
2. Risk Management

2.1 Risk Management Policy and Plan

The Company realizes the importance of risk management and believes that risk management is the basis for helping the Company to achieve its business goals by identifying and managing risks, which will help the Company to make better decisions, see opportunities as well as to be able to reduce the severity of the impacts from various risk events that may prevent the Company from achieving the set goals. Accordingly, in order to obtain credibility from stakeholders that the Company will be able to operate business under continuous and rapidly changing environment at the present. The Company has applied the risk management framework to the organization with the introduction of the COSO ERM standard, which is an international standard in terms of risk management. It is considered that risk management is an essential component of every business process of an organization and must be linked at all levels. Therefore, the Company has established a risk management policy throughout the organization that all employees must abide by and set up a risk management committee to perform supervisory duties on overall risk management for maximum effectiveness.

Enterprise Risk Management-Integrated Framework

The Company has appointed the Risk Management Committee which consists of the Company directors and senior executives from various related departments with the main duties and responsibilities as follows:

1. Set policy and risk management framework, define an organization's risk management structure as well as communicate the policy and risk management framework to everyone in the organization.
2. Set criteria for measuring the level of risk, the level of risk that the organization accepts and guidelines for monitoring and reporting of risks.
3. Support executives in risk assessment, assess adequacy for the suitability of the risk management plan and follow up progress as well as provide advice on risk management actions.

Risk Management Process

The Company has prepared a risk management manual by referring to the risk management framework in accordance with international standards to serve as a risk management guideline for executives and employees throughout the organization. The manual has established a risk assessment framework covering all 4 main risks as follows:

1. **Strategic Risk** Risks arising from strategic planning, operational plans and implementation that seem to be improper or inconsistent with strategic / vision issues that affect the achievement of the visions or objectives of the organization.
2. **Operational Risk** Risks associated with efficiency, effectiveness or operations, which may relate to internal operating processes, personnel, work systems or external events that affect operations.
3. **Financial Risk** Risks related to financial management, which may arise from internal factors such as investment credit liquidity management or from external factors such as interest rates, exchange rate as well as risks associated with the reliability of financial reports.
4. **Compliance Risk** Risks associated with compliance with laws, rules and regulations established both from within and outside the organization.

The Company determine the risk management policies and frameworks, which adhere to the guidelines of risk management set by the Stock Exchange of Thailand as follows:

- 1) Put in place coherent strategies in line with the risk management policies to be able to evaluate, monitor and control each type of risk in order to manage the risk at the

acceptable level. The risk management shall be in participatory manner involving relevant stakeholders and agencies.

- 2) Analyze and evaluate risk factors at the corporate level and determine risk management strategies to mitigate and reduce the risks to an acceptable level. The risk management shall be controlled and supervised by the Risk Management Committee in line with risk management protocols of the Company;
- 3) Review risk management policies and improve efficiency and effectiveness of the policies sufficiently to manage and mitigate risks
- 4) Authorized to call any person concerned to clarify information related to the risk factors of the Company including to appoint and assign duties or tasks are deemed to be part of the essential functions of risk management to all employees and management in order to achieve the risk management objectives. The assigned tasks shall be reported to the Risk Management Committee
- 5) Report risk management to the Audit Committee in order to present to the Board of Directors on a quarterly basis
- 6) Prepare the risk management handbook.
- 7) Identify all types of risk factors as well as analyze and evaluate the risk factors that may occur and impact the Company
- 8) Develop work plans to prevent or mitigate the risks
- 9) Evaluate and prepare report of risk management
- 10) Establish an integrated risk management system in connection with information system

The Board of Directors has appointed the Risk Management Committee, who shall hold office for a period of three years. The duties and responsibilities include determination of the overall risk management policy for the Board of Directors’ consideration. Such risk management policy cover from the strategy level to operational level in order to monitor, review and propose to the Board of Directors to ensure that the risk management is undertaken effectively

2.2 Risk factors toward business operation

The Company analyzes the environment from both inside and outside including economic, social, political, technological, industrial, competitor and other trends to identify the major risk factors of the Company with details as follows:

Risk	Risk Description	Company Risk Management
1) Business Risks		
Strategic Risk		
The risk of the competition in the business	Water purifiers are highly competitive products from both domestic and foreign operators. which are different in terms of product features, styles, prices and sales presentations to customers	In order to maintain and increase the market share for SAFE brand the company has developed products and services to meet the needs of customers, including introducing the Hire Purchase system as the customer's choice of payment and after-service. Well-maintained sales Consistently and continuously to maintain and increase customer satisfaction, which is an important part of increasing the profitability of the company.

