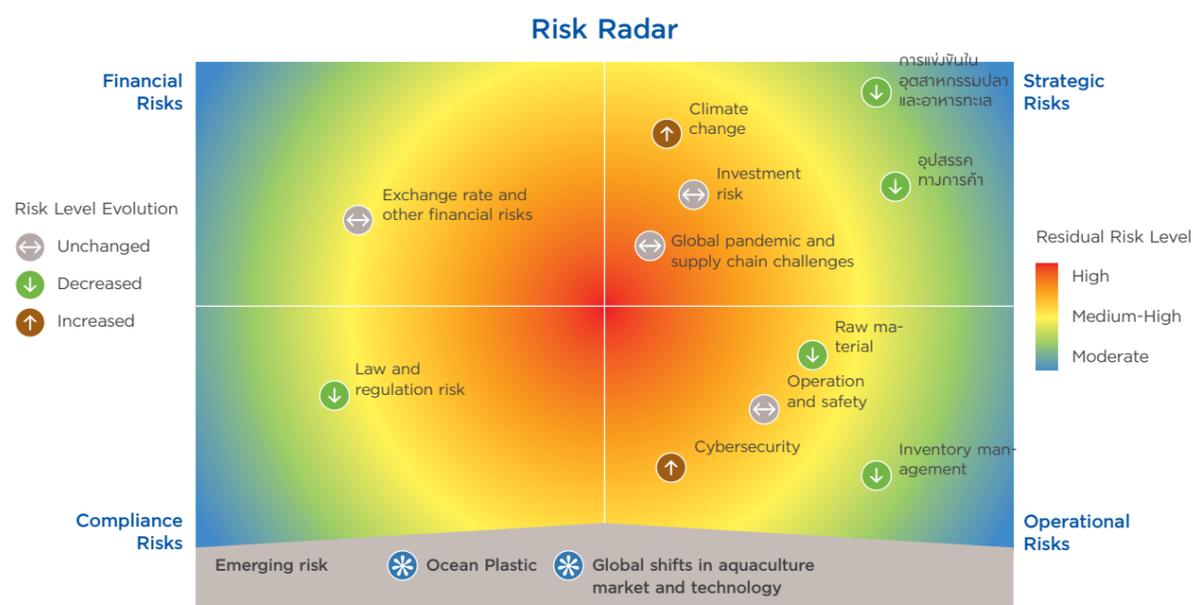


## Risk Factors on Business Operations

Thai Union Group is a global seafood processing company, and its operating and financial results are subject to a variety of risks inherent in the seafood industry. The Company can prepare for many of the risks to mitigate any impact and/or minimize likelihood, however many of them are not within our control and could impact the Company's operations, financial position or reputation.

### Current and Emerging Risks

The risk radar below provides an overview of key business risk factors to our Group at the end of 2021 and risk level evolution compared to 2020.



The tables in the following pages provide descriptions of key risks and their potential impacts, management and mitigation plans, linked to Thai Union's strategy which management and mitigation plans aim to achieve. Six elements of Thai Union's strategy are shown below.

#### Global Pandemic and Supply Chain Challenges



### Global Pandemic and Supply Chain Challenges

#### Description and Impact

The ongoing spread of COVID-19 and the measures to contain it continued to have a dramatic impact on human lives, businesses and the global economy, including Thai Union Group, which has production plants, offices, customers and consumers around the globe.

Highlighted risks that continued to present challenges in 2021 included:

1. Employee health, especially the development of new COVID-19 variants over time
2. Production capacity challenges due to labor shortages and some factories having short closures
3. Supply chain challenges have been increasing, especially rising freight costs, container shortages and longer shipment lead time
4. Rising costs from packaging and edible oils, which resulted in some higher cost of goods sold

Fortunately, COVID-19 has not only brought us risks but also opportunities including:

1. Increasing demand for healthy and nutritious human and pet food products from consumers
2. Opportunities to enhance stakeholders' trust in our business resilience and capability to supply products in a challenging situation
3. Providing humanitarian assistance to communities in which we operate.

#### Management and Mitigation Plan

We continue to implement comprehensive safety measures across the full range of activities associated with the Company's operations and activities outside the work environment, and comply with all measures required by authorities in order to ensure the health and safety of employees, suppliers, customers and communities.

