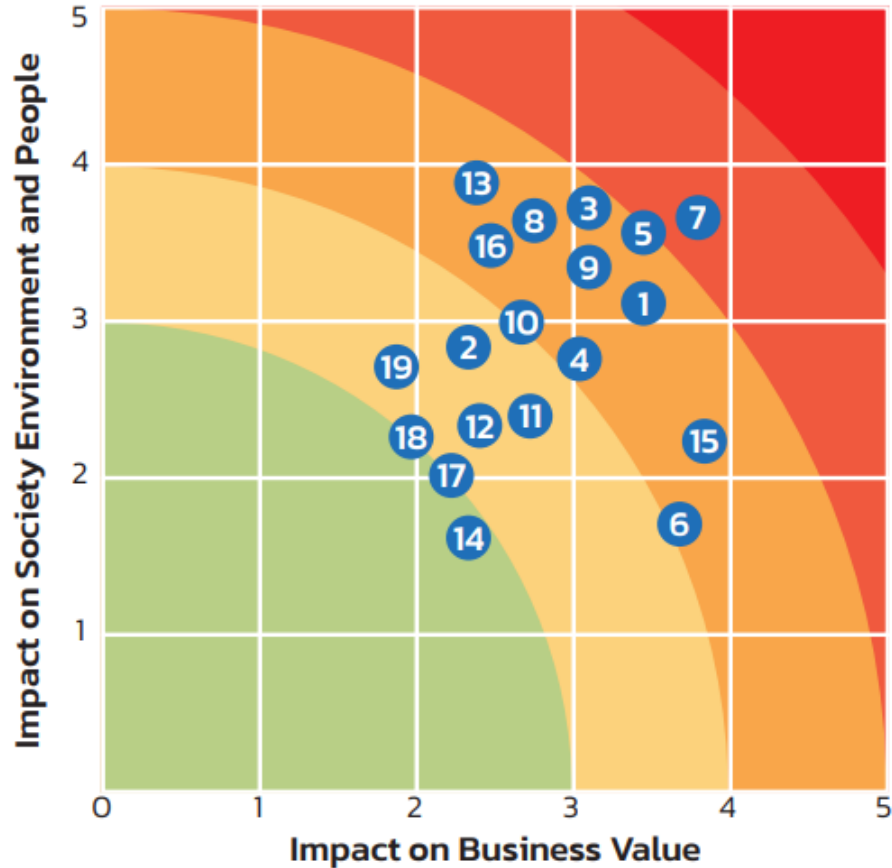# CP Axtra's 2023
Double Material Analysis Report

2023 Materiality Analysis Summary

1. Corporate Governance
2. Human rights - Non discrimination in supply chain (New)
3. Human rights - Migrant worker (New)
4. Health & Safety - Workplace
5. Health & Safety - Road safety
6. Leadership & human capital development
7. Cybersecurity & data privacy
8. Climate resilience
9. Food waste to landfill
10. Sustainable packaging
11. Water stewardship
12. Biodiversity
13. Supply chain management
14. Education to public (+)
15. Health & Well Being product (+)
16. Social impact & Job creation (+)
17. Food security (+)
18. Innovation (+)
19. Stakeholder engagement

Materiality Analysis

The materiality assessment is conducted annually basis to consider the topic of the Company's activities, business value creation, external stakeholder impacts, and concerns from engagement, through the following process:

Stage 1
Identify both negative and positive material issues by internal and external stakeholders

Identifies ESG material issues both positive and/or negative impacts, actual or potential impact on economy, environment, people including human rights. The material are collected from external and internal stakeholders through multi engagement channels such as the annual ESG' engagement survey, compliant. Altogether with the actual ESG performance i.e accident case, breach case, Human rights risk assessment etc. The context review from global standard and ESG indices and guidelines i.e, GRI, SDG, CDP, S&P CSA, FTSE4Goods, SASB, TH-ESG Rating etc.

Stage 2
Prioritize the most significant impact for reporting

The materiality issues are prioritization is based on the principle of double materiality to ensure impact to stakeholder and business are considered. Also rating by both internal and external stakeholders (179 persons)[1] for level of impact of both Enterprise Value Creation and Long-term impact of social, environment and people in team of risk severity and likelihood.

