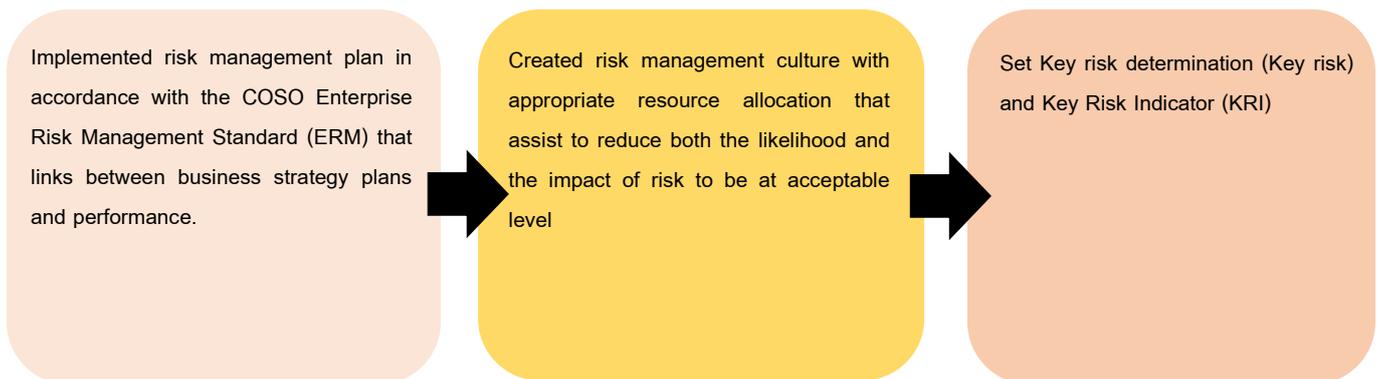


Risk management

Risk management policy

In 2020, the growth rate of global economy has decreased to be negative from previous year due to many economic factors such as geopolitical uncertainty, trade war between United States and China and Coronavirus 2019 Outbreak (COVID-19). Many industries sectors has been affected by the pandemic such as tourism, retail, transportation and recreation. However, the world economy is supported by Federal Government (FED) and the European Central Bank (ECB) in order to stimulate the regional economy in the long term. In Thailand, the economic slowdown is lower than the Bank of Thailand's estimates because of decreasing in consumption, private investment, as well as exports of goods, including the change of consumer behavior and the implementation of measures to control the epidemic of COVID-19. On the other hand, government investment under the budget has expanded

Berli Jucker Public Company Limited and the group companies (BJC) are well aware of the risk factors and challenges that arise throughout 2020, The Board of Directors and executives have proactive measures that focus on risk management to reduce the likelihood of risks, as well as the impact on the organization's goals as follows:



The Company continuously monitors and manages risks. The Sustainability and Risk Management Department is directly responsible for supporting activities related to the risk management of the organization by arrange meeting with business unit through the Risk Management Subcommittee (RMS) for identifying key risk and preventive measure, with report significant risk and action plans directly to executives ,Risk Management Committee (RMC) and Board of Directors (BOD) to ensure that BJC operates the business according to the strategic plan and achieves objectives.

In addition, during the unusual circumstances due to the outbreak of COVID-19, all business unit are closely managing risk, including risk related to health and safety. Prepare emergency situations to continue business in unstable situation, as well as consider other relevant risks and preventive measures. This situation significantly affects BJC's supply chain management and business operations. We consider handling and managing risk scrupulously, adequately and appropriately, with maintain benefit for all of BJC's stakeholders.

Therefore, in 2020, BJC expanded its scope in corporate risk management. Not only focuses solely on the risks that arise in the value chain and the business operations, but also extends to the risks that affect the sustainability of the organization by communicating and educating all parties to raise awareness and manage sustainability risks effectively and efficiently.

Risk Factors that effect BJC's Operation are summarized as follows;

1. Strategic risk

1.1 Risks from economic slowdown and lower purchasing power

Business impact

Due to the epidemic and the pressures that have occurred in 2020, the global economic growth has slowdown especially in exporting and tourism sector. Tourism business has been remarkably disrupted. Nearly all of Business-to-Business (B2B) and business-to-consumer (B2C) have reduced purchasing power or carefully spend to purchase goods and services. It is a tough situation to conduct business according to the strategy.