Additionally, to ensure business continuity and our ability to continue supplying products to customers, we adapted quickly to the rapidly evolving situation and carefully managed our 15 global brands, more than 10 production locations and corporate offices in 16 countries, and supply chains around the world.

Regarding production and supply chains, the business continuity plans include, for example: increasing production on critical items, increasing inventory for critical supplies, reviewing and updating our supplier management in order to reduce supplier risk such as high dependency on specific suppliers, and developing scenarios of alternative production plant.

For logistics, packaging and edible oils, we put in place the policy including FOB contracts, sharing costs with our suppliers, customers and retailers, and inventory management to mitigate the industry-wide impact from rising costs.

Overall, we continued to deliver a healthy performance with strong growth and net profit, despite short-term supply chain disruptions and the impact of the pandemic.



## Investment Risk

### Description and Impact

From our strategy which aims to create long term value, we not only continuously grow core businesses, but also seek opportunities to diversify our Group portfolio by expanding into attractive businesses along our value chains; focusing on PetCare, the feed business and alternative protein.

Moreover, we also explore new businesses that tap into the large opportunity to valorize our co-product and create high-margin and high-growth businesses; focusing on ingredients, supplements, and alternative protein businesses as well as innovative food-tech startups.

Doing so not only brings us numerous opportunities but also exposes us to risks of lower-than-targeted returns on investment, laws and regulations technology selection, resource management, and other sustainability-related issues.

### Management and Mitigation Plan

We have implemented the following risk management measures to minimize risks as well as provide a balance with business opportunities:

- Prioritize projects and consider investment approaches that generate sales and net profit growth opportunities in line with our corporate goal of “Healthy Living, Healthy Oceans”, while maintaining a healthy financial position and cash flow.
- Implement a clear process for investment and budget screening, decision making, monitoring investment which is steered by the Executive Committee (EXCOM) comprised of executives who have expertise and experience in the food & beverage sector and investments. Any business acquisitions or investments requiring high capital investment or with significant risks must be presented to the RMC to review the adequacy and effectiveness of the risk assessment and mitigation measures in order to provide recommendations to management and report to the BOD for consideration.
- Once the investments have been approved by EXCOM or the BOD, project and risk monitoring takes place by management and the Group Risk Management department and reported to the RMC every quarter to ensure they progress as planned, with efficient capital and effective risk management.



## Raw Material

### Description and Impact

#### Tuna

In 2021, Skipjack tuna prices in the Western and Central Pacific Ocean saw less volatility compared with previous years due to pandemic-induced soft demand and a strong increase in ocean freight costs. The Bangkok market fluctuated in a narrower range throughout the year. During the first half of 2021, good fishing and

soft demand kept Skipjack prices at low levels. Catching slowed down in the 3<sup>rd</sup> quarter due to the annual FAD closure and the La Nina weather pattern. On the other hand, high ocean freight costs further softened market demand. As a result, Skipjack prices saw a moderate increase in Q3. Catching and supply conditions aggravated in the 4<sup>th</sup> quarter, caused by multiple tropical storms affecting the fishing ground. The prolonged poor catching, and tight supply pushed up the fish price throughout Q4. Supply and prices for Yellowfin and Albacore tuna have been stable in the Bangkok market and stayed within the normal range throughout 2021.

#### Shrimp

Thai shrimp raw material prices in 2021 were generally lower than 2020, though local supply was still constrained because farms were busy containing consistent disease outbreaks (white feces, white spot, EHP, EMS, etc.), forcing them to delay cultivation and harvesting. The global COVID-19 pandemic still negatively affected the food industry as a whole, but the food service sectors in major export and local markets rebounded due to the easing of lockdowns and social distancing requirements during the year. The general weakness of the local currency (Thai Baht), relative to other major shrimp exporting countries, provided a boost to Thai exports in 2021. When raw material prices were low in U.S. dollar terms, Thai processors and exporters in general benefited from the development; however, the disruption in shipping caused by container shortages and port congestion has been a major cost burden and a risk factor to the industry. Our U.S. based frozen seafood unit (Tri-Union Frozen Products, Inc.) is vulnerable to raw material price fluctuations caused by supply and demand imbalances in major producing countries and its own costs of inventory. But it reduces these risks by developing highly diversified supplier and customer bases.

