

## 2.2 Risk factors on business operation

### 1. Production Risks

In terms of the potential risk factors which may impact on business operation, the Company recognizes the importance of closely monitoring and systematically formulating and implementing risk management plans to cover the following aspects:

Risks relating to production to ensure the quality of products and production timeline, as well as due management of the cost of products as set by the Company.

#### - Preventive Measures

The Company selects suppliers with operation management which have attained ISO 9001 accreditation to be confident that our business partners have the required management systems, capabilities and ability to comply with the production policy set by the Company to ensure that the manufactured goods achieve all set targets. These companies were all established with the objective to mutually support one another under the umbrella of the Saha Group, thereby strengthening each other's business operations and enhancing their potential and competitiveness, as well as collaborating immediately to resolve any problems or challenges which may arise.

### 2. Product Management Risks in Stores

These are risks pertaining to the imbalance of stock management not being in line with the demand of customers such as the condition of either overstocking or shortage of stock or fluctuation of purchasing power affected by the economic recession and the war situation in Europe that result in the product management and subsequently the effects on sales targets and market opportunity, exacerbated by the rapid change in online marketing, has required the production planning to be more flexible so as to always be prepared to meet the variant challenges both in terms of fashion and production volume.

#### - Preventive Measures

1. The Company introduced the Quick Response Management System or QRMS to enhance its potential in stock management efficiency, resulting in more effective monitoring and management of stocks on a daily basis in every store and rendering effective data analysis, more precise picture of market demand and product movement in order to mitigate opportunity loss. It also helped with the preparation and the update of the latest news to make sure that only the most accurate and up-to-date information was used for analysis with the product management plan, in order to ensure availability of products in market demand, as well as the ability to modify production plan for optimum efficiency.

2. The Company has created an Auto Replenishment system, by adapting the QRMS to effectively and efficiently manage stocks at all stores to ensure that stocks can be replenished in accordance with customer demand in terms of desired products and their volume to ensure that stocks at all stores coincide with sales to avoid the loss of sales opportunity when there was customer demand, but no desired products available.

### 3. Risks Relating to Sales Channels

The Company's business is conducted through main sales channels which have limitations in terms of area size and number of branches.

#### - Preventive Measures

1. The Company policy is to further accelerate expansion of sales in Discount Stores, including modification of its sales and order placement systems especially for this sales channel in accordance with the demand and purchasing power of target clients of Discount Stores. This strategy is applied to all product categories through selection of products with both quality and pricing that appeal to target clients, especially for apparel with the main emphasis on fashionable design and colors.

2. The Company policy is to accelerate the increase of sales channels, especially in E-Commerce of which online customers have rapidly increased. In the past year, the Company cooperated with various market places for online sales and simultaneously expanded its outlets under ICC direct management in the Specialty Store model, to enhance sales potential in addition to the sales channel in major department stores nationwide.

### 4. Risks Relating to Changing Customer Behavior

#### 4.1 Changing of Technology

The current technologies have rapidly changed at all times. The need behavior of consumers has simultaneously rapidly changed. That causes dead stock. Consequently, the Company has to set the plan to release the products including to sufficiently distribute the products to timely suit the circumstances, as well as to utilize the technologies corresponding with the requirements and convenience of consumers in their ordering to purchase the products online on every platform where the Company can encourage the behavior of consumers to utilize social

media more than previously such as Facebook, Line, YouTube, Instagram, TikTok and others; therefore, it resulted in the fast increase of the online customers group.

#### 4.2 Taking Care of the Environment and Saving the Earth

At present, the consumers turn environmentally conscious and join to save the Earth more than previously. Therefore, products and manufacturing processes shall consist of natural composition obtained from the traceable sources with no chemicals not harmful to skin and other health issues (the Non-Toxic Beauty), including not harmful to the Earth. Additionally, the compounds shall also be effective and necessary to consumers. Apart from the raw materials and compounds must be clean, of good quality and safe, the products shall also pass the eco-friendly manufacturing process and have eco-friendly packaging, which are the trend of understanding and caring for consumers under the global trend toward the Earth Saving, which the consumers worldwide pay attention to.