Mitigation Plan

BJC has adjusted its business strategy according to the current situation. There are various actions to mitigate risks, as follows;

- Expanded customer basement and new customers both domestically and internationally for example, expanding customer base who are vitamin C beverage suppliers in packaging business since the product has good sale volume as well as increasing the number of members of Big C (Big Card) etc.
- Implemented new distribution channels for customers to access products comfortably in retail businesses .The business has developed online and telephone channels, as well as home delivery services to serve the customer's need and satisfaction
- Launched sales promotions and marketing activities to motivate customers to purchase our products with considering cost-effective and beneficial of these activities
- Considered improving operation processes of the engineering business by reducing unnecessary procedures and operating costs. Additionally, restructure sales price and incentives appropriately to increase competitiveness.
- Build good relationships with all groups of customers by keep constant contact to develop relationships.

2. Operational risk

2.1 Business continuity risks

Business impact

BJC has various businesses and many types of operations such as production, distribution, service, transportation. As various uncommon situations such as COVID-19 epidemic, Flood situation, political demonstration arise in 2020, the incident sparked an impact on BJC's business operations. As a result, many business units are unable to perform normal tasks or temporarily unable to perform work. Therefore, it is necessary to manage the risk appropriately to ensure that the business can operate continuously

Mitigation Plan

The Company appointed the Crisis Management Committee to closely monitor the situation and establish appropriate guidelines. The business continuity management policy (BCM), Contingency plan (Crisis Management Plan) and business continuity plans (BCP) are implemented to serve as management guideline for dealing with many types of emergency situations

In addition, BJC also provides supportive measures such as Work from home guideline, online meeting via appropriate application during the epidemic, including preparation of flood protection equipment with set up alternate site for risky branches to assure that the business is operated continuously.

In terms of supply chain management, which is very important for business operations, BJC is closely coordinated with supplier to ensure that sufficient raw materials are provided for production and distribution, as well as finding alternate suppliers to diversify potential risks to certain suppliers. In this regard, BJC pay great attention to inventory management, both products that have good sell volume during the crisis, and products that have less sale volume to assure the adequate level of inventory. In terms of transportation, the company streamlines the process and prepares goods delivery in unusual situations, such as applying for a curfew shipping permit, provide sufficiency transportation and staff to distribute goods to consumers thoroughly.

2.2 Risk from human resource management

Business impact

Human resource are important resource to drive business operations, both locally and overseas. Therefore, BJC focuses on the development of the resource to ensure that employees have adequate knowledge and capabilities to work effectively. In particular in this hybrid remote-work model, companies require employee in technological knowledge and online working for knowledge-based, as well as risk management in this issue since talent employees is key factor to achieve company's goals with sustainable growth both domestically and internationally.

Mitigation Plan

The company has set up the following human resource management guidelines.

- Review of potential assessment system to screen employees for develop and motivate their work performance
- Develop a plan for skills and capabilities that in line with the business plan as well as training courses to provide knowledge for competitive enhancement such as effective communication for work from home, how to online access to personal information securely, etc. with any other activities to promote employees engagement and competitiveness
- Analyze and consider how to motivate employees from exit interviews result to determine the root cause of resignation

3. Financial risk

3.1 Liquidity risk

Business impact

Due to the unusual situation in 2020, liquidity risk has occurred due to the impact on lower revenues and slower turnover rate and rotation of goods. In addition, there are also some long-term loans that are coming due. BJC would then provide an appropriate management plan in order to have sufficient cash flow in business operations

Mitigation Plan

BJC has been monitoring and planning company's spending on monthly basis. Liquidity management planning and guidelines are implemented to ensure that the company has adequate investment funds to operate business efficiently, such as negotiations for funding sources in advance, consideration of long-term credit limit to support due loans etc.

Moreover, BJC controls expenditure by improving the process to maximize operational efficiency. It is also considering the cost-effectiveness and investments, as well as budget improvements to suit the current situation. Additionally, inventory management are enhanced to maintain a suitable of inventory level, including increasing revenue as much as possible for sufficient cash flow in the business.

4. Legal and regulatory risks

4.1 Risks from changes in government policies, law, rules and other regulations

Business impact

BJC operates businesses both domestically and internationally by strictly adhering to the principles of business operations under the laws and government policies. Without monitor and prepare for such changes, the company will be affected in business operations, reputation, competitive advantage and sustainable growth. During the COVID-19 epidemic in 2020, government have issued regulations and measures to control the situation, which have a direct and indirect impact on BJC's business operations, especially retail business.

