

## Risk Factors

### 1. Risk from 7-Eleven Trademark Termination

The Company operates its convenience store business under the Area License Agreement entered with 7-Eleven, Inc., USA since November 7, 1988. Under the terms, the Company is granted a license to operate convenience stores in Thailand under the “7-Eleven” trademark including related trademarks and to obtain training and technical assistance in convenience store business from 7-Eleven, Inc. On August 20, 2003 7-Eleven, Inc. entered into the Consent Agreement which is an agreement among the Company, the Charoen Pokphand Group (“CPG”) and 7-Eleven, Inc. under which 7-Eleven, Inc. has agreed to give consent to the public offering of shares and the listing of shares for trading on the Stock Exchange of Thailand. The Area License Agreement does not specify the term of the Agreement. However, both parties have the right to terminate the Agreement if any event stipulated in the conditions does occur or if there is any event which constitutes a cause for termination under the Consent Agreement and also results in termination of the Area License Agreement. In case the Area License Agreement is terminated, the Company will lose its right to use the trademark, which will significantly affect the Company’s business. In such case, the Company might also be required to pay damages to 7-Eleven, Inc. In addition, if the relationship between the Company or CPG and 7-Eleven, Inc. turns sour, the Company may not obtain appropriate assistance from 7-Eleven, Inc.

#### The Company’s Risk Management

For over the past 31 years of good business relationship, the Company has never had any critical conflict with 7-Eleven, Inc. Furthermore, the Company has followed the regulations as per the agreement since signed date i.e. by the end of 2019 the Company operated 11,712 7-Eleven stores nationwide, which is higher than the minimum number of stores to be maintained under the agreement, royalty fee is regularly paid for the period of time as stipulated in agreement, or the Company continuously maintained a reputation of the trademark. The Company believes that the relationship of itself and CPG with 7-Eleven, Inc. remains good and that its business operation under the “7-Eleven” trademark is of mutual interest. So far, the business relationship and assistance have been satisfactory. The chance that such relationship will turn sour is unlikely. At present, there is no reason to believe that there would be any event that may negatively affect the relationship of the Company and CPG with 7-Eleven, Inc.

### 2. Risk From Controlling Influence of the Charoen Pokphand Group

The Charoen Pokphand Group has direct and indirect control over the Company. In the Consent Agreement with 7-Eleven, Inc., CPG agrees to maintain its minimum shareholding ratio as well as its power to appoint and control the majority of the Company’s directors. As at December 31, 2019 companies in the Charoen Pokphand Group continue to hold an aggregate 35.76 percent stake. Therefore, the Charoen Pokphand Group is able to appoint the majority of the directors and remain influential to the management and administration of the Company, including consideration of or support for matters that require approval from the Company’s shareholders.

At present, there is no agreement between the Company and the Charoen Pokphand Group and its affiliates that will prohibit the Charoen Pokphand Group to expand businesses or invest in other retail operations. Therefore, there may be a risk that the Charoen Pokphand Group will not consider granting opportunities and resources that will be of best interest to the Company and its shareholders.

### The Company's Risk Management

Apart from the details of the connected transaction exhibits in the Articles of Association of the Company and the subsidiaries, the Company appointed independent directors and the Audit Committee to assure the best interests of all shareholders. In addition, the Company has formulated a policy and regulations concerning connected transactions as guidance for business practice, including formulated a business administration policy which taking into account the interests of the Company towards all stakeholders equally.

In addition, the Company appointed Corporate Governance Committee as well as Corporate Governance Subcommittee that serve the interests of all stakeholders in accordance with the Company's corporate governance policy which be reviewed by the Company's external experts to assure the policies consistently align with international standard.

### 3. Risk from Distribution Center and Logistic Error or Problem

Most of the products sold in 11,712 7-Eleven stores nationwide are delivered via the Company's distribution centers, with more than 2,000 manufacturers and suppliers delivering their products to the distribution centers according to the given delivery date. Therefore, the distribution centers play a vital role in 7-Eleven's business in distributing products to stores across the country in correct, complete and timely manner. Errors or problems at the distribution center and disruption of transport route due to floods, fire, communication system and information technology failure, severe accidents, or any force majeure from the supply chain system from the manufacturer to distribution centers and then delivery at the stores, will have an adverse impact on the sales of all 7-Eleven stores and business opportunity, and may negatively affect the Company's operating performance.

