

Emerging Risk

Central Retail Corporation (CRC) takes into consideration of all potential risk in our Risk Management Framework including Emerging Risk that can be new risks or existing risks that are potentially increasing in significance of its impacts towards the Company in the future. CRC identifies Emerging Risks 1) Increasing Risk of Cybersecurity Impacts and 2) Extreme Weather Events due to Climate Change on Supply Chain and Logistics. From increasing threats in cybersecurity from increasing online users to uncertainty

in extreme weather events that can disrupt the supply chain, both emerging risks have potential increase in impact significantly and the Company should take precautionary actions to address these issues. In addition, CRC continues to monitor risks from a global perspective as identified by the World Economic Forum Risk Reports and considering their impacts towards our operating locations around the world.

Increasing Risk of Cybersecurity Impacts

Category	Technological Risk
Source of Risks	Macroeconomics
Description	The Company's business strategy involves growing the omni-channel platform, making increase in online operations and the collection of customer personal information inevitable. As a result, technological risk factors in cybersecurity will have high likelihood of occurring as external parties like hackers or competitors seek to exploit the company information system and customer information. For example, cybersecurity threats of hacking, information leakage, identity theft, ransomware, or system disruption are likely to happen and must be prevented by the Company.
Impact	Data breaches and customer information leakage from cybersecurity threats have high impact on the confidence of customers, suppliers, and all stakeholders involved. Not only can data breaches incur financial implication from loss of Company's reputation, but can also violate the Personal Data Protection Act (PDPA) 2019 and other relevant privacy protection laws that will result in penalties. Theft of the Company's confidential information by competitors may result in loss of trade secrets, process, and competitive advantage. Potential financial impacts include loss in revenue from competitors copying innovation that is being developed for new products. Cybersecurity breaches can cause disruption or malfunction of the information technology system can impact business operations, and cash flow and financial functioning, all of which cause financial loss for the Company.
Timeframe of Impact	3-5 Years
Magnitude of Impact	High
Mitigating Actions	The Company has implemented continuous assessment and invested in the improvement of information technology competence. In response to cyber-attacks, the Company has developed emergency response plan, data back-up and restoration testing, and system emergency plan testing. The Company has also invested in upgrading and increasing coverage of information security systems to include all relevant work process. In addition, the Company has established an information security governance structure with the Chief Information Security Officer (CISO) responsible for overseeing information security, and hired consulting company to provide feedback in improving the information security system and compliance with the requirements of all relevant legislation in Thailand.

Extreme Weather Events due to Climate Change on Supply Chain and Logistics

Category	Environmental Risk
Source of Risks	Natural
Description	As climate change worsens, extreme weather events will become more frequent and more severe. The Company’s main operations are located in Thailand and Vietnam, both of which experience regular monsoon season and hot weather. As impacts of climate change, heavy rainfalls and tropical storms during the monsoon season will likely become more frequent and consequently causing large flooding events that are also more frequent and more damaging. During the rest of the year, Thailand and Vietnam will likely experience more frequent extreme droughts that will affect crop production, business operations, and the supply chain. Another type of extreme weather event due to climate change and is of concern to the Company are heatwaves that will likely exacerbate the hot weather in Thailand and Vietnam. In Italy, heatwaves will have high impact on business facilities that are not adapted to high temperature, such as inadequate air conditioning and cooling system.
Impact	Heavy rainfall and floods are likely to cause road blockage, slowdown in traffic, increase road-safety concerns, and even submerging large areas that can completely disrupt transportation. Business impact on the Company from heavy rainfall and floods include inventory shortage, property damage, and disruption of supply chain and logistics. Severe droughts will impact crop production that can lead to crop shortage, which can have financial implications on the Company, such as loss in revenue from inventory shortage, and increase in price levels. Heatwaves can pose safety concerns for employees that perform outdoor duties. Additionally, heatwaves will add stress on the air conditioning system of facilities, and the cooling system throughout the supply chain, especially in refrigeration. Business impact on the Company from heatwaves are disruption in outdoor work, high exposure of heat-related illnesses, and increase in electricity cost for air conditioning and cooling system.
Timeframe of Impact	3-5 Years
Magnitude of Impact	Medium to High
Mitigating Actions	The Company has taken comprehensive measures that aim to increase the agility and the resilience of logistics and supply chain. To mitigate disruption of logistics and supply chain, the Company has developed a response plan that involve enhancing risk response capabilities of distribution centers, and establishing communication system and protocols in response to supply chain disruption. The Company has established temporary distribution centers in locations to diversify the Company’s supply chain network. Moreover, the Company has integrated technology system in quick re-routing of logistics to avoid vulnerable areas that are prone to extreme weather. To mitigate products shortage, the Company has established procedures of monitoring and replenishing stocks, moving products between retail stores and distribution centers, importing products, and having stock reserves that account for supply chain disruption from extreme weather at different locations. Lastly, the Company will invest in insulation system, invest in energy efficient air-conditioning and cooling system, and looking to allocate outdoor work to shifts during nighttime to mitigate impacts from heatwaves.