CHAROEN POKPHAND FOODS PUBLIC COMPANY LIMITED
บริษัท เจริญโภคภัณฑ์อาหาร จำกัด (มหาชน)

RISK MANAGEMENT

2025 EMERGING RISKS

OUR VISION

Kitchen of the World

OUR ASPIRATION

Creating Food Security
through Sustainovation

The current business environment is increasingly challenging and subject to uncertainties arising from both external and internal factors. Against this backdrop, the Company recognizes the importance of identifying and monitoring emerging risks that may have significant implications for its long-term business sustainability, alongside the effective management of ongoing operational risks. These risks may not have immediate impacts but could materially affect the Company's strategic objectives, operations, and value creation in the future. The Company therefore continuously assesses these emerging risks, evaluates their potential impacts, and develops appropriate mitigation strategies to strengthen resilience, enhance preparedness, and support sustainable long-term growth.

EMERGING RISKS

In 2025, the Company identified new emerging risks that may affect the Company's ability to achieve its objectives, as well as business opportunities. These are illustrated in the Risk Heat Map as follows:

Diagram of emerging risk

1 GEOPOLITICAL CONFRONTATION

The year 2025 has been marked by escalating geopolitical tensions and international conflicts, with several previously emerging situations continuing to persist, including:

- Tensions between China and the United States, leading to the fragmentation of the global economic and technological systems. This has resulted in higher trade costs, increased supply chain complexity, and heightened risks to regional stability in the Asia-Pacific region.
- Conflicts in the Middle East, where despite a ceasefire announcement by the Houthi rebels, continued signals of potential attacks on commercial vessels in the event of renewed conflict have kept Red Sea shipping routes at risk, contributing to elevated overall logistics costs.
- The Russia-Ukraine war, which has disrupted global food supply chains and energy prices. In addition, as the Company maintains production bases in Russia, it has been necessary to adjust business operations and financial management strategies accordingly.
- Military tensions between China and Taiwan, affecting maritime transportation in the region.
- Border tensions between Thailand and Cambodia, requiring the Company's operations in Cambodia to strengthen business continuity management.

These geopolitical developments have had significant impacts on the global economy, regional stability, and the Company's business operations. Accordingly, the Company continues to closely monitor and manage such situations, including crisis management measures, to ensure business continuity.

Risk Management

The Company operates business with flexibility in the face of international conflicts by:

- Monitoring international economic and political situations to assess impacts, forecast scenarios, and identify business opportunities while preparing and adapting accordingly.
- Temporarily suspending investments or limiting investments to essential projects only in high-risk countries.
- Forecasting required agricultural crops and securing forward purchases at appropriate prices, with a primary focus on domestically sourced raw materials, while also identifying new sourcing alternatives to enhance procurement flexibility.
- Strengthening relationships with key business partners and expanding the base of potential customers across various regions.
- Engaging with customers to adjust prices in line with rising costs and to reduce prices once conditions return to normal.

2 BIODIVERSITY LOSS AFFECTING VALUE CHAIN SUSTAINABILITY

The Company may be affected by biodiversity loss, as activities throughout its value chain rely on natural resources. These include the use of land for cultivating agricultural crops for animal feed, water resources for livestock farming and food production, and forest resources that support natural water retention, flood and landslide prevention, and carbon dioxide sequestration. At the same time, biodiversity loss can disrupt ecosystem balance, shorten and increase the volatility of growing seasons, intensify the frequency of natural disasters, and heighten the risk of disease outbreaks. It may also give rise to transition risks, such as increasing market expectations and stricter regulations related to biodiversity conservation. Consequently, if the Company is unable to adequately prepare for or respond to such changes, it may adversely affect the quality and availability of agricultural raw materials, lead to higher costs, and ultimately result in a loss of sales and market share.

In addition, Thailand is currently in the process of public consultation on the draft Biodiversity Act, which addresses biodiversity conservation, utilization, impact control, as well as penalties for activities that cause damage to biodiversity. Accordingly, non-compliance with the applicable legal requirements may expose the Company to reputational damage, community opposition, disruptions to business continuity, potential legal actions, and the loss of business opportunities.

Risk Management

The Company develops its value chain to achieve sustainability by:

- Declaring commitments on biodiversity conservation and anti-deforestation, and establishing food production traceability policies, together with sustainable sourcing policies and supplier guiding principle, to ensure transparent traceability of raw material sources used in food production.
- Assessing the Company's impacts on, and dependencies upon, natural resources across its operations and throughout the supply chain, and establishing appropriate mitigation measures by:
  - Impact avoidance measures: Conducting scenario analyses; providing knowledge and support to suppliers; establishing standards for procured raw materials; assessing supplier risks; developing a dust-free corn supply chain; implementing traceability systems for key raw materials; avoiding operations in or near environmentally sensitive areas; and applying technologies such as blockchain and satellite imagery for monitoring and tracking purposes.
  - Impact reduction measures: Reducing greenhouse gas emissions in production processes; minimizing water consumption and increasing the use of recycled water; reducing food loss and food waste; promoting the use of sustainable packaging; optimizing the efficient use of raw materials; and reducing waste through reuse and resource recovery.
  - Reforming measures: Promoting sustainable agricultural practices.
  - Restoration measures: Conserving and restoring forest resources in both terrestrial and coastal areas.
- Collaborating with government agencies and industry partners, while supporting farmers in protecting natural resources and the environment and enhancing the productivity and efficiency of agricultural production.

