

## Materiality

### Carabao Group's Stakeholders

In 2022, Carabao Group Public Company Limited (“the Company”) conducted a comprehensive review of its stakeholder groups. This was aimed at ensuring that its business operations, across the value chain, remained aligned with the needs and expectations of all stakeholders. This approach encompasses both positive and negative impacts and related issues. The management strategies are designed to mitigate risks and capitalize on opportunities for sustainable growth.

Stakeholder groups have unique characteristics, varying significance, and strategic alignment. Finding mutual connections between the Company and its stakeholders is crucial in creating shared value. The Company actively facilitates communication, understanding, and the exchange of opinions and needs, enabling the Company to identify issues that impact and drive its business across economic, social, and environmental aspects. At the moment, there are 7 stakeholder groups as follows:



### Stakeholder Analysis in the Business Value Chain

The Company places paramount importance on effective stakeholder management across the entire spectrum of its business value chain. To this end, the Company meticulously analyzes and categorizes both internal and external stakeholders who are intricately linked to the business's value chain. The Company is committed to formulating and adhering to guidelines that consistently address stakeholders' expectations.

<u>Stakeholders</u>	<u>Needs and Expectations</u>	<u>Operational Responses</u>	<u>Engagement Channels</u>
Employees	<ul style="list-style-type: none"> <li>• Job security and opportunities for career progression</li> <li>• Just compensation and comprehensive welfare benefits</li> <li>• Harmonious work-life equilibrium</li> <li>• Adaptation to dynamic shifts in Company operations</li> <li>• A secure and invigorating work environment</li> <li>• Dignity and impartial treatment of all employees</li> </ul>	<ul style="list-style-type: none"> <li>• Establishing transparent performance metrics for comprehensive assessment</li> <li>• Ensuring equitable compensation and welfare provisions</li> <li>• Cultivating an environment of safety and positivity</li> <li>• Nurturing human resources via job rotation, promotions, and personalized development plans mapped against the Training Road Map</li> <li>• Enforcing human rights and unwavering adherence to personnel management protocols</li> <li>• Facilitating annual health evaluations, health insurance, and accident coverage</li> </ul>	<ul style="list-style-type: none"> <li>• Fostering camaraderie through team-building initiatives</li> <li>• Facilitating seminars to augment skill sets</li> <li>• Offering accessible avenues for feedback and complaints</li> <li>• Monthly Company-wide assemblies to foster cohesion</li> <li>• Seamless internal communication through intranet, website, email, and social media</li> <li>• Periodic surveys gauging employee satisfaction and allegiance to the organization</li> </ul>
Society and Community	<ul style="list-style-type: none"> <li>• Attentive ears attuned to community concerns</li> <li>• Empowerment through revenue generation for the communities engaged with</li> <li>• Equitable handling of grievances</li> <li>• Prudent and accountable business operations that contribute to society</li> <li>• Active participation in community activities</li> <li>• Reverent approach to neighborhood residents, aligned with human rights principles</li> </ul>	<ul style="list-style-type: none"> <li>• Instituting feedback channels to welcome suggestions and complaints</li> <li>• Exemplary compliance with legal and regulatory standards</li> <li>• Propelling job creation, income generation, and community welfare</li> <li>• Promoting elevated living standards while preserving local traditions and cultures</li> <li>• Earning community acceptance as a conduit for mutual connection</li> </ul>	<ul style="list-style-type: none"> <li>• Collaborative dialogues with community leaders and local authorities</li> <li>• Orchestrating diverse events to foster community and societal growth</li> <li>• Active involvement in initiatives promoting positive community culture</li> <li>• Accessible channels for lodging complaints with the Company</li> </ul>
Business Partners	<ul style="list-style-type: none"> <li>• Transparent and equitable selection criteria considering environmental, social, and governance factors</li> <li>• Streamlined and transparent procurement processes</li> </ul>	<ul style="list-style-type: none"> <li>• Fair partner selection based on rigorous criteria</li> <li>• Punctual payment</li> <li>• Collaborative partner development encompassing knowledge sharing, product refinement, and quality assurance</li> </ul>	<ul style="list-style-type: none"> <li>• Multi-platform communication avenues, including website/ email/ and social media.</li> <li>• Offering accessible avenues for feedback and grievances</li> </ul>

