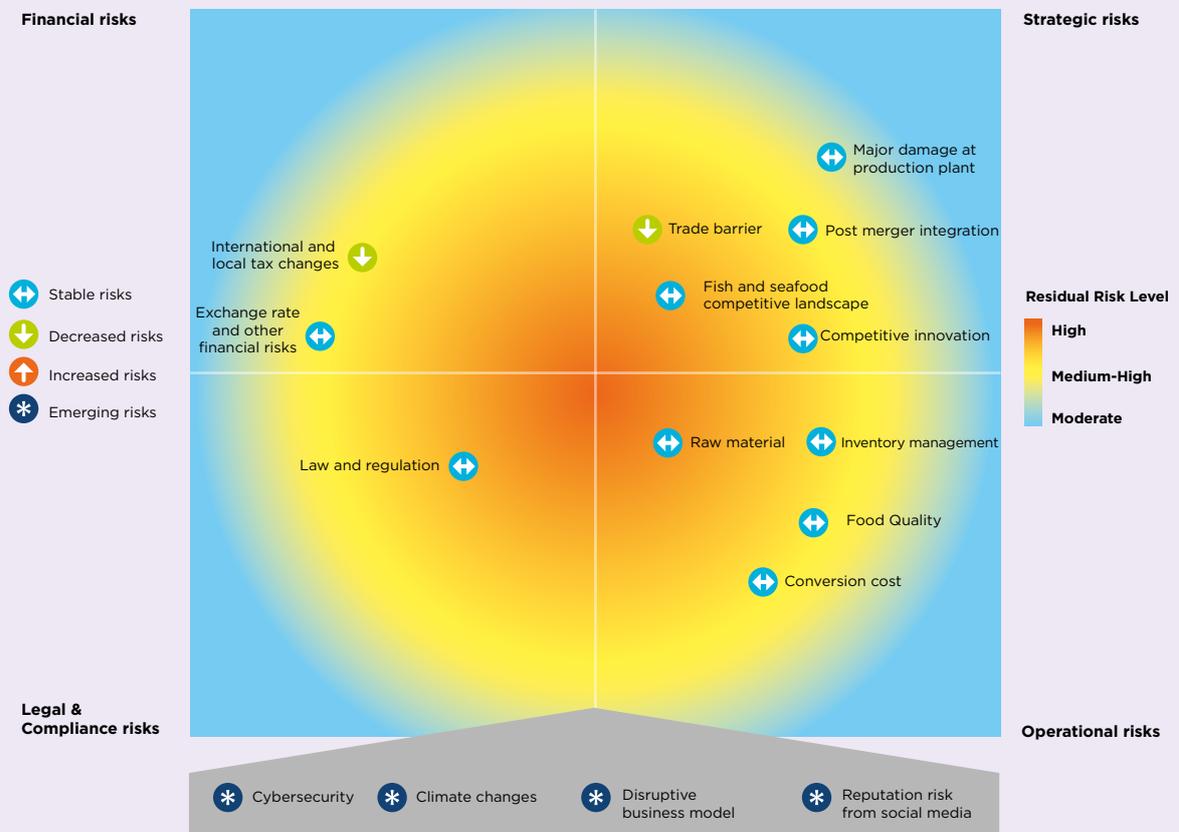


RISK FACTORS

Thai Union Group is a global seafood processing company and its operating and financial results are subject to a variety of risks inherent in the seafood industry. The company can prepare for many of the risks to mitigate any impact and/or minimize likelihood, however many of them are not within our control and could materially impact the company's operations, financial position or reputation.

On the risk radar below and on the following pages, we have identified the major risks to our business. Some of the risks from 2017 have not fundamentally changed and so remain listed, while new threats identified during the global risk workshop have been added. We have updated the risk event and management and mitigation.

