

Emerging Risks

Thai Union Group has considered the risk factors and risk management guidelines as follows:

| EMERGING RISK | |
|--|--|
| RISK | MANAGEMENT AND MITIGATION |
| CLIMATE CHANGES | |
| <p>Climate change is a global challenge involving economic, social and environmental issues. Some climate risks are ‘financial’ in nature with potential to result in significant financial losses for business. Thai Union perceives potential risks from regulations, changing consumer/market expectations, reputation and physical climate change as summarized below. Many of these risks are foreseeable and actionable but the challenge is to choose the most cost-effective mix of adaptation measures considering the uncertainty about the frequency and severity of climate change impacts that will occur in future.</p> <ul style="list-style-type: none"> • Physical climate change is most prominent among other aspects. The threat from physical climate change may lead to reduced revenues as ocean temperatures rise and migration patterns change; as well, costs may increase for implementing mitigation at production facilities. • Regulatory changes due to Thailand’s intention to reduce its greenhouse gas emissions by 20 percent from the BAU by 2030 (http://cait.wri.org/indc/-/profile/Thailand). The risk may incur increased costs of compliance and increased cost of goods sold as energy prices potentially increase. • Changing market /consumer expectations could result in decreased revenues from a weakened competitive position and/or increased expenses related to R&D for developing environmentally friendly product innovations. <p>Additional financial risks can be associated with reputation, with reduced intangible brand value and increase potential cost of capital.</p> | <p>In order to better evaluate the financial impacts and respond accordingly, Thai Union manages climate change through several functions using a mix of adaptation measures and internal command and control.</p> <p>Adaptive measures:</p> <ul style="list-style-type: none"> • The company has set a sustainability strategy, SeaChange®, to respond to climate changes. We are also targeting a reduction in GHG emissions by at least 30 percent from our 2016 base year levels by 2020, above Thailand’s target of 20 percent. Many initiatives are in place that contribute to energy consumption, waste to landfill reduction, reducing greenhouse gas (GHG) emissions. • The Fish Procurement functions as a working group, conducting tuna stock assessments as a method to manage raw material risks and to measure tuna stock in the ocean to define how much tuna - and which species - to catch. • The company monitors, and is alerted to new climate change risk events, and reviews future adaptation measures to minimize financial losses by buffering the damage caused by impacts from regulations, changing consumer/market expectations, reputation and physical climate change. |

| EMERGING RISK | |
|--|---|
| RISK | MANAGEMENT AND MITIGATION |
| CYBERSECURITY | |
| <p>Our company is increasing its dependence on technology in order to increase our competitiveness and sustain our business including dependency on network, enterprise resources planning (ERP) software, technology to support our innovation, production, cloud computing, and hardware to record business information. Therefore, the breakdown of critical information infrastructure, networks and software could lead to business disruption.</p> <p>Cybersecurity threats which can disrupt the business include cyber criminals, cyber fraud, a network or enterprise resources planning (ERP) software being attacked, and unauthorized persons destroying or misusing the company's information.</p> <p>Moreover, from the EU General Data Protection (GDPR) which entered into force on 25 May 2018, our business units, especially in the EU, must fully comply with the GDPR and control data privacy. This will increase IT and administration costs, with non-compliance potentially resulting in a financial penalty.</p> | <p>Thai Union has undertaken a review of security across all layers: from governance, structure, policy, technology, to people and processes to prepare for cybersecurity risk management.</p> <p>The group information technology department responsible for implementing our IT policy has put in place measures which it enforces strictly across the business.</p> <p>Adaptive measures</p> <ul style="list-style-type: none"> • Increasing security protection including enforcing password security, implementing two-factor authentication, installing a fully-protected firewall with phishing filters, updating antivirus / endpoint protection • Continuously creating user awareness of cyber security through training, road shows and top down communication of the importance of security in the company • For the EU GDPR, the company reviewed the policy and procedures and put in place additional controls on technical and business processes to ensure personal data protection. <p>Moreover, the company is engaging global cybersecurity third party experts to perform a comprehensive risk assessment and evaluate the governance structures the company has in place against international cybersecurity standards and to provide suggestions on a strategic remediation security roadmap to uplift our cybersecurity controls in order to minimize the potential risks.</p> |