##### - Preventive Measures

1. To strengthen digital technology in manufacturing industry and selling goods as a key factor. Presently, business doers in various industries have brought the digital technology to enhance efficiency both in products development and presentation of products to most satisfy requirements of the consumers. The significant target to better suit requirements of the consumers in the new era regarding the digital technology takes part to further the industry, namely the Artificial Intelligence (AI) Machine Learning, Augmented Reality (AR) and Virtual Reality (VR) and Big Data including software used in various work to facilitate upgrading the products to be of high quality and exactly satisfying the requirements of the consumers, solving their problems concerning purchase of products online, trying of products, inspecting condition of the products and immediately and timely providing counseling for the customers.

2. The Company is dedicated to creating quality products at appropriate pricing in more targeted response to specific consumer groups, thus building positive impressions in their hearts and minds. At the same time, the Company also continuously generated measures to stimulate the market by capturing the interest and attention of target consumer groups in its effort to maintain and expand its customer base, including adoption of a strong Customer Relationship Management system in the form of His and Her Membership.

3. The Company has focused on improvement and development of its modernization systems including its E-Commerce website [www.iccshopping.com](http://www.iccshopping.com) to facilitate easier access and transaction. Furthermore, its partnership with Tiger Distribution and Logistics Co., Ltd., whose long experience in warehousing and timely delivery of goods nationwide through its efficient distribution mechanism, provides consumer confidence to online customers that they will get safe and fast service.

4. To adjust strategies to cope with the fast change, the Company has developed strategic models along with modifying the marketing corresponding with change and competition and strengthening the Company's Brands on social media, as well as linking its working systems with those of its online partners on each platform so as to connect both online and offline for readily and appropriately upgrading the products in all channels.

#### 5. Risk from the Online Sale Which Changes Rapidly

Currently, it is no need to have agents to import goods any more as the customers can immediately order goods from manufacturers directly only at their fingertips through the online channels. These changes caused by the developed technology make the selling of products different from previously. The consumers need not purchase through any representative company to import the products, hence facilitating more growth of the small traders with not so much capital. The Company has to adapt itself corresponding with the online sale condition that changes at all times. If understanding, paying attention and properly adjusting, we will be impacted not so much; on the contrary, if we fail to adjust ourselves in time, we may get loss at once.

#### 6. Risks from reduction in the number of tourists

The products for which the Company is import and distribution agent are products in demand among Chinese, Russian and Middle Eastern tourists. The reduction in the number of tourists from the COVID-19 pandemic situation inevitably impacts on the sales of the Company especially in those provinces which are tourist destinations.

##### - Preventive Measures

1. Adjust sales promotion plans to focus on domestic customers because there is still risk of resurgence of COVID-19 whereby it is important and necessary to pay attention to the Thai tourists.

2. Collaborate with department stores in jointly setting plans to attract higher numbers of tourists or the foreign tourists who are staying in Thailand or the foreign tourists who are citizens of the countries permissible to take a trip to Thailand by encouraging them to the shops through various privilege jointly made with those shops.

3. Seek for an occasion to use new products, for example, it must be a souvenir by attracting the tourists to take the products on periodic or special occasion. It is to get chance in new consumption for increasing use of products.

4. Use various online media accessible to tourists to remind of the Brand to always be in their mind when the Country has fully been reopened and they are able to come back to travel in our Country again, they will memorize the brands of products and purchase such brands in their mind.

5. Develop the products to suit the requirements of customers in the groups of the Middle East, India or other tourism markets to reduce the dependence on the tourists of only a single country such as of China, etc.

## 7. Risks to environmental impact

Having realized the ongoing potential problems that may affect the environment, the Company therefore considerably develops its manufacturing process and extends conservation and sustenance of the environment all the time.

### - Preventive Measures

1. Reduction of use of plastic in packaging, reduction of wastes and control to decrease number of plastic in every year. For example, the Company selected to produce giant size powder where to reduce using of plastic in packaging from previously 3 pieces used, now only 1 piece used. In addition, the Company also launches the campaign for reduction of using plastic by means of a refill; it is to reuse its previous package.

