

# Risk Management

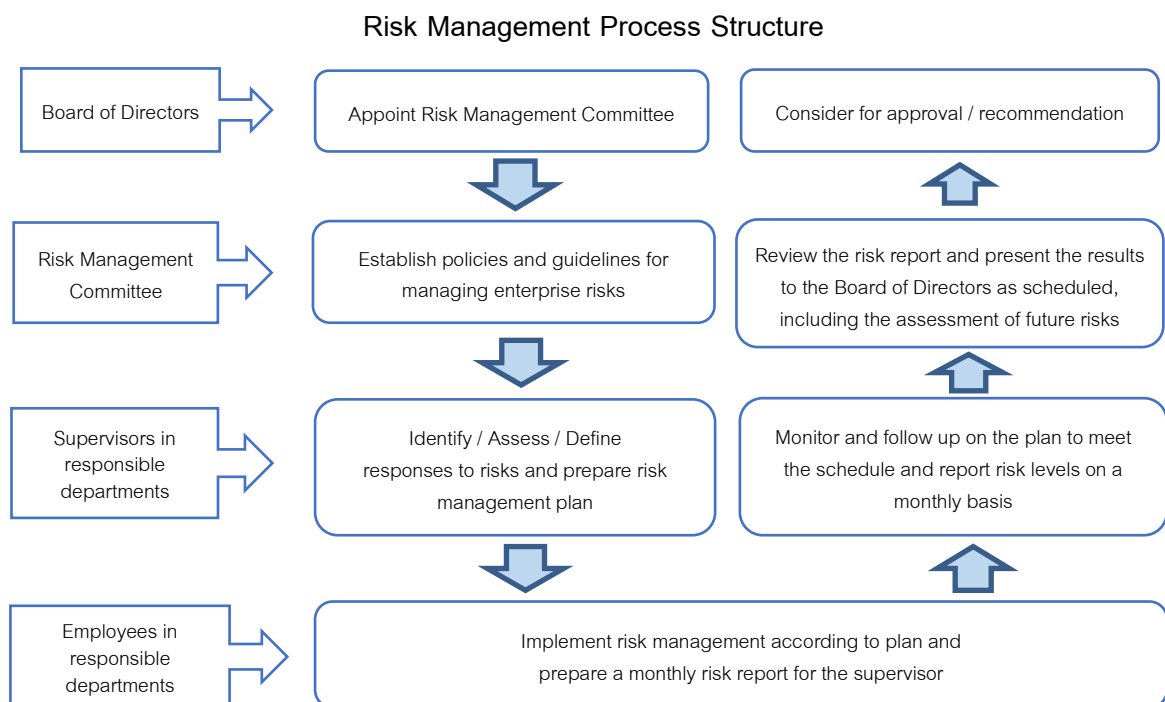
## 1. Risk Management Policy and Plan

The Company recognizes the importance of risk management as an integral part of good corporate governance, which is fundamental to conducting business that enables the Company to achieve corporate objectives and have sustainable growth, as well as being able to create new business opportunities and manage the impact of various events in the current situation. The Company has established a corporate risk management policy that all employees must comply with and has appointed the Risk Management Committee to establish the risk management framework, supervise and support the organization's risk management operations in accordance with the Company's strategy and business objectives by considering various risk factors in light of the constantly changing situation, both internally and externally, and that of economic, social, and environmental concerns on a regional and global scale.

The Risk Management Committee reports its management of risk to the Board of Directors at least twice a year so that the Board is informed of the organization's risk management according to the plan set forth and receives feedback to continuously improve the efficiency of risk management in all aspects. Also, this is to create proactive risk management that is in alignment with the organization's business operations and enables the organization to continuously develop strategic plans and operations in various aspects effectively and efficiently.