Stage 3
Validation by 3rd party

The materiality are verified by the third-party assurance (LRQA). The assurance document is shown on last page of this report. The material assessment result signed off by BOD.

Stage 4
Integrated to company's ERM process

All significant ESG materials are integrated into the Company's Enterprise Risk Management (ERM) and shown on the company's risk map and tracking within the online platform. The risk steering committee quarterly monitored progress and by BOD at least once per year.

Stakeholder along the Value Chain

Direct
- Shareholders and Investors
- Employees
- Customers and Entrepreneurs
- Supplier (including local SME and farmer)
- Contractors
- Community and Society

Indirect
- Financial Institutions
- Government
- Mass Media
- ESG Rating Agency & NGO

Annual Stakeholder's ESG Engagement Survey

in May 2023, the annual stakeholder engagement survey from 179 people as

- Employee **57%**
- Customer **28%**
- Supplier & Contractor **3%**
- SME & Farmer **3%**
- Community **2%**
- Government **2%**
- Media **2%**
- Shareholder & investor **2%**
- NGO **2%**

Identify the material issue from Stakeholder Engagement Channels

The feedback from the variable engagement channel will be collected and considered to the material issue. The negative feedback i.e., complaint, number of breach case, incident etc. The result will be counted as the negative issue. In the other hand, the positive feedback as suggestion and expectation from external stakeholder are considered either. Also the performance gap or significant change that potentially impact to ESG management system such as the migrant worker hiring in store which are review for human rights, non-discrimination, labor practice and living wage and safe work condition etc.
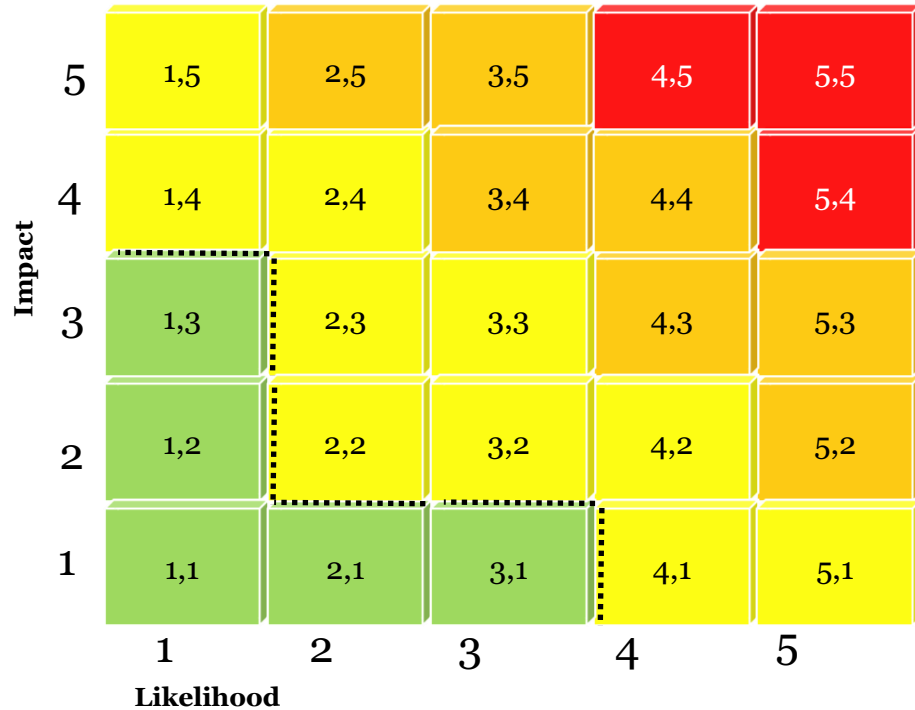
Stakeholders	Engagement Channels	Expectations / Impact / Performance gap	Materiality Issue
Shareholders and Investors (External stakeholder)	• Annual General Meeting of Shareholders (AGM). • Quarterly Analysts Meeting. • Investor meeting.	• Accurate, complete, and timely information disclosure. • transparency Management. • Protect shareholder's rights. • Business growth & Competitiveness. • Comply with Stock market's new CG and transparency disclosure.	• Corporate Governance. • Stakeholder engagement. • Innovation product & service. • Cybersecurity & data privacy.
Employees (Internal stakeholder)	• Annual ESG engagement survey. • Whistleblowing, Suggestion box, website, and hotline. • Annual employee engagement survey. • Quarterly meetings of Welfare Committee.	• Benefit, Welfare, Compensation, and Career Growth. • Safe working condition and equipment. • Work Life Balance and Flexible working hours. • Upskill and reskill for modern competency. • Equality, non-discrimination diversity and inclusion for migrant worker at store.	• Human rights - Non-Discrimination. • Health & Safety. • Human capital development. • Human rights - migrant workers at store (NEW). • Human rights - Discrimination (NEW).
Customers (External stakeholder)	• Annual ESG engagement survey. • Complaint channels as website, customer service call center and customer interviews.	• Ontime delivery with safe, quality and promote health. • Affordable food prices. • Stock availability. • Reliable & traceable product label & information. • Personal data protection. • Product and service that support the competitiveness for entrepreneur customers.	• Supply chain management. • Health & Well Being product. • Innovative product & service. • Cyber security and data privacy. • Education & inequality reduction.

