Risk Management Manual

CP ALL Public Company Limited

Update 8 April 2025

Introduction

According to the Risk Management Policy, the Board of Directors, executives, and all employees are assigned to become Risk Owners. This stipulation entails that all Risk Owners uphold respective responsibilities in studying, analyzing, and evaluating potential opportunities and severity of impacts toward Company business operations. Risk Owners are to determine measures to limit, prevent and control respective risks in confines consistent with the objectives, goals, and strategic plans of the Company.

This risk management manual is prepared for all CP ALL Business Group employees, as Risk Owners, to gain knowledge and comprehension of overall CP ALL Units and Groups risk management in addition to risk type scope, risk analysis and evaluation, control plan preparations, business continuity management, and departmental risk management efficiency monitoring and evaluation. The latter requires cooperation and commitment from all departmental employees. The stated measure enables the organization to achieve business goals, comply with good governance principles, and continuously develop organizational sustainability. Therefore, it is sincerely hoped that this risk management manual is utilized as guidelines for appropriate employee action in line with organizational risk management policies.

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Executive Risk Management Commitment

The vision of Mr. Korsak Chairasmisak, Chairman of the Executive Board, CP ALL Public Company Limited, initiated the realization of risk management significance since 2002. Since inception, the risk management committee is tasked with risk determination, review, and reporting to the management team, including the Board of Directors (BOD), on an annual basis. Systematic risk management is required in uncovering hidden yet imminent risks through establishing risk management teams to assist the assessment, counsel, and creation of crisis management plans to ensure continuous business operations. “Benefits from risk management are difficult to calculate, but they are definitely highly beneficial” (Korsak Chairasmisak, 2012). “Our organization currently operates within normal conditions without crisis. We must consider risks and wise risk management (Intelligence Risk)” (Korsak Chairasmisak, 2013).

We operate as a large company with over 140,000 employees. Our operations require prudence and risk management considerations as a means to evaluate potential risks towards the organization. **"We must rise above negligence and remain vigilant towards tomorrow’s events as we maintain continuous growth while being cognizant of risks.”** (Korsak Chairasamisak, 2015).

Mr. Pittaya Jearavisitkul, Vice Chairman of the Executive Committee, CP ALL Public Company Limited. “New Era Enterprise Risk Management, Risk Managers and Risk Champions must maintain alertness and focus more on Intelligence Risk, a preventive risk management framework, rather than adopting the defensive approach.” (Pittaya Jearavisitkul, 2013).

“Don't fear risks to the point of inaction but rather pursue appropriate management methods to wisely coexist with risks. We must remain cognizant to manage risks without allowing risk to manage us.” (Pittaya Jearavisitkul, 2016).

“We must remain alert, learn from and share unfortunate events or risks with external agencies through regularly reviewing intra-organizational risks as a means for advanced development of organizational business plans which keep pace with rapid changes" (Pittaya Jearavisitkul, 2016).

“Risk management integration into everyday working life will enable us to comprehend risks requiring management thus ensuring business prudence and sustained organizational success” (Pittaya Jearavisitkul, 2016).

Mr. Piyawat Titasattavorakul, Vice Chairman of the Executive Committee, CP ALL Public Company Limited, expresses his view on hidden threats as, **“Risks from hidden threats encompass one’s unawareness of weaknesses. Thus, everyone should exercise awareness, collectively protect, and continuously correct discovered weaknesses”** (Piyawat Titasattavorakul, 2013).

Mr. Tanin Buranamanit, Vice Chairman of Executive Committee, CP ALL Public Company Limited.

In order to preserve organizational longevity, all individuals actively contribute to enable extended organizational sustainability. All of us in CP ALL live within the same house, which is **"CP ALL Quality House"** and we have the same surname, "CP ALL." Whether or not this house exists happily depends on all of us. May we “all contribute to making this house happy,” and construct this house with happiness and sustainability. In supporting a quality and sustainable organization, three main aspects as follows must be realized:

1. Establishment of strategies pertaining to stakeholder and competitor relations and coexistence.
2. Organizational capabilities to anticipate change and ability to mitigate all situational deviations, inclusive of crises, obstacles, and opportunities.
3. Organizational focus on perpetual development of people, team building, team maintenance, and team development. Adherence to the 3 principles will grant our home with abundant happiness and transform this house to a "Quality and Sustainable Organization" for sure... (Tanin Buranamanit, 2016)

Mr. Yuthasak Poomsurakul, Chief Executive Officer (CEO). “Work must be results-oriented based on People + Technology + AI and commitment. The results will inform us whether our performance was adequate or not and thus operational adjustments in relation to results are warranted. Subpar operations require mediation while satisfactory operations should be collectively expanded. All individuals are friends collaborating to create success, which are results according to organizational goals." "Crisis is an opportunity. COVID has ushered us to rapidly transform our business model, which consists of both Offline and Online models, and delivery throughout Thailand within 7 days. If we are capable of continuous adaptation, we will survive" (28 February 2022).

The probability of finding a Gray Rhino is very likely and acclaims high impact but is often ignored. This challenge of historic origins periodically emits warnings but receives disinterest or inattention for concrete mitigation and thus significantly escalates (6 June 2022).

Mr. Vichai Chanjiriyakul, Managing Director and Chief Risk Officer (CRO)

"Comprehensive risk identification requires everyone to come together, brainstorm, and assess what potential risks may arise in order to prevent and control unforeseen risks that could occur in the future. We must jointly evaluate and develop preventive plans, including contingency plans, known as BCM, to ensure that business operations can continue smoothly within CP ALL's risk management framework." (Vichai Chanjiriyakul, 2025)

CP ALL Public Company Limited and Group Companies Risk Management Policy

The Company has established a comprehensive risk management policy and plan under the supervision of the Risk Management Committee. The Company assigns all individuals, inclusive of the Board of Directors, executives, and employees as risk owners, tasked to revise, analyze, evaluate impact opportunities and severity which may potentially impact business operations, and enact eliminatory and preventatives measures, in addition to preparing risk control plans in accordance with the Company's objectives, goals and strategic plans, and assess management efficiency. Additionally, risk owners uphold responsibility to monitor constantly changing situations and risk factors prior to compiling policies and guidelines for comprehensive risk management reports to the Board of Directors to review biannually.