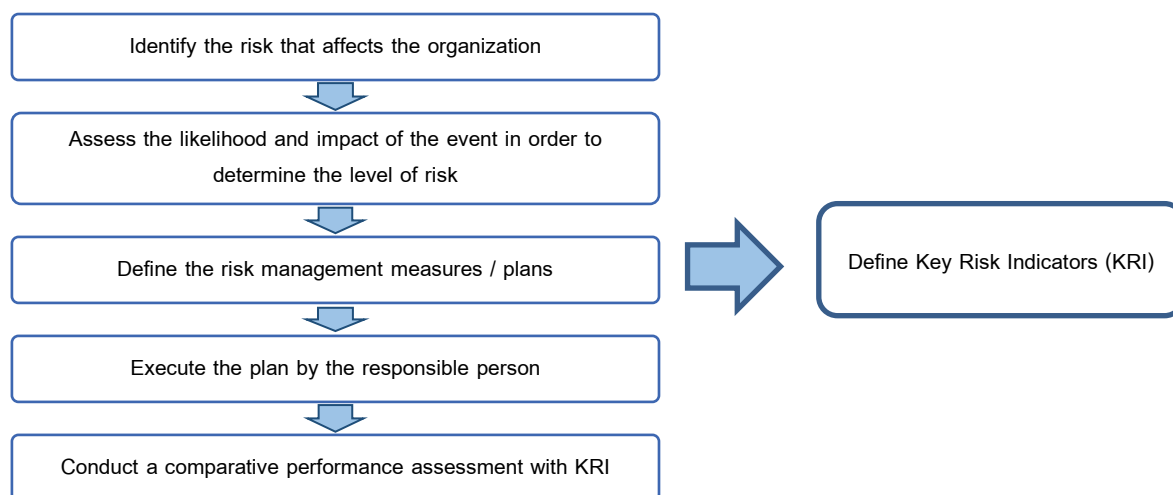
### 1. Risk Management Process Structure

The Company recognizes the importance of risk management which must be practiced in all departments across the organization in order for systematic risk management to be achieved. Therefore, the Company has established a risk management process structure that involves the Board of Directors, the Risk Management Committee, supervisors, and employees in the responsible departments. Roles in risk management are defined in accordance with the following processes:



## 2. Determination of Key Risk Indicators (KRI) and Risk Assessment Criteria

To ensure continuous and effective risk assessment throughout the process, the Risk Management Committee has established key risk indicators (KRI) in order to monitor, inspect, and assess risks every quarter. The risk indicator assists in determining whether a risk is high, medium, or low, thereby, enabling more comprehensive risk management.



In addition, the Company has conducted a risk analysis by considering the type and degree of impact and the likelihood of that impact to derive a criterion for the overall level of risk, which is having three levels, ranging from low to high. The Company considers low and medium levels of overall risk to be acceptable. For high risks, additional risk mitigation plans will be prepared for managing such risks to reduce, including assigning responsible persons and scheduling a time frame for completion, as well as monitoring the process as described above.

In 2022, the Company assessed key significant risks, including emerging risk in order to prepare the annual risk plan, which consists of six risks, namely emerging risks, customer risks, IT & Technology risks, personal data risks, supply chain risks, and environmental, social, and governance risks. The Company evaluated each aspect of risk issue from the perspective of its importance and analyzed its likelihood and impact, including risk indicators, in order to monitor and assess the effectiveness of risk management across the organization.

## 2. Risk Factors for the Company's business operations

The Risk Management Committee has reviewed all aspects of risks with relevant departments in order to define measures to prevent and reduce the likelihood of occurrence, of which the following key risks have been considered.

### 1. Emerging Risks

Emerging risk is the awareness of the organization that it needs to be prepared to deal with unprecedented changes but they are the risks that may damage the organization. The Company, therefore, has to assess or forecast these new risks by using the risk assessment process as an evaluation tool for the Company to develop a risk reduction plan,

and these emerging risks should be regularly assessed by departments within the organization. As for emerging risks in 2022, the Company has evaluated these risks in five areas, which are:

1. The impact of global inflation
2. Highly volatile exchange rates
3. A rise in interest rates
4. A situation resulting from the rise in crude oil prices
5. The Russia-Ukraine crisis

#### **Background Importance and Rationale**

The global inflation situation is becoming a major problem, commencing from the COVID-19 epidemic that lasted for three years, followed by the protracted crisis between Russia and Ukraine, which resulted in crude oil prices rising on forecasts of surging energy demand. Consequently, inflation in several countries reached a record over the past 40 years, with the United Kingdom at 9.1%, the United States at 8.6%, and Germany at 7.9%, prompting the Federal Reserve (FED) to adjust the policy rate upward in order to control inflation and prevent more aggressive problems.

While the war between Russia and Ukraine is still unable to find a resolution, this situation has directly impacted the prices of energy and commodities. Due to the fact that both Russia and Ukraine are key exporters and producers of a wide range of commodities, this has had an impact on the global supply chain, where production may cease or prices may increase abruptly due to a shortage of raw materials.

It is evident that the said external factors have resulted in the liquidity of global economy slowing down, and there is a tendency that the economic recovery after the COVID-19 situation in many countries may take a longer time, as well as the factor of declining purchasing power and the insecurity of investors, including the direction of the market that may change from existing.