<b><u>Stakeholders</u></b>	<b><u>Needs and Expectations</u></b>	<b><u>Operational Responses</u></b>	<b><u>Engagement Channels</u></b>
	<ul style="list-style-type: none"> <li>• Inspiring compensation structures fostering shared growth</li> <li>• Collaborative enhancement of business robustness and sustainable expansion</li> <li>• Mutual education and advancement to elevate product quality</li> </ul>	<ul style="list-style-type: none"> <li>• Clear guidelines for partners to adhere to in business collaborations</li> <li>• Rigorous adherence to procurement and anti-corruption policies</li> </ul>	
Customers	<ul style="list-style-type: none"> <li>• Receipt of products aligned with stringent quality standards</li> <li>• Superior after-sales service exemplifying quality</li> <li>• Respectful safeguarding of customer privacy</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of high-quality, responsible products</li> <li>• Delivery of exceptional customer experiences</li> <li>• Establishment of policies safeguarding customer data</li> </ul>	<ul style="list-style-type: none"> <li>• Responsive customer service center via phone</li> <li>• Active presence on social media</li> <li>• Conducting customer satisfaction surveys</li> <li>• Respectful safeguarding of customer privacy</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>• Transparent, timely disclosure of pertinent Company information</li> <li>• Effective risk management strategies</li> <li>• Regular dividend disbursements</li> <li>• Transparent operations and robust internal control systems.</li> <li>• Skillful leveraging of challenges for mutual growth</li> <li>• Unbiased treatment of all shareholders</li> </ul>	<ul style="list-style-type: none"> <li>• Strict compliance with disclosure regulations</li> <li>• Implementation of efficient management systems</li> <li>• Pursuit of Company objectives in alignment with the organizational vision</li> <li>• Consistent adherence to dividend policies</li> </ul>	<ul style="list-style-type: none"> <li>• Annual General Meeting of Shareholders</li> <li>• Analyst meeting</li> <li>• Meeting investor activity.</li> <li>• Quarterly earnings report and annual information disclosure</li> <li>• Company's Website</li> <li>• Investor relations contact information</li> <li>• Channels for reporting and addressing grievances</li> </ul>
Related Agencies and Organizations	<ul style="list-style-type: none"> <li>• Engage in operations that align with legal frameworks, rules, and regulations</li> <li>• Implement an environmental management system adhering to established standards</li> <li>• Foster collaboration and extend support to governmental bodies</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain strict adherence to rules and regulations stipulated by the law</li> <li>• Collaborate with various government projects to achieve common objectives</li> </ul>	<ul style="list-style-type: none"> <li>• Organize meetings to promote dialogue, clarify queries, and contribute to various projects</li> <li>• Facilitate gatherings aimed at knowledge exchange and open communication</li> <li>• Continuously monitor draft legislations and amendments that may impact business operations</li> </ul>

<u>Stakeholders</u>	<u>Needs and Expectations</u>	<u>Operational Responses</u>	<u>Engagement Channels</u>
Financial Institutions – Creditors/Debtors	<ul style="list-style-type: none"> <li>• Secure financial operations in accordance with applicable laws and regulations</li> <li>• Uphold the reputation and credibility of the Company.</li> <li>• Execute operations strictly aligned with environmental, social, and governance (ESG) strategies</li> </ul>	<ul style="list-style-type: none"> <li>• Efficiently manage Company finances while adhering to regulatory guidelines</li> <li>• Prioritize an environmentally, socially, and governance-focused approach, considering all stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Channels to communicate such as Website / e-mail / social media</li> <li>• Annual General Meeting of Shareholders</li> <li>• Analyst meeting</li> <li>• Meeting investor activity.</li> <li>• Quarterly earnings report and annual information disclosure</li> <li>• Company's Website</li> <li>• Investor relations contact information</li> </ul>

## Material Issues Assessment

The Company consistently evaluates and prioritizes key sustainability issues every three years and reviews them annually. This process involves analyzing and understanding the necessity and importance of ESG-related issues in each dimension that significantly impacts the organization, taking into account the perspectives of all stakeholder groups, both internal and external to the organization.

Integrating materiality assessment into the Enterprise Risk Management (ERM) process ensures that the most significant environmental, social, and governance (ESG) issues are considered in the context of the Company's overall risk management strategy. This integration helps the Company identify potential risks and opportunities associated with these material issues and develop strategies to address them.

### Step 01

#### Identify the Reporting Framework

To identify key issues, the Company analyzes data in alignment with international standards and benchmarks against competitors within the same industry. We also study reports from various media sources, consider global trends, and align with the United Nations Sustainable Development Goals (UN SDGs) related to all relevant ESG topics in the beverage industry. In total, 14 topics are considered, based on their impact on the business and stakeholders' interests.

## Step 02

### Prioritize

To prioritize various topics, the Company evaluates and analyzes their importance, relying on feedback from the executive level and stakeholders, including business partners, customers, employees, communities, shareholders, financial institutions, and other relevant entities. Therefore, the Company's Sustainable Development Report focuses on material topics within its scope and their effects on business operations and stakeholders.

