

2. Risk Management

2.1 Policy and Risk Management

The company realizes that risk management is an essential part of good corporate governance, which is the foundation for doing business that enables the company to achieve corporate objectives and achieve sustainable growth, as well as capable of creating new business opportunities and coping with the impact of various events in the current situation. The company has set a corporate risk management policy that all employees must comply with and has appointed the Risk Management Committee to set up the risk management framework, supervise and support the organization's risk management operations in line with the company's strategy and business goals by considering different risk factors in light of the evolving economic, social and environmental situation on a global and regional level. The Risk Management Committee reports the organization's risk management to the Board of Directors at least twice a year. This allows the Board to be informed of how the organization manages risks in accordance with the plan and to give feedback to continually improve the efficiency of risk management in all aspects, enabling proactive risk management that is aligned with business operations. Hence, the company is able to continuously develop strategies, plans, and operations within the organization effectively and efficiently.

The Risk Management Committee reviewed the risk management framework and monitored risk management plans in all aspects in 2021. All departments must report progress and outcomes from risk management to ensure that all risks are under control. This year, the company has identified risk plans in 8 areas, which are economic risks in view of changes in regional economies that may affect the organization, risks related to client dispersion management, risks related to cyber security, risks related to personal data protection (PDPA), risks related to human resources, risks that are emerging according to the current environmental and social conditions, risks posed by climate change, and environmental risks. It was evident from the above operations that the risk management was carried out in accordance with the relevant laws and regulations and in the same direction as the organization's business.

2.2 Risk Factors

The Risk Management Committee has considered every aspect of risks with relevant departments in order to define measures to prevent and reduce the chance of occurrence, of which the following key risk issues were considered.

1. Economic Risk

Due to the current global economic situation, such as the economic crisis in the real estate sector and the energy shortage in China, the surging global oil price, the shortage of shipping containers for export, these issues had a direct and indirect impact on the company's business. The increased cost of raw materials and transportation drove up the cost of goods. The delivery of export goods may not meet the target. This included the Chinese purchasing power that was potentially reduced.



Risk Management Measures

Departments involved in the supply chain had assessed the raw material usage in advance. The raw materials that are used regularly and in large quantities were taken to negotiate with suppliers to reduce transportation costs. In export section, there was a detailed delivery plan attached to every shipment for each customer. By such management, the company was able to deliver the export according to plan and can manage costs to an appropriate level.

The sales department had tracked the sales of customers exporting to China to monitor the demand of products in the market directly, alongside with offering more sunscreen products, which are the best-selling products in China, to encourage more sales. Furthermore, products exported to Europe were marketed according to plan by using marketing strategies to present products in bundles in a variation of sizes, to help customers meet the marketing needs that they had planned in every customer segment and in every channels. This led to the company's sales in the fourth quarter growing strongly.

2. Customer and Sales Risk

Customer and sales turnover risk refers to the risk that a company's revenue and sales being concentrated in one or a few large groups of customers that make up the majority of the company's sales. If these groups of customers were to reduce their orders, this would have a great impact on the company's revenue.

Risk Management Measures

In order to reduce the concentration of customers, the company had applied a strategy where it retained existing customers and generated new customers that were traded in 2021 to increase the number of customers and sales, and thereby diversify sales across customer groups and product categories, such as cosmetics, skincare, toiletries, and color cosmetics. And from setting such goals, the company had increased sales and evidently gained new customers. Also, sales and customers were spread within both customer groups and product groups, making the sales to customer ratio adjusted to the appropriate level. Nonetheless, the company continues to set targets and KPIs (Key Performance Index) to ensure that sales and customer numbers remain within the limits.

3. Cyber security Risk

Nowadays the company uses computer systems to store various databases, including critical business information and personal data, and has implemented software program in each department. It also adapted its working system allowing employees to work remotely from home. In this situation, the company runs the risk of essential personal and business information being leaked to the outside, causing damage to the company in terms of losing reputation and incurring unexpected expenses. Furthermore, the cyber threats (Hacker, Virus software) could also damage software, hardware or digital components, resulting in a business disruption or ceased operations for a period of time. These cyber threats could significantly impact the image, reputation, and credibility of the company.



Risk Management Measures

Cyber security is the protection of computer systems from theft that damages the hardware, software, and digital systems of the organization. The company has installed anti-virus programs on all computers and required all employees to strictly comply with company policies regarding cybersecurity, such as updating virus database at least once a week, doing a virus scan before opening files from a flash drive taken from other places, as well as using software that is safe and always up to date, so as to ensure that the company's database system operates properly and smoothly and not hinder business operations.

4. Personal Data Protection Risk (PDPA)

In preparation for the Personal Data Protection Act (PDPA) coming into effect in June 2022, in the company's risk management of PDPA, the company has provided training to its employees in the supervisor level on the Personal Data Protection Act B.E.2562 to be aware of and understand the legal regulations that protect rights and personal data to prevent information leakage. The company has appointed a person directly responsible for controlling access of personal data and established a policy to secure personal information within the organization. Furthermore, the company has defined the scope of personal information disclosure, the restriction of access to personal information, and record of the use of personal information. All these actions have constituted a policy for all departments to adhere to in order to conform with the Personal Data Protection Act (PDPA) by June 2022.

5. Human Resources Risk

According to the company's manpower plan for 2021, there will be several employees among top and middle management and those holding key positions approaching retirement in the next 5 years. When these employees retired by rotation, there will be an immediate impact to the company due to the shortage of competent personnel. Consequently, the propulsion of the organization may be delayed or incapacity to keep up with the changing circumstances of the New Normal era.

