

Policy on Trade competition

SCG Decor Public Company Limited

The Board of Directors participating in the 200th meeting (4/2022) on December 1, 2022, approved the corporate governance policy for the first time. Later, at the 1st meeting of the Board of Directors in 2023 on June 9, 2023, it was resolved to endorse the continuous use of the policy when the company is converted to a public limited company.

Definition

SCG Decor refers to SCG Decor Public Company Limited (Public) and its subsidiaries as consolidated in the financial statements.

SCG Decor Public Company Limited (Public) ("the Company") and its subsidiaries (collectively referred to as "SCG Decor") are of significant importance to conducting business ethically within the framework of the law, considering the ethics in commercial practices, benefits of customers and partners, as well as fairness in competition with other businesses under the framework of competition law. The Board of Directors has therefore adopted this Competition Policy, requiring directors, executives, and employees of SCG Decor to understand and strictly adhere to it.

Trade competition policy

1. SCG Decor conducts its business ethically, with integrity, respect for rules and regulations, and strict adherence to competition laws. SCG Decor will not engage in any activities that may result in unfair trade practices, obstruct market mechanisms or free competition, or have destructive effects, causing harm, obstruction, or limitation of others' business operations, whether directly or indirectly.
2. In cases where SCG Decor holds a dominant market position as defined by law, SCG Decor must avoid using its market dominance in ways that are unfair or unreasonable, which may distort or obstruct market mechanisms, whether directly or indirectly.
3. SCG Decor will not undertake any actions that may cancel or reduce competition with competitors in business operations, whether directly or indirectly. This includes refraining from exchanging business information, making agreements with competitors, partners, or customers to tie, reduce, or limit competition in the market.
4. Entities responsible for business operations domestically and internationally must understand and comply with laws, regulations, policies, and practices regarding competition in the countries where they conduct business, including methods of conducting business and acquiring businesses.
5. Directors, executives, and employees of SCG Decor must always be aware that compliance with competition laws is of paramount importance in conducting the business of SCG Decor. They must exercise caution to ensure that SCG Decor's business operations comply with competition laws, adhere to ethical business practices, and provide knowledge to SCG Decor's business partners about the importance of complying with competition laws.
6. Entities responsible for transactions and investments must establish control and auditing systems to ensure full compliance with competition laws.

7. In carrying out their duties in accordance with this policy, SCG Decor's code of ethics and company handbook should be used.
8. Non-compliance with this policy constitutes a violation of SCG Decor's ethics and may result in SCG Decor being held liable for violations of competition laws.

Competition policy practice

This practice is developed to provide information, guidance, and appropriate practices to ensure that employees of SCG Decor have knowledge and understanding of the principles, reasons, and behaviors that may constitute misconduct. The scope of this policy covers:

1. The business operations, trading, and investments of SCG Decor.
2. The company's directors and employees, including regular employees, temporary workers, and employees under special contracts, are affiliated with SCG Decor in every country where SCG Decor conducts business.
3. Any transactions, contracts, or dealings of SCG Decor with others, whether financial transactions, business operations, or property transactions, such as services, purchases, sales, hiring, financial assistance, technical support, or personnel, collectively referred to as "**transactions**," with other businesses conducting transactions with the company, such as suppliers of goods or raw materials to the company, customers purchasing goods for resale or for own use from the company, service providers or recipients from the company, collectively referred to as "**partners**," and businesses engaged in the same or similar operations, offering similar products or services or other types that can substitute for the company's products or services, collectively referred to as "**competitors**."

In cases where there are doubts regarding compliance with the Competition Policy, it is advisable to consult with superiors or legal advisors before taking any action.

This policy can be divided into three main points:

- (1) Abuse of market dominance and the use of market dominance improperly.
- (2) Unfair trade practices.
- (3) Collusive behavior resulting in tying, reducing, or limiting competition.

