

## **Risk Management Policy and Plan**

The company has a risk management plan in comparison with the Company's strategies, goals and objectives. In this regard, the Risk Management Committee is in charge of the risk management policy formulation and the ongoing supervision and monitoring of the risk management framework and its implementation to ensure that such risks are adequately and properly managed and are within the Company's risk appetite. Risk that are relevant to the Company's operation are as follows:

### **Strategic Risk**

#### **1) Risk from Economic Conditions**

As the economic changes inevitably affect the spending and purchasing power of consumers and consequently the Company's performance, the Company keeps abreast of economic news and developments in an attempt to dynamically adjust its business plan and respond to the prevailing and changing economic conditions. The competition in the retail segment is relatively stiff amid population growth, urbanization, and constantly changing consumer behaviors, which altogether prompt each retail business operator to rapidly expand its branches and distribution channels to comprehensively address customer needs. Further, the competition in the retail industry is intensified by the entrance of new players. These headwinds may cause the Company's sales to miss the target and its profitability to decline as a result of price competition. However, the Company places importance on the evaluation and monitoring of movements in the retail business as well as the ongoing assessment of business-related risk in support of its proactive strategic adjustments in response to the changing situation. In managing such risk, the Company focuses on the differentiation of diverse products and services and reasonable pricing to sharpen its competitive edge.

#### **2) Risk from Branch Expansion Failure**

The Company plans to continuously expand its outlet branch network. In the event that the branch expansion fails to meet the plan due to uncontrollable factors, the Company's financial performance may consequentially worsen. The Company is aware of the risk and has established a well-defined branch expansion guideline. Before making an investment, the Company will study and analyze the feasibility of each investment project, identify locations which have are economically viable and in line with the Company's strategy, and consider the internal rate of return (IRR) which must be above the defined threshold. In addition, each investment must be proposed to the Risk Management Committee for recommendation and to the Board for approval. When a new branch becomes operative, its performance and progress will be consistently tracked and reviewed to enable the Company to develop a risk management plan and promptly respond to problems that may arise.

### **3) Risk from Changes in Consumer Behaviors**

Buying behaviors of today's consumers rapidly change and convenience has become increasingly important for consumers. As a result, the e-commerce business has continuously expanded and stolen the market share from the traditional retail stores. The Company is aware of such threat and focuses on the online distribution channel more actively to enable timely and comprehensive response to customer needs. The Company also leverages social media as a channel to communicate and promote its products and activities as well as collect customer data for in-depth analytics and development of products and services that best satisfy customers' needs.

### **4) Reputation and Credibility Risk**

Building and preserving the Company's reputation was vital for business operations as it affects the customers' perception of products, services and image including their purchase decisions in the current market landscape which is characterized by intense competition. As this risk could have direct, rapid and forceful impact on the organization, it should not be overlooked. Thus, the Company treats the risk as a priority and has developed a strategy to optimize brand awareness among target customers and carefully deliberate on potential favorable and unfavorable impact of the Company's endeavors on its image or reputation including the changes in the business environment in all aspects in pursuance of accurate decision-making and minimal impact on business operations.

## **Operational Risk**

### **1) Inventory Risk**

The Company has dynamically improved its the inventory management to maintain an appropriate level of stocks through various approaches As follows: 1. sales promotions 2. improvement of product display 3. branch layout designs to increase the sales volume. The Company has also developed its work proceeds to prevent goods loss and damages or frauds and these efforts include, for example, the inventory management and counting guidelines, the installation of CCTV cameras, and the establishment of stringent work processes to minimize errors.

## **2) Risk of Shift in Popularity**

The Company also sells products that are sensitive to the popular trends or fashion trends. Thus, the Company needs to regularly update the collection of its products to keep up with the rapidly changing and contemporary fashion trends through joint efforts of the Warehouse Department, the Inventory Management Department, the Procurement Department, and the Design Department which are in charge of planning and selecting a variety of products that match each seasonal trend. However, a shift in popularity and consumer trends could cause the Company's goods to be obsolete and more difficult to sell, adversely affecting the Company's inventory management. To mitigate the risk, the Company uses the sales figures of the prior year to forecast the outlook and trends and accordingly refine its product planning in terms of designs, features, quantity and types of goods in line with customer demands. The Company also has a dedicated team that is specifically in charge of monitoring trends to stay current with the latest developments and movements. Moreover, the Company has maintained good relationship with multiple manufacturers to accommodate its needs for faster production which is vital for its ability to deliver the right products at the right time.

## **3) Technology and Information Technology System Risk**

The Company and its subsidiary implement integrated information technology systems (IT systems) to centralize the management of all work processes and systems of the Head Office in Bangkok and all outlet branches and facilitate accurate information and communication between head office employees and branch employees. The Company is aware that the IT system failure or instability may obstruct effective operations of the Company as well as recognizes potential risks such as unauthorized access to information, impaired data integrity, and interrupted system access or data availability. To mitigate such risks, the Company has defined an access right matrix based on functional authority and responsibilities of employees at each level, secured back-up database servers which are updated regularly and stored at locations outside the Head Office, and established a disaster recovery site.

