) The local subsidiary and foreign subsidiaries increased the authorised share capital and called for additional paid-up share capital as follows:

- 1) In January 2022 a foreign subsidiary, CP Wholesale India Private Limited ("CPWT") called for additional paid-up share capital of INR 70 per share (with the par value of INR 10 per share and the share premium of INR 60 per share) totaling INR 200 million. Therefore, the total paid-up share capital amounted to INR 800 million with the share premium of INR 4,200 million. The additional paid-up share capital was completed in January 2022.
- 2) In January 2022 a local subsidiary, Makro ROH Co., Ltd. ("MROH") called for additional paid-up share capital of Baht 85 million and the total paid-up share capital amounted to Baht 5,047 million. The additional paid-up share capital was completed in January 2022.

Later on 12 January and 7 February 2022 MROH's Board of Directors and shareholders respectively approved to increase the authorised share capital of Baht 1,000 million (increase from Baht 5,047 million to Baht 6,047 million) and to call for paid-up share capital at 25% amounting to Baht 250 million. The registration of the increased authorised share capital with the Ministry of Commerce and the additional paid-up share capital were expected to be completed in February 2022.
- 3) On 28 January 2022 a foreign subsidiary, Makro (Guangzhou) Food Company Limited ("MGZ")'s Board of Directors and shareholders approved to increase the authorised share capital of RMB 6 million (increase from RMB 139 million to RMB 145 million). The registration of the increase authorised share capital and the additional paid-up share capital were expected to be completed in February 2022.

Siam Makro Public Company Limited and its Subsidiaries

Notes to the financial statements For the year ended 31 December 2020**31 Reclassification of accounts**

Certain accounts in the statements of financial position as at 31 December 2020 have been reclassified to conform to the presentation in the 2021 financial statements as follows:

	2020					
	Consolidated financial statements			Separate financial statements		
	Before reclassification	Reclassification	After reclassification	Before reclassification	Reclassification	After reclassification
			(in million Baht)			
Statement of financial position as at 31 December 2020						
Derivative liabilities	-	5	5	-	5	5
Other current liabilities	286	(84)	202	278	(81)	197
Rental deposit from tenants	-	32	32	-	29	29
Other non-current provisions	-	76	76	-	76	76
Other non-current liabilities	29	(29)	-	29	(29)	-
		<u>-</u>			<u>-</u>	
Statement of income for the year ended 31 December 2020						
Revenue from rental and rendering retail services	-	361	361	-	345	345
Other income	863	(361)	502	770	(345)	425
Cost of rental and rendering of services	-	57	57	-	57	57
Distribution costs	12,758	(57)	12,701	11,832	(57)	11,775
		<u>-</u>			<u>-</u>	

About the report

TOPIC 3: Driving Business for Sustainability

SECTION 1: Business Operations And Performance

Siam Makro's annual sustainability performance is disclosed in the company's annual report, the sustainability report and the official website, www.siammakro.co.th, under Sustainability. In 2021, the Company has changed the pattern of information disclosure to the Annual Registration Statement/ Annual Report 2021 (Form 56-1 One Report) that combines Form 56-1, the annual report and the sustainability report, into a single report. Annual sustainability performance, which covers environmental, social and governance performances, is disclosed on a yearly basis in Topic 3: Driving Business for Sustainability, Section 1: Business Operations and Operation Results, as well as the company's website.

Reporting Scope

As presented in Topic 3: Driving Business Sustainability, Section 1: Business Operations and Operation Results covers sustainability performance between January 1 and December 31, 2021, for Siam Makro Public Company Limited and its subsidiaries, including Makro ROH Co., Ltd., Siam Seafood Service Co., Ltd. and Promart Co., Ltd. Relevant domestic and international reporting guidelines have been applied to determine the materiality and the presentation of content, as follows:



56-1 One Report

Sustainability reporting in accordance with the Securities and Exchange Commission (SEC) Guidelines for Preparing the Annual Registration Statement/ Annual Report (Form 56-1 One Report).



GRI

Comprehensive sustainability reporting in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Standard 2016; in line with the In Accordance criteria and Core option.



UN Global Compact

Communication of Progress on Ten Principles of the United Nations Global Compact.



SDGs

Progress reporting that contributes to the United Nations Sustainable Development Goals (SDGs).

For any suggestion, question or inquiry, please contact the company



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Sustainability Performance Report



Workforce Data during 2018-2021

GRI Standard	Performance	Unit	2018		2019		2020		2021	
			Male	Female	Male	Female	Male	Female	Male	Female
102-8	Total Employee	Person	14,560		15,267		16,108		16,920	
			6,592	7,968	6,813	8,454	7,242	8,866	7,579	9,341
	Total Contractor	Person	0		0		0		0	
			n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	Employee by working employment contract									
	- Permanent	Person	14,484		15,200		15,726		16,387	
405-1			6,547	7,937	6,770	8,430	7,027	8,699	7,291	9,096
	- Part-time / Temporary	Person	76		67		382		533	
			45	31	43	24	215	167	288	245
	Employee diversity									
	By Level									
	- Top management	Person	27		24		28		62	
			14	13	10	14	10	18	26	36
		Percent	0.10	0.09	0.07	0.09	0.06	0.11	0.15	0.21
	- Middle management	Person	202		203		210		198	
			85	117	87	116	93	117	90	108
		Percent	0.58	0.80	0.57	0.76	0.58	0.73	0.53	0.64
	- Management	Person	1,112		527		1,352		1,450	
			478	634	221	306	571	781	597	853
		Percent	3.28	4.35	1.45	2.00	3.54	4.85	3.53	5.04
	- Officer	Person	13,155		14,458		14,136		14,677	
			5,973	7,182	6,455	8,003	6,353	7,783	6,578	8,099
		Percent	41.02	49.33	42.28	52.42	39.44	48.32	38.88	47.87