### The Company's Risk Management

The Company has continuously reviewed its annual strategic plan in order to construct short-term and long-term plans that could support growth of existing stores and new store expansion. For the distribution centers, the Company has continued to evaluate the adequacy of the capacity in line with the growing sales turnover and new store openings, including the crisis management in regard of the distribution center where one interrupted. In case an additional distribution center is needed, the key consideration is a prime location which is in the safety area and be able to operate at the most efficiency of delivery to store. Distribution centers should be distributed along the metropolitan areas and provincial areas across the country in order to diversify operating risk and to support store expansion in the future.

The Company has prepared and practiced the Incident Action Plan and conducted drill regularly planned to be ready to deal with various crises through 7days/ 24 hours such as flooding, riots, fire, and blackouts. There is also a Crisis Assessment Team (CAT) which is responsible for providing warnings about the crisis to various departments in the risk areas so that they can prepare to deal with the crisis in a timely and appropriate manner. Business Continuity Management (BCM) includes using nearby distribution centers to deliver products, transporting products using large trucks, using alternative routes, finding alternative products, and establishing temporary distribution centers.

The Company has also collaborated with key suppliers who are strategic partner developing Business Continuity Plan (BCP) to ensure that products can be delivered during crisis to minimize the negative impact on the sales revenue. In addition, the Company has appropriately bought insurance to compensate for loss and to alleviate the cost burden that may occur in the future, covering distribution centers, stores and subsidiary companies.

By doing so, the Company believes that the distribution centers are sufficient to support store expansion plans in the future. On the other hand, the distribution centers can function as a secondary distribution network with each other across

the country. In case if any place where a disruption or major transportation routes were not passable. The network can back up to replace at the most effectiveness.

#### 4. Risk from Information Technology Error or Problem

The Company's information technology systems is as the brain of the convenience store business, for ordering and communicating effectively to all units in the supply chain, ranging from manufacturer, logistic system and distribution center through store level. This can help the Company making sales revenue, and delivering good products and services to more than 13 million customers per day which are the key matters to create persistent customers' satisfactory and impression. Therefore, any error or problem occurred to any key information technology systems such as sales and service system, store operation system, product ordering and logistic system, and etc, would affect the business operations and ability to serve customers at 7-Eleven stores and may negatively affect the Company's operating performance.

##### The Company's Risk Management

The Company recognizes the importance of information technology in both the store and office level, including the supply chain systems being operate effectively with the continuity of business operations. The Company has also reviewed systems along with its annual strategic planning in order to manage the software system in accordance with the requirements of the business process of software engineering with reference to international standards such as ITIL, CMMI and ISO / IEC 27001: 2013, which aimed at developing technology to improve processes and assets in the long term. Business development unit can collaborate with global partners to update technology system to accommodate the changing trend of the market.

In regard to managing of the hardware, the Company establishes two IT centers in different areas to diversify risk – Chaengwattana IT Center in Nonthaburi and True IDC Bangna in Samut Prakan, which is the first IT center to obtain a high information security standard and ISO from Uptime Institute. These two IT centers support each other in case of any interruption happening to one of the IT centers and ensure that the IT system will resume its normal operation.

The Company has a full range of security system for its two IT centers, beginning with the design of their safety in every section under the proper environment. A backup generator systems, UPS, smoke and fire detection systems, intrusion detection systems and inhibit mobility, backup air conditioning, and power feed system pairs each, including system maintenance have been also installed. In addition, the Company set up an expert team to stabilize and secure IT system throughout 7days/ 24 hours to be ready for its operation continually. In addition, the Company regularly provides training and drills to related BCM team, which the training will be given scenarios that could cause crisis to IT center on a variety of different situations to ensure that the delegated team is comprehend and able to follow all the business continuity management (BCM) efficiently and timely. Furthermore, apart from regular check up by the internal audit team, an external audit company tests on the IT system annually for the highest assurance of the Company's information technology system.

## 5. Risks from Laws and Government Policies

The Company manages the convenience store business and various supporting businesses under the CP All Group in Thailand. Its management is transparent and has always strictly complied with the government laws and policies, as well as monitoring changes at the local, regional, and international levels as part of a process to scope out important information to assist in the decision making and to forecast potential business impact resulting from new regulations both at the local and international levels, including one that tends to apply in the future. For instance, the carbon tax or new regulations related to climate change that usually contains requirements specifically to different localities. If the Company does not monitor, anticipate, and prepare for their potential business impact, they may affect not only its competitiveness, but also the Group's ability to achieve its sustainability growth targets as well.

### The Company's Risk Management

The Company adheres to the principles of transparency, compliance to local and international laws and regulations, as well as the government's policies in order to manage risks across its business operations. To comply with new laws and prepare for their potential business impacts, the Company regularly monitors proposed new laws, provides input towards their development, and gives feedback on any related issues through relevant agencies to the regulating bodies. This helps to ensure that the public sector understands and takes into consideration the perspectives of businesses.