The details are as follows:

1. **Abuse of market dominance and the use of market dominance improperly**

The first key principle of competition law is the control of the conduct of businesses with a dominant market position. Generally, this refers to businesses that have a significant market share and sales volume in a particular product market. Because the behavior of market-dominant entities significantly impacts competition in the market, affecting competitors, customers, and the competitive system. According to the Trade Competition Act B.E. 2560, having a dominant market position

is not an offense. However, it becomes an offense if a business with a dominant market position abuses that position. This abuse can be categorized into exploitative abuse or exclusionary abuse.

The meaning of "Dominant market player" according to the Trade Competition Act B.E. 2560

"Dominant market player" refers to

(1) A business operator who holds a market share of at least 50% in any product market or service market in the past year, and has sales revenue of at least 1,000 million baht or more in the past year; or

(2) The top three business operators who collectively hold a market share of at least 75% in any product market or service market in the past year.

In either case, a business operator whose sales revenue in the past year is less than 1,000 million baht or whose market share in the past year is less than 10% is not considered a business operator with dominant market power.

In determining whether a business operator has dominant market power, it begins with defining the relevant market boundaries. Products or services that can be substituted for each other from various perspectives, including characteristics, prices, purposes of use, distribution channels, customer groups, and consumer perspectives, are considered to be in the same market.

The calculation of a business operator's market share in the relevant market can be based on sales volume, sales revenue, production volume, or production capacity of that business operator, depending on the nature of the products and services involved.

It's important to note that when calculating the market share and sales revenue of a business operator, the market share and sales revenue of companies that have a "policy relationship or command power" will be aggregated. This is because they function as if they were a single business unit without competition among themselves. Therefore, even if none of the subsidiaries of SCG Corporation individually meet the criteria to be considered as having dominant market power, if the combined market share of plastic pellet products of other companies within the group exceeds 50%, the entire group of companies will be considered to have dominant market power in the plastic pellet product market.

The meaning of "Policy relationship or command power" according to the Trade Competition Act B.E. 2560

The term "Policy relationship" refers to the relationship between two or more businesses that share guidelines, policies, or methods of management, administration, or business operations under the control of the same commanding person within the same business entity.

"Command power" means the power of control arising from any of the following reasons:

- (1) Holding voting shares in a business entity exceeding fifty percent (50%) of the total voting rights of that business entity.*
- (2) Having the power to control the majority voting rights at shareholder meetings of a business entity, either directly or indirectly.*
- (3) Having the power to appoint or remove directors in a business entity representing at least one-half of all directors, whether directly or indirectly.*
- (4) The power to exercise control as described in (1) or (2) successively, starting from exercising control as described in (1) or (2) in the initial business entity.*

The behavior of businesses with market power is scrutinized more closely than that of ordinary businesses because any commercial actions by those with market power have a greater impact on competition than actions by businesses without market power.

The **abuse of market power**, including setting or maintaining unfair purchase or sale prices, imposing unfair conditions on trading partners, suspending, reducing, or limiting production, purchasing, selling, delivering, or importing goods unreasonably to reduce market demand, or unjustifiably interfering with the business operations of others, constitutes a violation of competition law and may lead to criminal penalties for SCG Decor and those responsible for the conduct.

According to competition law principles, behavior that is "unfair" refers to actions that are unreasonably unjustified. If the commercial behavior aligns with business, market, or economic norms and practices, it may be considered reasonable or fair and may not constitute a violation of competition law.

2. Unfair Trade Practices

Regardless of whether they hold market power or not, unfair trade practices include actions such as hindering the business operations of other entrepreneurs unfairly, using market power or negotiation power unjustly, and imposing conditions on trade that limit or obstruct the business operations of others unfairly. Such practices constitute violations of competition law. Unfair trade practices vary and have different objectives, but they can generally be divided into two groups: 1. Price Behavior and 2. Other Non-Price Behavior such as

2.1 Price Behavior

Unfair price behavior involves setting or maintaining purchase or sale prices of goods or services unfairly. This behavior may include the following practices:

2.1.1 Unfairly Low Purchase Price Setting

refers to setting the purchase price of goods, such as raw materials, at an unfairly low level. This involves setting or adjusting the purchase price to be lower than the market price under normal competitive conditions or lower than the price previously accepted, causing harm to suppliers. This practice may also harm other competitors who purchase the same raw materials at higher prices, as they cannot compete due to higher costs and may eventually exit the market. This behavior often occurs when there are few buyers for the goods or services, allowing buyers to use their power to pressure the purchase price to be lower than the market price or lower than the previously accepted price without justification.