Stakeholders	Engagement Channels	Expectations / Impact / Performance gap	Materiality Issue
Suppliers (External stakeholder)	• Annual ESG engagement survey. • Supplier audit and capacity-building program. • Onsite visits and audits.	• Support agricultural products local SME and farmer. • Fairness and transparency supplier selection process. • Better understand the certified sustainable agriculture product requirement.	• Job creation and local SME and farmer. • Stakeholder engagement. • Supply chain management.
Contractors (External stakeholder)	• Annual ESG engagement survey Complaint and suggestions channels. • Monthly meeting. • Onsite visits.	• Selection and encourage business partners with transparency. • Better understand the human rights and labor practice in Supplier's Code of Conduct manual. • Knowledge sharing for road accident prevention.	• Job creation for small local service company and worker. • Supply chain management. • Human rights & Labor practice. • Health & Safety - Road safety.
Community and Society (External stakeholder)	• Annual ESG engagement survey. • Communication channels via Makro's website, social media, call center. • Complaint channels for suggestions and complaints. • Dialogue / Monthly visits.	• Collaborative with local firms to develop and support communities. • Job and carrier opportunities for local community members. • Protection of accident and environmental impact on the community. • CSR activities / donations / continuous support for disaster. • Support for student's education in community.	• Social impact Job creation and economy contribution. • Waste water & waste management. • Health & Safety. • Food security and access to nutrition. • Education & inequality reduction.
Financial Institutions (External stakeholder)	• Key contact email and phone number. • Regular meetings. • Performance reports such as annual reports and financial statements.	• Strict compliance with accuracy, transparency, and punctuality principles. • Compliance with contractual terms and conditions. • Climate change target and action. • Encourage environmental and social support to local farmer.	• Corporate Governance. • Job creation and economy impact to local. • Climate resilience and GHG reduction.

Stakeholders	Engagement Channels	Expectations / Impact / Performance gap	Materiality Issue
Government **(External stakeholder)**	• Organize meetings with the government agencies. • Open for government agencies visits. • Collaborative agreements with government agencies.	• Compliance with legal and regulation. • Support activities beneficial to the community, society, and the environment. • Encourage BCG Model and protect natural resource. • Encourage and protection of human right in among value chain. • Collaboration to prevent food shortage from demand and supply including control or reduce price for end user during economic concern.	• Corporate Governance. • Supply chain management. • Human Rights & Labor Practice. • Circular Economy. • Climate Resilience. • Water stewardship. • Food security & Access to Nutrition.
Media **(External stakeholder)**	• Annual ESG engagement survey. • Communication channels such as website, social media, email, and TV programs. • Interview press releases.	• Communicate relevant, factual, and timely performance. • Strategy for business impact on the economy and society.	• Corporate governance - transparent. • Social impact and economic contribution.
ESG Rating **Agency & NGO** **(External stakeholder)**	• Meetings to discuss and exchange information. • Research and discussion. • Participate disclosure and rating program.	• Human rights along supply chain. • Supplier screening with ESG criteria. • Carbon reduction strategy in own operation and supply chain. • TNFD disclosure. • Prevent ocean plastic waste. • Promote the gender equity in supply chain.	• Supply chain management. • Climate resilience. • Sustainable packaging. • Biodiversity & ecosystem protection. • Human rights - Indigenous (New). • Human rights - Non discrimination in the supply chain (New).