2. Development and manufacture of eco-friendly products thereby the formula of sunscreen has been modified to become with no any chemicals that are harmful to coral reefs aiming for prevention of coral bleaching and not destroying the environment under the sea. Currently, there is publication to encourage people's awareness of data and information about sunscreen which indirectly damages coral reefs with some chemical mixture. Additionally, the vegan formula nourishing skin cream has not been tested on animals but only tested on plants. In that connection, neither animals nor ecology are destroyed. The Company always continually develops its products and protects the environment simultaneously.

3. The Company realizes the importance and intends to return profits to the society, the community and the environment. Based on the trend of environment preservation, Wacoal lingerie is the first brand in the textile industrial business sector that is awarded the Green Label by Thailand Environment Institute as the quality and safety brand which is perfectly eco-friendly in every manufacturing process. 'Wacoal Love Earth' is the declaration of the strong intention in jointly preserving the environment with the sustainable growth goal.

## 8. Outdated Products

The Company is a major distributor of fashion products, the popularity of which changes rather quickly. In 2023, the Company has inventories in the amount of THB 2,686.33 million or 39.72 percent of current assets and 7.72 percent of total assets, with inventory turnover rate of 2.47 times, bring the Company's average sales times to 148 days, which may be at risk of products becoming obsolete if not sold in a timely manner, rendering an increase in management costs and requiring the setting of allowance for obsolete or inferior products which causes a decrease in net profit and liquidity. However, the Company has a management policy to prevent long-term inventories by improving the whole merchandising process: from purchasing, managing seasonal merchandising by increasing success rates of new products, and managing slow-moving products by expediting promotional activities for such products clearance.

## 9. Investment

The Company invests in businesses of a total of 139 affiliated and other companies in the proportion of shares held no more than 50 percent of such company's registered capital and in four companies with share held more than 50 percent of the registered capital, which are considered subsidiaries of the Company. Investment is in the form of cross or reverse shareholding between affiliated companies, with the Company having no control over the invested company and their management is completely under the direction of the respective board of directors of each company.

The management and decision making regarding the Company's investment is in the form of joint investment in related businesses, businesses with mutual benefits, and investments to diversify risks.

The Company receives a return on investment in the form of dividends. If any invested company suffers a loss, the Company will record an allowance for loss on impairment of investment in the income statement of the Company. The said shareholding structure does not affect the recognition of the Company's revenue sharing and does not make any difference to the financial statements.

The Company has measures to prevent investment risks by appointing a person who is in a joint venture company or is in a company that does business related to the invested business, investment management center to monitor the financial statements and information regarding the invested company's situation to know if there are problems and report to the Company and the shareholders in the group once a year, as well as to immediately report any unusual or critical events so that solutions may be collectively found. In addition, the Board of Directors and Executive Committee meetings are regularly convened to review the operating results in which the Company invests, with a focus on businesses which are suffering from losses, and to find remedies for such businesses to manage losing transactions in order to obtain sustainable profit.

## 10. Loans and guarantees

As of December 31, 2023, the Company had granted loans to three joint venture companies amounting to THB 619.00 million compared to THB 119 million in the year 2022, in the amount of 500.00 million baht due to a related party borrowing from the Company.

As of December 31, 2023, the Company had guarantee obligations to 12 companies, amount to THB 254.07 million compared to THB 247.94 million in the year 2022. A decrease of THB 6.13 million baht, Such guarantees were under the joint venture agreement and are proportionate to the Company's share-owning.

## 11. Fluctuations from exchange rates

Exchange rates have both positive and negative effects on the Thai economy. And it is something that the company as an exporter/importer have to face. Changes in exchange rates will cause the Company's income stream or expenses in baht terms to be uncertain. Which may lead to increased profits or loss, however, exchange rate fluctuations It is something that is difficult to predict. Because various factors affect the trend of exchange rates. Domestic economic fundamentals, monetary and fiscal policies, world economic situation, forecasts and speculation. Political situation in the country and abroad, market psychology and various rumors. Although the Company can't control exchange rate fluctuations, but it can manage exchange rate risk. Using various tools appropriate to prevent risks in advance. Such as entering into foreign exchange contracts in advance, in order to manage the benefits and costs more effectively.