The Company has reviewed the risk management framework and supervised all departments for efficient compliance. In reviewing organizational strategic plans on an annual basis, a risk management representative will be appointed as part of the Corporate Strategy Committee, which consists of budget strategy agents for Human Resources, Sustainability and Risk, for risk management plan considerations inclusive of various annual budget aspect implementation.

In addition, risk management has assessed individual department's Risk Score to indicate respective risk management capability and review listed risks for all departments. Recommendations are provided for risk management system efficiency development and improvement in all business areas on a quarterly basis or at least 4 times per annum. Additionally, an online advice service to share knowledge and ideal examples for risk score improvements in respective departments through the Risk Score Clinic project is organized weekly. The dissemination of beneficial learning pointers for risk managers enables further development.

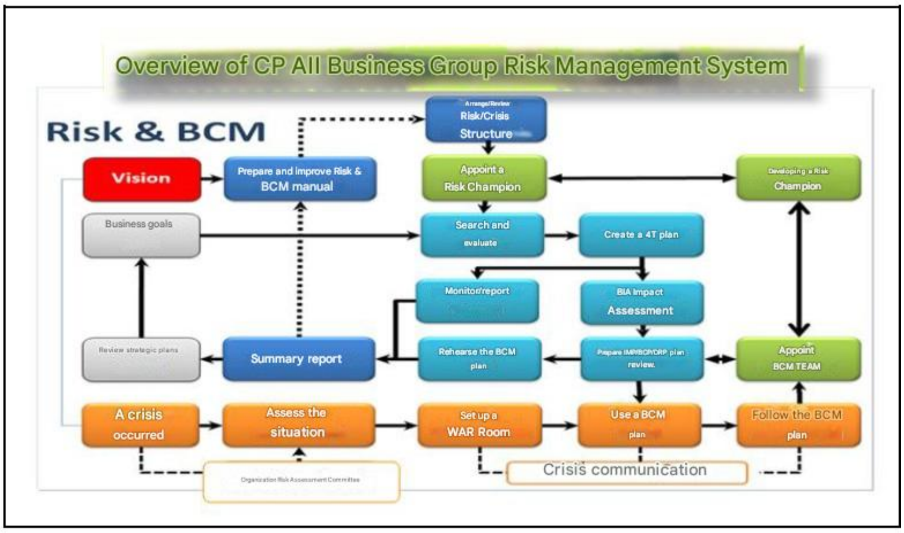
The Company has organized seminars for risk managers within each department or Risk Champion continuously every quarter as an opportunity to enhance knowledge, ability, and provide updates on risk situations in terms of strategy, operations, finance, legal matters, in addition to sustainability and governance.

The Company has organized campaigns to encourage employee's participation in Black Swan risk finding through respective department networks of risk managers or Risk Champions. Relevant departments will review risks as appropriate in accordance with the next assessment cycle.

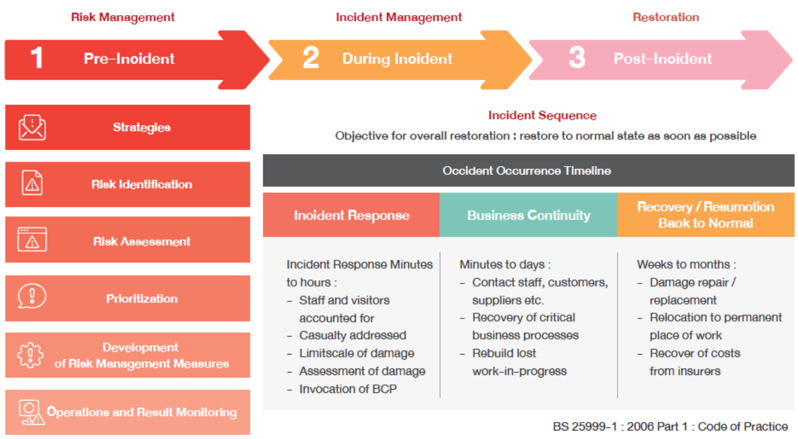
In addition, the Company has organized a Crisis Management Exercise in preparation for cyber and information leak crisis management. This exercise includes raising awareness of important risks to executives and related parties.

In the event of immediate and significant event changes, the Risk Management and Compliance Agency will review risks in conjunction with the Risk Management Committee to determine critical control measures and prepare a special agenda report to instantly notify the Executive Committee.