Mitigation Plan

BJC conducts business with transparency and strictly comply with laws and regulations by monitoring the change in policies, laws, and related regulations, and communicating such changes to relevant parties both domestic and international. In addition, we also coordinate with relevant public and private sector to enhance the efficiency of the recognition and monitoring of government policy. To ensure that BJC will be able to adapt to the situation, as well as control the risk in acceptable level

5. Sustainability risk (ESG)

The concept of sustainability business is becoming more popular at present. The main concept is an awareness of environmental, social and governance (ESG). The development of this concept in business has created a sustainable investment concept, with both institutional and individual investors increasingly focused on companies with sustainability management for making investment decisions. Adapting to sustainable business leads to increase operational costs in the short term, such as production costs, research development and marketing costs. But the company will has positive impact in many dimensions, especially by increasing investors' confidence under the current fluctuate economy in the long term.

Business impact

BJC places great importance on sustainability risks which are linked to financial performance and reflected good governance and transparent management of the company, including effective risk management, the stakeholders' interest, competitive advantage and returns in the long run. Without a sufficient risk management, it may affects business's growth in the medium and long term.

Mitigation Plan

BJC provided training for departments to understand and aware of the sustainability risks by establishing a sustainability management policy, code of business conduct, supplier code of conduct that covering environmental, social and governance. In addition, all departments need to perform sustainability risk assessment annually in accordance with the COSO: ERM (Enterprise Risk Management) standard. Company also has initiated various sustainability-related projects such as human right due diligence, carbon footprint (CF) released from factories' operation to consider process improvement, the development of whistleblowing channel to achieve more appropriate management etc.

5.1 Risk from climate change and environment

Business impact

The occurring of environmental issues such as climate change, global warming, flooding, drought and other natural disasters affect agricultural sector, biodiversity and business operations continuously. For example, the reduction of some useful insects for cultivation may affect inadequate quantity of raw materials or agricultural goods, including business operation and transportation. In addition, the change in laws and regulations from government, such as ban on plastic bags in retail businesses, causes the company to adapt and find appropriate solutions to avoid any impact on its business operations.

Mitigation Plan

BJC is committed to environmental management by formulating strategies and policies to manage climate change and environment. There are projects that reduce carbon dioxide (CO₂) emissions and support renewable energy such as solar roof installment to use clean energy, the installation of glass mirror at the freezers to reduce energy consumption, choosing a refrigerant that reduces carbon dioxide (CO₂) emissions, reducing usage of aluminum in canned production and increasing the proportion of glass shards in glass bottles production. BJC also focuses on reducing the impact of global warming by implementing business plans and projects such as contingency plans (CMP) and business continuity management plan (BCM) to cope with the crisis, including improvement of groundwater wells to reduce the effects of drought, etc. The relevant authorities regularly monitor the situation and assess the risks involved.

6. Emerging risks

This period is very challenging year for business operations due to new risks, especially the outbreak of pandemic around the world, which affects people's livelihoods, consumer behavior, business operations, investments and regulatory requirements from the government. As a result, BJC need to properly handle these emerging risks. However, the Board of Directors and executives are closely monitoring related risk and assess new risks with opportunities that happen around the world by considering external information such as researches or articles from world-class organizations, business analysis from specialized institution, information of market trend and competitors including internal information such as overall performance information, any suggestions from executives or experienced people.

In addition, important situations that occur in the organization are also considered to determine the emerging risks and the most effective management plan.

6.1 Pandemic risk

Business impact

In the circumstances of Corona 2019 (COVID-19) outbreak has created significant impacts on uncertainty and economic disruption. As a result, many companies around the world have taken unprecedented measures to address such situations, such as travel restriction areas, social distancing, and temporary closures some businesses to reduce the spread of this disease. The ongoing outbreak has also had an impact on businesses in many dimensions as follows;

- The inability to continue business in case an outbreak in the operating area
- Decreased in customer purchasing power and more careful spending.

Business-to-Business (B2B) customers have less investment and attempt to cut costs to keep cash on hand. Similarly, Business-to-Customer (B2C) customers choose to buy necessary products to control expenditure

- Customers are becoming more concerned with health and safety about going to public area so their behavior has shift from buying at store to online shopping. Originally, it was popular for shopping at stores and did activities with family such as a dinner , coming into a small convenience store to preferred products only
- Working on-site in sale area, factory and office areas must be changed due to social distancing measures for occupational health and safety. Occasionally, employees need to work from home instead of working in the company's office
- Suppliers are unable to deliver adequate raw materials to produce goods according to market's demand since factories or transportation channels were temporarily closed
- Law and regulations from government are released periodically in response to the situations that the company must strictly comply with health and safety of employees, customers and related parties, as well as preventing violations or non-compliance with regulations from government

Therefore, if the company was unable to predict market trend and prepare appropriate measures , the situation would affect market share , customer satisfaction , employee health and safety, leading to difficulty drive business in a tough situation.