In addition, the Company has assigned the Sustainability and Corporate Governance Committee the responsibility of enacting the Corporate Governance policy, Sustainable Development Policy and Goals, the Code of Business Ethics, as well as the Company's operating principles. The Committee is also responsible for reviewing and updating the Company's Corporate Governance policy to ensure that it remains relevant and aligns with legally enforceable corporate governance principles, in accordance with internationally-accepted guidelines.

The Company also has appointed a Corporate Governance Subcommittee, a Sustainable Development Committee, a Risk Management Committee and a Compliance Unit Office to oversee legal compliance and enable the Company to operate with transparency, in accordance with good governance principles with its stakeholders, and ensure that it can adapt to regulatory changes related to its business operations and contain their impact at an acceptable level as per organizational risk management. The Company also set up Call Center who provides advice and assistance 24-hour regarding the Company's activities at timely manner.

## 6. Emerging Risks

### 6.1 Digital Transformation Risk

Changes to business models and internal work processes that have occurred as a result of rapid digitization have led to increasing competition and changes in the demands and behaviors of consumers. This poses a risk to business operations, for example due to the integration of digital technology into logistics, marketing, and e-commerce. Over the long-term, such changes could potentially impact upon the Company's business model and traditional sales channels, particularly 7-Eleven, which risks losing its competitiveness. However, this could also be viewed as an opportunity to create new businesses to generate additional value for the organization.

### The Company's Risk Management

The Company conducts annual reviews of its corporate strategy to ensure that it continues to support business growth, as well as develops strategies and businesses plans on digital technology to better support the business going forward. The Company has launched more sales channels, particularly through the “Omni-Channel” approach, to allow customers to more easily and efficiently purchase goods and products through a variety of channels, online and offline. The Company has also developed and accepted more types of payment systems, such as Ali Pay Wallet, True Money Wallet, and launched new services, such as a Bank Agent service. Likewise, the Company has launched sales promotion activities on applications and via digital marketing channels to better support a more “Cashless Society” and the future needs of a digital society. This was achieved by leveraging the strengths of Group subsidiaries, Counter Service Co., Ltd and Thai Smart Card Co., Ltd, to create growth opportunities for various business owners and to engage with customers. The Company also communicates news and receives feedback from customers through the “7-Eleven Thailand” Facebook page, the LINE application, YouTube, and Instagram. Finally, the Company has implemented an order service for customers to order products that are not sold at 7-Eleven stores, or to place an advance order for a product, which can be picked up from any 7-Eleven stores across its country-wide network 24 hours a day, 7 days a week. These measures allow the Company to better craft new experiences for customers, as well as create an ecosystem that offers improved services, increases value, and leaves a lasting impression in customers’ daily lives.

### 6.2 Our Digital Presence Risk

Connectivity in the digital age means that, in the future, individuals’ lives will become more unavoidably intertwined. At the same time, there will also be an increase in the number of individuals with a digital presence, in line with changing social contexts. The “Global Digital 2019” Report has found that over 50% of the global population – from a total of 7,876 million people – use the “Internet – Social Media.” The same report found that in Thailand, 51% of the population spends more than 3 hours a day on social media, with an average of 10.5 social media accounts per internet user – falling in the Top 5 globally. Given this, the Company must consider its presence in the digital world. That could involve everything from internet searches to how individuals share their information and views; how the company conducts online searches and is searched for, and even how it can foster and maintain the same type of relations online at the global level. If the Company is not able to manage its online presence appropriately, there is the risk that it could lose its reputation and competitiveness. Nevertheless, this could also serve as an opportunity for the Company to develop new businesses to create value for the organization.

### The Company's Risk Management

The Company carries out regular yearly reviews of its corporate strategy, and has integrated the important issues of digital transformation and disruptive technology innovations into its short-term and long-term business strategy development.

The Company has also applied different technologies to better and more deeply understand customer behavior, using various channels and methods, both direct and indirect. For example, the Company conducts the “Voice of Customer” survey using various platforms, particularly the internet and social media, and carries out observations of customer behavior – all of which are used as input for data analytics. Data analytics allows customer analyses to happen much faster and more accurately, and therefore better supports the Company in designing and adapting its business for a digital society.

Furthermore, the Company has deployed Customer Relations Management (CRM) strategies to communicate with and more closely and efficiently engage with customers. It has added communications channels, increased marketing activities via digital channels, and carried out sales promotion campaigns through mobile applications. Finally, the Company has added social media channels to communicate news and receive customer feedback, which is a highly popular choice amongst customers. Examples include the “7-Eleven Thailand” Facebook page, LINE application, YouTube, and Instagram.