#### Salmon

The global 3 - 6 kg salmon price annual average in 2021 was back to pre COVID-19 levels.

In terms of supply, there were few supply shortages except in the last week of 2021 from Scotland due to weather and biology.

### Management and Mitigation Plan

#### Tuna

The Company has a global fish procurement organization with a team of experts to enhance our strategic sourcing capability and supply chain management of fish. With centralized sourcing, the Company is able to leverage our global scale and build best-in-class sourcing capabilities. On the operational level, the team closely monitors and mitigates challenges around prices and supply that are common in our business today. This improvement has increased communication and information transparency throughout the supply chain of all Thai Union factories.

The Company was able to diversify the supply sources and procured more raw materials from various oceans to mitigate the challenges of tight supply.

#### Shrimp

To differentiate ourselves from the competition, reduce cost pressure and secure profitability, we actively invest in new processes and equipment in order to meet new customer standards and requirements. We also do it through obtaining globally recognized certificates, launching new and innovative products, and initiating industry-leading sustainability programs. Strategic raw material procurement (in respect of source, timing, and volume), which is derived from our inhouse view and intelligence on the supply and demand balance within

Thailand and overseas, helps keep our pricing competitive. Also, programs of process automation, with an aim to reduce reliance on labor and improve productivity and consistency in product quality, were implemented. These actions will also help offset the negative impact of volatility of raw material, exchange rates and supply chain disruption to our product costs.

To reduce an over-dependence on certain markets, we diversify into new export destinations, such as Asian countries, in addition to the Thai market. We also partner with major customers through exclusive supply contracts over an extended period of time to ensure stable pricing and business volume.

### Salmon

We keep following our strategy which allows us to react faster according to the trends through hedging together with keeping good flexibility. Moreover, we apply a tracking tool to follow the main drivers in order to adapt our strategy if needed.



### Operation and Safety

#### Description and Impact

In every production facility, the Company faces various potential risks, starting from sourcing raw seafood materials to processing and manufacturing finished products. These risks involve, for instance, the health and safety of employees, major damage to a plant, food quality, cost control and inventory management. These risks could directly or indirectly affect production, sales targets and ultimate corporate goals.

Key areas for continuous improvement include:

- Safety at plants
- Cost productivity
- Food safety
- Food quality to meet the increasing sophistication of consumer demand in quality and nutritional requirements.

#### Management and Mitigation Plan

Thai Union Group focuses on operational excellence and recognizes the importance of Continuous Improvement discipline. Regarding safety risks, we regularly conduct a risk assessment for each production plant as risk profiles change over time (both man-made and natural disaster), as well as constantly assess the gap against our safety standards. Several management engineering and management mitigation programs were put in place, for example the development of a master plan which includes standardized practices and needed investment, especially risk reduction programs for fire and ammonia. Moreover, we have strengthened our new-project investment and changes in plant design, construction, equipment, machinery and others that could create Safety, Health and Environment (SHE) risks, to ensure proper integration of SHE considerations before investment approval. In terms of cost productivity, we put in place structured programs and dedicated CAPEX to increase productivity across the Group.

For example: automation process, Total Productive Maintenance program, Labor Optimization Continuous Improvement program, increasing the percentage of RFT (Right First Time) in our production. For food safety and quality, our Quality Management System is the platform which we deploy globally to ensure consistent food safety, compliance with quality standards and to create value for consumers. Our internal Quality Management System is constantly being audited and verified by independent certification bodies to strictly conform to internal, and international standards, laws and regulatory requirements. Several of the food quality and safety accreditations or certifications the Company has obtained are, for example: ISO 9001, ISO 14001, TIS 18001, BRC, BAP, GMP, HACCP, Halal, Kosher.



### Cybersecurity

#### Description and Impact

The changing dynamics of work brought on by environmental factors such as COVID-19 have forced our business to increasingly rely more on technology and collaboration and this has a net impact on cybersecurity as the threat landscape becomes more sophisticated and attacks become opportunistic. Cybersecurity risks can manifest themselves by making critical infrastructure and software unavailable. At worst, unauthorized access or misuse of data could compromise highly sensitive and confidential data. The risk could result in a financial impact where we are unable to fulfil customer orders, increase our cost of operation and incur fines and penalties from regulatory bodies. This could result in loss of reputation and confidence from our stakeholders.