Mitigation Plan

BJC has established crisis management working team to monitor and follow up the situation. Risk assessment with appropriate management guidelines are applied to identify impact and preventive measure, including Business continuity management plan (BCM) and crisis management plan (CMP) to support business operations in crisis situation. We also monitor business-related requirements and regulations to improve business operations and health and safety in accordance with those requirements as follows;

Measures to support hygiene of employees and customers

- Established work from home guideline and online conference meeting
- Implemented health and safety measures such as cleaning high-touch point and require employees to wear a face mask.
- Facilities are designated an entrance that employees , customers and visitors use to access the building , factory , or operating area
- Maintain social distancing or staying away from others in public area
- Specified a special payment channel for high risk customers which is elderly, pregnant women, disabled person
- Support necessary protective equipment and special welfare such as alcohol gel, personal protective equipment (PPE), additional medical expense for infected employees, and special price for insurance etc.
- Established measures for employees who travel to high risk areas or close contact of a person with confirmed COVID-19 disease
- Provided employees with knowledge about COVID-19 disease and how to prevent the disease
- Implemented control measures to prevent the spread of the disease in accordance with the regulations issued by government

Measures to support customer behavior changes in shopping habit

- Communicate and provide information to customers in order to build confidence in products and services through various channels (Facebook, Website, signboard, Line)
- Developed online channels and phone calls to receive orders from customers (Call for Shop, BigC Shopping Online)
- Drive-thru and home Delivery are introduced to minimize long interactions
- Focus on supply of high market demand products in crisis time such as eggs, drinking water, cleaning equipment, protective equipment to ensure that the number of products will serve customers' requirement by this business opportunities. Moreover, new channels of distribution are developed to suit the pandemic period such as mobile application, Facebook live, line application as well as promotional activities to drive sale volume during a crisis.

Measures to support technological change and information security

- Developed digital infrastructure to support work from home, such as defining VPN groups, preparing notebooks, and computers for employees
- Implemented application and distribution channels to suit current situations such as Call for shop, Mobile application, Facebook live, Line application and Drive Thru
- Performed customer behavior analysis using Big Data analytics in each segment
- Assigned a special VPN group to normal users (where employees are not normally allowed to use VPNs) with endpoint control and disabled when the situation returns to normal
- Conducted awareness training about technology changes , data breach and cybersecurity

Measures to support to Supply Chain Management

- Assessing the impact on supply chain management (especially suppliers who supply raw materials and main products) both at local and abroad, and find appropriate risk management measure
- Prepared alternate suppliers who supply raw materials and main products, such as sourcing domestic supplier instead of abroad, to provide enough goods to serve consumer demand for reducing time for transportation
- Negotiation with suppliers to consider management of raw materials quantity to meet the market' demand and modify terms and conditions to suit the circumstances
- Organized fresh fruits festival to assist local farmers affected by oversupply and unable to export to other countries
- Established a collaborative project to reduce oversupply of agricultural products in some provinces such as Chiang Mai, Lamphun, Nan, Sukhothai, etc.

In addition, the company seeks to maximize process efficiency and reduce unnecessary costs in order to maintain profit margins as well as to consider recovery plans for business operation when the situation begins to improve that in line with market trends and consumer demand. These actions assist company to recover quickly when the situation returns to normal.

6.2 Risk of changing consumer behavior in shopping habits and market trends

Business impact

The world today is changing rapidly especially after the devastating COVID-19 pandemic, consumer behavior has changed dramatically as new normal behavior. Furthermore, technology is growing and becoming more widespread with intense competition in business. All of these factors influence changing in the market trend such as purchase online product instead of storefront, using online payments instead of cash to reduce people interaction, consuming more healthy food and beverages. As BJC has operated a wide range of businesses from upstream to downstream, such as consumer product manufacturing, packaging and modern retail stores, we need to places an important on business strategy, investment plans for online and technological development,

which has resulted in increased cost especially in customer data privacy and digital infrastructure. However, adjusting such a plan to align with business strategy plan to serve customer expectation and market trends is very important. Managing the risks and opportunities associated with those strategies will enhance business competitiveness and achieve the company's goals. On the other hand, if the company is unable to keep pace with the changing market trends, inevitably affecting the growth and profitability of the company.

Mitigation Plan

BJC has been constantly developing new products and services in all business segments such as the production of glass bottles for customers who produce vitamin-infused beverages, the release of new flavored or new sizes of products, launching new products in the retail business, etc. New distribution channels are introduced to meet the market's requirement and customer behavior change. Additionally, technology has also been applied to competitive enhancement such as mobile application for online shopping, data analysis to forecast market demands. In term of marketing, sales promotions and marketing activities are implemented to attract customers and enhance competitiveness by adjusting new way to suit current situation and new normal behavior. BJC also focus on cost-effective use and working efficiency to maintain profit and create value for all stakeholders appropriately.