### 6.3 Risk from Cyber Threat

Given recent changes in business operation that rely more on digital technology, the Company has offered various services on the internet network and web application which allow employees to work from anywhere using remote access. This results in an increase from cyber threat such as data theft, research and development data, trade secrets, and customer and employee personal data that could result in large amounts of financial impact and adverse effects on the company’s brand and reputation.

#### The Company’s Risk Management

The Company has regularly reviewed an annual corporate strategic plan in collaboration with the international information experts in order to support business growth and specify a proper strategy and business plan in digital technology.

The Company has appointed Chief Security Officer, who is responsible for IT security of CP All Group. Gosoft (Thailand) Co., Ltd, a subsidiary, was set up and implemented ISO 27001 international standards that requires Information Technology Security Management and Internet Security Strategy to ensure business continuity and risk management under a controllable level as well as an strategy review at least once a year. In addition, it is required that Cyber Security Awareness is created among employee via internal communication channel and tested their understanding using Cyber Simulation Program to make sure that employee comprehend and are protected from cyber threat.

### 6.4 Data Privacy Risk

In the digital world, data is much like a new type of oil. Once refined, distilled, and analyzed, it can be used by businesses to deliver benefits and create value. Because of this, businesses have started collecting all types of data that could be useful in the future. At times, however, this could potentially infringe upon the privacy of customers. Expert reports have found that 40% of Thai organizations that have encountered data breach incidents suffered losses of between Baht 31-74 million. Apart from the costs associated with investigating the causes of those breaches, companies must still manage the incident, warn customers, and mitigate the impacts on customer privacy. Importantly, they must confront admissions of wrongdoing in accordance with the Personal Data Protection Act B.E. 2562, as well as the risk of invaluable damage to their reputation.

#### The Company’s Risk Management

The Company has partnered with personal data management experts for its annual strategy reviews, who will provide support in the development of strategies that support business growth, as well as in defining more appropriate strategies and business plans for digital technology.

The Company has also appointed a Chief Data Privacy Officer (DPO) and a Working Team to oversee work processes, enact policies, management measures, and communicate and generate awareness on data management among management and employees. The Working Team is additionally responsible for developing work plans that align with international principles, in order to reduce these risks to within acceptable levels before the aforementioned law comes into force.

## 7. Financial Risk

As at 31 December 2019, the Company and its subsidiaries had interest bearing debt amounting to Thai Baht 145,704 million, in which was debenture with fixed interest rate amounting to Thai Baht 132,884 million or 91 percent of the total amount of interest bearing debt. Net debt to equity of the Company continuously declined to 1.1 times in 2019, whereas net debt to equity as determined in the bond covenants was at 0.94 times, lower than the level stipulated in the covenant for year 2019.

The Company's foreign exchange risk from normal business operations i.e. the purchase and sale of goods in foreign currencies which are relatively low. The Company primarily utilizes forward exchange contracts with maturities of less than one year to hedge such financial assets and liabilities denominated in foreign currencies. As at 31 December 2019, as per the consolidated financial statements, the Company's loans denominated in foreign currencies was Baht 2,057 million.

### The Company's Risk Management

Risk management is integral to the whole business. The Company has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved.

At present, the Company's transaction associated with foreign exchange is relatively low, then, such risk shall not impact to the Company's business operation significantly (see notes 29 Financial instruments).

Furthermore, the Company's had fixed interest rate Thai Baht debentures amount of Baht 132,884 million, which the Company plans to continuously reduce leverage ratio by using internal cash flow from operation to repay loans; thus, such ratio tends to be lower. In addition, debt covenants of CPALL bonds are stipulated as follows:

- as at December 31, 2015, net debt to equity not more than 5 : 1
- as at December 31, 2016, net debt to equity not more than 3.5 : 1
- as at December 31, 2017, net debt to equity not more than 2.5 : 1
- as at December 31, 2018 and onwards, net debt to equity not more than 2 : 1

In addition, the Company also has issued perpetual debentures of Baht 20,000 million in order to cushion net debt to equity ratios.

## 8. Risk from the record of goodwill and intangible assets

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The measurement of goodwill at initial recognition is described in note to the financial statements. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives i.e. computer program, customer database, and others, at which 2-15 years useful lives. Other intangible assets recognize at cost, net of accumulated amortization and accumulated impairment losses. Amortization is calculated using the cost less the residual value associate with its remaining useful lives. On the other hand, other intangible assets that are acquired by the Group and have indefinite useful lives i.e. intellectual property, business license, etc. are appraised at cost less accumulated impairment losses.

### The Company's Risk Management

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 recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognized in profit or loss.