GRI Standard	Performance	Unit	2018		2019		2020		2021		
			Male	Female	Male	Female	Male	Female	Male	Female	
	By age										
	- Under 30 years old	Person	5,481		5,668		5,582		5,609		
				2,671	2,810	2,734	2,934	2,670	2,912	2,734	2,857
		Percent		18.34	19.30	17.91	19.22	16.58	18.08	16.16	16.99
	- 30-50 years old	Person	8,637		9,075		9,636		10,185		
				3,724	4,913	3,892	5,183	4,152	5,484	4,331	5,854
		Percent		25.58	33.74	25.49	33.95	25.78	34.05	25.60	34.60
	- Over 50 years old	Person	366		457		508		593		
				155	211	187	270	205	303	226	367
		Percent		1.06	1.45	1.22	1.77	1.27	1.88	1.34	2.17
	By race										
	- Thailand	Person	n/a		n/a		n/a		16,366		
									7,272	9,094	
		Percent	n/a		n/a		n/a		42.96		53.75
	- Other	Person	n/a		n/a		n/a		21		
									19	2	
		Percent	n/a		n/a		n/a		0.11		0.01
	Physical characteristics										
	- Number of local middle management or above (AVP level and above) in oversea businesses	Person	n/a		n/a		n/a		0		
									n/a	n/a	
		Percent	n/a		n/a		n/a				
	- Employee with disability	Person	n/a		n/a		22.0		26		
									13	13	
Percent		n/a		n/a		0.14		0.08		0.08	
- Number of indigenous, migrant, and vulnerable groups employed in the workforce (both employees and contractors)	Person	n/a		n/a		n/a		n/a			
								n/a	n/a		
	Percent	n/a		n/a		n/a		n/a			
401-1	New hires										
	Total number of new hires	Person	6,131		5,581		3,270		4,535		
					2,944	3,187	2,586	2,995	1,652	1,618	2,171
	Rate of new hires	Percent	42.33		36.72		20.79		27.67		
					20.33	22.00	17.01	19.70	10.50	10.29	13.25

GRI Standard	Performance	Unit	2018		2019		2020		2021		
			Male	Female	Male	Female	Male	Female	Male	Female	
	By age										
	- Under 30 years old	Person	3,963		3,585		2,060		3,015		
			1,969	1,994	1,726	1,859	1,070	990	1,522	1,493	
		Percent	13.59	13.77	11.36	12.23	6.80	6.30	9.29	9.11	
	- 30-50 years old	Person	2,160		1,982		1,203		1,508		
			971	1,189	851	1,131	579	624	641	867	
		Percent	6.70	8.21	5.60	7.44	3.68	3.97	3.91	5.29	
	- Over 50 years old	Person	8		14		7		120		
			4	4	9	5	3	4	8	4	
		Percent	0.03	0.03	0.06	0.03	0.02	0.03	0.05	0.02	
	By level										
	- Top management	Person	7		5		5		10		
									8	2	
		Percent	0.05		0.03		0.03		0.05		0.01
	- Middle management	Person	13		9		10		20		
									12	8	
		Percent	0.09		0.06		0.06		0.07		0.05
	- Management	Person	317		273		215		154		
									66	88	
		Percent	2.19		1.80		1.37		0.40		0.54
	- Officer	Person	5,794		5,294		3,040		4,351		
									2,085	2,266	
		Percent	40.00		34.83		19.33		12.72		13.83
	By race										
- Thailand	Person	6,125		5,578		3,268		4,524			
								2,160	2,364		
	Percent	42.29		36.70		20.78		13.18		14.43	
- Other	Person	6		3		2		11			
								11	0		
	Percent	0.04		0.02		0.01		0.07		0.00	

GRI Standard	Performance	Unit	2018		2019		2020		2021		
			Male	Female	Male	Female	Male	Female	Male	Female	
	By physical characteristics										
	- Employee with disability	Person	n/a		n/a		22		26		
		Percent	n/a		n/a		11	11	13	13	
	Average hiring cost										
	- Average hiring cost per FTE	Baht per employee equivalent	1,531		1,677		1,680		2,681		
401-1	Filled by internal hires										
	Number of open job positions filled by internal candidates	Person	1,418		1,369		993		2,488		
		Percent	55.00		57.00		58.00		1,095	1,393	
	Number of total open job positions (both internal and external candidates)	Position	n/a		n/a		n/a		7,153		
	By age										
	- Under 30 years old	Person	n/a		n/a		n/a		1,070		
		Percent	n/a		n/a		n/a		480	590	
	- 30-50 years old	Person	n/a		n/a		n/a		1,373		
		Percent	n/a		n/a		n/a		599	774	
	- Over 50 years old	Person	n/a		n/a		n/a		45		
		Percent	n/a		n/a		n/a		16	26	
	By levle										
	- Top management	Person	n/a		n/a		n/a		7		
		Percent	n/a		n/a		n/a		4	3	
	- Middle management	Person	n/a		n/a		n/a		28		
		Percent	n/a		n/a		n/a		11	17	
									0.06	0.04	
								0.15	0.24		

GRI Standard	Performance	Unit	2018		2019		2020		2021		
			Male	Female	Male	Female	Male	Female	Male	Female	
	- Management	Person	n/a		n/a		n/a		196		
								83	113		
		Percent	n/a		n/a		n/a		1.16	1.58	
	- Officer	Person	n/a		n/a		n/a		2,257		
								997	1,260		
		Percent	n/a		n/a		n/a		13.94	17.61	
	By race										
	- Thailand	Person	n/a		n/a		n/a		2,397		
								1,067	1,330		
		Percent	n/a		n/a		n/a		14.92	18.59	
	- Other	Person	n/a		n/a		n/a		0		
								0	0		
		Percent	n/a		n/a		n/a		0.00	0.00	
	Turnover										
	Total number of turnover (Both voluntary and involuntary turnover)	Person	5,110		4,617		2,631		2,672		
			2,457	2,653	2,246	2,371	1,334	1,297	1,315	1,357	
	- Rate of turnover	Percent	35.28		30.38		16.73		16.31		
			16.96	18.32	14.78	15.60	8.48	8.25	8.02	8.28	
	By age										
	- Under 30 years old	Person	2,918		2,609		1,416		1,454		
			1,407	1,511	1,334	1,275	745	671	739	715	
		Percent	9.71	10.43	8.78	8.39	4.74	4.27	4.51	4.36	
- 30-50 years old	Person	2,158		1,961		1,178		1,181			
		1,034	1,124	881	1,080	569	609	555	626		
	Percent	7.14	7.76	5.80	7.11	3.62	3.87	3.39	3.82		
- Over 50 years old	Person	34		47		37		37			
		16	18	31	16	20	17	21	16		
	Percent	0.11	0.12	0.20	0.11	0.13	0.11	0.13	0.10		