Risk radar



STRATEGIC RISK	
RISK	MANAGEMENT AND MITIGATION
FISH AND SEAFOOD COMPETITIVE LANDSCAPE	
<p>Risks associated with a competitive fish and seafood industry landscape can present strategic challenges for Thai Union as one of the world's largest seafood producers.</p> <p>Although the global fish and seafood industry has been growing steadily over the past few years, there are some mature markets, especially Europe and the U.S., where growth in processed seafood consumption has slowed.</p> <p>In terms of product segment, Thai Union has continued to face strong competition in its core categories of tuna, shrimp and salmon.</p> <p>Moreover, the company faced risks from more negotiation power from customer consolidation/alliances in Europe and vertical integration by majors in fish farming.</p>	<p>Thai Union adapts continuously to the changing and challenging market conditions.</p> <p>With the aim to meet our organic sales growth aspirations, in 2018 we made several important steps forward. These include:</p> <ol style="list-style-type: none"> 1. Launching innovations in our key markets 2. Achieving strong top-line growth in China 3. Opening a new tuna oil factory <p>In 2019, our organic growth objectives are to:</p> <ol style="list-style-type: none"> 1. Focus on profitable growth opportunities across categories and channels 2. Drive value of our portfolio through innovation, premiumization and leadership in sustainability 3. Develop and scale our new business in Marine Ingredients <p>These priorities will focus our Group on the key areas for profitable growth and delivering against them will help us meet our 2019 targets as well as position us well for the future.</p>

STRATEGIC RISK	
RISK	MANAGEMENT AND MITIGATION
TRADE BARRIERS	
<p>The global seafood industry confronts numerous tariff and non-tariff trade barriers</p> <p>TARIFF TRADE BARRIERS</p> <p>The risk mostly relates to a change of import tariff rates due to:</p> <ul style="list-style-type: none"> • The U.S. - China trade war, with an additional 25 percent tariffs on seafood products • BREXIT, with a potential change of import and export tariffs between the U.K. and other countries • U.S. - Thailand trade imbalance investigations, with a threat to remove GSP for all U.S. exports <p>NON-TARIFF TRADE BARRIER</p> <p>The risks mostly relating to the environment and social sustainability which can impact trading conditions or cost competitiveness</p> <p>Thai Union Group's key non-tariff trade barriers are posed by:</p> <ul style="list-style-type: none"> • EU - Illegal, Unregulated and Unreported (IUU) fishing yellow card issued against a number of sourcing countries including Thailand, Vietnam and Taiwan • U.S. - Trafficking in Persons (TIPs) report and State Department ratings for Human Trafficking and Forced Labor as well as the implementation of the U.S. Trade Facilitation and Enforcement Act and U.S. Seafood Import Monitoring Program and other legislation that imposes a trade barrier to imports. 	<p>TARIFF TRADE BARRIER</p> <p>The company assessed potential risks with entities in the U.S., Europe and Thailand. Mitigation options were generated for each scenario. However, due to uncertainty and the potential for the situation to develop, the company closely monitors and review the plan.</p> <p>NON-TARIFF TRADE BARRIERS</p> <p>In 2018, we continued to implement SeaChange®, our global sustainability strategy. This strategy covers every aspect of the seafood business: from how we look after the oceans to how we manage our waste; from the responsibility we take for our workers to building brighter futures for the communities around our key sites. This also includes the ability to fully trace our seafood – from catch to consumption.</p> <p>Key global achievements in 2018 included:</p> <ul style="list-style-type: none"> • Ranked first globally in the Food Products Industry in the Dow Jones Sustainability Index. • Named to the FTSE4Good Emerging Index for the third consecutive year. • Rolled out our Vessel Code of Conduct and Vessel Improvement Program to our suppliers—upholding labor and human rights in the supply chain. • Made significant progress on our Tuna Commitment to responsibly source our branded tuna from fisheries that are either Marine Stewardship Council (MSC) certified, or engaged in Fishery Improvement Projects (FIPs) to move them towards MSC certification. We will aim to achieve a minimum of 75 percent by the end of 2020. <p>More information on Sustainability at Thai Union on page 82 and awards and recognition on page 48.</p>