CP ALL Business Group Corporate Risk Management Overview

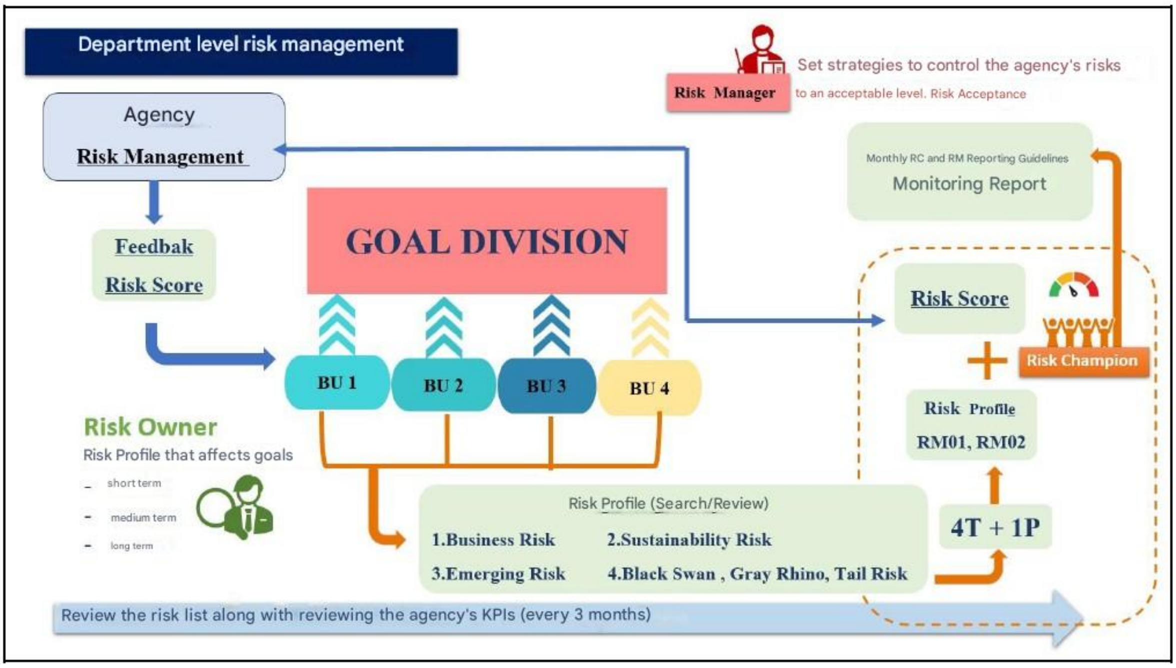


Enterprise risk management entails a review of corporate business strategies, corporate goals, and integrating of Materiality Topic Result, as an element of strategic organizational preparation of plans, business goals, vision, and mission for the year. The risk management department and Chief Risk Officer (CRO) will prepare risk management guidelines and manuals in accordance with policies, corporate governance, sustainability, and business performance goals to review the structure and risk management system encompassing 4 areas: Business Risk, Sustainability Risk, Emerging Risk and Black Swans. In addition, revision of corporate crisis management plans in various business units for implementation in relevant agencies are enacted and comprise of conducting explorations, assessments, controls, monitoring, as well as preparation and evaluation of crisis response plans and business continuity in a manner which grants maximum efficiency.



Business Unit Risk Management

According to corporate risk management policy, the Board of Directors, executives, and all employees are assigned as Risk Owners. Agency risk managers can appoint qualified assistants with the ability to act as a risk manager or Risk Champions for the department to manage the search and assessment of Risk Profiles which affect the departmental goals throughout the short term, medium term, and long term. Further work includes preparation of a risk control plan and joint risk monitoring with relevant departmental Risk Owners prior to reporting risk management results to the Risk Manager for consideration. Prior to reporting results to the Risk Management Committee, the Risk Management Division compiles reports from the management team and related committees for further consideration.



Criteria for Efficiency Evaluation of Departmental Risk Management (Risk Score)

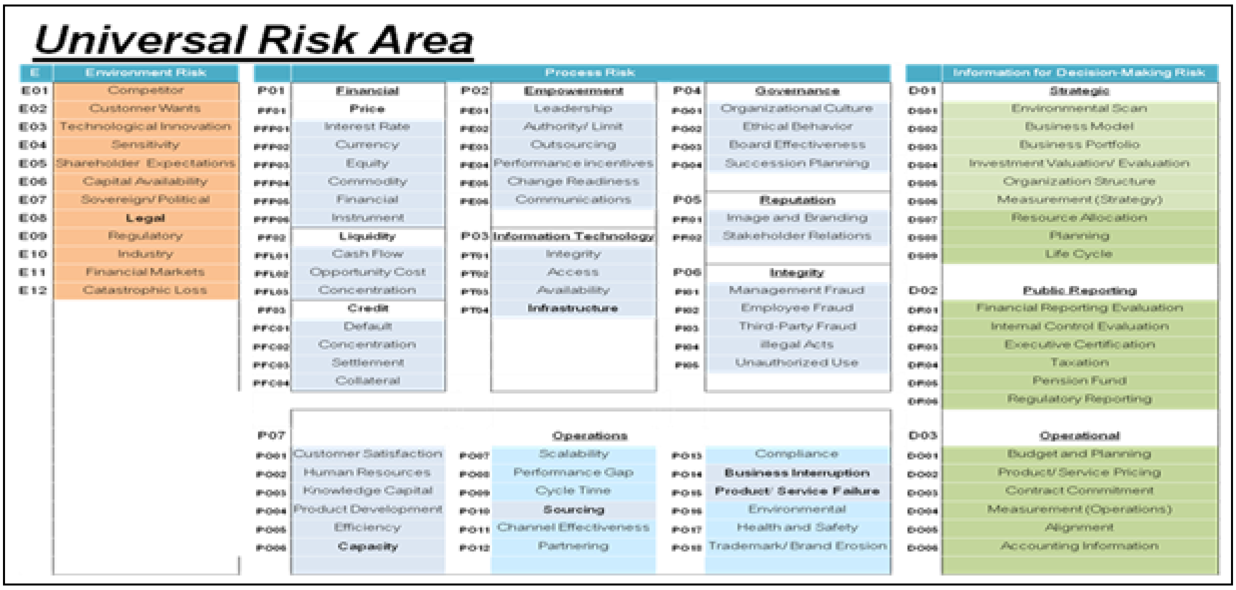
According to risk management policy, risk managmenet effectiveness is assessed against benchmark situational and risk factors which may vary over time prior to reporting pertinent information to the Audit Committee and the Board of Directors. Therefore, the Company has established guidelines for departmental risk management effectiveness assessment as follows:

1. Dissemination of departmental risk management policies (Score 10%)
2. Arrangement of internal risk reviews and reporting (Score 30%)
3. Revision and improvement of BCM plan and BCM Team list (Score 25%)
4. Ushering intra-agency participation in discovery for hidden corporate threats (Score 20%)
5. Participation in risk management activities established by the Company (Score 15%)

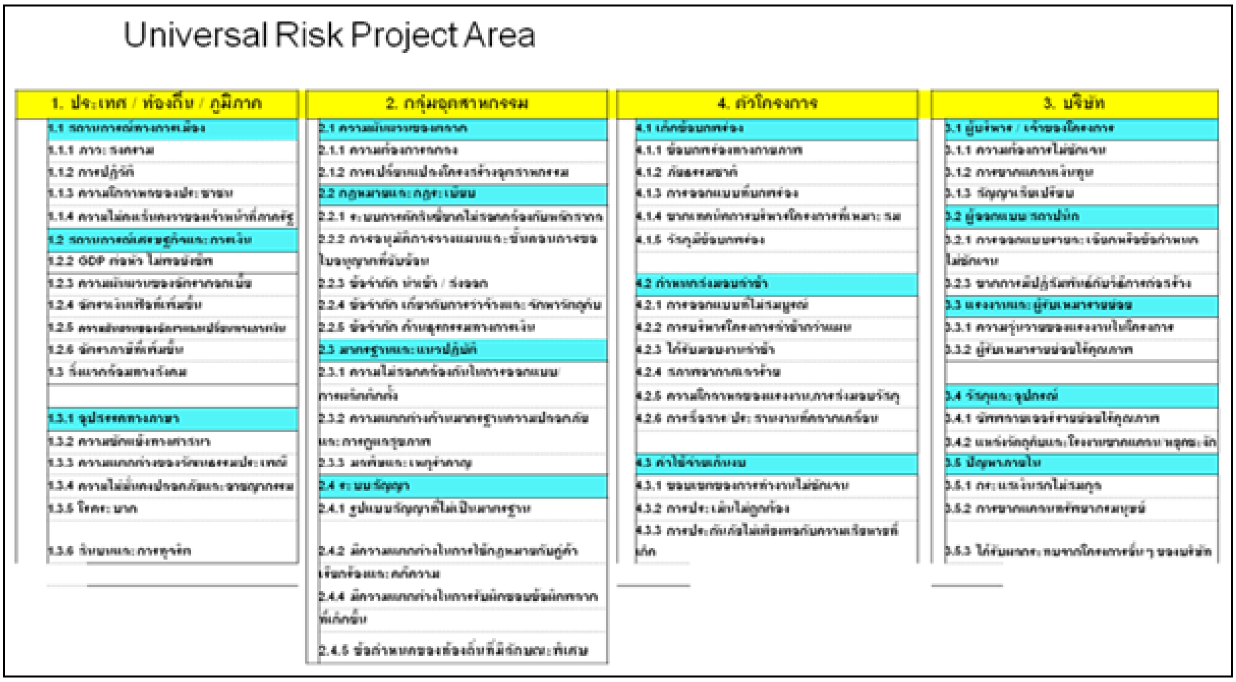
Guidelines for Eliciting Comprehensive List of Risks

The challenge associated with risk management is the inability to determine key organizational risks. Therefore, all departments should utilize guidelines for reviewing the list of audit risks which encompasses the following areas:

1. Universal Risk Area for revision of overall organizational and departmental risks

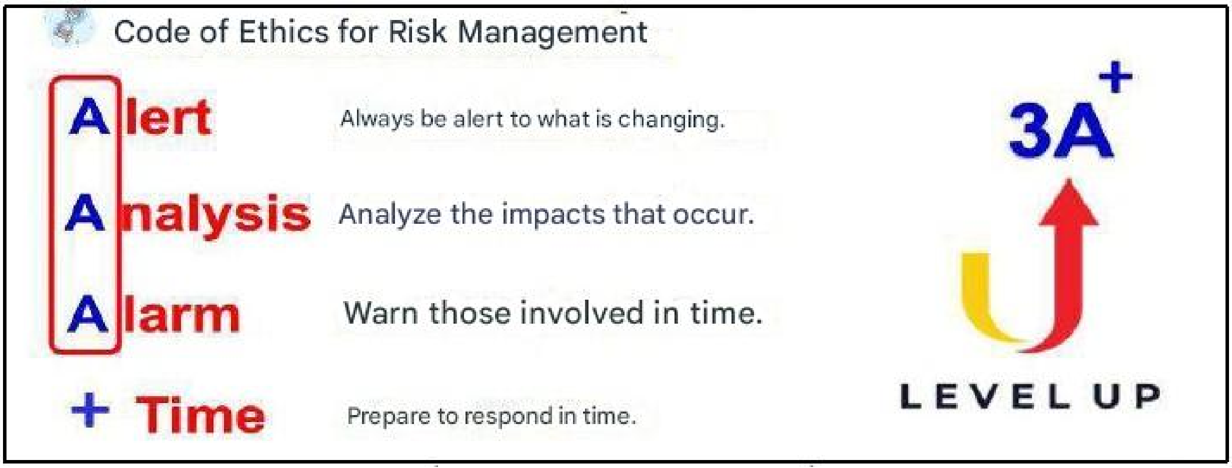


2. Universal Risk Project Area for key projects preparation



The Heart of Risk Management Professionals

Risk Champions must display commitment to risk management according to the 3A+ values, which double as risk manager ethics. Risk champions are A:Alert, alert but not deterred by changes, A:Analysis, capable of analyzing possible risks, A:Alarm, capable of promptly alerting the corresponding personnel and plus time is prepared to respond in time.