## Step 03

### Data Certification

The Company ensures the accuracy of key topics prioritization through a review by the Sustainable Development Committee, which is assigned by the Board of Directors to oversee the preparation of corporate sustainability information. All information presented in the 2022 Sustainability Report, including ESG data and details, has been approved by the Company's management team.

## Step 04

### Continuous Improvement

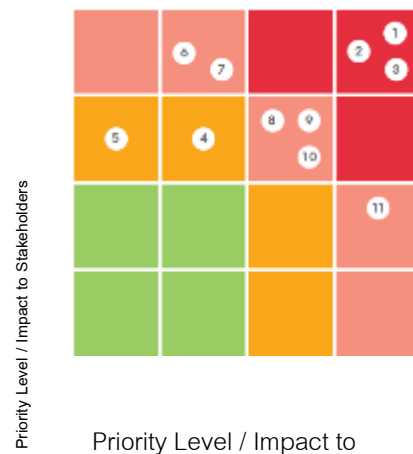
Continuous improvement is fundamental for the Company as we place great importance on developing sustainable development reports. The Company welcomes and actively seeks suggestions and opinions from stakeholders through various channels to enhance and review its ESG policy, objectives, and targets on a regular basis. Key issues are integrated into the Company's risk management process.

## Defining Key Sustainability Issues

The Company prioritizes sustainability and defines management direction by considering relevant dimensions such as the economy, society/community, environment, and stakeholders. The selected key issues align with its objectives, strategy, and management of sustainability across the value chain, covering both internal and external effects. Key sustainability issues will have different levels of importance depending on the opportunities and impacts on the Company's operations in 2022. Key issues in sustainability include In sustainability aspects:

### Environmental Dimension

1. Water management
2. Energy Management
3. Toxic Pollution
4. Promotion of Product Innovation and Packaging to Reduce Environmental Impact



### Social Aspect

5. Promotion of Human Rights
6. Responsibility to Customers and Consumers
7. Occupational Safety and Health for Employees
8. Promotion and Development of Human Potential

### Economic/Governance Aspect

9. Corporate Governance
10. Business Innovation
11. Supply Chain Management

The Company has considered these priorities, identified potential impacts on business operations, and prepared both short-term and long-term business plans, including strategies, goals, metrics, and progress linked to executive performance indicators.

## Material Issues Business Case

### 1. Water Management

As beverage producing company, water is a crucial resource which needs to be efficiently and sustainably managed to ensure successful business operations, community, and environmental well-being. Water management is a key material issue for the Company, and the Company recognizes the importance of going beyond regulatory compliance on water discharge and treatment, to ensure water efficiency through reducing water consumption, recycling and reusing treated water in its operations, working with communities and stakeholders to ensure against water shortages and replenish water sources. Sustainable water

management is especially critical given the impacts of climate change, which could result in unpredictability of water supply in the immediate and long term, affecting its business operations. The Company works with the water supplier (East Water) extensively to monitor and adapt to water supply situations accordingly. The Company places importance on planning and risk assessment to address potential water problems.

Business Strategies: The Company tackles this issue through long-term strategy, comprising the following components: 1) programs to prevent and mitigate the risk of water shortage in the production process through contractual relationship on water supply with East Water to prepare for industrial water service for future growth; 2) water resource optimization and cost-effectiveness, including a Reverse Osmosis (RO) filtration system to reduce rejected water and reuse water for factory cleaning or operations; 3) programs to work together with communities on local community projects throughout water chain. In addition, the Company has setup a dedicated water operation team to monitor water supply and quality. The team will monitor and report the status and mitigation plan to handle cases and concerns.

Target: The Company has set target to control water usage in the production line where usage of water is over the proportionate threshold and set targets of reusable water in production process as follows:

- Reuse water in production process for Asia Can Manufacturing (ACM) factory of 6,000 cubic meter per year
- Reuse of Reverse Osmosis (RO) rejected water in Asia Pacific Glass (APG) factory of at least 24,000 cubic meter per year
- Reuse at least 5% of RO-rejected water in ACM factory

**Target year: 2026**

Progress: In 2022, ACM reused water discharge from aluminum washing process in boiler, which reduce water usage of 13,114 cubic meter or 218% of the target, accounting for 1.32 million Baht cost saving. ACM also achieved the target of usage of RO-rejected water of 5% by using the water in daily cleaning process and spray on dewatering machine.

APG used RO-rejected water in the outside perimeter for 34,548 cubic meter in 2022 (144% of the target), accounting for 0.54 million Baht cost saving.