Risk Management Measures

The company has examined various job titles and considered those in key positions, which include the titles of Core Position, Push Achievement, Critical Position, Specialize Leadership, and most importantly, the position of retiring executives in the coming 3-5 years, in order to plan the preparation of personnel for replacement and support the organization's growth at present and in the future. In this regard, the company has engaged a consultant to carry out a project, starting from organizing a training course to establish the "Succession Plan Management System" to executives and related parties, and setting up the system, which includes 1) Setting criteria for personnel selection with consideration to service years, work experience, suitability, performance, and competency level, 2) Establishing training roadmap for personnel development, 3) Trial of acting in charge in the position, and 4) the official appointment. This plan is a long-term project for one year, starting from August 2021, and is expected to end in May 2022. It aims to enhance the knowledge and competence of employees to suit the company's goals in the future.



6. Emerging Risk from the COVID-19 pandemic

In light of the COVID-19 outbreak situation that has spread in Thailand since 2020 and continued to early 2021, it has been found that the epidemic has spread widely and emerging several risky places or clusters in many areas of Thailand. The company is well aware of the business impact of the COVID-19 pandemic and realizes the need to be prepared to respond to immediate events in a timely manner. This includes the anticipation and assessment of the risks and impacts on operations from the COVID-19 outbreak closely.

Risk Management Measures

The company has prepared the business contingency plan throughout the supply chain to monitor the operations, namely the delivery whereby products must be delivered on time, the accounting and finance, taking care of income account and evaluating exchange rates in all currencies traded, as well as the management of customers and sales turnover to meet the target.

In addition, the company has established the D-M-H-T-T measure (Distancing, Wearing Mask, Hand Washing, Testing Virus, and Thai Chana Application) throughout offices in Bangkok, Sriracha and Pinthong by allowing employees to work from home for the departments that can work remotely in order to lower the risks if there would be an outbreak, allocating resources in the key communication system to keep the business running, taking sanitary and safety measures to maintain cleanliness in common areas, providing protective equipment and disinfectant at various point, as well as establishing measures for traveling to risk areas and arranging proactively screening with ATK testing for all departments.

Regarding the measures to be taken when notified of an infection of personnel, employees are expected to inform their supervisors and subsequently reported to the director for further action. As for the guidelines for detaining personnel in high-risk groups, the company requires home quarantine for at least 14 days, whereby conducts temperature checks and closely monitors the symptoms every day until due. At the same time, the company has defined processes and practices regarding the services to external parties, such as customers, suppliers, contractors, and government agencies as necessary.

All of these measures enabled the company to respond and manage the organization comprehensively in the COVID-19 situation. These include the preparation of business operations after the epidemic, enabling the company to operate normally without any impacts on the business.

7. Climate Change Risk

Climate change or global warming has a direct impact on natural resources, not only in agriculture and industry but also on the lives of people whose lifestyles rely on natural resources in many ways. Global warming, therefore, is an important issue that all sectors must work on together. As a manufacturer of cosmetics which requires the use of natural ingredients and relies on natural resources such as water, air, and cultivated land, severe climate change could affect the raw material supply chain.



Risk Management Measures

The company is aware of the risks and impacts of climate change on the delivery of raw materials derived from nature. Therefore, the Business Analysis unit has been assigned to monitor important environmental and social factors that may influence delivery and prepare monthly report to the relevant departments for acknowledgement. In addition, the company has launched the Green Initiative project, with a vision of sustainable business operations throughout the value chain. This project is a collaborative effort between all departments in the organization, starting from research and development, including design, raw material procurement, production, and delivery that are environmentally friendly and effective in terms of resource usage and efficiency.

8. Environmental Risk

Environmental pollution caused by manufacturing operations in industrial plants are water pollution, air pollution, solid waste, and sewage. The impact of these pollution, not only directly affecting workers' health, but also affects residents in surrounding communities and environment around the factory. It is therefore the responsibility of the company to assess the risks and formulate the mitigation measures.

Risk Management Measures

The company puts emphasis on environmental management from upstream by selecting environmentally friendly materials or natural materials in designing and developing products. It also manages manufacturing processes and related activities, which are the design of production process that reduce the energy consumption, both electrical energy and thermal energy, the effective use of water in the production process, as well as improving processes to reduce the use of water and recycle of water. For downstream, the company manages all waste generated from all activities in the factory so that it can be reused or recycled in order to reduce the amount of waste that must be taken to landfill.

The company has adopted the environmental standard, ISO14001:2015, to practice and has set clear target for employees to collaborate and become conscience of environmental conservation, and make a good use of resources.

Creating a culture of risk assessment

The most efficient risk management requires collaboration and cooperation of everyone within the organization. The most important part of risk management is having all employees understand the principles and processes of risk assessment and able to apply these principles in their jobs. As it is commonly known that building a culture of risk awareness does not happen in a short period of time, the company therefore sets guidelines to create a standard that is part of the routine work process, such as

- High-level executives and employees in all levels in the organization are involved in planning the business operations
- All units have risk assessment in their core operating processes in accordance with the requirements of ISO9001:2015
- Importing as the main tool in the design process, usage to assess various aspects, and defining the appropriate working process for new products before entering the manufacturing process in the factory
- Use in production process control (HACCP) and use to assess various manufacturing circumstances