6.3 Risk from data management and digital infrastructure

Business impact

In present's business competition, data management and digital technology are key factors that that enable company to conduct business to serve customer's need. Accuracy of data collection process will effectively develop products and services by increase revenue and business competitiveness in the medium or long term. On the other hand, poor and incomplete data collection can lead to a loss of revenue, inaccurate decision, causing BJC to be at a competitive disadvantage from not developing new technologies and wasting resource

Mitigation Plan

BJC focuses on data collection and investments in new technologies, initiating projects to improve the efficiency of system. For Retail business, Big data is applied to analyze consumer behavior in each segment in order to launch products, promotions and marketing activities to target group and increase customer satisfaction. Furthermore, we have developed a system and data collection with greater quality and efficiency, as well as to place importance on handling of customer information to comply with Personal Data Protection Act (PDPA) that are coming into enforced.

6.4 Risk from cyberattack and breach of privacy

Business impact

Due to the COVID-19 pandemic situation, technology has been transformed for conduct a business by usability and data collection, communication, online services and work remote by access to company's network. Online conferencing, including serving customers through online channels via web sites, application make accessibility of confidential information easier than usual such as personal information of customers, supplier's contract, leading to higher possibilities of cyber threats, hacking of computer systems, identity theft which affects the company's reputation and credibility.

Mitigation Plan

The Company has a risk management plan with a comprehensive information technology (IT) policy on the protection of sensitive and personal information as follows;

- IT policy covering the protection of business and personal information
- A disaster recovery plan (DRP), which allows organizations to recover email and any sensitive information in the event of data loss.
- Security system to avoid cyberattacks from unauthorized person or communications such as Web Application Firewall (WAF), Intrusion Prevention Systems (IPS), Advance Persistent Threat (APT), etc.
- System vulnerability monitoring by performing vulnerability assessment on a monthly basis and testing the penetration on an annual basis.
- The Company's data collection is certified by ISO 27000, which is international standard certification for data collection security
- Defining authorization right and educating employees about appropriated usage of technology and cyber threat protection
- Established a personal information management policy to comply with the upcoming Personal Data Protection Act (PDPA) with an external consultant
- Developed of storage systems and processes efficiently and completely by defining the right to data access in accordance with the Personal Data Protection Act (PDPA) to prevent personal data breaches

6.5 Third Party Risk

Business impact

BJC's supply chain management has a reliance on third parties to conduct business in many sections such as outsourcing of manufacturing, purchases of goods and raw materials to support production. Especially during the COVID-19 epidemic, many companies were required to return to territorialism and source raw material with local supplier to reduce transportation time and to accelerate production for serving consumers' requirement which may create risks from third parties as the supplier's qualification and product quality does not meet the standards. In the event that supplier conduct business in a transparent manner, it will be positive impact on BJC's

operation as planned. On the other hand, unethical supplier who unable to sell quality products and services or leak sensitive information will also adversely negative affect BJC's business operations. These negative impact causes a loss of business opportunities, business discontinuity or unable to deliver quality products and services to customers, resulting in unnecessary additional costs and the reputation damage of the organization, as well as legally affected even if the BJC is not a direct offender.

Mitigation Plan

BJC places an important on supply chain management through supplier supervision by establishing suppliers' code of conduct guideline for business operations in line with BJC's sustainable development framework that covers good governance, environmental and social responsibility. The company has developed many communication channels with its suppliers to acknowledge and understand the code of conduct

In addition, the process of recruitment appropriate supplier is also defined by evaluating new supplier in accordance with the term and conditions of sustainability. Annual supplier assessment will be evaluated before doing business to measure the performance. Additionally, there is a process for prioritizing and assessing the risk of suppliers, covering sustainability risk factors, to determine risk and find appropriate management, as well as to evaluate their establishment to increase efficiency of supplier risk assessment. Moreover, BJC has established monitoring processes for review of related news or information promptly and effectively to verify any negative consequences due to the improper conduct of suppliers. The fact will be reviewed to decide how to properly manage and communicate correctly to public and stakeholders for maintain social image. On the part of the supplier that caused the impact, BJC will consider a fair and transparent management approach based on the laws and mutual agreement.

Besides the monitoring and communicating process, BJC has also implemented projects to maintain a relationship, develop suppliers and reduce business risk, such as signing a memorandum of understanding (MOU) with the Department of Agriculture Extension for promoting agricultural products and building a good relationship with suppliers.