3 INCREASE IN SUSTAINABILITY LAWS AND REGULATIONS

Growing concern and heightened awareness of the impacts of climate change have accelerated the transition toward collective action to reduce greenhouse gas emissions and mitigate impacts on natural resources and the environment. As a result, an increasing number of laws and regulations have been enacted, including:

- Laws and regulations issued by regulatory authorities in Thailand.
  - Draft Acts currently under parliamentary consideration.
    - Draft Climate Change Act.
    - Draft Clean Air Act.
    - Draft Transboundary Pollution/Haze Act.
  - Draft Sustainable Packaging Management Act, currently under development and public consultation.
  - The General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1) and Climate-related Disclosures (IFRS S2), which are accounting standards, have been announced by the Securities and Exchange Commission of Thailand as mandatory for listed companies, with phased implementation commencing with SET50 companies in 2027 and first reporting required in 2028.
- Laws and regulations of customer countries or countries where the Company has production bases outside Thailand, with which the Company is required to comply.
  - EU Deforestation-free Regulation (EUDR), which may impact the Company in the future as animal feed contains palm oil and soybeans.
  - Corporate Sustainability Due Diligence Directive (CSDDD), which requires companies operating in the European Union to assess risks in their own activities and throughout the supply chain to prevent and mitigate human rights and environmental impacts.
  - Carbon Border Adjustment Mechanism (CBAM), implemented by multiple countries including the EU, the US, China, and Japan, to prevent imports with high greenhouse gas emissions.
  - European Union Farm to Fork strategy and the United Kingdom Food Label Reform, both relating to clearer food labeling requirements.
  - Packaging and Packaging Waste Regulation (PPWR) enforced by the EU, covering reuse and recycling of packaging, as well as related tax measures such as the single-use or non-recyclable plastic tax.
  - FuelEU Maritime Regulation, which sets greenhouse gas intensity limits for fuels used in shipping within the EU, potentially increasing the Company's maritime transport costs.
  - IMO Net-Zero Framework, which may increase the Company's maritime transport costs due to shipping lines emitting carbon above the prescribed thresholds.

The increasing number of laws and regulations may require the Company to conduct research and development, leading to adjustments in both processes and products to ensure compliance, which could result in higher costs. In addition, some regulations mandate public disclosure of relevant information, which may give rise to greenwashing concerns if stakeholders perceive the disclosures as merely enhancing the Company's image, potentially resulting in legal actions, reputational impacts, and additional operational expenses. Nevertheless, adapting to and complying with these laws and regulations can also create opportunities for competitive advantage and future business growth.

Risk Management

The Company aims for sustainable growth by pursuing business expansion while mitigating the impacts of climate change and environmental issues, complying with applicable laws and regulations, and ensuring appropriate disclosure of information, through:

- Engaging with government agencies and building industry networks to drive initiatives that mitigate potential impacts.
- Monitoring trends in law enforcement, conducting scenario and impact analyses, and developing strategies and management approaches.
- Setting Net-Zero greenhouse gas emission targets, preparing short-medium-long term roadmaps, and implementing actions in line with these plans.
- Utilizing a Net-Zero Intelligence Platform to systematically collect, monitor, and report greenhouse gas emissions and environmental data.
- Verifying the accuracy of publicly disclosed information, such as product labels, annual reports, and sustainability reports.
- Maintaining processes and committees to support sustainability-related disclosures.

4 CHANGE IN GLOBAL TRADE POLICY AND TARIFF

In 2025, the United States revised its import tariff plans on goods from multiple countries to protect domestic industries and offset trade deficits, targeting certain product categories that are unable to compete with imports from other countries (Reciprocal Tariffs). This situation has slowed global trade, dampened investment, and adversely affected economic growth and consumer purchasing power.

Thailand has been subject to retaliatory tariffs of 19% on certain products, such as processed seafood. However, the Company's export sales to the United States are relatively limited, and therefore the imposition of these tariffs is not considered material to the Company. In addition, Thailand faces pressure to adjust its agricultural and food import structure to maintain trade relations with the United States.

Risk Management

Currently, the Company has production bases in the United States and is therefore not affected by the imposed tariffs. For production bases in other countries, the Company manages the situation by:

- Assessing the impact of tariffs and evaluating competitiveness.
- Expanding into other potential markets and acquiring additional customers.
- Providing information to government authorities to support negotiations, as well as monitoring outcomes, assessing risks, and establishing management approaches.

5 RISK RELATED TO ARTIFICIAL INTELLIGENCE

The Company recognizes the importance of Artificial Intelligence (AI) in enhancing competitive capabilities and driving continuous business growth. AI plays a crucial role in improving business process efficiency, advancing operational performance, enhancing service quality, and responding to customer needs quickly and accurately. Additionally, AI serves as a key mechanism to support the Company's long-term sustainability by reducing resource consumption, leveraging data insights to inform strategic decision-making, and minimizing employees' repetitive tasks, thereby enabling the creation of increased business value.

However, the adoption of AI comes with risks that are likely to intensify, including cybersecurity risks, potential leakage of critical information, the accuracy of data used to train AI, and risks that may affect business continuity if appropriate control and governance measures are not in place.

Risk Management

The Company has established a systematic AI Risk Management framework to ensure that the use and development of AI within the organization are safe, transparent, and responsible to users and stakeholders. This framework encompasses the following key practices:

- AI governance: To ensure proper oversight of AI systems in accordance with responsible AI principles—Fairness, Ethics, Accountability, and Transparency (FEAT)—the management and the AI Steering Committee define strategic directions for AI adoption and establish governance guidelines for AI development and usage. This ensures appropriate oversight while keeping pace with technological advancements, evolving usage patterns, and emerging risks.
- AI development and security: The Company has implemented policies and standards for AI cybersecurity risk management to oversee and safeguard AI systems throughout their lifecycle. This approach focuses on managing data risks, model-related risks, and cybersecurity threats to ensure that AI systems are reliable, secure, resilient, and aligned with ethical principles.

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