Likelihood

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

Impact

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

Risk matrix (Impact vs Likelihood):

Impact \ Likelihood	1	2	3	4	5
5	1,5	2,5	3,5	4,5	5,5
4	1,4	2,4	3,4	4,4	5,4
3	1,3	2,3	3,3	4,3	5,3
2	1,2	2,2	3,2	4,2	5,2
1	1,1	2,1	3,1	4,1	5,1

2023 CP Axtra's Materiality Analysis

Item 9	Materiality	Business Impact		Score	Stakeholder Impact/Expectation		Score	Total Score
		Severity / Profit	Likelihood		Severity / Profit	Likelihood		
1	Governance	- Major (4)	Possible (2)	8	Major (4)	Possible (3)	9	18
2	Human rights-Employee	*- Major (4)*	*Rare (1)*	4			6	10
3	Human rights-Vendor/ Supplier				Major (4)	Possible (3)	9	15
4	Health & Safety-Employee (↑)	*- Major (4)*	Possible (3)	12			12	21
5	Health & Safety-Vendor/ Supplier				Critical (5)	Likely (4)	20	22
6	Leadership development	+ Major (4)	Possible (3)	12	Minor (2)	Possible (2)	4	10
7	Cybersecurity & Data protection	*- Critical (5)*	*Possible (3)*	15	*Critical (4)*	*Possible (3)*	12	27
8	Climate resilience	- Major (4)	Possible (3)	12	Major (4)	Possible (3)	12	24
9	Food waste to landfill	- Major (4)	Likely (4)	16	Medium (3)	Possible (3)	9	18
10	Plastic waste (CE) (+)	- Minor (2)	Possible (3)	6	Major (4)	Possible (3)	9	12
11	Water stewardship	- Minor (2)	Unlikely (2)	4	Minor (2)	Unlikely (2)	4	8
12	Biodiversity	- Minor (2)	Rare (1)	2	Minor (2)	Unlikely (2)	2	4
13	Responsible Supply Chain (↓)	*+ Major (4)*	Possible (3)	9	Minor (2)	Likely (3)	6	15
14	Education to public	*+ Major (4)*	Possible (3)	+4	Minor (2)	Unlikely (2)	4	8
15	H&W Being product	+ Major (4)	Possible (3)	4	Minor (2)	Possible (2)	4	8
16	Social Impact (Job creation)	+ Minor (2)	Rare (1)	2	+ Major (4)	High (3)	9	11
17	Food security	+ Minor (2)	Rare (1)	2	+ Minor (2)	Rare (1)	4	6
18	Innovation	+ Minor (2)	Possible (3)	4	+ Minor (2)	Unlikely (2)	4	8
19	Stakeholder Engagement	+ Minor (2)	Unlikely (2)	4	+ Minor (2)	Unlikely (2)	4	8

🟥 Critical 🟧 High risk 🟨 Medium risk 🟩 Low/No risk

2023 ESG RISK ASSESESSMENT RESULTS (16 May 2023)

Priority materiality issue

The materiality issue are follow GRI 2021 methodology, analyzed by using the Company's ERM criteria as severity and likelihood, risks map and integrated within the company's risk management process by being the risk assessment to review the impact in both financial and non-financial impact.
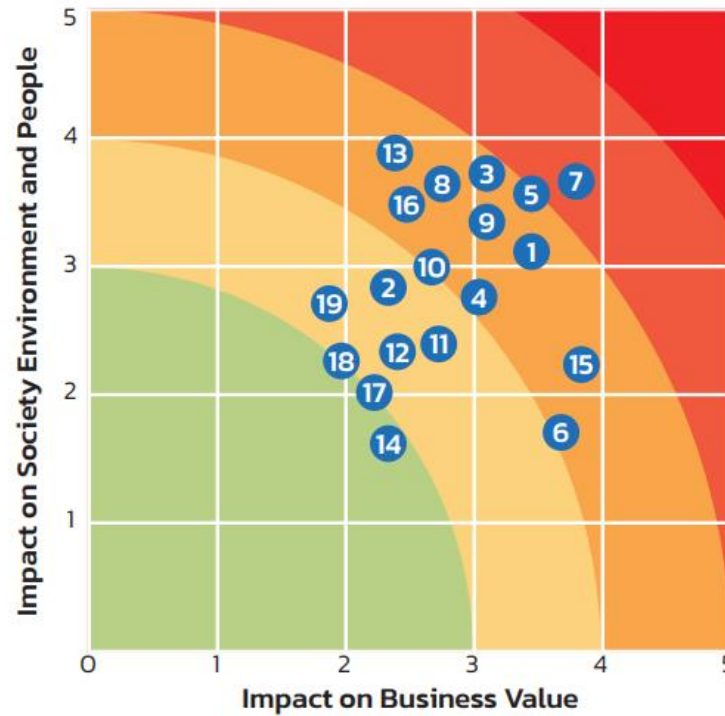
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18. Innovation (+)
19. Stakeholder engagement