## 2. Energy Management

The Company recognizes that sustainable energy supply is critical to operating its business. With the problem of climate change intensifying, energy consumption, which is a key source of greenhouse gas emission, becomes a major concern for businesses, including the Company, who needs to address demands from regulators, investors, consumers, and other stakeholders in lowering its GHG emissions and promoting alternative sources of energy to fossil fuels, and at the same time ensure business resilience against rising fuel prices. Therefore, the Company is determined to effectively manage its electricity consumption through energy management measures, technology adoption, and renewable energy innovation, such as solar cell which the Company has put in place since 2021 and expanded continually.

Business Strategies: The Company manages electricity consumption and efficiency through the following measures:

- Reducing the use of lighting in unnecessary spots
- Turn off air condition during breaks and when no usage
- Using Solar Street light
- Control the usage of ventilation system in factory buildings

On renewable energy usage, the Company installed solar panels on the rooftops of the Company's factories to generate over 2,793,629 kWh electricity in 2021 and over 7,176,140 kWh in 2022. The Company has plans to expand solar panels to APM factory in 2023 and will continue further expansion plans.

In addition, the Company considers changing from using fossil fuels to other types of fuels to reduce GHG emissions. The Company also works with local communities to increase green areas in the factory area and surrounding communities.

Target: Reducing electricity consumption is set as a target for 2 factories namely CBD, and ACM with each factory to have initiatives to reduce the electricity consumption.

- CBD: reduce electricity consumption by 559,000 kWh/year
- ACM: reduce electricity consumption by 10,500 kWh/month, and reduce the usage of natural gas by 480 cubic meter per month



**Target year: 2022**

Progress: CBD has initiated projects to reduce energy consumption, and successfully achieved 120% of the target.

- Installed chiller water pump inverter (VSD) to control water pump motor. The frequency was adjusted from 50HZ to 40HZ to decrease the electricity usage. It helped reduce power costs by 200 unit per day, equal to 180,096 kWh/year, 729,388.8 Baht per year.
- Decrease power usage of chillers by adjusting the temperature without disruption to the production line. It helped decrease power usage for 491,745 kWh per year, equals to 1,991,567.25 Baht per year.

ACM has decreased temperature in IBO oven starting from December 2022, which reduce natural gas usage by 501 cubic meter per month, equals to the cost of natural gas at 8,272.72 Baht per year (104% of the target).

In addition, it reduced power usage of damper/blower by setting over 80% of Control Air Flow to control the frequency (Baseline: 40-50 HZ). It helped reduce power usage of 11,047 kWh per month, equals to 262,899 Baht per year (105% of the target).

**3. Developing Human Potential**

To strengthen the Company's business competitiveness and prepare for the Company's vision of becoming World Class Product, World Class Brand, the Company emphasizes on developing human potential as a priority focus to ensure readiness of employees to contribute towards a quality organization, emphasizing high management efficiency and organizational health, in order to realize its vision. The Company believes that employees are key valued assets and has not delayed employee development made use of technology, as well as developed a participatory OKR process to drive towards company's goals while ensuring bottom-up engagement and capacity building.

Business Strategies: Capacity building programs for employees consist of the following: 1) annual training plans for executives on business and managerial competency, and for employees on functional competency, accounting for 17% and 83% of the programs, respectively; 2) OKR process to set departmental goals in alignment with company direction, with bottom-up participation of employees through workshops to set division/team OKR, agree on action plans, and provide relevant support and capacity building to the teams in realizing the goals; 3) OKR tracking through OKR portal accessible via computers and mobile

phones to allow all employees to log in the system at their convenient time to update their progress and towards the goals and actively identify areas of improvement.

Target: The Company is eager to build Human Resource Capability and also retain high- performing employees.

Long-term target that the Company set as follows:

- Turnover rate of high-performing employees less than 10% over 3 years from 2020 to 2022
- Average training hours/employee each year not less than 18hrs per year from 2020-2022

Target year: 2022

Progress: The Company provide the 455 training programs in 2022 and 744 distribution center managers, 3,325 employees have been trained. The average training hours per person were 16.38. According to the survey after the training, 86.32% of the participants were satisfied and they were able to teach their employees well.

The turnover rate of high-performing employees in 2022 is 13% and the average 3 years (2020-2022) turnover rate of this group of employees is 7% which is lower than the target.

#### **Executive Compensation**

Water management and Energy Management are corporate KPI and COO is the highest position taking responsibility for achieving water and energy management target, while for developing human potential is corporate KPI and Chairman is the highest position taking responsibility for achieving developing human potential target.

These targets accounted for a certain weight of total corporate KPIs. The set KPI is benchmarked with other companies in the beverage sector. The performance of this KPI will impact on the overall evaluation and compensation of executives.