## **4) Personnel Risk**

As the Company distributes products through its outlet branches, it is necessary for the Company to ensure that each branch has adequate and competent personnel to deliver excellent services to customers. To this end, branch personnel, including cashiers and warehouse employees, must possess the desired levels of knowledge, abilities and expertise to effectively management the Company's inventories. Most of them are locals or residents of nearby towns. If the Company's personnel needs are not met, either quantitatively or qualitatively, the Company's branch management and expansion plan may be affected. As a risk prevention measure, the management team works closely with the Human Resources Department on the

branch improvement and expansion plans to facilitate effective and timely recruitment of qualified personnel. Therefore, the Company is confident that the impact of the risk on the Company is minimal.

#### **5) Corruption and Fraud Risk**

Because the company's business is a retail business This can cause fraud channels in many forms, such as fraud from customers. and from employees in the branch which the company realizes and attaches importance to protection Such fraud by establishing measures to prevent and deal with various incidents that may occur, including the establishment of a system Strict control from the design and layout of the branch to make it easier to control and prevent fraud. CCTV installed in every corner of the branch. In order to be able to see all aspects, including instilling honesty by preparing a manual, code of conduct, regularly checking the work of each employee's department. Totally anti-bribery and corruption (Zero-Tolerance Policy) in which all directors, executives and employees of the Company must not participate in corruption. The practice of the Thai private sector against corruption or Collective Action Coalition of the Private Sector Against Corruption (CAC) in 2021 in order to promote the prevention of all forms of corruption. As a result, the company is confident that it will be less exposed to such risks.

#### **6) Financial Liquidity Risk**

As of 31 December 2021, the Company's current assets and current liabilities amounted to Baht 672.59 million and Baht 125.56 million, respectively, representing the liquidity ratio of 5.36x which is considered high. In addition, the Company's revenue in cash from sales accounted for above 95% of the total revenue. Thus, the Company's financial liquidity risk was relatively low. However, if the Company experiences revenue declines or needs for additional working capital, the Company may encounter a liquidity issue. Therefore, the Company closely manages this risk, regularly forecasts its future cash flows, spends its capital expenditures with good discipline, and consistently maintains good relationship and credibility with financial institutions.

### **Risk from Epidemic and Emerging Incident**

#### **1) Risk from Epidemic and Emerging Incident**

When outbreak of Coronavirus (COVID-19) has broken, the Company is directly impacted. There are many consequents such as, the outlet branches might have been shut down according to the Government measure, risk from inadequate workforce due to COVID-19 infected, and the decrease of consumption demand. The Company closely monitor the operation to response immediately at any situation which occurs to eliminate any risks. Expanding new selling channels, adjusting selling plan to response business situation, financial stress testing, business continuing planning are prepare for any cases which

might occurs. In order to avoid the infection of COVID-19 outbreak, the Company announces WFH policy, arranges groups of people and schedules them to take turn for working from and at office. Besides, wearing mask at all time, hands washing and virus buster spraying at office place, are mandatory for employees, the Company is cultivating their consciousness and culture of hygiene to stay with new normal.

## **Regulatory and Legal Risks**

### **1) Risk from Pending Trademark and Service Mark Registration**

The Company and its subsidiaries have a total of 28 registered trademarks and service marks, the Company is filing additional registration applications for 8 trademarks and service marks with the Department of Intellectual Property, the Ministry of Commerce, in readiness for future business expansion and growth. As the registration is pending, there is an open risk that the Company is not granted approval for the registration. Recognizing the threat, the Company has assigned a responsible team to study the issues of concerns and the probability of successful registration of the said trademarks and service marks in advance of the application filing as well as to regularly check with the officials of the Department of Intellectual Property about the registration progress. Therefore, the Company is confident that the risk of pending trademark and service mark registration will not affect the Company.

### **2) Risk from Changes in Laws and Government Policy**

The Company operates and manages its business in accordance with the principles of transparency and strict compliance with regulatory rules, legal requirements, and government policies such as the Consumer Protection Act, the Price of Goods and Services Act, the labor laws, including regulations of the Stock Exchange of Thailand and the Office of Securities and Exchange Commission. Changes in applicable legal and regulatory rules and regulations may have material impact on the Company's strategy, goals, and business plans as well as may cause the Company's performance to miss the targets. Therefore, the Company has established the Legal and Compliance Department to monitor and ensure the Company's compliance with relevant laws and regulations to demonstrate transparency in accordance with the corporate governance principles to all stakeholders and ensure the Company's ability to keep pace with regulatory and legal changes in a timely manner and control impact within an acceptable level.