Summary prioritized material issue, impact and responding strategy

Material issue	Actual impact	Potential impact	Negative impact	Positive impact	Impact to Social	Impact to Environment	Impact to People	Impact to Business value	Strategy & Target
Cybersecurity & data privacy		●	●		●			●	Zero damage of cyber attack or breach case of data protection.
Health & Safety - Road safety	●		●				●		**100%** transportation vendor are trained and passed the defensive driving training within 2023
Supply Chain management	●			●	●	●		●	**100%** tier 1 and non tier 1 supplier passed ESG screening within 2024 **2%** increasing the certified product per total purchasing.

Material issue	Actual impact	Potential impact	Negative impact	Positive impact	Impact to Social	Impact to Environment	Impact to People	Impact to Business value	Strategy & Target
Climate resilience	●		●			●		●	Energy transition to solar cell, BEV vehicle and H2 Fuel cell within 2030
Food waste to landfill	●		●			●		●	Zero food waste to landfill within 2030
Health & Well Being product	●			●	●			●	**70%** of total sales volume from the product or service that promote health and wellbeing for our customer's daily needs within 2030
Leadership & human capital development	●			●				●	**100%** of employee engaged in learning and development program within 2023
Social impact & Job creation	●			●	●				**400,000** jobs supported to generate incomes for the community within 2030
Food security and access to nutrition	●			●	●			●	**150,000** children and people in need get access to safe and nutrition food within 2030
Human rights - migrant worker (New)		●	●				●		**100%** human rights of migrant worker are assessed through HRDD process and complete the mitigation plan within 2023
Corporate Governance		●	●	●	●			●	**100%** workers are communicated Code of conduct and trained CG within 2023

Material issue	Actual impact	Potential impact	Negative impact	Positive impact	Impact to Social	Impact to Environment	Impact to People	Impact to Business value	Strategy & Target
Sustainable packaging	●		●			●			**100%** plastic packaging are recycled **10%** increasing of packaging from recycle within 2023
Education to public	●			●	●				**150,000** people supported through education and lifelong learning and upskilling.
Human rights - Non discrimation in supply chain		●	●				●		**100%** critical supplier (tier 1 & non tier 1) has audited the gender equality or non-discrimination policy within 2025
Health & Safety - workplace	●		●				●		Fatality rate and severe lost time injury rate < **0.50** within 2030
Water stewardship		●	●			●			**20%** water consumption reduction within 2030 compared baseline 2020
Biodiversity		●	●			●			**100%** high risk activities in supply chain are assessed the biodiversity risk within 2025
Stakeholder engagement		●		●				●	stakeholder engagement score is higher than **80%** within 2023
Innovation		●		●				●	Own at least **3** Patents of business model, process, product or equipment within 2025

Integrated ESG Risk into Enterprise Risk Management

🏰 **Strategic Risk**	🛡️ **Operation Risk**	💬 **Reputation Risk**	⚖️ **Compliance Risk**	🌍 **ESG Risk** [1]	🏃 **Emerging Risk**
• Digital transformation • Global investment	• Workforce & skill • Food safety & quality • Cybersecurity	• Corporate reputaion	• Code of Conduct • Personal data protection	• Impact from climate change • Water stress • Human rights and labor practice	• Consumer preferrence change • Digital disruption & AI Technology • Pandemic normal • Business acquisition • Investor rights

Note: [1] For all of the company's risk including ESG risk in the chapter 2: Risk management page 85

All materiality issues are integrated into the Company's Risk Management System. In 2023, the ERM platform is implemented as tool for executive management the efficiently tracking the data, more effective risk management. This system enables real time access to risk management information for BU management team including provide risk evaluation tools tailored to each unit's objectives, updating the risk level and demonstrate as the digitalized dashboard impact for the risk steering committee review and follow the action. The Company's risk including ESG Risk will be reviewed quarterly.