STRATEGIC RISK	
RISK	MANAGEMENT AND MITIGATION
POST-MERGER INTEGRATION RISKS	
<p>We have successfully completed several strategic acquisitions over the last few years. These transactions have enabled us to vertically shift along value chains and expand into new product categories and/or sales markets.</p> <p>The challenge is to manage the realization of expected synergies during the post-merger phase. Our business operations are spread around the globe, and as a Group we need to effectively manage the integration of newly acquired businesses into Thai Union and ensure that benefits get realized as anticipated.</p>	<p>In 2018, we implemented a new, structured Post-Merger Integration (PMI) process to ensure that we maximize value realization from our acquisitions.</p> <p>The process has the following components:</p> <ol style="list-style-type: none"> 1. Two-layered PMI governance structure to oversee delivery of the initiatives and manage operational issues 2. PMI cadence schedule to maintain rigor and discipline 3. Tools to help track delivery versus initial plan and ensure potential issues are flagged and addressed early <p>The PMI process has been implemented for our recently completed acquisitions, and will be applied for any new acquisitions in the future. We are confident that this will help us proactively address any issues and help value realization.</p>
COMPETITIVE INNOVATION	
<p>Our business relies on continued global demand for our brands and products. Achieving our business results depends, in part, on successfully developing, introducing and marketing new products and on making significant improvements to our equipment and manufacturing processes. The success of such innovation depends on our ability to correctly anticipate customer and consumer tastes, preferences and behaviors, which are constantly changing.</p> <p>The company must be able to successfully respond to technological advances made by, and intellectual property rights granted to, competitors. Failure to continually innovate, improve our seafood product and manufacturing process, and respond to competitive moves could compromise our competitive position and adversely impact our results.</p>	<p>In order to respond to market needs and pursue business opportunities, in 2018 our Global Innovation Center (GIC) continued research related to raw materials, new processing technology, and utilization of rest-raw materials to create added value. A key component of the GIC's activities involves translational research to bring new innovations to the market.</p> <p>Two product innovations launched in 2018 demonstrated our commitment to being the leader in the seafood industry. These were:</p> <ol style="list-style-type: none"> 1. A new transparent packaging solution for shelf-stable tuna and other seafoods 2. The first ever pasteurized tuna product in a transparent cup for Thai Union and the Global Market. <p>More information on Innovation at Thai Union is on page 90.</p>

LEGAL & COMPLIANCE RISKS	
RISK	MANAGEMENT AND MITIGATION
LAWS AND REGULATIONS	
<p>Our business is subject to a wide variety of laws and regulations across all the countries in which we do business, including laws and regulations around intellectual property, product liability, marketing, antitrust, trade competition, environmental, employment, anti-bribery or anti-corruption, data protection and privacy, and other matters.</p> <p>Failure to comply or not being aware of changing laws and regulations and related interpretations could lead to substantial fines and penalties and have a negative impact on Thai Union's financial performance and reputation.</p>	<p>The company has a global legal and compliance function to monitor the development of laws and regulations and also provide regular updates to supervisory authorities. To ensure we understand and take appropriate actions to remain compliant, the company established policies, provides guidance where necessary and trains related employees on all important matters.</p> <p>In 2018, the company continued to train and stimulate awareness to our employees on antitrust law, anti-corruption law and on the Thai Trade Competition Act B.E. 2560 which provided a new merger control regime fully effective on 29 December 2018.</p> <p>For the EU General Data Protection Regulation which entered into force on 25 May 2018, the Company reviewed the policy and procedures and put in place additional control on technical and business processes to ensure the personal data protection.</p> <p>Regarding the U.S. Department of Justice in relation to an antitrust investigation of Tri-Union Seafoods LLC (Tri-Union), a subsidiary of Thai Union Group, in 2018, the investigation is still ongoing.</p> <p>Risks and mitigation on other litigations were presented in the note number 38 to the financial statements, page 281.</p>