GRI Standard	Performance	Unit	2018		2019		2020		2021		
			Male	Female	Male	Female	Male	Female	Male	Female	
	By level										
	- Top management	Person	n/a		n/a		n/a		3		
		Percent	7.55		15.69		7.84		1	2	
	- Middle management	Person	n/a		n/a		n/a		18		
		Percent	9.09		6.25		5.88		11	7	
	- Management	Person	n/a		n/a		n/a		115		
		Percent	30.31		22.58		12.65		63	52	
	- Officer	Person	n/a		n/a		n/a		2,536		
		Percent	33.92		29.07		17.30		1,240	1,296	
	By race										
	- Thailand	Person	n/a		n/a		n/a		2,671		
		Percent	26.94		23.65		14.96		1,314	1,357	
	- Other	Person	n/a		n/a		n/a		1		
		Percent	16.67		30.77		9.09		8.02	8.28	
	By physical characteristics										
	- Employee with disability	Person	n/a		n/a		n/a		1.00		0.00
	Employees with a new job after leaving the Company										
	Employees with a new job less than 1 year after leaving Makro in reporting year (Sustainable employability)	Person	n/a		n/a		n/a		n/a		
		Percent	n/a		n/a		n/a		n/a	n/a	
	Voluntary Turnover										
	Number of cumulative voluntary turnover	Person	n/a		n/a		n/a		2,497		
Percent		26.93		23.66		14.96		1,214	1,283		

GRI Standard	Performance	Unit	2018		2019		2020		2021	
			Male	Female	Male	Female	Male	Female	Male	Female
	By age									
	- Under 30 years old	Person	n/a		n/a		n/a		1,376	
		Percent	37.76		34.50		22.72		694	682
	- 30-50 years old	Person	n/a		n/a		n/a		1,106	
		Percent	20.84		17.60		11.05		511	595
	- Over 50 years old	Person	n/a		n/a		n/a		15	
		Percent	8.47		8.22		3.74		9	6
	By level									
	- Top management	Person	n/a		n/a		n/a		2	
		Percent	5.66		13.73		3.92		0	2
	- Middle management	Person	n/a		n/a		n/a		15	
		Percent	8.52		5.68		5.88		9	6
	- Management	Person	n/a		n/a		n/a		107	
		Percent	27.43		21.27		12.06		57	50
	- Officer	Person	n/a		n/a		n/a		2,373	
		Percent	27.22		24.14		15.39		1,148	1,225
	By race									
	- Thailand	Person	n/a		n/a		n/a		2,496	
		Percent	26.94		23.65		14.96		1,213	1,283
	- Other	Person	n/a		n/a		n/a		1	
		Percent	16.67		30.77		9.09		1	0

GRI Standard	Performance	Unit	2018		2019		2020		2021		
			Male	Female	Male	Female	Male	Female	Male	Female	
404-1	By physical characteristics										
	- Employee with disability	Person	n/a		n/a		n/a		2		
	Employees with a new job after leaving the Company										
	- Employees with a new job less than 1 year after leaving Makro in reporting year (Sustainable employability)	Person	n/a		n/a		n/a		n/a		
		Percent	n/a		n/a		n/a		n/a	n/a	
	Parental leave of employee										
	Number of employees taking parental leave in the reporting year	Person	n/a		n/a		n/a		373		
		Percent	n/a		n/a		n/a		0	373	
	Number of employees who returned to work after parental leave ended in the reporting year	Person	n/a		n/a		n/a		351		
		Percent	n/a		n/a		n/a		0.00	3.86	
	Number of employees who returned to work after parental leave ended and were still employed up to 12 months or over after their return to work	Person	n/a		n/a		n/a		334		
		Percent	n/a		n/a		n/a		0	334	
	Employee Training and Development										
	Average hours of training for all employees	Hour/ person/ year	8.96		10.69		14.32		14.75		
			8.78	9.13	10.79	10.58	14.03	14.60	13.16	16.34	
	By requirement										
	- Mandatory requirement	Hour/ person/ year	n/a		n/a		n/a		8.85		
			n/a	n/a	n/a	n/a	n/a	n/a	4.59	4.26	
	- Non-mandatory requirement	Hour/ person/ year	n/a		n/a		n/a		20.65		
			n/a	n/a	n/a	n/a	n/a	n/a	8.56	12.09	
	By age										
	- Under 30 years old	Hour/ person/ year	n/a		n/a		n/a		13.01		
			n/a	n/a	n/a	n/a	n/a	n/a	10.88	15.14	
	- 30-50 years old	Hour/ person/ year	n/a		n/a		n/a		15.43		
			n/a	n/a	n/a	n/a	n/a	n/a	14.22	16.64	
	- Over 50 years old	Hour/ person/ year	n/a		n/a		n/a		21.75		
n/a			n/a	n/a	n/a	n/a	n/a	21.93	21.57		

GRI Standard	Performance	Unit	2018		2019		2020		2021		
			Male	Female	Male	Female	Male	Female	Male	Female	
	By level										
	- Top management	Hour/ person/ year	n/a		68.82		87.40		133.15		
			n/a	n/a	66.77	70.86	60.59	114.21	98.52	167.79	
	- Middle management		n/a		48.81		51.19		28.62		
			n/a	n/a	49.01	48.61	45.41	56.97	37.55	19.69	
	- Management		n/a		41.94		33.62		32.90		
			n/a	n/a	37.34	46.54	31.77	35.47	30.85	34.95	
	- Officer		n/a		8.90		13.11		10.76		
			n/a	n/a	9.28	8.51	13	13.21	9.37	12.15	
	By race										
	- Thailand	Hour/ person/ year	n/a		n/a		n/a		14.71		
			n/a	n/a	n/a	n/a	n/a	n/a	13.09	16.34	
	- Other		n/a		n/a		n/a		45.06		
			n/a	n/a	n/a	n/a	n/a	n/a	36.12	54.00	
	Employee Training and Development Cost										
	Average hours of training for all employees	Baht per employee equivalent	2,553.40		2,527.60		2,366.41		3,813.22		
									3,086.11	4,540.33	
	By requirement										
	- Mandatory requirement	Baht per employee equivalent	n/a		n/a		n/a		143.67		
			n/a	n/a	n/a	n/a	n/a	n/a	149.22	138.12	
	- Non-mandatory requirement		n/a		n/a		n/a		3,669.55		
			n/a	n/a	n/a	n/a	n/a	n/a	2,936.89	4,402.20	
	By age										
	- Under 30 years old	Baht per employee equivalent	n/a		n/a		n/a		7,925.93		
			n/a	n/a	n/a	n/a	n/a	n/a	5,530.01	10,321.85	
	- 30-50 years old		n/a		n/a		n/a		1,429.10		
			n/a	n/a	n/a	n/a	n/a	n/a	1,355.30	1,502.91	
	- Over 50 years old		n/a		n/a		n/a		5,133.51		
			n/a	n/a	n/a	n/a	n/a	n/a	4,727.36	5,539.66	