#### Management and Mitigation Plan

At Thai Union, we give importance to Cybersecurity Governance and IT security across all layers – from governance, structure, policy, technology, to people and processes. We use industry defined frameworks to operationalize our response to security threats. We have a robust follow the sun IT security monitoring operation and our risk management team and our IT department constantly work to strengthen our cybersecurity posture and management of risk from cybersecurity attacks.

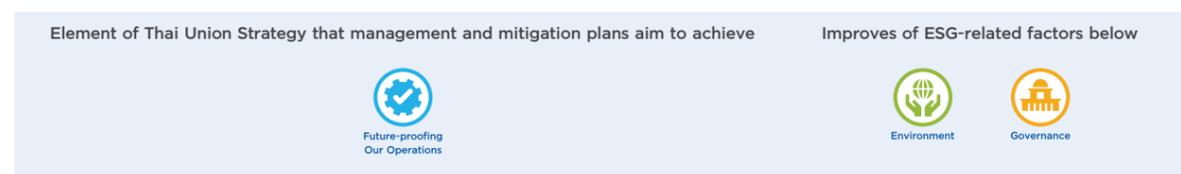
We have our Group IT department that is responsible for implementing our IT policy. The department has put in place measures which it enforces strictly across the business in order to protect the Company's assets and personal data. We invest in IT security at various levels – endpoint security at the device level, at the application level and at the network level. All our lines of defense are well covered.

In recent years, we have a team set up to look at the governing and information security strategic decision-making, system and data protection, IT risk management program, and improving Thai Union Group's overall security and robustness of infrastructure, reporting directly to a committee chaired by the President and CEO. This team also supports operation teams and relevant functions to implement cybersecurity activities, as well as promote awareness and preventive measures to reduce risks in cyber threats.

In 2021 we took several important steps forward to mitigate cybersecurity-related risks. these include:

- We performed an ERP SAP system security assessment to review and revise user authorization and standardized the authorizations/ roles across the Group.

- We have subcontracted a cybersecurity consulting firm to help us develop an incident response plan, a comprehensive approach to IT BCP for our main businesses.
- We implemented advanced email filtering solutions to safeguard against unsolicited email.
- We implemented brand exploit protection to protect stakeholders from phishing campaigns using domains similar to Thaiunion.com.
- We have implemented VIP impersonation protection to prevent phishing campaigns using similar email addresses of our VIPs.
- We completed the implementation of Multi-Factor Authentication (MFA) to further secure our passwords.
- We performed an Active Directory Hardening to reduce credential exposure.
- We have put in place a Disaster Recovery plan for key applications and successfully conducted a DR drill.
- We strive to continuously create user awareness of cybersecurity through training, road shows and top-down communication of the importance of security in the Company.



## Climate Change

### Description and Impact

Climate change presents a global risk as the planet continues to warm, including the threat of increasing extreme weather events. A warming planet is also impacting the world's oceans, which pose a risk to marine species and aquaculture production on which Thai Union depends. Severe weather and natural disasters which are associated with climate change include floods, droughts and tsunamis, as well as ocean warming and acidification, which could all impact our production, raw material supply and human resources. The topic of climate change again gained global attention in 2021 as world leaders met in Glasgow for the COP26 climate summit, where they were warned that immediate action was needed to keep global warming to 1.5 degrees Celsius or face potentially even more disastrous climate risks.

### Management and Mitigation Plan

Thai Union operates with a strong commitment to respect and responsibility, showing a duty of care to our workers through responsible operations. We have a number of initiatives in place that contribute to water reduction, waste to landfill reduction, greenhouse gas emission reduction and monitoring natural disaster hazards and water risk management. We want everyone that works at Thai Union to play an active role in delivering against our environmental and safety goals. We see safety and environmental protection as everyone's business.

In 2021, we implemented a number of initiatives, including:

- Launched Sustainability-Linked Loans and Sustainability-Linked Bonds - financing that has sustainability targets to benefit the oceans, with interest rates linked to key performance indicators and sustainability performance targets.
- Introduced a new Commitment on Food Loss and Waste Reduction, aiming to eliminate all food loss and waste, which has an impact on climate change.
- Continued initiatives: Project Sunseeker, which looks to place solar panels on our factories, solar rooftops at plants, reusing and recycling of water in our production processes, using fertilizer made from wastewater sludge for planting trees, and recycling contaminated plastic that previously would have gone to landfill.