## 12. External market competition

As today technologies have advanced rapidly, entrepreneurs aim to approach individual customers in order to establish direct business without middleman; the Company, therefore, has plans for future operations as follows:

1. Entering supply chain structure to lower the costs and to gain more competitive advantages
2. Focusing on the Company's ability improvement to reach "Deep Customer Insight" to better respond to the change of customer's behavior.
3. Restructuring the organization structures to become more concise, effective, and quick to respond to customer's needs, along with continuously developing more efficiency in various aspects.

## 13. Risks from uncertainty of returns that investors expected to receive

Prices of the Company's shares may fluctuate depending on the various factors, some of which may be uncontrollable, for instance:

- Changing of policies, rules, regulations, or conditions that have an effect on the manufacturer's industry;
- Economic conditions, crises, and unusual situations such as inflation, the oil price war, Russo-Ukrainian war etc.

These factors may cause the share prices to become lower than the prices purchased and/or higher than the prices sold by the investors; thus, the investors may be at risk of the uncertainty of returns as expected by the investors.

## 14. Risks of incapability to pay dividends as investors expected

The Company's ability to make dividend payment depends on various factors; such as, investment budgets and capital reserves for business expansion, payment for investments in investment funds, and cash flows obtained from work operations. In case the mentioned factors affect the Company's ability to pay annual dividends and/or interim dividends, the Company may be at risk of paying dividends at a lower rate than investors expected. Nevertheless, the Company still treats the shareholders as an important group of persons, as if they are the owners of the Company or the investment's owners of the business.

The company has a policy to pay dividends at 0.20 baht per share per year (equal to 20% of the PAR price), depending mainly on the company's operating results and economic conditions.

## 15. Regulation, laws, rules, and relevant laws Risk

Due to changes in state policy which attaches importance to the development of the economy parallel to the development of society, communities and the environment, such changes could have an impact on business operations. For instance, the Personal Data Protection Act B.E. 2562 (2019) provided rules, mechanisms, or measures for oversight in relation to the protection of personal data as regards rules for the collection, compilation, use, disclosure and transfer of personal information. Any violation or non-compliance would be punishable by civil, criminal and administrative sanctions.

The Company therefore regularly monitors changes in regulations, laws, rules, and relevant laws including to the laws related to business operation which may be changed or amended, also will disseminate and create the understanding among the personnel regularly for preparations in response to any change. The Company exercises oversight of business activities and company operations to secure compliance with laws, regulations and directives, to ensure that the Company's business activities are consistent with the provisions of the law. The Company also builds an awareness of the importance of legal compliance amongst Company Directors, executive officers and employees through various activities, such as communication of knowledge and advice to Company personnel.

## 16. Aging Society Risk

Thailand is now entering into an aging society. Both public and private sectors have continuously launched policies, strategies, and tactics to serve this age group such as The Twelfth National Economic and Social Development Plan (2017-2021), The National Plan for Older Persons, and Elderly Person Act. Senior citizens are likely to continue working even after their retirement. ICC realizes that our personnel is the heart of our company. Thus, we support and promote the work of the senior citizens based on the concepts of flexibility and willingness. We give job opportunities to the senior citizens who are competent and physically capable of working so that they feel worthy. They can also constantly develop their skills, strengthen their physical and mental health, as well as earn a living for themselves.

In 2023 Number of Retired Employees who Continue calculated in percentage score is 37.25. Details are available in the Company's Sustainability Report 2023 and posted on the Company's website (<http://www.icc.co.th>)

## 17. Risk from Corruption

The Company is well aware that corruption is the significant obstacle to sustainable business, economic and social development. Corruption may happen in different forms and with various violence, the Board of Directors and the executives of the Company, therefore, pay attention to eliminating fraud and corruption by stipulating the policy and guidelines against corruption and communicating to its directors, executives, officers and all groups of stakeholders. Moreover, sufficient review and assessment of the procedure of elimination of corruption are always undertaken in order to ensure all groups of stakeholders that the Company runs the business with transparency, fairness, verifiability to enhance competitiveness and sustainable growth.