FINANCIAL RISKS	
RISK	MANAGEMENT AND MITIGATION
INTERNATIONAL AND LOCAL TAX CHANGES	
<p>Thai Union Group operates and has trade activities in a number of countries, making tax management especially difficult.</p> <p>Each year, many countries make a number of policy changes which may affect income taxes, sales tax rates, VAT or goods and services taxes (GST), payroll taxes, customs duties and special sales taxes, environmental taxes, property taxes, and so on.</p> <p>In 2018 the company confronted risks from U.S. tax reform and new tax regulations/requirements implemented in European countries, Thailand and Vietnam especially ones related to “Transfer Pricing”. Those changes may impact to our Group tax management.</p> <p>In 2019, it is reasonable to foresee that many more new tax regulations will be released in many jurisdictions. Given the unpredictability of these possible changes and their potential interdependency, it is very difficult to assess the amount of risk but it should be significant, which we have to closely monitor.</p>	<p>To proactively deal with changes in tax systems, we closely monitor changes in legislation and seek expert advice regarding customs and taxes in order to properly adopt regulatory requirements. In addition, our internal legal, customs or tax departments advise and train management teams to ensure appropriate and compliant business practices.</p> <p>In 2018, the company has prepared all relevant tax documents in order to comply with new tax requirements in many jurisdictions and chose Thai Union EU Seafood1 S.A., a holding company for European investment, as a surrogate company to file Country-by-Country Reports which were prepared based on the OECD’s recommendation to the tax authorities as required by local laws in many jurisdictions. Moreover, the Company is working to implement standard global policies accepted by international standards to apply across the Group.</p> <p>In this regard, Group transfer pricing policies have already been prepared to support our current position. In addition, transfer pricing three-tiered documents (i.e. Master File, Local Files and Country-by-Country Reports) will be prepared and updated annually to ensure compliance with the new requirements.</p>

FINANCIAL RISKS	
RISK	MANAGEMENT AND MITIGATION
EXCHANGE RATE AND OTHER FINANCIAL RISKS	
<p>With a presence in a large number of countries, the company is exposed to a variety of financial risks coming from foreign exchange, interest rates, trade receivables, investment activities and borrowings.</p> <p>The risks are primarily:</p> <ol style="list-style-type: none"> 1. Foreign exchange risks on commercial flows, financing/investing activities, net investments in foreign subsidiaries and tuna we purchased in a foreign currency 2. Interest rates risk on borrowings 3. Credit risks <p>In 2018, there were significant uncertainties from the US-China Trade War, US mid-term elections, global interest rate hikes, BREXIT, and political unrest. These events created financial risks especially to foreign exchange fluctuation.</p> <p>BREXIT led to currency fluctuations for the GBP against the EUR and USD and impacted John West's import costs and product pricing as well as translation effects.</p> <p>The fiscal and monetary policies as well as the foreign policies of the U.S. administration had a significant impact on foreign exchange and led to a weakening of the USD against all other key currencies that the company has businesses in i.e. EUR, JPY, GBP and THB.</p>	<p>The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain exposures.</p> <p>Financial risk management is carried out by the Group Treasury Committee. The Group's policy includes areas such as foreign exchange risk, interest rate risk, credit risk and liquidity risk. The framework parameters are approved.</p> <ol style="list-style-type: none"> 1. For foreign exchange risk, the company's policy and strategy to manage risks are follow: <ul style="list-style-type: none"> • For trading activities, the company used natural hedging and entered into forward exchange contracts when considered appropriate. • For all borrowing, or lending, or placing deposits in other currencies where that currency will be used, 100 percent hedging on foreign exchange risks is a must. • For equity investments where the return can be expected from dividend payments or recapitalization, the decision of hedging on equity investments will be decided by the Group Treasury Committee. 2. For interest rate risks, the company manages or caps portions of borrowing by using interest rate derivatives to achieve an acceptable targeted level of fixed/floating rate net borrowing. 3. For credit risks, the company has policies and controls to minimize the risks, while trade insurance has been bought for most customers. <p>See more detail on financial risk management in Notes 3 to the financial statement on page 202.</p>

