



CP ALL Public Company Limited
Guidelines to Trade Competition Policy Announcement
Doc. No. LORM 3601/2019

1. Principle

The Company is determined to conduct business with integrity, ethics, and respect for the law and related regulations, including regulations pertinent to trade competition laws. Such commitment is beneficial for the Company, its subsidiaries, shareholders, employees, customers, manufacturers, and other stakeholders. The conduct of business with competitors, manufacturers, suppliers, and customers has to be upon the foundation of free market economic principles and fair competition—conducting business with transparency and ethics by adhering to trade competition laws. The Company has thus issued the following implementation guidelines for all units' strict compliance.

2. Objective

To provide foundational guidance on trade competition laws, and to help all employees adhere to such laws.

3. Scope

This Announcement is effective for CP ALL Public Company Limited. (CP ALL) and its subsidiaries.

4. Roles and Responsibilities

The management team is determined to adhere to the law, including trade competition laws, which are good guidance in creating value to the Company, shareholders, employees, and stakeholders. In view of free market and fair competition principles, the management team has determined the following roles and responsibilities:



4.1. Management Team

4.1.1. Issue policy and implementation guidelines on adhering to trade competition laws in the conduct of business of the Company and subsidiary companies, without exception.

4.1.2. Ensure that employees understand general principles related to trade competition laws.

4.1.3. Determine a structure of management responsibilities, such as responsible personnel or units to oversee and monitor compliance to trade competition laws.

The structure of management responsibilities is as follows:

No.	Department	Roles and Responsibilities
1.	General Department	Communicate an advisory to all staff in the unit to ensure understanding of general principles pertinent to trade competition laws; and that employees can identify incidents which may contain issues relevant to trade competition laws, are cognizant of consequences for legal non-compliance, and must adhere to all guidelines which include prevention of incidents with potential issues connected to trade competition laws.
2.	Business Relations Unit	<ul style="list-style-type: none"> ● Provide advisory, coordination, and communication with the Office of Trade Competition Commission in all cases wherein the Company and staff are requesting for advice. ● Receive reports and contain incidents and violations to the Trade Competition Policy. ● Participate in various trade associations which can be platforms to receive and share information for businesses.

3.	Legal Office of the Business Group	Train, provide advisory, and provide implementation guidance connected to changing regulatory requirements to ensure up-to-date compliance.
4.	The Office of Internal Audit	Conduct periodic, random assessments on the Company and staff's compliance to trade competition laws.

5. Guidelines

5.1. All relevant personnel must undergo at least one training on trade competition, as prescribed by the Company.

5.2. All agreements, behaviors, and actions that may impede compliance to trade competition laws, including collusion with competitors or the unfair use of market power—both of which may cause higher prices, or reduce market supply volume, or limit creative production and technological development, or agreements or cooperation that limit competition, including the exchange of important trade and competition information—are prohibited.

5.2.1 General examples of agreements and cooperation that limit competition among competitors include:

- 1) Price fixing - A practice wherein trade competitors agree or cooperate to determine pricing, whether direct or indirect (such as through distributors) is legal violation. This includes setting conditions of the nature that may indirectly affect pricing, such as rebates, discounts, profit margins, and other payment conditions.
- 2) Market allocation - A practice wherein trade competitors agree to allocating or segmenting the market is a legal violation. This includes preventing businesses from allocating customers among them.
- 3) Quantity limitation - A practice wherein trade competitors agree to halt or limit product quantity or quantities allocated per business is a legal violation. Considerations to increase or reduce product or service quantities must be conducted freely under normal competitive conditions.

4) Bid-rigging – A practice wherein trade competitors agree in various forms to “limit bidding competition” or cooperation in the bidding stage is a legal violation. This includes agreements to not bid, or taking part in high bidding such that it precludes winning the bid.

5.3 The formation of relationships with manufacturers, distributors, and customers to limit trade competitions (i.e. “Vertical Agreements”) is prohibited, with the following cautionary issues:

1) Vertical agreements in the supply chain to limit or exclude competitors, agreements limiting market entry, or limiting market expansion of competitors in the following nature:

1.1 Setting purchase and sale pricing or other trade conditions, whether direct or indirect, that affects product and service prices.

1.2 Limiting product or service quantities that each business produces, purchases, sells, or services which were agreed.

1.3 Setting agreements or conditions in concert in order to allow one party to win a bid, or tender, or to exclude a party from entering into a bid or tender of products and services.

1.4 Setting market allocation pertaining to the sale of products or reduction of the sale or purchase of products and services.

1.5 Reducing product quality or reducing quality below par of previous production, sale, or service.

1.6 Other forms of agreements prescribed by the Office of Trade Competition Commission.

There may be other forms of Vertical Agreements—such as requiring buyers to emphasize the use of certain production specifications in whole, or close to whole, of a given manufacturer; or preventing buyers from purchasing products from other manufacturers that are the Company’s competitors—which may pose issues related to trade competition laws. Hence, consultation with the business group’s legal unit is

advised before entering into agreements which limit rights in the aforementioned fashion.

- 2) Exclusivity agreements, such as buyers' monopoly from a sole manufacturer or distributor, or production and sale for a sole customer, should undergo consultation with the business group's legal unit, even when they may be permissible per trade competition laws.

5.3.1 Example questions and answers

1. Can the Company discuss with competitors to adjust pricing at the same time?

No. Such action constitutes collusion among competitors, and is considered a severe violation of trade competition laws and this policy.

2. Can employees discuss work-related duties with friends employed in the same industry?

Such discussions can take place only if they are of a general nature, and are not related to important trade information of the company in which the employee currently works.

3. When hiring new employees who have worked in companies that are major competitors, how much can the Company ask such employees to use the knowledge obtained in the previous company?