#### **Impact Assessment**

The Company has an export proportion of 50% compared to the 2022 sales target, of which exports to Europe accounted for 80% of its total exports. Therefore, the inflation situation in many European countries could contribute directly to changes in consumer behavior, for instance considering purchasing products that are only necessary or needed, or choosing products that are worth the value of spending. These changes in consumer behavior will have an impact on the Company's revenue and profit in the future.

#### **Risk Management Measures/Plans**

It is the Company's policy to study the market growth direction according to product categories in Asia, Europe, and the United States, including Australia and New Zealand as a new market in the future, and outline a plan for the Company's growth direction in both short and long terms, including investments in new technologies. And most importantly, an urgent need is to analyze competitors both domestically and internationally in terms of their growth plans or long-term investment expansion plans.

At the same time, the Company consumes sunflower oil-based containing raw materials in the amount of 20 tons annually, and in light of the Russian-Ukrainian crisis, the Company has planned all purchases of materials containing sunflower oil-based six months in advance and covering the first quarter of 2023, which will confirm the delivery with the

manufacturer every month in advance. Moreover, the R&D department is searching for new sources of sunflower oil, as well as other raw materials for substitution. The Company also has expanded its scope of searching for reserves of other primary raw materials.

#### **Determination of Key Risk Indicators (KRI)**

The Company has set risk indicators in terms of both sales and costs on the basis of a percentage comparison to the set target. In 2022, sales for the entire year exceeded the target, while costs slightly increased but remained within an acceptable range. Therefore, the risk was considered low.

### **2. Customer Risks**

#### **Background Importance and Rationale**

Being the contracted manufacturer of cosmetic products, the Company is at risk of being affected by changes in the economy that affect consumer spending, trends in goods that vary by market popularity, as well as intense market competition. All of these can have an impact on the sales and profit that the Company has planned.

#### **Impact Assessment**

If sales do not meet the target, it will affect the revenue and profit of the Company and may lead to the loss of market share to competitors. As a result, the long-term growth plan may not proceed according to the target.

#### **Risk Management Measures/Plans**

The Company has plans to track sales by each customer, both domestically and internationally, and compare actual sales with the set target. The assessment covers both the short-term with a period of 3 months and the long-term with a period of 6 months in order to plan and manage problems and analyze the causes of failure immediately if sales are not performing as planned. The Company has also formulated a strategy to seek new customers, both domestic and overseas, based on its strength in innovation and delivery speed to create maximum customer satisfaction. At the same time, the Company also emphasizes retaining its existing customer base by offering products that are growing well and have a large customer base.

#### **Determination of Key Risk Indicators (KRI)**

The Company has set indicators for the number of sales and the number of new customers that increase according to the plan. It was found that both the number of sales and the number of new customers in 2022 were higher than the target. Therefore, the risk was considered low.

### **3. IT & Technology Risks**

#### **Background Importance and Rationale**

Today, technology and digitalization are important tools for business competition, whether for communication, storage, data processing, and data analysis. As the Company's information is interconnected throughout the organization, it is considered imperative that risks of information leakage and cybersecurity shall be assessed. Additionally, the Company has updated its SAP HANA software system used for work and data storage to be more efficiently used.

### Impact Assessment

Improvements to the SAP HANA software system must be planned and managed by a team of experts who understand and are familiar with the entire process. Deficiencies may result in a budget overrun and a deadline being missed if things do not go according to plan. Additionally, a threat, theft, or access to corporate data will result in a broader impact, from various operating systems down to a personal computer, and may cause any process or the whole system to be disrupted and damaged.

### Risk Management Measures/Plans

The Company has defined a plan to improve the SAP HANA software system and resources in IT and related departments, by setting up a working group to work together according to the demand of each department appropriately. This working group also jointly considers and controls the budget within the plan.

The Company's cybersecurity measures include installing a firewall on the server to prevent cyberattacks, monitoring and updating the latest version of software programs, installing the anti-virus program on every computer, limiting the use of external storage drives, and ensuring that the server is always backed up.

### Determination of Key Risk Indicators (KRI)

The Company has set indicators of software system improvements (SAP HANA) are the timeline and budget of the plan which will commence in 2023. An indicator of cybersecurity is the number of reported unusual incidents resulting from management, of which there were none. Therefore, the risk was considered low.