Possessing Risk Manager commitment assists in assessment of risks and prioritization inclusive of creating planned provisions of necessary resources and reporting of implementation progress, situational updates, potential incident monitoring efficiency and risk control to acceptable levels.

Risk Analysis and Assessment

Risk Owners are responsible for risk prioritization, analyzing identified risk issues in both Probability Rating Scale and Impact Rating Scale, through utilizing departmental risk assessment tables which consists of the following principles and guidelines.

1. Low Probability refers to statistically minimal risk of incidence or risks with effective control measures to prevent occurence cause.

2. High Probability refers to statistically high risk incidence above acceptable levels or ineffective root cause preventive control measures.

3. Low Impact refers to overall damage statistics being highly effective and available for a specified period of time. This reduces the overall damage effect to an acceptable level.

4. High Impact refers to statistical total damage incurred which exceeds organizationally acceptable levels or BCM contingency plans or IMP contingency plans contingency plan to support it, but it is still inefficient. or not available for the specified period This may also cause the overall damage effect to be at an unacceptable level.

Impact Rating

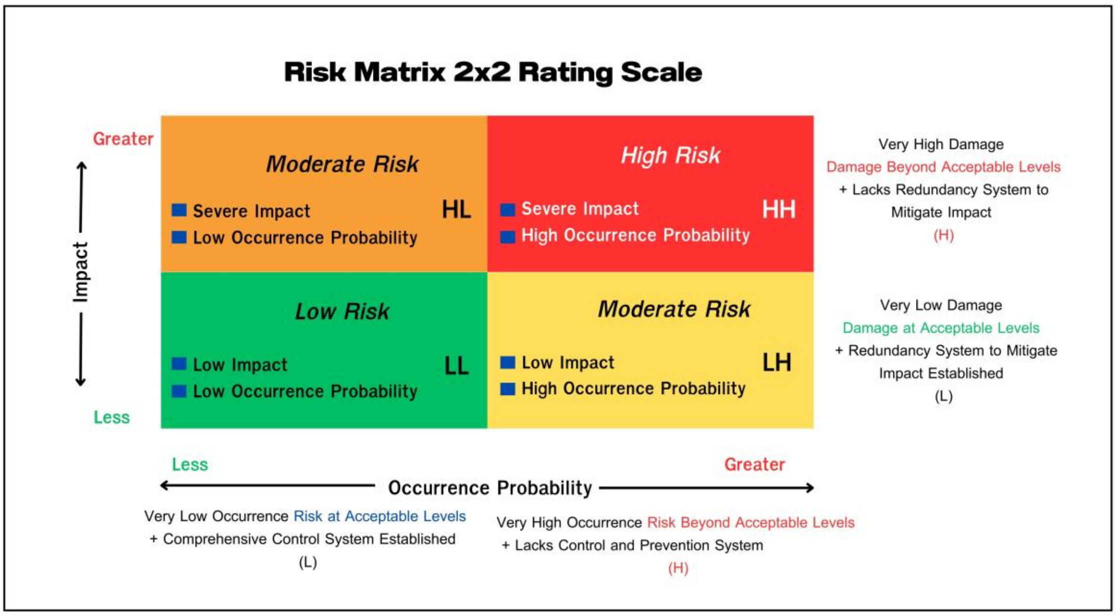
5	6	7	8	9	10	11	12
4	5	6	7	8	9	10	11
3	4	5	6	7	8	9	10
2	3	4	5	6	7	8	9
1	2	3	4	5	6	7	8
0	1	2	3	4	5	6	7
	1	2	3	4	5	6	7

Probability Rating

Impact / Details	Finance	Business Continuity	Corporate Image	Personnel, Health, and Safety	Laws and Regulations	Executive Impact	Employee Morale
0 Insignificant	Less than 100,000 Baht						
1 Minor	100,000 to 1 Million Baht	1-10% of products per week	Daily incidence troubleshooting	Medical treatment for injuries	Received significant fines		
2 Moderate	1 Million Baht to 10 Million Baht	10% of stores per week	Negative news headlines	Injuries toward a group and requires hospital admission	Affects approximately 10% of businesses	Control executives overseeing significant transactions	Low employee morale
3 Large	10 Million to 100 Million Baht	Over 50% of stores/products per month	Negative headlines become significant	Injuries toward a group or 1 death	Affects 20-30% of businesses	Overseeing executive defects to competitor firm	Employee resignations
4 Major	100 Million to 500 Million Baht	100% of stores per month	Negative headlines become continuous	2 deaths and above	Affects 50% of businesses or more	Loss of multiple executive	Resignation of over 50% of critical employees per annum
5 Catastrophic	Over 500 Million Baht	100% of stores per 3 months					

