Organizational risk assessment of climate change impacts

Tanachira Retail Corporation Public Company Limited ("the Company") recognizes the importance of climate change, which may have both direct and indirect impacts on business operations. The Company has analyzed climate-related risks across two main dimensions: Physical Risks and Transition Risks, in order to develop appropriate mitigation and adaptation strategies to ensure sustainable business growth.

1. Physical Risk

Climate change has led to increasingly severe and frequent natural disasters, which may affect infrastructure, business locations, and the Company's supply chain. Key areas of concern include:

Impact on Office Buildings and Retail Stores

- Heavy rainfall and urban flooding may disrupt employee and customer travel, and damage in-store inventory and warehouse stock.
- Severe storms or thunderstorms may cause power outages, affecting IT systems, POS systems, and customer services at retail branches.

Impact on Supply Chain and Transportation

- Natural disasters such as flash floods or storms in supplier areas may cause delays in product delivery and disrupt import schedules.
- Unstable weather may lead to higher logistics costs due to route changes or the need for weather-resistant vehicles.

Impact on Product Usage

- Seasonal products such as body oil, which are typically popular in winter, experience reduced demand when climate change causes warmer temperatures. This results in customers being unable to fully use the products within the expected timeframe, leading to a sense of poor value and potential avoidance of repeat purchases, ultimately affecting the Company's sales.
- Reduced purchasing demand due to changing consumer behavior that emphasizes less travel or staying home more, resulting in decreased sales of cold-weather products.

Mitigation Strategies:

1. Develop a Business Continuity Plan (BCP) to prepare for emergencies, such as providing backup power sources and storing inventory in low-risk areas.
2. Diversify supply chain risks by sourcing from multiple regions and building a flexible logistics network.

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3. Use weather tracking technology to improve transportation planning and efficiency.
4. Develop marketing strategies by targeting customers who travel to countries/areas with cold weather and require products such as facial/body oil or skincare products for dry weather conditions.
5. Reduce packaging sizes to lower product prices, increasing accessibility through lower pricing while improving portability and reducing the Company's inventory levels. This enables the Company to distribute products more widely and reduce losses from unsold seasonal products.

2. Transition Risk

Changes in regulations, markets, and consumer behavior — with increased emphasis on environmental responsibility — have direct effects on business operations. Key factors include:

Shifts in Consumer Behavior

- Consumers increasingly value environmentally friendly products. The Company must consider material sources and sustainable production when selecting brands.
- Customers tend to prefer eco-friendly and recyclable packaging, prompting the Company to prioritize sustainable packaging in product selection.

Stricter Environmental Regulations

- Many countries have implemented carbon reduction policies and carbon taxes, which may raise import costs if suppliers do not use eco-friendly production processes.
- New environmental standards for materials may require the Company to adjust its brand selection strategy.

Emerging Technologies and Innovations

- Sustainability-related technologies, such as plastic alternatives or low-carbon logistics systems, may impact competitiveness if the Company cannot adapt quickly.
- Increased use of digital retail platforms with carbon-controlled delivery systems, is influencing industry standards.

Mitigation Strategies:

1. Select brands that meet sustainability standards and emphasize low environmental impact in production.
2. Adapt logistics processes to be eco-friendlier, such as using low-emission transportation and clean energy in warehouses.
3. Assess the impact of environmental laws on the business and prepare compliance strategies accordingly.

4. Promote knowledge and understanding among employees about the impacts of climate change crisis on business, so that employees can participate in changing behaviors and work approaches to align with sustainability goals.
5. Develop environmentally friendly packaging, such as using recycled materials or designing to use fewer resources, to attract environmentally conscious consumers and add value to the brand.
6. Establish pricing strategies for products with increased costs by gradually adjusting prices at appropriate times, while creatively communicating the sources of increased costs to build consumer understanding and acceptance.

Measures to Reduce Greenhouse Gas Emissions from the Company's Operations

The Company places great importance on sustainable business operations and is aware of the impact of greenhouse gas (GHG) emissions on the environment and climate change. It has initiated several projects to reduce GHG emissions from its activities to help mitigate the environmental impact and strike a balance between business growth and environmental stewardship.

1. Energy-saving Initiatives in Office Buildings and Retail Stores

The Company focuses on improving energy efficiency in its offices and stores to reduce GHG emissions from fossil fuel usage. Key initiatives include:

- Installing energy-efficient lighting, such as LED bulbs.
- Encouraging employees to participate in energy-saving efforts, such as switching off electrical devices when not in use and minimizing unnecessary printing.
- Replacing office equipment with energy-efficient models, especially copy machines, which are used extensively (8–10 hours per day). Choosing energy-saving machines helps lower electricity costs and GHG emissions.

  In 2024, the Company replaced 2 copy machines with energy-efficient models, resulting in: Annual electricity cost savings of 8,194.56 THB, A reduction in GHG emissions of 1,160.35 kg of CO_2 equivalent per year.

Expected Outcomes:

- Reduced energy consumption in office buildings and retail stores.
- Lower carbon emissions from electricity usage.

2. Use of Clean Energy from Renewable Sources

To reduce reliance on fossil fuels, the Company rents office space in buildings that use clean energy. Key initiatives include:

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- Solar Energy Utilization
  - Installing solar panels on office buildings to reduce electricity usage from fossil fuels.
- Water Resource Management:
  - Using water-saving systems, such as automatic faucets and water.

Expected Outcomes:

- Reduced electricity consumption from fossil fuel-based energy.
- Reduced greenhouse gas emissions from energy consumption in office buildings.

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