OPERATIONAL RISK	
RISK	MANAGEMENT AND MITIGATION
INVENTORY MANAGEMENT	
<p>In 2018, the company's inventory value was THB 38,371 million, which accounts for 27 percent of its total assets. They are stored and managed by Thai Union's facilities or third party logistics service providers (3PL). Without proper inventory management, risks can occur, such as excessive or inadequate inventory levels, high carrying costs, obsolescence, loss and damage, and fraud. These risks can impact the company's financial statement and asset values.</p> <p>Moreover, our key raw materials such as tuna, shrimp and salmon face pricing volatility in commodity markets. This causes a materiality impact to inventory values at all times.</p>	<p>The company is actively managing inventory through continuous monitoring of stock levels, reviewing of demand forecasts and supply planning processes on a monthly basis. This ensures that the company can fulfill customer orders while optimizing our financial position.</p> <p>The Key Risk Indicators (KRIs), we are monitoring and reporting on a quarterly basis the status of real-time transaction stock recording, allowance for net realizable value, and day in inventory ratio.</p> <p>To provide unified guidance on the accounting treatment and improve inventory management efficiency, the company launched a new Inventory Provisions Policy in 2018 as part of the Group Financial Reporting Guidelines which all entities were required to comply. The policy provided guidance on determining the amount of inventory costs and their subsequent recognition as expense. This also gives guidance on write-down of inventory to net realizable value (NRV) when NRV is lower than inventory cost, and when inventory is obsolete, slow-moving or defective according to a percentage and process set forth in the policy.</p> <p>To ensure our inventory's existence and completeness and to enable an accurate physical count, all entities are mandated to perform a full physical inventory count once a year in compliance with the Group Standard Operating Procedure (SOP) of Physical Stock Taking. Third party logistics service providers are required to send a formal inventory balance confirmation on a quarterly basis as well as undertake an on-site inspection by Thai Union's representative on a regular basis to ensure that the inventory is kept in good and safe conditions and meets the required standards.</p>

OPERATIONAL RISK	
RISK	MANAGEMENT AND MITIGATION
RAW MATERIAL RISK	
<p>Our key raw materials like tuna and shrimp are similar to commodity prices, with no direct hedging instruments and market prices can decrease or increase rapidly.</p> <p>TUNA In 2018, the company faced both price volatility and supply scarcity. When tuna prices were high, it was difficult for our branded sales to pass on volumes and prices to customers. But when the tuna price was low, it pressured our private label sales in Thailand because our business model follows the “tuna market price” rather than inventory costs, which were higher.</p> <p>In addition to price risks, the company was confronted with tight tuna supplies, especially Yellowfin tuna, which is impacted by a quota allocation system (QAS) and irregular ocean temperatures.</p> <p>SHRIMP Thai Union’s frozen shrimp processing facilities in Thailand primarily procure raw materials from local sources, while our U.S. based frozen seafood unit (Tri-Union Frozen Products, Inc.) has a highly-diversified supply base given the nature of its trading operations.</p> <p>In 2018, Thai shrimp raw material prices were generally lower than 2017 as regional supply continued to increase and Thailand’s status as the world’s major shrimp exporting country faded.</p> <p>Typical risk factors impacting shrimp raw material prices in Thai operations include supply disruption, demand and supply imbalance, any change in import regulations by buyer countries and price competition from other exporting countries, while our U.S. based frozen seafood unit is subject to price risks related to the supply and demand situation in major producing countries.</p> <p>SALMON Salmon raw material prices for our European chilled business continued to fluctuate. Prices were high due to increased consumption, as salmon is considered a healthy food.</p> <p>More detail of raw material prices and price history. http://investor.thaiunion.com/raw_material.html</p>	<p>Our sourcing strategy balances seafood stock availability with price volatility, securing continuous access to sustainable raw seafood material from reliable suppliers.</p> <p>TUNA The company has a global fish procurement organization with a team of experts to enhance our strategic sourcing capability and supply chain management of fish. With centralized sourcing, the company is able to leverage our global scale and build best-in-class sourcing capabilities.</p> <p>On the operational level, the team closely monitors and mitigates challenges around prices and supply that is common in our business today. This improvement increased communication and information transparency throughout the supply chain of all TU factories.</p> <p>SHRIMP To differentiate ourselves from the competition, reduce cost pressure and secure profitability, we actively invest in new processes and equipment in order to meet new customer standards and requirements through obtaining globally recognized certificates, launching new and innovative products, and initiating industry-leading sustainability programs.</p> <p>To reduce an over-dependence on certain markets, we also diversify into new export destinations, such as Asian countries, in addition to the Thai market. We also partner with major customers through exclusive supply contracts with the option of partial shipments over an extended period of time to ensure stable and acceptable pricing.</p> <p>SALMON The company performed hedging partly to mitigate price volatility and also to negotiate with suppliers and customers to agree on a price index. Additionally, the company implemented a tracking tool to monitor the main drivers of salmon prices in order to adapt our strategy if needed.</p>