GRI Standard	Performance	Unit	2018		2019		2020		2021		
			Male	Female	Male	Female	Male	Female	Male	Female	
	By level										
	- Top management	Baht per employee equivalent	n/a		n/a		n/a		134,750.57		
			n/a	n/a	n/a	n/a	n/a	n/a	121,908.87	147,592.27	
	- Middle management		n/a		n/a		n/a		71,032.22		
			n/a	n/a	n/a	n/a	n/a	n/a	69,744.52	72,319.92	
	- Management		n/a		n/a		n/a		15,662.93		
			n/a	n/a	n/a	n/a	n/a	n/a	12,622.69	18,703.17	
	- Officer	n/a		n/a		n/a		936.54			
		n/a	n/a	n/a	n/a	n/a	n/a	799.28	1,073.79		
	By race										
	- Thailand	Baht per employee equivalent	n/a		n/a		n/a		3,750.05		
			n/a	n/a	n/a	n/a	n/a	n/a	2,981.19	4,518.91	
	- Other		n/a		n/a		n/a		73,057.67		
			n/a	n/a	n/a	n/a	n/a	n/a	40,985.95	105,129.40	
	Employee training and development in Sustainability										
	Employee trained and developed in Sustainability	Person	n/a		n/a		n/a		n/a		
			n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
		Percent	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
	Employee engaged in corporate shared value program(s)	Person	n/a		n/a		n/a		n/a		
			n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
		Percent	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Employee engaged in initiatives/ leadership development programs	Person	n/a		n/a		n/a		717.00			
		n/a	n/a	n/a	n/a	n/a	n/a	557	877		
	Percent	n/a	n/a	n/a	n/a	n/a	n/a	3.40	5.35		
Number of hous volunteered by employees	Hour	n/a		n/a		n/a		4,358.00			
Employee Engagement Score											
Employee engagement result	Percent	n/a		n/a		82.70		84.06			
								85.00	84.00		
Employee engagement target	Percent	n/a		n/a		80.00		80.00			

GRI Standard	Performance	Unit	2018		2019		2020		2021	
			Male	Female	Male	Female	Male	Female	Male	Female
	Total number of employee engagement survey participants	Person	n/a	n/a	n/a	n/a	15,726		16,387	
		Percent	n/a	n/a	n/a	n/a	100.00		7,291	9,096
	Total number of disable employee engagement survey participants	Person	n/a	n/a	n/a	n/a	n/a		26	
		Percent	n/a	n/a	n/a	n/a	n/a		13	13
	Total number of employee survey participants by age									
	- Under 30 years old	Person	n/a	n/a	n/a	n/a	n/a		5,609	
		Percent	n/a	n/a	n/a	n/a	n/a		2,734	2,875
	- 30-50 years old	Person	n/a	n/a	n/a	n/a	n/a		10,185	
		Percent	n/a	n/a	n/a	n/a	n/a		4,331	5,854
	- Over 50 years old	Person	n/a	n/a	n/a	n/a	n/a		593	
		Percent	n/a	n/a	n/a	n/a	n/a		226	367
	Total number of employee survey participants by level									
	- Top management	Person	n/a	n/a	n/a	n/a	n/a		62	
		Percent	n/a	n/a	n/a	n/a	n/a		26	36
	- Middle management	Person	n/a	n/a	n/a	n/a	n/a		198	
		Percent	n/a	n/a	n/a	n/a	n/a		90	108
	- Management	Person	n/a	n/a	n/a	n/a	n/a		1,450	
		Percent	n/a	n/a	n/a	n/a	n/a		597	853
	- Officer	Person	n/a	n/a	n/a	n/a	n/a		14,677	
		Percent	n/a	n/a	n/a	n/a	n/a		6,578	8,099

GRI Standard	Performance	Unit	2018		2019		2020		2021		
			Male	Female	Male	Female	Male	Female	Male	Female	
	Total number of employee survey participants by race										
	- Thailand	Person	n/a		n/a		n/a		16,366		
								7,272	9,094		
		Percent	n/a		n/a		n/a		42.98	53.75	
	- Other	Person	n/a		n/a		n/a		21		
								19	2		
		Percent	n/a		n/a		n/a		0.11	0.01	
	Employee entering welfare committee										
	Employee entering welfare committee	Person	n/a		n/a		700		926		
							4.35	5.47			

Remarks: • n/a means not available

• Total employees covers permanent employee, contract and temporary under Siam Makro Public Company Limited, Thailand only.

• Scope of GRI 401-1, 404-1, and 405-1 cover only permanent employee.



Occupational Health and Safety Data during 2018–2021

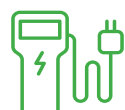
GRI Standard	Performance	Unit	2018		2019		2020		2021		
			Male	Female	Male	Female	Male	Female	Male	Female	
403-9 (a) (2018)	The number of fatalities as a result of work-related injuries										
	Employees	Person	0		0		0		0		
			0	0	0	0	0	0	0	0	
	Contractors		0		0		0		2		
			0	0	0	0	0	0	2	0	
	Rate of fatalities as a result of work-related injuries										
	Employees	Case/ million hours worked	0		0		0		0.00		
			0	0	0	0	0	0	0.00	0.00	
	Contractors		0		0		0		0.04		
			0	0	0	0	0	0	0.08	0.00	
	Number of high-consequence work-related injuries; excluding fatalities										
	Employees	Person	n/a		n/a		n/a		0		
			n/a	n/a	n/a	n/a	n/a	n/a	0	0	
	Contractors		n/a		n/a		n/a		0		
			n/a	n/a	n/a	n/a	n/a	n/a	0	0	
	Rate of high-consequence work-related injuries; excluding fatalities										
	Employees	Case/ million hours worked	n/a		n/a		n/a		0.00		
			n/a	n/a	n/a	n/a	n/a	n/a	0.00	0.00	
	Contractors		n/a		n/a		n/a		0		
			n/a	n/a	n/a	n/a	n/a	n/a	0.00	0.00	
	Number of recordable work-related injuries										
	Employees	Person	n/a		n/a		n/a		125		
			n/a	n/a	n/a	n/a	n/a	n/a	82	43	
	Contractors		n/a		n/a		n/a		102		
			n/a	n/a	n/a	n/a	n/a	n/a	73	29	

GRI Standard	Performance	Unit	2018		2019		2020		2021		
			Male	Female	Male	Female	Male	Female	Male	Female	
-	Fleet safety accident rate										
	Employees	Case/ million kilometer	n/a		n/a		n/a		0.32		
	Contractors		n/a		n/a		n/a		0.16		
	Number of fatalities as a result od work-related fleet accident										
	Employees	Person	n/a		n/a		n/a		2		
	Contractors		n/a		n/a		n/a		2		
-	Worker covered by an occupational health and safety management system										
	Employee covered by an occupational health and safety management system	%	n/a		n/a		n/a		100		
	Employee covered by such a system that has been internally audited		n/a		n/a		n/a		100		
	Employee covered by such a system that has been internally audited or certified by an external party		n/a		n/a		n/a		n/a		
	Worker covered by an occupational health and safety management system										
	Contractor covered by an occupational health and safety management system	%	n/a		n/a		n/a		n/a		
	Contractor covered by such a system that has been internally audited		n/a		n/a		n/a		n/a		
	Contractor covered by such a system that has been internally audited or certified by an external party		n/a		n/a		n/a		n/a		
-	Total costs of workplace accidents including property damage										
	Direct cost	Baht	n/a		n/a		n/a		n/a		
	Indirect cost		n/a		n/a		n/a		n/a		