Risk	Risk Description	Company Risk Management
<p>The risk of launching new products to the market</p>	<p>The company places the importance of launching in new products into the market. Each launch would require relatively high investments and designed after studying customer needs and changing factors such as technology, health, well-being, utility And the competition therefore causes not many new products released each year. Therefore, the company may be exposed to risks from new product launches that may not be well received by consumers, which could have a significant impact on the business.</p>	<p>Before launching new products to the market, the Company has set goals, strategies and action plans from design and production as well as has determined marketing and promotional activities. In addition, there are also various indicators used for tracking and measuring the success of new products launched, which progress results are reported to the Executive Committee on a regular basis to review the appropriateness of the strategic plan and consider modifying as appropriate so that the Company can achieve the target set.</p>
<p>Operational Risk</p>		
<p>The risk of a business being largely dependent on a direct sales team</p>	<p>Business operations rely on direct marketing of salespeople who may encounter problems in recruiting salespeople and turn over salespeople who are unable to recruit salespeople and maintain salespeople to market and increase sales for the company continued due to the impact of various factors such as the COVID epidemic, Changing behavior of people and technology, etc. That may affect the recruitment and retention of direct sales staff to work with the company continuously.</p>	<p>The Company has set up a separate direct sales staff recruiting and training unit from the Human Resources Department to support the direct sales department. At the same time, a sales committee has been set up to consider and manage sales results and compensation for sales staff to be appropriate and fair. To incentivize the direct sales staff to work with the company in a sustainable way As a consequence, the Company has expanded its business in the form of Diversified Risks to conduct online-to-offline (O2O) direct sales and E-Commerce, as well as expanding to do credit lending business, which are; Floor Plan Loans, Truck Leasing and providing more secured loans in order to generate more new income. In 2023, the company plans to expand into other sales channels. In addition to direct sales, in order to manage the risk of relying mainly on direct sales. There are more sales channels such as O2O,</p>

Risk	Risk Description	Company Risk Management
		<p>E-Marketplace, corporate customers, Telemarketing, Modern Trade and dealers. To be in line with the lifestyle of today's consumers who prefer to buy online. In addition, there are other forms of sales, such as the production and distribution of OEM products to other direct selling companies.</p>
<p>The risk of fluctuation in raw material prices and shortage of raw materials</p>	<p>Because in the production and assembly of water purifiers, it is necessary to order some raw materials, such as water filter housings, filters and electronic parts, etc. Sometimes these raw materials are in short supply or raise the price causing the cost of sales to rise</p>	<p>The company has a policy to procure raw materials from at least 2-3 suppliers to reduce dependence on one supplier. as well as to create bargaining power for the company The company plans to purchase raw materials in advance according to production and sales plans. and the plans are reviewed regularly In addition to sourcing strategies The company also prepares a plan to deal with in case of a shortage raw materials by having a certain level of safety stock.</p>
<p>Financial Risk</p>		
<p>The risk of fluctuation interest rate</p>	<p>The fluctuation of interest rate is one of the risk that may cause to the impact to the financial position and operating result of the Group due to more acquisition of the loans to serve for the business expansion of hire purchasing accounts of water purifiers, filters, electrical home appliances, cars, trucks, ice maker machines freezers, financial lending of floor plan, and loans with asset security that may get the impact of higher funding cost with the fluctuation of interest rate.</p>	<p>The Group have operated the hire purchase business for over 46 years to serve the customers to be the owners of water purifiers and expand to the hire purchase business of electrical home appliances with the water purifier customer bases under the subsidiary company to run the hire purchase business to other products such as Ice makers, freezers, cars, trucks, floor plan loans and secured loans. By doing the water purifier loan business electrical appliances and trucks. The company's sources of funds are from operations, capital increase, and medium and long-term loans. As for short-term loans, such as Floor Plan, use short-term loan sources. This reduces interest rate volatility.</p>

Risk	Risk Description	Company Risk Management
The risk of fluctuation exchange rates	The fluctuation of exchange rate is one of the risk that may impact to the financial position and operation result of the Group from the importation parts of raw material and finished goods from the aboard around 18% of all the Group's purchasing orders in the operation.	The Group plan to order the materials and finished goods in the country and aboard that almost in USD currency. In order to protect the currency risk, the Group will book the forward exchange rate with the banks in line with the estimated landed cost of the imported products.
The risk of fluctuation credit	<p>Due to the main business of the Group be on hire purchase business, the quality of hire purchase accounts is a major factor of the Group to earn the interest income. As of 31 December 2022, the Group had the proportion of total over due 3 months hire purchase accounts (less deferred hire purchase interest and deferred output tax) was at 6.18% The major portion of the existing hire purchase customers of the company is the individual customers between low to medium level customer group.</p> <p>The Company allow the credit to the customers for owing the company's products and service easily under the company's credit policy that have been reviewed and controlled for the accounts receivables with over due 90 days that will be classified to doubtful bad debt accounts that may impact to the company's operation result.</p>	<p>The credit risk of hire purchase accounts can be measured with the amount of hire purchase accounts receivable be written off. The company has tightened up the contract of water purifier hire-purchase. By adding a Call verification process to check the qualifications of customers before signing a contract and installation In addition to the initial consideration from the salesperson. and team leader After that, there will be a field unit to inspect the debtor's quality. by assessing the credibility of each customer whether it is suitable for the product installment plan and checking whether it is fully installed or not And make an appointment to collect the installment payment for the next product (Customers can pay via counter service or pay via QR code as well.) For electrical appliances in installments, they will be sold through a subsidiary, Thiensurat Leasing Co., Ltd. (TSRL), with credit checks. Customers through the Credit Bureau and checker staff will check customer information according to the company's rules. TSRL to be used as supporting information for approval consideration or not. In case of bad debts from sales Salespersons and relevant sales executives will be responsible for paying</p>