2.1.2 Unfairly High Purchase Price Setting

refers to setting the purchase price of goods or raw materials unfairly high. This involves setting or adjusting the purchase price higher than the market price under normal competitive conditions, higher than the previously accepted price, or higher than the purchase price of competitors in markets with normal competition. This may prevent other competitors from being able to purchase or compete due to increased costs, or make it difficult for new businesses to enter the market. It should be noted that purchase prices may increase in cases of scarcity of goods due to rapidly increasing demand.

2.1.3 Sale Below Cost

Sale below cost refers to setting the selling price of goods or adjusting the selling price to be lower than the average total cost, which includes fixed costs and variable costs. Sellers who sell goods below the average total cost can bear the loss burden for a certain period or offset the profit from other products, making it difficult for other businesses to compete or discouraging new businesses from entering the market due to the lack of investment returns.

In cases where selling below cost is for promoting sales of products entering new markets, selling below cost may not be considered a violation. However, selling below cost should not persist longer than necessary, depending on the type and nature of the product or service. Typically, it should not exceed one month unless it's necessary for rapidly selling goods, such as perishable goods, close-to-expiration items, or outdated products, as prolonged periods could lead to losses.

2.1.4 High-priced sales

refer to setting prices higher or significantly increasing selling prices unfairly compared to production and distribution costs, without justified cost increases. This entails setting prices above the market price in normal competitive conditions to achieve excessive profits or profits higher than reasonable rates in normal trade conditions for each business, or higher than previously earned profits. This practice may cause harm to consumers or other related businesses. Moreover, setting high prices for raw materials to its competitors in the upstream or downstream markets to prevent them from making sufficient profits to continue their business (Margin Squeeze) is also considered unfair behavior.

In cases where there is a shortage of goods due to a rapid increase in demand, and production cannot be increased sufficiently to meet the increased demand, higher prices can only be justified during the period of goods shortage.

2.1.5 Predatory Pricing

refers to setting selling prices below the average variable cost, which is the cost of purchasing raw materials for production or the cost of purchasing goods for resale, excluding sales and administrative expenses and other expenses. Those who engage in this behavior can bear the burden of losses for a period or offset the profits of other products. This makes it difficult for other businesses to compete, leading them to exit the market. Once competitors have left the market, the predator raises prices to compensate for the losses incurred during the predatory pricing period. This results in harm to both businesses and consumers. However, this does not include promoting the sale of goods or services to consumers. Additionally, the period for such pricing should not exceed one month. Moreover, this excludes actions like rapidly disposing of deteriorating goods, goods near expiration, or outdated goods, as well as businesses that intend to cease operations.

2.1.6 Price Discrimination

refers to the practice of setting different prices for different trading partners without justification or reasonable cause. The principle behind price discrimination is to create advantages or disadvantages between trading partners and to exercise power in decision-making. However, if there are differentiating factors, such as differences in product quality, quantity, or the cost of sales to each trading partner, businesses can justify setting different prices.

This principle also applies to other conditions beyond just pricing. For example, providing trade discounts, trade conditions, setting credit terms, payment methods, or delivery methods differently, even when the trading partners have similar status or characteristics. For instance, a manufacturer may offer fidelity rebates to bind distributors by providing different discounts to each distributor, even though both distributors have similar trading status (both are major distributors, order large quantities, conduct business for a long time, and have similar delivery areas). Such practices can be considered as engaging in differentiating practices.