Remark: • n/a = Not Available

- Contractor covers regular contractor, contractors entering the area, transportation suppliers, security officers and housewives.
- Absentee Rate (AR) = Total number of actual absentee days lost from occupational injuries or diseases, but not leave with permission, over the reporting period x 100 / Total days worked (over one year)
- Lost-Time Injuries Frequency Rate (LTIFR) = Total number of lost time injuries (cases) over the reporting period x 1,000,000 hours worked / Total hours worked (over the reporting period)
- Occupational Illness Frequency Rate (OIFR) = Total number of occupational diseases (cases) over the reporting period x 1,000,000 hours worked / Total hours worked (over the reporting period)"

Environmental Performance



Energy

GRI Standard	Performance	Unit	2018	2019	2020	2021
302-1(E)	Total energy consumption within the organization	GJ	1,331,506.27	1,405,725.92	1,420,984.03	1,507,652.72
302-1(A)	Total non-renewable energy	GJ	36,365.39	37,251.58	34,634.86	43,078.22
	- Diesel		24,519.85	23,948.62	23,332.52	31,909.05
	- Gasoline 91		11,845.54	12,510.95	10,869.17	2,124.16
	- Gasoline 95					5,343.96
	- E20		-	-	-	1,862.50
	- E85		-	-	-	116.02
	- LPG		-	792.00	431.57	2,558.56
302-1(B)	Total renewable energy	GJ	54.36	10,094.12	63,859.30	128,094.89
	- Solar cell		54.36	10,094.12	63,574.70	127,810.28
	- Solar thermal		-	-	284.60	284.60
302-1(C)	Total electricity purchased	GJ	1,295,086.52	1,358,380.22	1,322,491.46	1,336,479.62
302-3	Energy intensity	GJ per million THB of revenue	6.90	6.67	6.50	5.66

Remarks: • n/a means not available

- Energy consumption (Joules) is calculated by multiplying the volume of fuel with a conversion factor, based on the type of fuel used (reference from The Department of Alternative Energy Development and Efficiency).

1.Total energy consumption within the organization covers total non-renewable energy consumption, total renewable energy and total electricity purchased.

2.In 2020, scope covers distribution center.



Water

GRI Standard	Performance	Unit	2018	2019	2020	2021
303-3 A (2018)	Total water consumption ¹	1,000 m3 (1 Million Liters)	446.29	473.56	483.43	531.67
	Total water withdrawal	1,000 m3 (1 Million Liters)	2,231.47	2,367.79	2,417.17	2,658.37
	- Surface water		-	-	-	-
	- Ground water	1,000 m3 (1 Million Liters)	73.20	84.64	76.53	94.59
	- Municipal water supplies		2,158.27	2,283.15	2,340.64	2,563.78
303-3 B (2018)	Total water withdrawal from water stress area ²	1,000 m3 (1 Million Liters)	-	1,204.01	1,087.09	939.30
	- Surface water		-	-	-	-
	- Ground water	1,000 m3 (1 Million Liters)	-	66.79	-	-
	- Municipal water supplies		-	1,137.22	1,087.09	939.30
303-3 C (2018)	Freshwater with Total Dissolved Solids below 1,000 mg/L	1,000 m3 (1 Million Liters)	2,231.47	2,367.79	2,417.17	2,658.37
	Water consumption intensity	1,000 m3 (1 Million Liters)	11.57	11.24	11.05	10.06

Remarks: • n/a means not available

1. Total water consumption is the difference of total water withdrawal and water discharge
2. Data refers to Aqueduct Water Risk Atlas that was aligned with GRI standard
3. In 2021, scope covers distribution center.



Wastewater

GRI Standard	Performance	Unit	2018	2019	2020	2021
303-4 A (2018)	1,000 m3 (1 Million Liters)	1,000 m3 (1 Million Liters)	1,785.18	1,894.23	1,933.73	2,126.70
	-1,000 m3 (1 Million Liters)		1,785.18	1,894.23	1,933.73	2,126.70
	-1,000 m3 (1 Million Liters)	1,000 m3 (1 Million Liters)	-	-	-	-

- Remarks:
1. Water discharge was calculated from 80% of total water withdrawal.
 2. There was no waste water that had TDS more than 1000 mg/L.
 3. In 2021, scope covers distribution center.



Refrigerant

GRI Standard	Performance	Unit	2018	2019	2020	2021
-	R141B	kg	n/a	n/a	n/a	87.45
	R22		n/a	n/a	n/a	10,862.91
	R290		n/a	n/a	n/a	821.89
	R32		n/a	n/a	n/a	511.63
	R134A		n/a	n/a	n/a	2,691.66
	R404A		n/a	n/a	n/a	7,620.27
	R407C		n/a	n/a	n/a	955.24
	R407F		n/a	n/a	n/a	4,105.85
	R410A		n/a	n/a	n/a	339.00
	R717 (ammonia)		n/a	n/a	n/a	0.00
	CO ₂		n/a	n/a	n/a	1,038.20
	R507		n/a	n/a	n/a	0.00

Remark: • n/a means not available
 1. In 2021, scope covers distribution center.



Greenhouse Gas Emissions

GRI Standard	Performance	Unit	2018	2019	2020	2021
A	Total GHG emissions (Scope 1 + Scope 2)	tons of CO2e	259,623.23	242,386.02	233,476.01	251,517.37
305-1(A)	- Direct (scope 1) GHG emissions		50,214.93	22,743.48	49,833.38	65,932.33
305-2(A)	- Energy indirect (scope 2) GHG emissions		209,408.29	219,642.54	183,642.63	185,585.05
305-3(A)	- Other indirect (scope 3) GHG emissions		n/a	n/a	57,540.03	58,943.72
305-4(A)	GHG emissions intensity	tons of CO2e million THB of revenue	1.35	1.15	1.07	0.94

Remarks: • n/a means not available

- Scope 1 is direct greenhouse gas emissions.
 - Scope 2 is indirect greenhouse gas emissions from energy consumption.
 - Scope 3 is indirect greenhouse gas emissions from others.
 - Scope 3 covers greenhouse gas emissions from product transportation and distribution (upstream level) and business travel.
 - The greenhouse gas emissions above include CO₂, CH₄, N₂O, CFCs, HFCs and PFCs — calculated and converted to the equivalent amount of carbon dioxide with similar global warming potentials (GWP) as defined by the IPCC (Intergovernmental Panel on Climate Change). The Emission Factor is based on data from Thailand Greenhouse Gas Management Organisation (Public Organisation) and the Energy Policy and Planning Office, the Ministry of Energy.
1. In 2021, scope covers distribution center.