In 2022, Thai Union will establish Science Based Targets (SBT) as the Company explores more meaningful goals and addresses the threats that climate change presents. We also aim to increase our energy efficiency.



## Exchange Rate and Other Financial Risks

### Description and Impact

With a presence in a large number of countries, the Company is exposed to a variety of financial risks coming from foreign exchange, interest rates, liquidity, trade receivables, counterparty risks, investment and borrowing activities.

The risks are primarily:

1. Foreign exchange risks on commercial flows, financing/investing activities, net investments in foreign subsidiaries and raw materials, purchasing in a foreign currency
2. Interest rate risks on borrowings
3. Credit risks on financial and commercial activities

In 2021, there were still significant uncertainties from the COVID-19 pandemic, global trends in monetary policy, global impacts from Evergrande – one of the world's most indebted property developers and China's largest defaulter, trade tensions and geopolitical risks, and political unrest in Thailand. These events created financial risks, especially foreign exchange fluctuations.

A new contagious COVID-19 variant influenced currencies when countries were hit by COVID-19, which could change relative expectations of the country's future economic recovery. There were also impacts due to the pandemic effecting the core financial risks e.g., credit risk, market risk, operational risk, and liquidity risk.

In addition, the uncertainties of fiscal and monetary policies as well as the foreign policies of the U.S. administration had a significant impact on foreign exchange and led to volatility of the USD against all other key currencies that the Company has businesses in i.e., EUR, GBP, JPY and THB.

Apart from the impacts of the COVID-19 pandemic and the financial risks, the replacement of benchmark interest rates, namely the London Inter-Bank Offered Rate (LIBOR) and other impacted interbank-offered rates (together with LIBOR, the 'IBORs') has become a priority for global regulators, financial institutions, and corporates.

The IBORs are being replaced by Risk Free Rates (RFRs) which provide robust and credible overnight reference rates and are well suited for many purposes and market needs. Several financial products including cash, loans, bonds and derivatives markets transit to utilize RFRs as primary benchmarks. The UK Financial Conduct Authority (FCA) confirmed on March 5, 2021 that all LIBOR settings will either cease to be provided by any administrator or no longer be representative. In the case of all Pound Sterling, Euro, Swiss Franc and Japanese Yen settings, and the 1-week and 2-month USD settings, the replacements ended on December 31, 2021. However, in the case of remaining USD settings, namely USD Overnight, 1-month, 3-month, 6-month and 12-month tenors, the replacement is expected to be completed by June 30, 2023.

### Management and Mitigation Plan

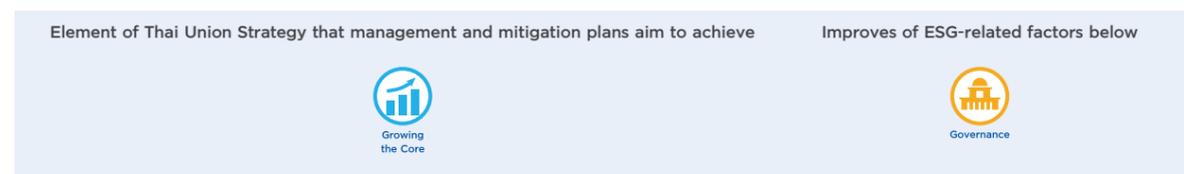
The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance. The Group uses derivative financial instruments to hedge certain exposures to stabilize future earnings.

The Financial Risk Management Policy is carried out by the Group Executive Committee. The Group’s policy includes areas such as foreign exchange risk, interest rate risk, liquidity risk, counterparty credit risk, raw material risk and operational risk. The framework parameters are approved.

1. For foreign exchange risk, the Company’s policy and strategy to manage risks are as follows:
  - For trading activities, the Company uses natural hedging and enters into forward contracts to cover a certain percentage of risks, which is dependent on the profile of the risks in different businesses
  - For all borrowing, lending, or placing deposits in foreign currencies where those currencies will be used, 100 percent hedging on foreign exchange risks is a must.
  - For equity investments where the returns can be expected from dividend payments or recapitalization, the decision of hedging on equity investments will be centralized and decided by the Group Executive Committee.
2. For interest rate risks, the Company manages or caps portions of borrowing by using interest rate derivatives to achieve an acceptable targeted level of fixed/floating rate net borrowing.
3. For counter party credit risk, the Company has policies, procedures and controls to minimize the risks, while trade insurance and credit limits have been bought for most customers.

