



Risk Factors

Placing the importance on sustainable risk management to add value to the stakeholders, the Company has investigated and applied COSO ERM 2017 to the Company context. Also, the policy regarding risk management aims at managing all risks covering to business activities. Risk management is also pushed forward to become organizational culture. The Company has continually reviewed and estimated risks by taking into account internal and external factors, chance causing risk and its direct and indirect impacts to business operation. The Company's risk evaluation and identification are made to design a supportive tangible work plan and suitable risk management measure to protect, regulate and control many aspects of risks to be in the acceptable level. Risk factors having impact on business operation are explained below:

1. Risk at Sales channel

The Company has run business in producing and domestically and internationally distributing finished cloth and leather products under entrusted trademark and the Company's trademark. There are sales channels both with and without sales agent. So far, the Company has proportion of distributions for more than 50% of income through main business partner who are sales agent of the department store. Should that business partner have been affected either from economic, political and business competitive circumstances or from other factors, e.g. the swift of technology which has greatly influenced to the daily life and business, the Company will also become exceedingly affected. The Company has its own risk management method. They are the following:

Domestic Market



- 1) To cooperate with partners to increase sales channels, for example, TV shopping, online selling and Marketplace, focusing on developing products, method and quality and setting price to meet target's needs in each channel.
- 2) To develop House Brand products and directly sell to the consumer by having own shop, selling through Factory outlet and online platform.
- 3) To offer special service of tailoring office uniform to increase sales channel.

Export Market

The Company has policy to increase distribution proportion to other potential customers by co-developing products with customers and seeking customers from both new and existing markets

2. Risk from Digital Transformation Technology

Digital transformation technology plays an important role in daily life and business operation namely applying digital technology in marketing administration and selling online. In the long run, this transformation may have an effect so greatly on traditional business operation and sales channel that the Company lost competitiveness. Therefore, the follow-up and analysis on transformation trend of digital technology have been applied to develop competency at work, including initiation of new business to increase competitiveness and to add value to the Company, for instance, the application of big data on an analysis of needs and behaviors of the customers, the launching of strategic marketing on linking to sales channel, the application of A.I. on the production process to enhance competency and respond to customers' needs as well as the use of digital technology in production administration and transportation.





3. Risk at Exchange rate

In the present, the Company has done financial transaction in foreign currency on the import and export. Realizing the risk that might occur, the Company considers exercising some protection tools to bridge the gap according to the policy on risk protection approved by Risk Management Committee. Moreover, internal coordination among related business departments have been made to calculate natural hedge and do forward contract to reduce impacts from currency appreciation.

The report has been done and quarterly submitted to the Risk Management Committee for their notation and consideration. The policy may also be reviewed to be aligned with economic trend, currency direction as well as the Company's strategy.

4. Risk at Investment in money market

The risks occurring all over the world, fragile economy resulting from stringent world currency and the U.S. obscure policy on currency cause the central bank in emerging markets to reduce interest rate and apply simulative measure through finance policy. Nevertheless, it is anticipated that returns gained from the investment will exceedingly decrease comparing to the past.

The Company has managed liquidity of capital surplus by applying commercial bank account, government bonds, mutual fund and bond. Realizing all risk factors mentioned including risks at debenture defaulted, the Board of Directors and Risk Management Committee have considered the bond investment and specified that the bond investment should be made only to the group of company with credit rating and that credit rating of the bond is not less than A rating grade. The Asset-liability Management Committee has been assigned to intimately follow up on the investment circumstance and do credit rating of the bond invested to be in the acceptable level.

5. Risk at Human Resource Management

Being aware of human resource as a key element in driving business to the expected direction and Company's strategy, the Company has strong determination in developing human resource to be competent and able to handle the internal and external changes. As a result, the Company puts emphasis and effort in recruiting process and significantly sustaining competent personnel. Risk management approach that has been applied by the Company is elaborated as follows:

- 1) **Recruiting experienced personnel to enhance business competency** Their expertise must be aligned with the direction and structure of organization. There are several recruiting channels namely social media, Job website, networking with famous education institutions. The recruiting platform also includes internal recruitment, job rotation and promotion.
- 2) **Building and developing successor position for the future** The Company has developed capacity building program for the key position which has great impact on organizational management. Working performance and competency have been evaluated applying the established criteria. Moreover, the Company has developed a plan for individual successor by assessing readiness in inheriting the target position.





- 3) **Developing all level of personnel to be ready for the change** The Company has development program on required management skills for the Management, strategic planning, coaching skill, communication skill, skill for supervisor in production line to enhance subordinates' competency. Generally, HRD is applied to all sections to ensure organizational value is grown to all employees reflecting organizational culture. The program focuses on 2 main topics, Active to Quality and Think & Go Digital, which truly contribute to the study and adaptation to the change.
- 4) **Building relationship and developing internal communication** Realizing the significance of developing internal communication and building good relationship between the employees and the Company though activities conducted, the Company has created platforms for internal communication, e.g. Email, Group Line as well as Facebook Thanulux and held activities namely Town Hall Meeting, On Boarding (for new staff), Happy Birthday as well as TNL volunteer. Every year, surveys regarding internal communication and level of satisfaction towards working environment have been conducted to improve communication channels and working atmosphere. It will bring about employee engagement which is one of The Company's sustainable missions.

6. Risk to follow rules, regulations and relevant legislation

Giving priority to strictly following rules, regulations and relevant legislation related to business and environmental impact, the Company places importance on policy in good business operation along with taking care of society, community and environment.

Certified with quality accreditation ISO14001:2015 and ISO9001:2015 and awarded with CSR – DIW CONTINUOUS AWARD in 2019, the Company has Legal Affairs Office to perform regulatory function to the relevant laws on business operation. Also, the Company has regularly disseminated necessary information to all employees to keep them posted and have better understanding towards to laws.

7. Risk at the corruption

Having strong determination on sustainable business operation, the Company places importance on the Good Corporate Governance and concise process of internal control system. Thus, Anti-Corruption policy is launched requiring strict execution. Accepted as a Party of Anti-Corruption Network, the Company has joined Collective Action Coalition Against Corruption (CAC), which is a program initiated by private sectors regarding anti-corruption. Additionally, Code of Conduct in business has been created and communicated to the distributor and subcontractor to emphasize on the Company's standpoint.

Regarding the deterrence and risk management from corruption, the Company launches measure regulating key working process in which corruption might take place. Internal Auditing team shall perform risk assessment and random inspection to ensure that all working processes have transparently and honestly done. This is also to deter any conducts from involving to the corruption and to open channel of communication for stakeholders to notify a clue or suggestion or to file a complaint in relation to the corruption.

The Petition Investigation Committee has been set up following to the transparent, systematic and detectable process to bring about trust and reliability in the impartial investigation process.