Waste Performance during 2018 – 2021

GRI Standard	Performance	Unit	2018	2019	2020	2021
Waste						
GRI 306 (2020)	Total weight of waste generated¹	tonne	62,327.58	91,391.23	61,628.42	67,907.92
	Total weight of hazardous waste generated ²	tonne	n/a	n/a	n/a	15.81
	- Reuse	tonne	n/a	n/a	n/a	0
	- Recycling		n/a	n/a	n/a	0
	- Energy recovery		n/a	n/a	n/a	0
	- Incineration – mass burn		n/a	n/a	n/a	12.9
	- Landfilling		n/a	n/a	n/a	2.91
	- Other disposal operations		n/a	n/a	n/a	0
	Total weight of non-hazardous waste generated	tonne	62,327.58	91,391.23	61,628.42	67,892.11
	- Reuse	tonne	n/a	n/a	n/a	0.19
	- Recycling		42,033.21	70,175.21	40,258.00	39,239.06
	- Composting		86.59	118.2	53.39	508.85
	- Energy recovery		n/a	n/a	n/a	0
	- Incineration – mass burn		n/a	n/a	n/a	0
	- Feed material		n/a	n/a	n/a	0
	- Landfilling		20,207.78	21,097.82	21,317.03	28,143.82
	- Other disposal operations		n/a	n/a	n/a	0
	Total waste that has been utilized	tonne	42,119.80	70,293.41	40,311.39	39,748.01
	Ratio of waste that has been utilized per total waste from operation	%	67.58	76.91	65.41	58.54

Remarks: • n/a means not available

1. In 2021, scope of waste data was expanded to Distribution Center
2. In 2021, scope of waste data covers hazardous waste generated.
3. In 2021, scope covers distribution center.



Waste Performance during 2018 - 2021

GRI Standard	Performance	Unit	2018	2019	2020	2021
Food waste						
GRI 306 (2020)	Total food waste	tonne	n/a	n/a	n/a	26,825.66
	Food waste management by destination					
	Reuse	tonne	n/a	n/a	n/a	0
	- Ugly food for donation	tonne	n/a	n/a	n/a	9.6
	Recycle	tonne	n/a	n/a	n/a	294.14
	- Animal feed	tonne	n/a	n/a	n/a	294.14
	- Bio-based materials/biochemical processing		n/a	n/a	n/a	0
	Compositing	tonne	n/a	n/a	n/a	508.76
	- Composting/aerobic processes	tonne	n/a	n/a	n/a	508.76
	Energy Recovery	tonne	n/a	n/a	n/a	0
	- Codigestion/anaerobic digestion	tonne	n/a	n/a	n/a	0
	- Controlled combustion		n/a	n/a	n/a	0
	Landfill	tonne	n/a	n/a	n/a	26,022.76
	- Landfill	tonne	n/a	n/a	n/a	26,022.76
	- Others		n/a	n/a	n/a	0
	Food waste management by category					
	- Fruit and Vegetable	tonne	n/a	n/a	n/a	19,899.06
	- Beef		n/a	n/a	n/a	1,007.75
	- Pork		n/a	n/a	n/a	674.65
	- Poultry		n/a	n/a	n/a	240.67
	- Fish		n/a	n/a	n/a	527.25
	- Other seafood		n/a	n/a	n/a	1,315.95
	- Bakery		n/a	n/a	n/a	844.94
	- Frozen and DAIRY		n/a	n/a	n/a	2,315.32

Remarks: • n/a means not available

1. In 2021, scope covers distribution center.



Packaging Performance during 2018 - 2021

GRI Standard	Performance	Unit	2018	2019	2020	2021
Plastic packaging usage						
GRI 301-1	Plastics Packaging Usage	tonne	n/a	n/a	n/a	4,001.24
	PET: Polyethylene Terephthalate Ethylene	tonne	n/a	n/a	n/a	71.77
	HDPE: High Density Polyethylene		n/a	n/a	n/a	2,456.34
	PVC: Vinyl or Polyvinyl Chloride		n/a	n/a	n/a	1,399.82
	LDPE: Low Density Polyethylene		n/a	n/a	n/a	4.02
	PP: Polypropylene		n/a	n/a	n/a	15.12
	PS: Polystyrene		n/a	n/a	n/a	0.00
	PE: Polyethylene		n/a	n/a	n/a	0.00
	PC: Polycarbonate		n/a	n/a	n/a	0.00
	Others (Cable ties)		n/a	n/a	n/a	54.17

Remarks: • n/a means not available

GRI Content Index and UNGC Principles



GRI Content Index

Core Standards

GRI Standard	Description	One Report (Page/URL) and Remarks (Omission/Comment)	External Assurance
GRI 102: General Disclosures 2016			
Organizational Profile			
102-1	Name of the Organization	29, 303	-
102-2	Activities, brands, products, and services	30-54	-
102-3	Location of Headquarters	29, 303	-
102-4	Location of operations	73-77	-
102-5	Ownership and legal form	71-80	-
102-6	Markets served	32-54	-
102-7	Scale of the organization	30-32, 304	-
102-8	Information on employees and other workers	304-305	-
102-9	Supply Chain	92	-
102-10	Significant changes to the organization and its supply chain	Makro completed the acquisition of Lotus's on Oct 25, 2021. After the Lotus's acquisition, the company's full spectrum of businesses now comprises three segments: wholesale, retail and mall.	-
102-11	Precautionary Principles or approach External initiatives	82-88	-
102-12	Membership of associations	90, 96	-
102-13	Statement from senior decision-maker	96	-
Strategy			
102-14	Values, principles, standards, and norms of behavior	14	-
Ethics and Integrity			
102-16		2, 89-90	-