LRQA Independent Assurance Statement

Relating to CP Axtra Public Company Limited's Sustainability Report for the calendar year 2023

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

Terms of Engagement

LRQA (Thailand) Limited (LRQA) was commissioned by CP Axtra Public Company Limited (CP Axtra) to provide independent assurance on its Sustainability Report 2023 "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 CP Axtra's subsidiaries in Thailand, and specifically the following requirements:

- Evaluating CP Axtra's adherence to AA1000 AccountAbility Principles (2018) of Inclusivity, Materiality, Responsiveness and Impact.
- Confirming that the report is in accordance with GRI Standards[1](2021).
- Reviewing the double materiality assessment process, Codes of conduct and compliance system and breach reporting and integrity of CP Axtra's supplier ESG screening and assessment process.
- 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) GHG emissions, GRI 305-2 Energy indirect (scope 2) GHG emissions, GRI 305-3 Other indirect (Scope 3) GHG emissions (Purchasing Goods & services, Upstream, Downstream transportation and distribution, Business travel, Employee commuting, and Downstream leased only), GRI 305-4 GHG emissions intensity, (GRI 306- 3 to 5) Waste generated/diverted from disposal and direct to disposal and food loss & waste.
  - *Social:*
    GRI 2-6 Activities, value chain and other business relationships, GRI 308-2 Negative environmental impacts in the supply chain and actions taken, GRI 403-9 to 10 Work-related injuries and ill health, GRI 405-2 Ratio of basic salary and remuneration of women to men and GRI 414-2 Negative social impacts in the supply chain and actions taken.

Our assurance engagement excluded the data and information of CP Axtra'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 CP Axtra. LRQA disclaims any liability or responsibility to others as explained in the end footnote. CP Axtra'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 CP Axtra.

LRQA's Opinion

Based on LRQA's approach nothing has come to our attention that would cause us to believe that CP Axtra 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:

[1] https://www.globalreporting.org

- Assessing CP Axtra's approach to stakeholder engagement to confirm that issues raised by stakeholders were captured correctly. We did this by interviewing CP Axtra's management who engage directly with stakeholder groups as well as reviewing documents and associated records.
- Reviewing CP Axtra'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 CP Axtra 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 CP Axtra makes informed business decisions that may create opportunities which contribute towards sustainable development.
- Auditing CP Axtra'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 CP Axtra's operations as business representative (Makro Srinakarindra (1) store and Mahachai distribution centre; Lotus Phanomsarakham and Suphanburi stores and Bang Bua Tong 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 CP Axtra's stakeholder engagement process. Stakeholders have the opportunity to express their concerns about how CP Axtra's operations may impact on them.
- Materiality:
  We are not aware of any material issues concerning CP Axtra's sustainability performance that have been excluded from the report. CP Axtra has processes for identifying and determining material issues from either ESG impact or financial materiality accordingly.
- Responsiveness:
  CP Axtra has addressed and response the concerns of stakeholders in relation to GHG emissions and OH&S.
- Impact:
  CP Axtra has processes to evaluate negative impacts from its operations included packaging and food loss/waste.
- Reliability:
  Data management systems are considered to be well defined, but the implementation of these systems varies across CP Axtra's business unit. CP Axtra should consider interim verification to further improve the reliability and 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 CP Axtra and as such does not compromise our independence or impartiality.

Dated: 20 February 2024

Opart Charuratana
LRQA Lead Verifier
On behalf of LRQA (Thailand) Limited
No. 252/123 (C), Muang Thai – Phatra Complex Tower B.
26th floor, Ratchadaphisek Road., HuayKwang, Bangkok, 10310, THAILAND
LRQA reference: BGK000001037