In addition, the Company has implemented a contingency funding plan and account receivable monitoring and AR risk mitigation plan through AR insurance or AR factoring. This is led by the Cash Preservation Team so that the Company will be able to follow up and closely monitor situations during the COVID-19 pandemic.

The transition of IBORs is an ongoing process that the Company is aware of. The changes are limited to the IBORs and may impact the Company depending on the reference rates used in the loan instruments, lease contracts, bonds, derivatives, and hedge accounting. As a result, the Company has considered transitioning the financial instruments and the hedging derivatives to the relevant replacement benchmark at the same time, as well as to adhere to the ISDA 2020 IBOR Fallbacks Protocol to be applied for the existing derivative contracts. In doing so, we believe that the Company’s financial statements will be best reflected the economic effects of the IBORs reform.



### Law and Regulation Risk

#### Description and Impact

Our business is subject to a wide variety of laws and regulations across all the countries in which we do business, including those pertaining to intellectual property, product liability, procurement of raw materials, marketing, food safety, traceability, nutrition, labelling, antitrust, trade competition, climate and the environment, employment and labor, occupational health and safety, anti-bribery or anti-corruption, personal data protection, tax etc.

Failure to comply with or lack of awareness of the changing laws and regulations may cause an adverse impact on the various aspects of our business, from sourcing and production to sales and distribution. It could also potentially lead to substantial fines and penalties, and import bans of our products in certain markets, all of which could have a negative impact on Thai Union’s financial performance and reputation.

Examples of new and proposed laws and regulations that could have an impact on Thai Union’s business now and in the future include Personal Data Protection, laws and regulations under the European Green Deal, U.S. laws and regulations relating to food safety, traceability, and fisheries.

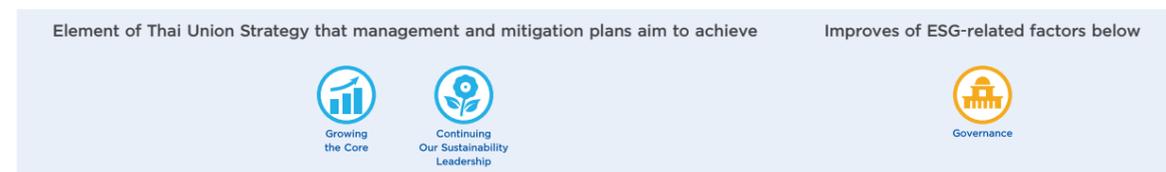
### Management and Mitigation Plan

The Company has a global legal and compliance function to manage legal activities related to business operations and investment and provides regular updates and training on the development of laws and regulations, provides counsel on legal issues and ensures preparation for any requirements related to laws and regulations.

Regarding data privacy or data protection laws, we put in place several measures to ensure compliance including established data protection policies and procedures, inventoried and assessed collected personal and sensitive information, implemented a system and process to ensure information security and developed an emergency response strategy and plans.

Regarding the European Green Deal, we closely monitor the new and proposed regulations and measures under the Green Deal, assess the potential impact, and make plans to ensure that our process and products will meet any new requirements.

As we expect to see new climate-related regulations across key markets in the coming years, including as part of the European Green Deal, we have been implementing several measures in our factories to cut greenhouse gases for many years. We will set new science-based climate targets in 2022 and continue to strive to further reduce GHG both in our operations and supply chains. Our actions include improving operational efficiency; investing in more energy efficient equipment; developing and deploying innovations in new technologies; promoting renewable energy; and working with our seafood and non-seafood suppliers to reduce scope 3 emissions.



### Emerging Risk: Ocean Plastic

#### Description and Potential Impact

Ocean plastic is a global issue which has been growing in prominence in recent years, raising concerns among not only our stakeholders, but customers and consumers globally. Ocean plastics can have a significant impact on the health and resilience of the oceans, thereby impacting the livelihoods and potentially the health of those people who depend on them.