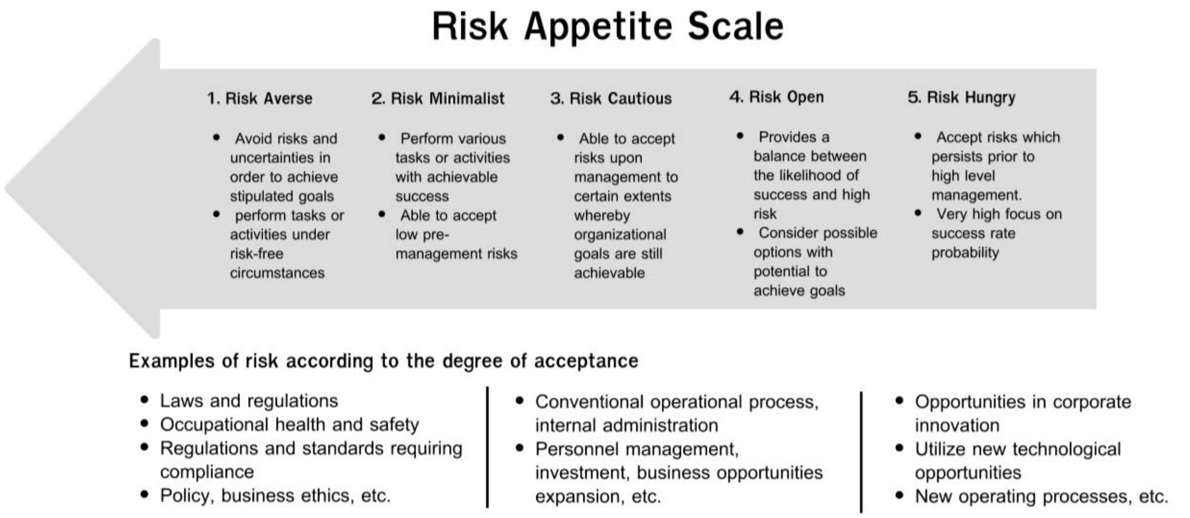
X

Probability Rating	Description	Definition	Percentage
1	Exceptional	Occurs once in 30 years	0-14%
2	Rare	Occurs once in 10 years	15-29%
3	Occasional	Occurs once yearly	30-44%
4	Regular	Occurs once monthly	45-59%
5	Often	Occurs bimonthly	60-74%
6	Frequently	Occurs daily	75-89%
7	Constant	Occurs hourly	90-100%



Risk Appetite

Risk Appetite refers to the level of risk an organization decides to accept which accounts for maintenance of capabilities to achieve organizational objectives and goals, including relevant laws, regulations, and standards. The acceptable risk level of the organization is the green level. Level designation may be considered in conjunction with crisis response plans and the post-incident recovery plans.



Organization-wide Risk Inventory Integration

The risk management unit will integrate organizational risk lists from respective departments within the business group prior to report compilation to the management team and various relevant committees according to the plan and review period. Key organizational risks to be determined are as follows:

1. Business Risk

The likelihood of risk involving error, damage, leakage, waste, or undesirable events resulting in operations unable to fulfill objectives and goals according to the COSO-ERM principles includes:

Strategic Risk refers to risks arising from external factors which are beyond organizational control which can be managed by strategized response to respective factors.

Operational Risk refers to risks arising from internal factors relevant to personnel management processes, internal operations controls, and inefficient technologies which result in the inability to achieve organizational objectives and goals.

Financial Risk refers to risks directly related to money in addition to financial impacts inclusive of increased costs or reduced revenues.

Compliance Risk refers to risks arising from the inability to comply with regulations or relevant laws which obstruct operations.

2. Sustainability Risk

Sustainability Risk refers to risks associated to “ESG” or Environmental, Society, and Governance, or more commonly known as "ESG Risk", whereby the Company highlights concerns from material sustainability issues analysis in organizational topics inclusive of linked sustainability risk assessments.

3. Black Swan Perils or Unexpected Risks consist of:

Black Swan (BW) refers to unprecedented risks in terms of size, damage, and occurrence probability. It may be a scenario which does not occur but presents an impact beyond expectation, for instance COVID-19.

Gray Rhino (RR) refers to risks which can potentially be an everyday issue but does present significant impact (high probability of occurrence akin to visualizing a rhinoceros horn but not seeing the body). However, if left unattended and accumulated over time, this risk may morph into a large rhinoceros potentially capable of goring the organization.

Tail Risk (TR) refers to risks posing enormously severe impact although with a rare chance of occurrence. The incident rarity may cause a lack of awareness of any possibility of occurrence but upon occurrence may cause organizational collapse.

Emerging Risk / Future Risk

Emerging Risk / Future Risk refers to risk yet to formulate but with potential for organizational damage. The potential incidence likelihood and impact magnitude are difficult to accurately assess but organizational impact is recognized with consensus. The limited information regarding occurrence probability prevents accurate evaluation of risk level. Therefore, emerging risk / future risk should be taken into consideration as organizational risk which may occur in both the short-term and long-term future.

Emerging Risk (ER) refers to risks which may occur in the short term within the next 3-5 years.

Future Risk (FR) refers to risks which may occur in the long term within the next 5-10 years.

For instance, the rapidly changing demographic structure and patterns regardless of age (aged society) or greater racial diversity is widely agreed to pose an impact on every organization. However, insufficient information regarding occurrence likelihood prevents accurate organizational risk level assessment.

In cases of significant changes potentially affecting the organization, the risk management unit will organize an ad-hoc risk review meeting as an approach to review risk assessments and create control plans for appropriate action.

Organizational target distribution and risk control plan preparation

The listing of key risks affecting organizational goal attainemnt at respective levels requires control plan preprations and subsequent reporting to respective target level authority for approval. The level division is detailed in the figure.

Level	Direction/Policy	Plan	Routine	Performance tracking system
corporate	Vision/Mission/Strategy	business plan, risk plan	work system and indicators	Quarterly, Yearly
function	Strategic objectives and indicators	action plan, risk plan	Key processes and indicators	Monthly, Quarterly Yearly
Division	objectives (Strategic) and indicators	action plan, risk plan	Secondary processes and indicators	Weekly, Monthly Quarterly
Department	objectives (Strategic) and indicators	action plan, risk plan	Sub processes and indicators	Weekly, Monthly Quarterly
team/individual	Indicator (KAI/KPI)	action plan, IDP	Sub processes for teams and indicators	Daily, Weekly, Monthly

Management by objectives (MBO) & X-Matrix

4T+1P Strategies-based Risk Control Framework Preparation

The preparation of a risk control plan must take into account its effectiveness and performance upon plan implementation. Therefore, guidelines for strategies selection in accordance with analyzed and assessed risks are as follows:

Take - risk acceptance refers to an agreement to accept the respective risk as it is deemed not worth managing or preventing. However, selecting to manage risk through this method requires regular and careful monitoring.