GRI Standard	Description	One Report (Page/URL) and Remarks (Omission/Comment)	External Assurance
Governance			
102-18	Governance Structure	99, 208	-
102-19	Delegating authority	96	-
102-20	Executive-level responsibility for economic, environmental, and social topics	96	-
102-22	Composition of the highest governance body and its committees	208-211, 304-318	-
102-24	Nominating and selecting the highest governance body	193-195	-
102-30	Effectiveness of risk management processes	82	-
102-32	Highest Governance Body's Role in Sustainability Reporting	91,96	-
102-35	GRI 102-35 Remuneration policies	198	-
102-38	GRI 102-38 Annual total compensation ratio	-	-
Stakeholder Engagement			
102-40	List of stakeholder groups	92, 129-131	-
102-41	Collective bargaining agreements	101	-
102-42	Identifying and selecting stakeholders	128	-
102-43	Approach to stakeholder engagement	129-131	-
102-44	Key topics and concerns raised	129-131	-
Reporting Practice			
102-45	Entities included in the consolidated financial statements	30-32	-
102-46	Defining report content and topic boundaries	89	-
102-47	List of material topics	91	-
102-48	Restatements of information	There is not any restatements of information given in previous reports.	-
102-49	Changes in reporting	303	-
102-50	Reporting period	303	-
102-51	Date of most recent report	303	-
102-52	Reporting cycle	303	-
102-53	Contact point for questions regarding the report	303	-

GRI Standard	Description	One Report (Page/URL) and Remarks (Omission/Comment)	External Assurance
102-54	Claims of reporting in accordance with the GRI Standards	303	-
102-55	GRI content Index	326-333	-
102-56	External Assurance	335	-



Material Topics

GRI Standard	Description	One Report (Page/URL) and Remarks (Omission/Comment)	External Assurance
GRI 201: Economic Performance			
103-1	Explanation of the material topic and its boundary	122-124	-
103-2	The management approach and its components	122-124	-
103-3	Evaluation of the management approach	122-124	-
201-1	Direct Economic value generated and distributed	124	-
GRI 203: Indirect Economic Impacts			
103-1	Explanation of the material topic and its boundary	104-108	-
103-2	The management approach and its components	104-108	-
103-3	Evaluation of the management approach	104-108	-
203-2	Significant indirect economic impacts	105	-
GRI 204: Procurement Practices			
103-1	Explanation of the material topic and its boundary	146-149	-
103-2	The management approach and its components	146-149	-
103-3	Evaluation of the management approach	146-149	-
204-1	Proportion of spending on local suppliers	147	-
GRI 205: Anti-Corruption			
103-1	Explanation of the material topic and its boundary	95-97	-
103-2	The management approach and its components	95-97	-
103-3	Evaluation of the management approach	95-97	-
205-2	Communication and training about anti-corruption policies and procedures	97	-
205-3	Confirmed incidents of corruption and actions taken	97	-

GRI Standard	Description	One Report (Page/URL) and Remarks (Omission/Comment)	External Assurance
GRI 301: Materials			
103-1	Explanation of the material topic and its boundary	136-140	-
103-2	The management approach and its components	136-140	-
103-3	Evaluation of the management approach	136-140	-
301-1	Materials used by weight or volume	325	-
GRI 302: Energy			
103-1	Explanation of the material topic and its boundary	133-135	-
103-2	The management approach and its components	133-135	-
103-3	Evaluation of the management approach	133-135	-
302-1	Energy consumption within the organization	319	Yes
302-3	Energy intensity	134,319	Yes
302-4	Reduction of energy consumption	135	-
GRI 303: Water and Effluents (2018 Edition)			
103-1	Explanation of the material topic and its boundary	141-143	-
103-2	The management approach and its components	141-143	-
103-3	Evaluation of the management approach	141-143	-
303-1	Interactions with water as a shared resource	141-143	-
303-3	Water withdrawal	320	Yes
303-4	Water discharge	320	Yes
GRI 304: Biodiversity			
103-1	Explanation of the material topic and its boundary	144-145	-
103-2	The management approach and its components	144-145	-
103-3	Evaluation of the management approach	144-145	-
304-2	Significant impacts of activities, products, and services on biodiversity	145	-
GRI 305: Emissions			
103-1	Explanation of the material topic and its boundary	133-135	-
103-2	The management approach and its components	133-135	-
103-3	Evaluation of the management approach	133-135	-

GRI Standard	Description	One Report (Page/URL) and Remarks (Omission/Comment)	External Assurance
305-1	Direct (Scope 1) GHG emissions	322	Yes
305-2	Energy indirect (Scope 2) GHG emissions	322	Yes
305-3	Other indirect (Scope 3) GHG emissions	322	Yes
305-4	GHG Emissions intensity	134, 322	Yes
305-5	Reduction of GHG emissions	135	-
GRI 306: Waste (2020 Edition)			
103-1	Explanation of the material topic and its boundary	136-140	-
103-2	The management approach and its components	136-140	-
103-3	Evaluation of the management approach	136-140	-
306-1	Waste generation and significant waste-related impacts	136-140	-
306-2	Management of significant waste-related impacts	136-140	-
306-3	Waste generated	323	Yes
306-4	Waste diverted from disposal	136-323	Yes
306-5	Waste directed to disposal	136-323	Yes
GRI 308: Supplier Environmental			
103-1	Explanation of the material topic and its boundary	146-149	-
103-2	The management approach and its components	146-149	-
103-3	Evaluation of the management approach	146-149	-
308-1	New suppliers that were screened using environmental criteria	147	-
GRI 401: Employment			
103-1	Explanation of the material topic and its boundary	98-102	-
103-2	The management approach and its components	98-102	-
103-3	Evaluation of the management approach	98-102	-
401-1	New employee hires and employee turnover	304-310	-
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	310	-

GRI Standard	Description	One Report (Page/URL) and Remarks (Omission/Comment)	External Assurance
GRI 403: Occupational Health and Safety			
103-1	Explanation of the material topic and its boundary	98-102	-
103-2	The management approach and its components	98-102	-
103-3	Evaluation of the management approach	98-102	-
403-1	Occupational health and safety management systems	101	-
403-2	Hazard identification, risk assessments, and incident investigation	101 Omission: 403-2: A description of the policies and processes for workers to remove themselves from work situations that they believe could cause injury or ill health, and an explanation of how workers are protected against reprisals.	-
403-3	Occupational health services	100	-
403-4	Worker participation, consultation, and communication on occupational health and safety	99-100	-
403-5	Worker training on occupational health and safety	100	-
403-6	Promotion of worker health	-	-
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	100	-
403-9	Work-related injuries	316-317	Yes
403-10	Work-related ill health	317	-
GRI 404: Training and Education			
103-1	Explanation of the material topic and its boundary	109-112	-
103-2	The management approach and its components	109-112	-
103-3	Evaluation of the management approach	109-112	-
404-1	Average hours of training per year per employee	311-313	-
404-2	Programs for upgrading employee skills and transition assistance programs	110,112	-
404-3	Percentage of employees receiving regular performance and career development reviews	112	-