Risk	Risk Description	Company Risk Management
		damages to the company. to replace the damage according to the company's criteria And the company will follow up and collect outstanding debts from overdue debtors by the debt collection department and the company's legal department. Including the removal of the device back from the debto
Compliance Risk		
The risk of changing policies, rules, and regulations involving the Company' s business conducts	The present, the Company's business and distribution of water purifiers are not directly regulated by government agencies. However, there are many government agencies involved in the business of the company indirectly, namely, the Office of the Consumer Protection Board (OCPB), responsible for overseeing that companies that operate hire purchase businesses do not take advantage of consumers, and the Office of the Consumer Protection Board (OCPB) controls direct sales. by requiring direct sales operators to have a specific business license As for the Ministry of Industry, it will oversee the renewal of factory licenses, which the company considers as the main policy to strictly comply with the regulations of the relevant agencies. However, the Company is at risk in the event that government agencies may enforce more stringent rules regarding its business operations.	The company has set guidelines for working in accordance with the guidelines set by the government at present. Along with following up on information about the guidelines for the modification of the relevant regulations at all times. in order to develop and improve the Company's operations in accordance with government regulations. At present, the company has 4 factories to produce, assemble and repair, of which the main factory for the production, assembly and repair of water purifiers is located at Tambon Bang Kradi, Amphoe Mueang Pathum Thani, Pathum Thani Province The other 3 factories are located in Nonthaburi Province. All factories have been granted factory licenses and in 2019, the government amended the Factory Act, resulting in no need to renew the factory license annually. From the aforementioned act, the factory has an expiration date until the termination of the factory business is notified.
Risk of Infringement of Personal Information (Data Privacy)	In the digital world, information has become a vital tool in building business advantages. Companies can analyze data and add value to their businesses. As a result, many businesses are trying to collect every	The Company realizes the importance in protecting personal information with a focus on giving respect and importance of rights, personal information and personal data protection. These are fundamental rights to privacy

Risk	Risk Description	Company Risk Management
	<p>information in order to be further developed and benefit the business in the future. Until sometimes it violates the privacy of consumers, this may be considered as an offense according to the Personal Data Protection Act 2019 that may affect the image and reputation of the Company.</p>	<p>that must be protected under the Personal Data Protection Act 2019. For this reason, the Company has set a policy to be the key in protecting personal information as a guideline for executives and employees at all levels in the use of personal information, which covers from the collection of personal information, the use or disclosure of personal information, the quality of personal information, the measures for the security of personal information and rights of the data subject for the purpose of the appropriate use of personal information and does not violate privacy according to Personal Data Protection Act A.D. 2019 has set.</p>
2) New Emerging Risks		
<p>Risk from Digital Technology Changes</p>	<p>The transformation of digital technology is evolving and changing rapidly, which affect changes in behaviors on perspectives and people's lives around the world including business operations and the competitiveness of the Company.</p>	<p>The Company pays attention to technology development to increase competitiveness, operational efficiency and to create diversity in products and services of the Company. For this reason, the Company has established a team to make a plan, follow digital technology trends and prepare for such changes as Development of sales channels through Online Platform. Development of Customer Data Management System to effectively. Including creating a Customer Portal, adding information systems to support new sales channels such as sales through Dealer / Modern Trade with Mobile Application / Web Base Application technology that will support access to the same and new types of products and services of the group of companies in year 2023, as well as developing a system for repair</p>

Risk	Risk Description	Company Risk Management
		and maintenance services (Service Application) that will allow service appointments with service technicians to be made in a variety of channels.

2.3 Risk of Securities Holders' Investment

Risk	Risk Description	Company Risk Management
The risk of conducting business as a holding company	Originally, the company had a group of major shareholders Changyoo family and on May 10, 2022, it was changed to Sabuy Technology Public Company Limited "SABUY" to become a major shareholder. (further details can be obtained from Part: Listing Securities and Shareholding Structure) As of 31 December 2022, SABUY held 24.92 % . As a result, the SABUY group is able to control almost all resolutions of shareholders' meeting, including the appointment of directors or any matters that require the majority votes of shareholders. The power of the major shareholder, however, does not include the issues related to laws or regulations, for which three-fourths of the shareholders are required. Given the control power of the major shareholder, other shareholders are unable to gain votes enough to balance the power of the major shareholder group for some particular issues proposed by the major shareholder.	The Company Being aware of this risk factor, arranges the management structure, consisting of the Company's Board of Directors and the Audit Committee. The members of these committees are those with high experiences. 3, out of 9, are independent directors from outside, of which 3 independent directors act as the members of the Audit Committee. These members provide comments in regard to connected transactions prior to proposing to the Company's Board of Directors and shareholders' meeting.