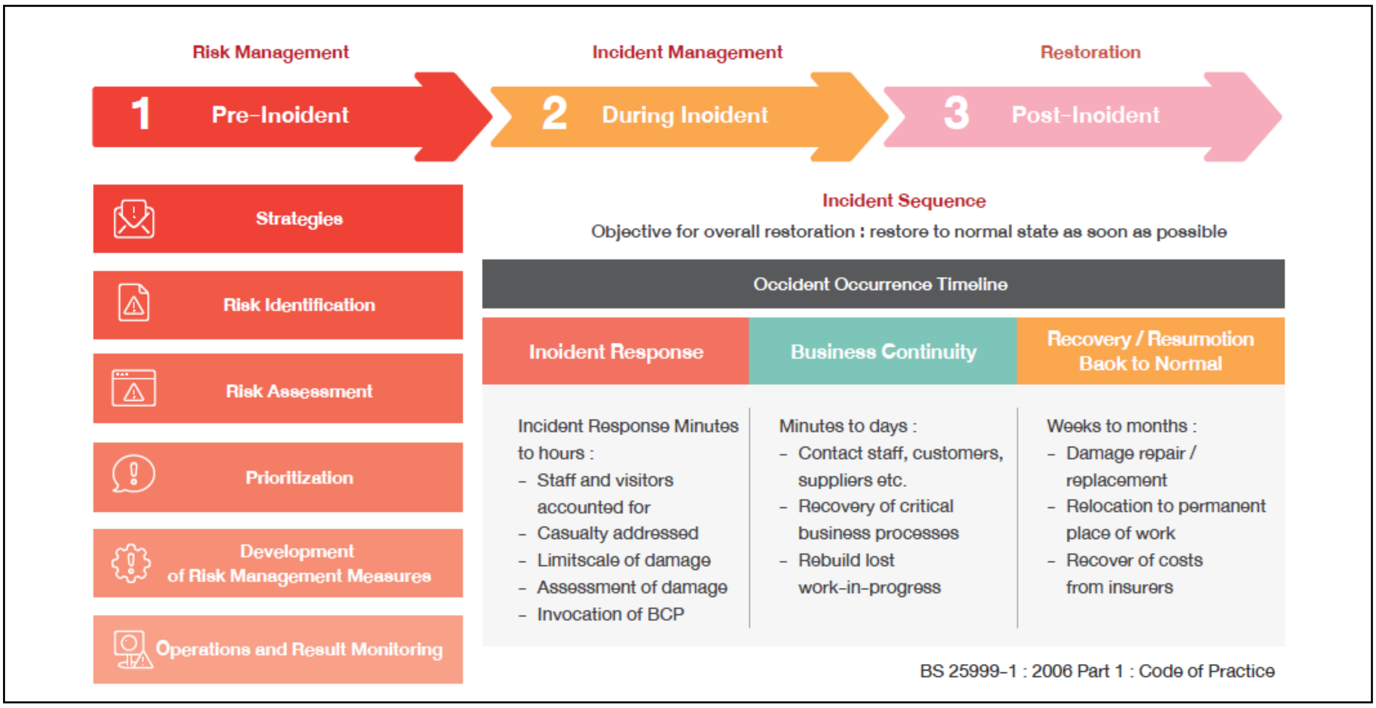
Treat - reducing/controlling risks refer to improving work systems or designing new operations methods to reduce damage risk or potential risk damage to acceptable levels. This is achieved through training employees and operating manual preparation.

Transfer - risk distribution/transfer refers to distribution or risk transfer to other departments for joint management and responsibility ownership. This method may entail insurance management with an external company or outsourcing external specialists.

Terminate - risk aversion refers to managing risks with very high occurrence probability and therefore can not be accepted. This situation requires decision making for project cancellation or postponement of activities which pose risks.

Pursue - turning risks into opportunities refers to resolution responses aimed at the root cause and core issue in a proactive manner. This approach incorporates a rapid and efficient response plan and damage rectification to create trust among involved parties and promote new sustainable business models.

Business Continuity Management: BCM



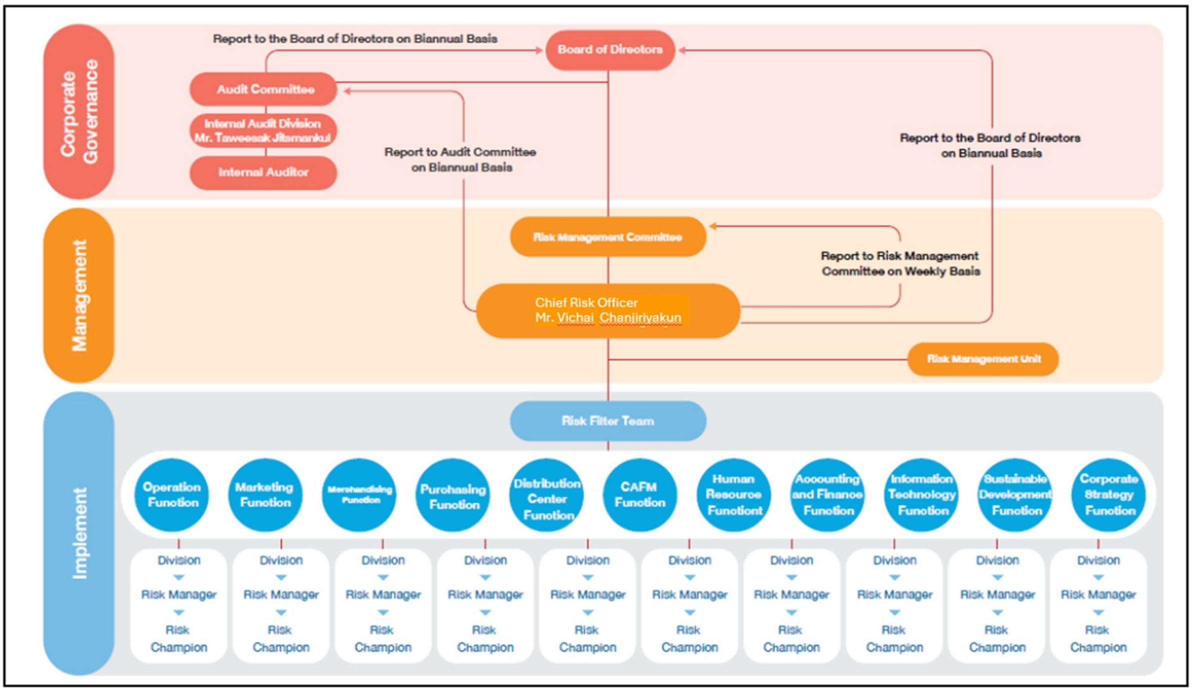
CP ALL places importance in preparing for the worst situational outcomes through establishing a Business Continuity Management (BCM) system, in addition to clearly defining BCM Team responsibilities in preparing business continuity plans which encompass significant CP ALL work systems and operations.

