

## **Risks from rapid deep technology and digital technology transformation**

### **Scenario and Risk Assessment:**

Technological advancement in today's business environments encompassing research & development, production, and delivering services to customers, together with the COVID-19 pandemic, have accelerated technological transformation to accommodate the emerging needs of customers. In a long run, these could pose risks to SCG's current business model, making it obsolete amid today's evolving market circumstances and highly intense competition.

### **Impact:**

- Impact on SCG's business model and conventional distribution channel as there are a larger selection of products and services in the market, giving customers more options. Also, consumer behaviors have also changed. For example, instead of buying building and construction materials from traditional distributor outlets, more consumers are turning to purchasing from modern building and construction stores or via online channels. Some consumers could also opt for products made from recycled plastic, produced using advanced technology, instead of conventional plastic products.
- More competitions driven by rapid technological advancements that allow players from other industries to weigh in the market with less entry barriers such as owners of online building and construction distribution channels. It also affects cost competitive advantage since the emerging technologies can significantly increase efficiency and reduce operating costs.
- As SCG is a leading conglomerate with a traditional business model and most revenues coming from conventional businesses, the Company needs to adapt to the digital transformation trend in a timely manner to avoid losing competitiveness and potential decline in revenue and profits.

However, digital technology transformation opens up opportunities to create new value-added business for the organization. Therefore, SCG closely monitors and analyzes the changing trends as well as continuously assesses digital transformation strategies for use in business process improvement and ensures that these strategies are appropriate amid the unprecedented digital technology developments.

### **Mitigating Action and How to Convert to Opportunities:**

SCG has adjusted its business strategies to increase competitiveness as follows:

- Invested in developing the potential of the Active Omni-Channel and ecosystem by creating a digital platform and collaborating with business partners to connect and integrate various products, services, and systems into one platform to deliver a seamless experience for customers. The efforts will increase customer satisfaction, serve lifestyles of consumers in the digital age, and offer convenience for consumers, who can browse and purchase products or services via

www.scghome.com and SCG Home Solution stores. The digital platform offer various arrays of services, jointly developed or provided by SCG's business partners, to consumers such as technician for home services (Q-Chang.com), home design (DesignConnex.com), logistic services (SCG Logistic, SCG Express, and GIZTIX), and financial services (Buddy Credit, Siam Validus, and Saison Credit).

- Adopted technologies for data integration and analytics for planning and improving work efficiency, creating new business models, better addressing the needs of customers, and allowing for a rapid reach to customers. Moreover, automation and robots have been employed in production processes, material transport, packing, and maintenance to enhance business efficiency in every stage and competitiveness.

- Developed Digital Reliability Platform (DRP), a solution to improve total asset performance to eliminate unplanned downtime by integrating online and offline equipment data to visualize plant performance and enhance workforce efficiency, as well as applying Artificial Intelligence (AI) for predictive maintenance and problem solving.

- Expands investment continually in emerging technologies both within and beyond Southeast Asia. In 2020, AddVentures increased its investment portfolio by adding four start-ups and one venture capital fund and continued to seek new business opportunities for SCG and companies in the Group to cater to future market growth. For instance, the Company has joined forces with Validus, a peer-to-peer lending marketplace for SMEs, with operations in Singapore, Indonesia, and Vietnam and seeking for opportunities to further its reach into other countries.

- Drives business growth by initiating “Ignitor” as SCG center for excellence for Open Innovation, which adopts advanced and yet practical technologies to improve efficiency and increase opportunities for SCG to garner more revenues. The efforts encompass selecting the “pain point” of each business unit, seeking and establishing relationships with tech partners globally, and facilitating business digitization both during the pilot and scale-up stages.

- Prepares workforce to acquire skill sets necessary for responding to needs of customers in the age of digital disruption. For example, the establishment of a startup within the organization through the “Hatch-Walk-Fly” initiative, which allows employees to develop skills as entrepreneurs and expands to build new businesses for SCG. In 2020, SCG introduced the “Tech Talk” program to provide opportunities for employees from different business units to share experience and knowledge about developing solutions, using technological innovations.

Source: 2020 SCG Annual Report (Page 72 – 73)

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