It is generally accepted employees can use the knowledge and skills obtained in their past experiences to improve the Company's performance. However, new employees should not disclose, or be asked to disclose, important trade information of a competing company.

4. What should be done when a unit within a competing business discloses pricing information, which is confidential, in trade associations meetings?

Employees should object to such disclosures, withdraw from the meeting, and request that their objection and withdrawal from the meeting be recorded. In such cases, employees must report the incident to the business group's legal unit immediately.

5. Can the Company request distributors to sell the Company's products at prices determined by the Company?

No. Such action is a severe violation of trade competition laws. Nevertheless, the Company is not able to set conditions, or take other actions, that compel distributors to set prices determined by the Company or at a given minimum price.

6. Can the Company enter into an exclusivity agreement with distributors in some countries for some products?

Employees must consult the business group's legal unit to determine whether exclusivity agreements can be executed with manufacturers or customers, prior to entering into such agreements.

5.4 Guidelines on Memberships and Associations

Memberships into associations must be made with caution and an exercise of due consideration to avoid contraventions of trade competition laws. The Company's policy and guidelines serve as modus operandi in joining various associations, as follows:

- 5.4.1 The Company has a policy strictly prohibiting employees from partaking in limiting competition. Participation in trade associations must be done with careful consideration.

- 5.4.2 Participation in trade association meetings must be guided as follows:

- 1) Meeting agenda must be submitted for review before the meeting.
- 2) Employees that participate in meetings must be the appropriate personnel.

- 3) Unfair business negotiations, both before and after such meetings, are to be avoided to the extent possible.
- 4) Meeting proceedings must be recorded accurately and in detail.
- 5) Objections must be made to meeting topics deviating from the meeting agenda which may pertain to important information connected to competition, and
- 6) If individuals of a competitor that are present in meeting propose a discussion on, or an exchange of, important information pertaining to competition, the employee(s) in the meeting must immediately object and declare that the Company does not have a policy allowing the discussion of such topics, and request to cease the meeting on such issues. Should the meeting on such issue continue, the employee(s) must withdraw themselves from the meeting, and request that reasons for the objection to use such information and their withdrawal from the meeting be recorded in the meeting minutes; and the employee(s) that participated in the meeting shall report the incident to the business group's legal unit immediately.

5.5 Abuse of dominance is prohibited in cases where the Company is in a market dominant position. The market dominance principle means that businesses that have the following market shares are considered to be in a market dominant position:

- 1) Any given business, within any given product or service market, that has a market share exceeding 50% and sales exceeding one (1) billion Baht in the past year, or
- 2) The top three (3) businesses, within any given product or service market, that have a combined market share exceeding 75% in the past year and that each has sales exceeding one (1) billion Baht.

5.5.1 Examples of Abuse of Dominance

- 1) **Predatory pricing.** Companies with market dominance must not sell products or services at prices below production cost with the objective to, or to the effect of, eliminating competition.
- 2) **Refusal to supply.** In general, companies are at liberty to choose their trading partners and there are no requirements compelling the sale of products to any specific entity, except where the company's products or services are considered essential input. Nevertheless, within many countries companies that have market dominance are requested to make fair trade decisions on the basis of a business rationale in refusing or reducing product sale volumes to existing customers (such as limitations connected to reputation or financial capacity).
- 3) **Tying.** Companies with market dominance must not sell products or services with conditions that customers can purchase products or services only after purchasing other products or services.
- 4) **Excessive Pricing.** Companies with market dominance must not set excessive prices. In practice, it is difficult to clearly determine what price is "excessive", but prices of products or services of other competitors in the market may be referenced.
- 5) **Rebates/Discounts.** In general, companies with market dominance may be able to give rebates or discounts if such discounts can be explained on the basis of genuine production cost reduction. Conversely, companies with market dominance should not make available fidelity of loyalty rebates or discounts, which is considered to stifle competition by bonding customers to the same manufacturer.

5.5.2 Questions and answers

1) Can companies sell products at prices below the production cost?

If the company is in a market dominant position and sets prices below production costs to eliminate competition in the market, such case may be considered abuse of dominance, irrespective of the presence of clear indicators on the company's motivation to push competitors out of market. However, promotions that support short-term sales may be permissible.

2) Can companies refuse the sale and distribution of products to a given distributor?

If the company did not make prior contracts or agreements which legally bind the company to sell products to the distributor, the company retains full capacity to refuse sale to the distributor. Nevertheless, the company must ensure that such refusal is a decision made freely by the company, not resulting from agreements or memoranda of agreements made with customers or other competitors. And if the company is a market dominant position for any product, the company should not refuse the sale of products to new customers without explainable reasons (such as financial credibility or that the distributor's business size does not match company requirements). In all such cases, the company should seek advisory from the business group's legal unit before refusing sale to existing customers.

5.6 Control of Mergers & Acquisition

Mergers and acquisitions should be guided by trade competition laws, wherein such mergers and acquisitions must be in line with the following principles and conditions:

- 1) The Company must assess in early stages whether the conduct of mergers and acquisitions, takeovers, joint ventures, and purchase of minority shares transactions require prior authorization request from any trade competition regulatory agencies, and should ensure the involvement of the business group's legal unit in assessing such transaction, including facilitating authorization request to various regulatory agencies. As laws on this issue are complex, employers should request the business group's legal unit for advisory when questions arise.

6. Penalty

Any person responsible for the conduct of any work as part one's duties who neglects, or fails to instruct, or does not conduct, or performs any conduct within one's duties which gives rise to a legal offense and/or damage will receive disciplinary action per company regulations and legal penalties based on the offense which took place. Should such offense cause damage to the Company and/or other persons, the Company may consider taking additional legal action.

Effective from 11 November 2019 onwards.

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