In addition, the Company also assesses the risk of non-compliance with laws, rules, regulations and corporate governance including following up on the grievance which may be made under the grievance procedure and notifying and planning to improve and upgrade various measures and presenting the outcome of performances to the Corporate Governance Committee with the aim of sustainable development, and providing recommendations and/or determining the relevant guidelines for practice so as to always prevent from the aforementioned risk. To this end, the Company has joined in the Thailand Private Sector Collective Action Coalition against Corruption where the Company is certified as CAC Certified Company first time in 2016 with the term of 3 years each time and the Company is renewed this certification continuously second time in 2022. In 2023 the Company is Compliance with the policy and guidelines against corruption and monitor the result continuously.

## 18. Risk in Human Rights

The human rights issue is the interesting issue in all parts and sectors which the Company pays attention to responsibility for the society and all groups of stakeholders in protection of right which is the basic right for sustainably working and living together. The Company has, therefore, stipulated policy and practice guidelines involving human rights ('Human Rights Policy'). This is to prevent from infringement of human rights in the business sector throughout the supply chain which relates to all stakeholders both directly and indirectly, Labour Aspects of Social Responsibility, with regard to forced labour, remuneration for work, working and rest hours, holidays and leave days, discrimination, discipline and punishment, sexual harassment, violence, child labour, women labour, liberty to form an association and negotiate, safety, occupational hygiene and working environment and labour welfare, including the publication of working terms, and has communicated those policy and practice guidelines on Human Rights to the Company's directors, executives and officers and has strictly observed to comply with, thereby the Company has also communicated to the external stakeholders through its website.

The Company provides mechanisms for filing complaints of human rights violations and protection for persons giving notice of human rights violations through channel for filing complaints of corruption. In the past year, no incident of human rights violation from the Company's operations was found. Nonetheless, the Company appreciates the possibilities and risks of potential incidents and prepares measures to appropriately remedy and mitigate the impact of human rights violation victims on case by case basis.

## 19. Risk in Personal Information Protection

Our Company has still realized and paid attention to management of personal data in compliance with the Personal Data Protection Act, B.E. 2562 (2019). Apart from stipulating the personal data protection, our Company has set a working group and simultaneously set up their policy and framework to enable them to administer to save data and information about various activities and secure those data and information pursuant to the aforementioned Act. Additionally, we have developed the efficient searching and finding process, monitoring and upgrading and modifying the right under the transparency principle concerning the personal data either the data of the internal staff, members or customers including the processing agreements that we have entered into with partners; for example, the administration system of inventory, business partners, financial institutes and external stakeholders.

In previous year, our Company upgraded the Record of Process Activity (RoPA) in each work sector to comply with the newly enacted acts and legislation as well as to comply with the current situation where the personal data are more deployed. In that connection, such data and information shall be accurate and precise suiting administration and management of the internal business of our organization but not affecting the right exercising of right by customers, staff including stakeholders.

## 20. Risk in the Cyber Safety

In the business operation of the Company, the Company has used data and information in management for more than 20 years (Data-Driven-Organization) especially at the present which is the digital and new model business world. To function the digital systems shall deploy the information technology to connect a lot of data in all parts and sectors of the organization between the information system and the supply chain network from manufacturers to consumers, including the functioning of the digital systems of the consumers through several formats of communication such as the social media communication, the expenditure through the Internet and etc., which may cause risk and threaten the cyber safety at the higher rate and with double variety of models.

The Company has realized the risk which affects its internal operation and the connecting of the information technology to the supply chain and other ecosystems; therefore, the Company sets the measures to lessen such risk as from improving the policy of cyber security pursuant to the global standard of the National Institute of Standards and Technology (NIST) including upgrading the information technology both hardware and software. Having realized the importance of developing the cyber security personnel, so the Company increases the measures involving information where to develop the capability of the personnel in security of data and information systems and being prompt to review and upgrade the information system and various procedures thereof to be correct, accurate and speedy. In the meantime, the Company normally prepares the plan of rehearsal for the system retrieval and the backup plan for emergency each year. It is to ensure safety of the systems and readiness to solve the risk which may happen from time to time. The Company also follows up on any change of laws, rules and regulations on the information technology and privacy so as to modify its policy and procedure for immediate consistency of those laws, rules and regulations. The training is organized to provide knowledge of the cyber hazard and the relevant information technology laws aiming to encourage awareness of security of data and information systems in staff members of all divisions.