## **4. Personal Data Protection Risks (PDPA)**

### Background Importance and Rationale

According to the Personal Data Protection Act B.E. 2562, which became effective on June 1, 2022, data controllers and data processors are required to collect, disclose, and define measures to ensure that personal data is properly stored and destroyed in compliance with the law. As required to collect, use, and disclose personal data, the Company is therefore deemed to be a data controller and/or a data processor (depending on the case) and is held responsible for complying with the said Act.

### Impact Assessment

The Personal Data Protection Act B.E. 2562 has been promulgated to prevent the leakage of personal information. Therefore, it is imperative that every organization adheres to it. If the organization neglects or fails to comply, the penalty for non-compliance with the Personal Data Protection Act (PDPA) will carry civil and criminal charges, which could damage the reputation of the company.

### Risk Management Measures/Plans

The Company has established a Personal Data Protection Working Group to take the responsibility for drafting policies and guidelines in compliance with the laws, as well as coordinating and receiving requests from data subjects to exercise their legal rights. Additionally, the Working Group develops guidelines for agencies involved with personal data to follow and establishes measures for the retention and destruction of personal data in accordance with the law.

### Determination of Key Risk Indicators (KRI)

The Company has set indicators based on the number of complaints or violations of the Personal Data Protection laws, of which there were none. Therefore, the risk was considered low.

## 5. Supply Chain Risks

### Background Importance and Rationale

Due to the macroeconomic volatility in currency exchange resulting in the depreciation of the baht, and the significant increase in oil prices, the Company has been directly and indirectly affected by imported products that increased prices as a consequence of higher exchange rates and increased transportation costs. Whereby 55 percent of the Company's total purchases are imported goods, hence, the cost of products tends to rise.

### Impact Assessment

If the baht continues to depreciate for a long period of time and the global oil market is still unstable due to the Russia-Ukraine crisis, it is possible that raw materials and packaging costs will increase. This could have a significant impact on the cost of products and consequently on the profit of the company.

### Risk Management Measures/Plans

The Company has defined a strategy to purchase raw materials that are used in a variety of products and are frequently and regularly used (COMMON), with purchase offers that are appropriate in quantities to the prices, alongside the management of raw materials inventories based on the quantities required to use, including the negotiation for a single price and the determination of a price confirmation period. These actions must all work together throughout the supply chain for planning and preparation ahead in order to reduce overall operating costs and manage the cost per unit so that they can be reduced or retained to the greatest extent possible.

Regarding exports, the Company has entered into contracts with shipping companies to handle the exports of goods for which it is responsible for freight charges. The contract specifies freight rates throughout the contract period and the expenses involved are clearly identified as both fixed costs and variable costs, such as oil prices. This results in a lower price than the market price or the spot rate price. The contract also reduces the risk of sudden price fluctuations, for instance in the event that shipping lines increase their prices due to increased market demand.

### Determination of Key Risk Indicators (KRI)

The Company has set indicators as a percentage of the average cost of raw materials, packaging, and the transportation costs that have increased compared to 2021. Whereby the average cost had increased but was still within the specified range, the risk was therefore considered low.

## 6. Environmental, Social and Governance Risks

### Background Importance and Rationale

The United Nations (UN) announced 17 Sustainable Development Goals (SDGs) in 2015. As a result, these sustainable development goals will be used to guide Thailand's and the world's future development. To conduct

sustainable business, the company must give importance to the environment, society, and good governance, which affects the ability to generate profits, competition, image, and the sustainable growth of the organization.

Furthermore, the current climate conditions, which are constantly changing and unpredictable, may affect the natural raw materials from the palm group, which accounted for approximately 40% of the company's raw materials.

#### **Impact Assessment**

Failure to practice or promote or value the environment, society, and governance principles can result in loss of market share, lack of trust in the company, and may lead to considerable financial loss.

#### **Risk Management Measures/Plans**

The Company has placed a priority on sustainable business operations. The Company adheres to the rules and regulations of environmental laws and labor laws, as well as the protection of human rights and the equitable treatment of all stakeholders. It has established the environmental policy and ensured clear announcements and communication within the organization. Besides complying with the ISO14001 standard, the Company has been certified by an official certification body and is continuously renewed every year. Furthermore, the Company has extended its scope to include business partners by inspecting them on annual basis. It is a necessary criterion for all business partners to meet.

#### **Determination of Key Risk Indicators (KRI)**

The Company has set indicators for the company or its business partners experiencing business disruptions due to labor issues, human rights issues, and discrimination, where no incidents were found by the company or its partners. Therefore, the risk was considered low.