GRI Standard	Description	One Report (Page/URL) and Remarks (Omission/Comment)	External Assurance
GRI 405: Diversity and Equal Opportunity			
103-1	103-1 Explanation of the material topic and its boundary	98-102	-
103-2	103-2 The management approach and its components	98-102	-
103-3	103-3 Evaluation of the management approach	98-102	-
405-1	GRI 405-1 Diversity of Governance bodies and employees	304-305	-
GRI 412: Human Rights Assessment			
103-1	103-1 Explanation of the material topic and its boundary	98-102	-
103-2	103-2 The management approach and its components	98-102	-
103-3	103-3 Evaluation of the management approach	98-102	-
412-1	412-1 Operations that have been subject to human rights reviews or impact assessments	98	-
GRI 413: Local Communities			
103-1	Explanation of the material topic and its boundary	122-124	-
103-2	The management approach and its components	122-124	-
103-3	Evaluation of the management approach	122-124	-
413-1	Operations with local community engagement, impact assessments, and development programs	122-124	-
GRI 414: Supplier Social Assessment			
103-1	Explanation of the material topic and its boundary	146-149	-
103-2	The management approach and its components	146-149	-
103-3	Evaluation of the management approach	146-149	-
414-1	New suppliers that were screened using social criteria	147	-
GRI 417: Marketing and Labeling			
103-1	Explanation of the material topic and its boundary	118-121	-
103-2	The management approach and its components	118-121	-
103-3	Evaluation of the management approach	118-121	-
417-1	Requirements for product and service information and labeling	121	-

GRI Standard	Description	One Report (Page/URL) and Remarks (Omission/Comment)	External Assurance
GRI 418: Customer Privacy			
103-1	Explanation of the material topic and its boundary	113-116	-
103-2	The management approach and its components	113-116	-
103-3	Evaluation of the management approach	113-116	-
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	116	-
Food Security			
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its boundary	125-126	-
	103-2 The management approach and its components	125-126	-
	103-3 Evaluation of the management approach	125-126	-
Makro's own indicator	Number of communities get an access to safe and nutritious food	125	-
Innovation			
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its boundary	127	-
	103-2 The management approach and its components	127	-
	103-3 Evaluation of the management approach	127	-
Makro's own indicator	Number of patents for innovations or inventions	127	-
Stakeholder Engagement			
GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its boundary	128-131	-
	103-2 The management approach and its components	128-131	-
	103-3 Evaluation of the management approach	128-131	-
Makro's own indicator	Employee engagement score	128, 313-314	-



The Ten Principles of the United Nations Global Compact

Principles	Description	Page
1	Businesses should support and respect the protection of internationally proclaimed human rights	98-102
2	Businesses should make sure that they are not complicit in human rights abuses	98-102
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	98-102
4	Businesses should uphold the elimination of all forms of forced and compulsory labour	98-102
5	Businesses should uphold the effective abolition of child labour	98-102
6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	98-102
7	Businesses should support a precautionary approach to environmental challenges	133-135, 136-140, 141-143, 144-145, 146-149
8	Businesses should undertake initiatives to promote greater environmental responsibility	133-135, 136-140, 141-143, 144-145, 146-149
9	Businesses should encourage the development and diffusion of environmentally friendly technologies	133-135, 136-140, 141-143, 146-149
10	Businesses should work against corruption in all its forms, including extortion and bribery.	95-97, 193, 201-202, 224



LRQA Independent Assurance Statement

Relating to SIAM MAKRO Public Company Limited's Sustainability Report for the calendar year 2021

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

Terms of Engagement

LRQA (Thailand) Limited (LRQA) was commissioned by SIAM MAKRO Public Company Limited (SIAM MAKRO) to provide independent assurance on its Sustainability Report 2021 "the report" against the assurance criteria below to a moderate level of assurance and at the materiality of the professional judgement of the verifier, using AccountAbility's AA1000AS v3, where the scope was a Type 2 engagement.

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

- Evaluating SIAM MAKRO's adherence to AA1000 AccountAbility Principles (2018) of Inclusivity, Materiality, Responsiveness and Impact.
- Confirming that the report is in accordance with GRI Standards¹ (2016) : core option
- Evaluating the reliability of data and information for only the selected indicators listed below:
 - *Environmental:*
GRI 302-1 Energy consumption within the organization, GRI 302-3 Energy intensity, GRI 303-3 to 5 Water withdrawal, discharge and consumption, GRI 305-1 Direct (scope 1) GHG² emissions, GRI 305-2 Energy indirect (scope 2) GHG emissions, GRI 305-3 Other indirect (Scope 3) GHG emissions (Upstream transport and distribution and business travel only), GRI 305-4 GHG emissions intensity, (GRI 306- 3 to 5) Waste generated/diverted from disposal and direct to disposal and food waste disposal.
 - *Social:*
GRI 403-9 to 10 Work-related injuries and ill health.

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

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

LRQA's Opinion

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

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

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

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

LRQA's approach

LRQA's assurance engagements are carried out in accordance with AA1000AS v3. The following tasks though were undertaken as part of the evidence gathering process for this assurance engagement:

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



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

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

Observations

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

- **Stakeholder inclusivity:**
We are not aware of any key stakeholder groups that have been excluded from SIAM MAKRO's stakeholder engagement process. Stakeholders have the opportunity to express their concerns about how SIAM MAKRO's operations may impact on them.
- **Materiality:**
We are not aware of any material issues concerning SIAM MAKRO's sustainability performance that have been excluded from the report. SIAM MAKRO has processes for identifying and determining material issues based on a set of unbiased criteria and qualitative impact valuation.
- **Responsiveness:**
SIAM MAKRO has addressed the concerns of stakeholders in relation to GHG emissions and food waste as well as established target over these performance.
- **Impact:**
SIAM MAKRO has processes and KPI's to monitor and measure climate change and food waste impacts. However, SIAM MAKRO should address the quantitative impact for all material issues in the future reports.
- **Reliability:**
Data management systems are considered to be well defined, but the implementation of these systems varies across SIAM MAKRO's operational facilities. SIAM MAKRO should consider interim verification to further improve the reliability and timeliness of its disclosed data and information.

LRQA's standards, competence and independence

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

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

Opart Charuratana
LRQA Lead Verifier

On behalf of LRQA (Thailand) Limited
22th Floor, Sirinrat Building, 3388/78 Rama IV Road
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LRQA reference: BGK00000697

Dated: 7 March 2022

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¹ <https://www.globalreporting.org>

² GHG quantification is subject to inherent uncertainty



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