2.1.7 Resale Price Maintenance

refers to the practice of compelling other businesses to sell products or services at specified prices, thereby eliminating price competition among distributors or retailers. This behavior violates competition laws. However, having a suggested or recommended price for businesses that sell the products onward, to be used solely as guidance or recommendation without being mandatory, is not considered a violation of the law.

2.2 Other behaviors (Non-Price Behavior)

Aside from pricing behaviors, other actions that are not related to the price of goods or services may also constitute unfair practices against other businesses or lack reasonable justification. For non-price behaviors that may be considered unfair are as follows:

2.2.1 Exclusive Dealing

refers to the practice of imposing direct or indirect restrictions on other businesses, compelling them to accept terms unreasonably or without justifiable cause. These restrictions do not necessarily affect the efficiency or quality of goods or services, including post-sale services. The purpose is to become the sole provider in the market or to prevent others from entering into contracts with the business's partners. For example, a business may prohibit its distributors from purchasing products from other businesses for resale. Similarly, a business may prevent suppliers from selling raw materials to its competitors. Non-compliance with these terms may result in penalties, such as refusing to supply goods, delaying deliveries, or refusing to purchase raw

materials in the future.

2.2.2 Tying Arrangement

A tying arrangement involves imposing direct or indirect conditions on other businesses or customers, requiring them to purchase another type of product simultaneously without any alternative. This is done even though the products can be sold separately or bundling them does not provide significant benefits. As a result, manufacturers of the tied products may prevent them from being sold separately or from competing, potentially leading to a monopoly.

However, tying products together may be justifiable if it aims to enhance the efficiency of using the main product, provide quality assurance, or prevent damage or negative impacts on product performance. For example, a printer with specific ink cartridges may require those cartridges for optimal performance, preventing the use of ineffective ink that could damage the printer. In such cases, it may not be considered a violation of the law. Additionally, in cases of sales promotion where businesses or customers receive better deals when purchasing products together compared to purchasing them separately (while still having the option to choose), it may not be considered a violation of the law.

2.2.3 Territorial Restrictions

Territorial restrictions involve imposing conditions, both directly and indirectly, on other businesses to accept and comply with terms unfairly or unreasonably to limit the sales area or to define specific customer groups in each area without affecting the efficiency or quality of the products or services. Such actions are considered violations. For example, stipulating that a distributor is only allowed to sell products within Muang district, Chiang Mai and prohibiting them from offering products outside of this area. Failure to comply with these terms may result in penalties, such as refusing to supply products or reducing the quantity of goods delivered below normal levels.

2.2.4 Refusal to Supply

Refusing to engage in transactions with certain businesses is a common occurrence in business operations, which may be justified due to reasonable factors such as lack of profitability, transportation limitations, or the customer having an unreliable trading history, outstanding payments, or insufficient stock for distribution. However, refusal without reasonable cause, such as refusing to transact with businesses that are competitors' partners or customers, may be considered actions to hinder other businesses.

2.2.5 Quantity Forcing

refers to the practice of stipulating that a trading partner must purchase goods or services in specified quantities or sell goods or services to customers in predetermined quantities. This can involve setting precise quantities, establishing minimum or maximum thresholds, or defining ranges. However, setting minimum purchase quantities may not constitute a violation if there are business justifications that can be explained, such as ensuring operational cost-effectiveness.

2.2.6 Constraint on Credit, Goods, or Services Procurement

refers to the practice of mandating that a particular trading partner must procure credit, goods, or services from specified businesses or prohibiting them from procuring credit, goods, or services from certain businesses, unless there are justified reasons that can be explained. It's important to note that recommending businesses to trading partners without coercion allows the partners the freedom to choose whether to procure credit, goods, or services from those recommended sources. This does not constitute a violation.

2.2.7 Constraint on Quantity of Goods or Services

Constraint on the quantity of goods or services includes actions such as suspending, reducing, or limiting services, production, procurement, sales, delivery, or imports into the kingdom (e.g., reducing production, destroying stock, or any action to hinder imports of goods).