For Thai Union’s operations, ocean plastic may cause both negative and positive impacts including:

- Negative impact on marine ecosystems, which could disturb marine habitats and result in potential reduction of global fish stocks and seafood supply as well as volatility in raw material pricing.
- Impact on product: Significant harm can be caused to marine animals when they feed on ocean plastics or are caught in lost and discarded fishing gears. If a seafood company does not take actions to address this problem, its brand and reputation could be affected.
- Impact on sales & customers: Increasing consumers’ concerns with the impacts of ocean plastics on the safety of seafood products could impact their confidence in and demand for seafood products, and hence our revenue.
- Impact on sales & customers: Positive impact to Thai Union’s reputation as the trusted seafood leader as we can proactively respond to the concerns of consumers and other stakeholders on ocean plastics by working with suppliers and partners to remove existing ghost gear and prevent new ghost gear.

**Risk Category:** Environmental

**Source of Risk:** Macroeconomic (Plastic waste and Ghost fishing gear)

**Timeframe of Impact:** Three-five years

**Management and Mitigation Plan**

Thai Union has continuously implemented a number of initiatives to reduce marine litter and ALDFG, including joining forces with the Global Ghost Gear Initiative (GGGI). We are currently looking at ways to make our product packaging more environmentally friendly and have committed to ensuring 100 percent of the branded packaging produced in our facilities is reusable, recyclable or compostable and 30 percent average recycled content in our branded packaging by 2025. We also regularly engage our staff and communities on waste minimization, recycling and appropriate disposal of waste.

In 2021, Thai Union completed the Thailand Commercial Fishing Sector Survey and Assessment of Abandoned, Lost and Discarded Fishing Gear which allowed Thai Union to better understand how they operate, how gear is lost, how much gear they lose over time and what happens to end-of-life gear with outlines for next steps and key intervention points. Please visit [www.seachangesustainability.org](http://www.seachangesustainability.org) for the full report.

Additionally, Thai Union joined a global international coastal cleanup program by the Seafood Business for Ocean Stewardship (SeaBOS) and Ocean Conservancy as part of our commitment to improving the health of the world’s oceans. A total of 1,306 kilograms of trash was collected at the cleanup in Thailand’s Samut Sakhon province.



**Emerging Risk: Global Shifts in Aquaculture Market and Technology**

**Description and Potential Impact**

Aquaculture was largely viewed as a sustainable way to relieve pressure on wild stocks of fish and provide protein to the world’s population.

For Thai Union Group, changes in aquaculture market demand and competitiveness may possibly impact our business, especially for the frozen and chilled seafood and related segments. An example includes:

- Impact on sales & reputation due to sustainability concerns. Consumers demand more sustainable aquaculture products throughout the supply chain. This includes the desire for more sustainable aquaculture feed production that uses less marine, wild caught ingredients. There is also growing demand for certified aquaculture products and farms, such as ASC, BAP as well as customers’ own standards. Thai Union needs to respond to these concerns by promoting more sustainable aquaculture farms and feed production, including through research, innovation and smart farm technology. Failure to do so could lead to customers switching to other more sustainable aquaculture products, impacting our revenue and brand.
- Impact on sales due to the potential growth of freshwater aquaculture consumption from developing countries especially white fish as they are a cheap source of protein. As currently our key frozen seafood are shrimp, salmon and other fish, therefore, failure to respond to the market change could have a possible impact on sales by losing customers to other freshwater aquaculture processors.

**Risk Category:** Technological and Economic

**Source of Risk:** Macroeconomic (New technologies, regulations, market trends)

**Timeframe of Impact:** Three-five years

**Management and Mitigation Plan**

Thai Union manages with global shifts in aquaculture through several functions, using a mix of adaptation measures and internal command and control.

Adaptive measures:

- The Company is aware of this emerging risk and will further conduct analysis in 2022 in order to better evaluate the risks; the Company also has governance and processes in place to understand up-to-date market trends, short- and long-term strategy planning review, robust strategic initiatives settings and risk management reviews to capture opportunities and mitigate risks
- The Company continues to be focused on operationalizing SeaChange®, our global, industry-leading sustainability strategy, across all parts of our business which including our aquaculture sources. At the same time, we also focus on innovation through our Global Innovation Center and continue to invest through our corporate venture fund to enhanced consumer satisfaction, shared value, and sustainability.
- The Company has a well-diversified product portfolio and strong footprint in every key region. We work closely with the local team in each country and market in order to prepare a step ahead of issues which may arise.