Key Risk Indicator (KRI) is employed to monitor and assess situations with potential to form organizational crisis events by the Risk Steering Committee as a method to appropriately prepare relevant departments for timely situational response.

CP ALL Risk Monitoring, Revision, Evaluation and Management System

CP ALL's risk management system will monitor, review and evaluate risk through various simulations through hierarchical means encompassing the operational level, executive level, risk managmenet committee level, and Board of Directors level to continuously determine risk management efficiency improvment opportunties.

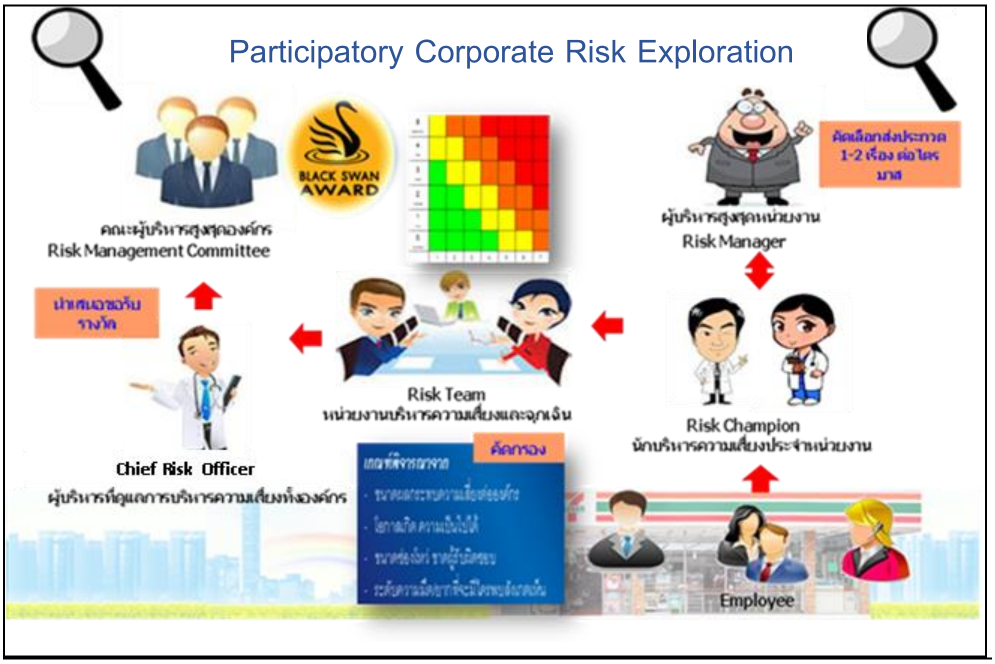
Corporate Risk Management Structure



Activities for agency individual participation promotion in eliciting organizational hidden threats.

According to Mr. Korsak Chairasmisak, as Chairman of the Risk Management Committee, key vulnerabilities identification is vital towards preventing susceptibility spread throughout different departments. The mentioned vulnerability may result in serious future organizational damage to the organization in the future. Thus, organizational projects to encourage Risk Managers and Risk Champions to jointly operate in determining indicators posing hidden threats toward the business group was established and entails categorization of risks into departmental risk lists. The lists are respectively monitored and measured utilizing effectiveness assessments for relevant risk management (Risk Score). Executives and employees are assigned to collaborate in campaigns to elicit Black Swan / Gray Rhino and Tail Risk which may prevent achievement of organizational goals. Subsequent submission of pertinent reports to the Risk Management through the All Process / Black Swan Online system for CRO in collaboration with the assessment team and Risk Steering Committee are considered for selection in the **Black Swan Award** contest to be judged by the Executive Committee.

For the risks that have been selected, the Risk Management Department will consider assigning them to the Risk Owner and relevant departments for the development of appropriate control plans.



Risk Champion Recognition Activities

The Company organizes activities to honor risk management departments with excellent practice, as ideal role models according to stipulated values and the 3A risk management ethics comprising A:Alert, alert but not deterred by changes, A:Analysis, capable of analyzing possible risks, A:Alarm, capable of promptly alerting the corresponding personnel. High-level executives and CROs presented the honors during the "Annual Risk Champion Skills Development" seminar which provides skill practice and learning and exchange of various risk management experiences with Risk Champions as a guideline for further development of the CP ALL Business Group risk management in a sustainable and organization-wide manner.

In addition, an award ceremony was organized for the Risk Manager, the unit risk manager with the best annual risk management results and managers presenting an excellent risk management track record for several consecutive years. This approach will encourage all departments to enable quality risk management culture in addition to routine, sustainable and continuous operations.