Constraining the quantity of goods or services in a manner that violates the law involves actions intended to control the quantity of goods or services in the market below market demand, with the aim of increasing prices of goods or services, causing harm to consumers, without justified reasons. Additionally, such actions may be linked to price-related behaviors because limiting the quantity of goods or services may lead to unfair pricing practices.

2.2.8 Interference with the Business Operations of Other Enterprises

Interference with the business operations of other enterprises unjustly and without reasonable commercial justification may result in economic losses to other businesses, such as loss of income, loss of market value of goods or services, or missed opportunities in production of goods or services.

Examples of behaviors considered as interference with other businesses include:

- Intervening or undermining other businesses through any means to make it difficult for them to conduct business, such as specifying that the quality of goods cannot be compatible with competitors' goods without relevant performance justification.
- Mandating that trading partners must seek approval from oneself to conduct business.

- Controlling the appointment of employees of trading partners.
- Imposing various forms of compensation from trading partners in exchange for the right to purchase goods, such as handling fees or kickbacks.
- Compelling trading partners to refuse to sell goods or not to contact other businesses without reasonable commercial justification.
- Interfering with the internal management of competitors by using voting rights, appointing executives, or other means within the competitors' businesses.

2.2.9 The act of engaging in any means to obtain confidential business information or technology from other businesses

The act of engaging in any means to obtain confidential business information or technology from other businesses or data beneficial to one's production, distribution, or any business transactions, without consent from the rightful owners or possessors of such information, regardless of the method used. It also involves the intention to use such information to destroy, obstruct, hinder, limit, or disrupt the business operations of other businesses, or to cause turmoil in normal trade.

2.2.10 Unfair trade practices related to the use of intellectual property rights

Intellectual property rights are copyrights, patents, trademarks, protected by law to encourage investment, research, and innovation in producing goods or services. However, if the owner of intellectual property rights uses them to unnecessarily restrict and limit competition in the market and cause harm, hinder, obstruct, prevent, or limit business operations, it may be considered a violation, subject to case-by-case consideration.

Examples of using intellectual property rights to unfairly limit competition include:

- Entering into license agreements that require the licensee to pay royalty fees for a longer period than the protected period under the law (e.g., stipulating continued royalty payments even after the expiration of the patent).
- Imposing conditions on the use of rights that serve to restrain others, such as prohibiting the purchase of products or the use of services from competitors without necessity or relevance to the performance or use of the intellectual property.
- Setting terms for the use of rights that disadvantage the licensee more than usual, such as agreements prohibiting the licensee from suing the licensor.

- Other agreements that involve the use of IPR beyond the limits set by law.

3. Collaborative practices that result in tying, reduction, or limitation of competition.

In addition to the behavior of market-dominant entities and unfair trading practices, competition law also prohibits businesses from colluding to engage in practices that tie, restrict, or reduce competition in any particular goods or services (collusion). This can occur through direct agreements or indirectly between **competing businesses or even non-competing ones**, regardless of whether it is explicit or implicit.

The impact of collusion results in the elimination of competition among businesses. Prices or quantities of goods or services are not determined by production costs or market demand but rather by the desires of businesses colluding to set prices and quantities, as well as the level of profit they wish to achieve for themselves. The individuals most affected by these actions are consumers who are unable to freely choose to purchase goods or services.

Businesses must avoid behaviors that may lead to or give rise to suspicions of collusion, such as contacting, negotiating, or exchanging confidential business information with competitors or discussing such matters in trade association meetings, including pricing, marketing plans, production costs, discounts, profits, revenues, or lists of customers.

Furthermore, collusive agreements that may constitute violations of competition law can be categorized as either hard-core cartels, which have a severe impact on competition, or non-hard-core cartels, which involve agreements that need to be assessed case by case based on the reasons for the actions and their impact on competition.

3.1 Hard-Core Cartel

is an agreement between competitors operating in the same market, involving two or more parties, which leads to tying or restricting competition in the market. Collusive behavior can occur either directly or indirectly and can take various forms, including:

3.1.1 Bid-Rigging

refers to behavior where businesses agree to determine the winning bidder or price in an auction or bidding process. This may involve agreements not to participate in the auction or bidding process or participating in the process with inflated bids to ensure a predetermined winner.

3.1.2 Price Fixing

Businesses are typically expected to independently determine the prices of their products. Competition law prohibits businesses from colluding to fix prices or agreeing to set prices as they see fit. Price fixing doesn't necessarily mean setting identical prices; it can involve setting price ranges. It also encompasses other agreements such as fixing values or ratios for price increases

or decreases, establishing price ranges, setting minimum or maximum resale prices, determining pricing formulas, setting discounts or target discounts (rebates, discounts), establishing payment terms, and determining the structure or components of sale/purchase prices (pricing method).

3.1.3 Quantity Limitation

Similarly to price fixing, businesses are expected to independently determine the quantity of products they will sell in the market. Competition law deems it a violation for businesses to collude in setting production, purchase, sale, or service quantities, or to limit quantities. For example, this includes setting quotas or proportions for production or distribution, or selling goods at lower quantities during specific periods than market demand requires.

3.1.4 Market Allocation

Market allocation involves businesses agreeing to divide areas for the distribution of goods or services, ensuring that other businesses do not sell goods or services in the same area and do not compete across territories. Businesses may agree to divide areas to take turns selling goods or services. Market allocation also encompasses dividing areas for purchasing goods or services and taking turns purchasing goods or services to create market power in buying. This also includes instances where businesses jointly divide or allocate customers for sales or purchases.

However, agreements of the aforementioned nature between businesses with policy-related or command-based relationships according to the criteria specified by law are not considered violations of competition law.

3.2 Agreements that require consideration of the rationale behind actions and their impact on competition vary case by case (Non Hard-Core Cartel)

These are agreements among businesses that may or may not be direct competitors in the same market, which can take several forms, including:

3.2.1 Price Fixing, Quantity Limitation, or Market Allocation agreements, whether direct or indirect, affecting the prices of goods or services. These are actions taken by businesses that are not direct competitors in the same market.

For example, agreements between manufacturers and distributors of goods (if between competitors, it would be a Hard-Core Cartel as per section 3.1).

3.2.2 Agreements to jointly reduce the quality of goods or services produced and sold, while maintaining the same or higher prices. Each business may have different details regarding the reduction of product or service

quality.

- 3.2.3 Appointment of a single individual as the exclusive distributor of the same goods or services. This appointment may be formalized in writing or through other means. The appointed individual may be a person, or a legal entity designated as the distributor of goods or services in the same market segment.
- 3.2.4 Agreements to establish conditions or business practices for each business entity to follow in order to reduce or limit competition, whether directly or indirectly.

The Trade Competition Commission will consider agreements that are Non-Hard-Core Cartels on a case-by-case basis, taking into account various factors and circumstances. Such agreements may be reasonable and necessary for business purposes, consistent with normal business practices, or customary trade practices.

Examples of agreements between businesses that may not constitute violations of the law include:

- (1) Agreements between businesses with policy-related relationships or hierarchical command relationships as prescribed by law.
- (2) Activities aimed at improving production, distribution of goods, and promoting technological or economic advancement.
- (3) Business operations involving contracts between businesses at different levels, such as franchise arrangements, where authorized dealers are granted rights to use trademarks and are required to pay royalties. These agreements may include certain provisions to maintain product standards, quality control, standard pricing, sourcing materials from specified sources, etc.

For the agreements mentioned in points (2) and (3), they must not impose restrictions beyond what is necessary and reasonable. They should not create undue restraint of trade or limit competition significantly in the market, taking into account their impact on consumers in terms of price, quality, quantity, or choice of goods or services.

In addition, the aforementioned behaviors are merely examples. The competition commission may announce additional guidelines on behaviors considered violations of competition law. Therefore, parties involved should consult or seek legal advice before engaging in any actions that may constitute violations of competition law.

This policy shall be effective and enforced starting from June 9, 2023, onwards.