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## Risk Management Policy

Northeast Rubber Public Company Limited (“the Company”) recognizes the importance of risk management and believes that it is a crucial approach to achieving the organization's objectives and goals. Therefore, the Company has established a systematic enterprise-wide risk management policy.

The Risk Management Committee has been appointed to develop the policy, establish systems, and assess various risks arising from both external factors and internal management and operational activities. The committee is also responsible for setting guidelines to manage and mitigate risks to an acceptable level.

Furthermore, the Company emphasizes communication and conducts training and workshops for employees to raise awareness of the significance of risk management and the Company’s risk management processes.

This risk identification and management process enables better decision-making and helps mitigate the impacts of significant events that may arise. Additionally, the Company encourages its business partners and stakeholders to acknowledge this policy as a guideline for consistent practices aligned with the Company’s direction.

### 1. Establishment of Risk Management Policies and Guidelines

It involves establishing policies, objectives, scope, responsibilities, criteria, and guidelines for risk management that align with the company’s strategy, goals, plans, and business direction. The Company will review these on an annual basis and will prepare them in conjunction with the business plan to ensure consistency.

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## 2. Risk Identification

Risk identification involves recognizing potential risks that could impact the achievement of objectives and goals, considering both internal and external factors. These include risks related to the environment, legal matters, finance, information systems, decision-making data, investor satisfaction, investment management, human resources, reputation and image, security systems, and more.

The Company will manage these risks by prioritizing them before considering control systems. If a risk is classified as high or very high, the Company will conduct a thorough analysis of these risks to address them proactively. The risk management approach follows the COSO-ERM framework for enterprise risk management.

## 3. Risk Analysis

The analysis aims to assess the level of residual risk after evaluating the existing control systems and prioritizing the risks. If the residual risk remains at a high or very high level, immediate risk management measures must be implemented by the senior management responsible. If the residual risk is at a moderate or low level, appropriate risk management measures should be implemented at the department level or addressed within operational processes.

## 4. Risk Management

The process involves defining methods for developing risk management plans for significant risks, as prioritized during the risk analysis phase. Risk management covers processes, approaches, controls, risk transfer, risk avoidance, exploiting opportunities from risks, or accepting risks. The company will ensure that appropriate strategies are established to address each type of risk based on its severity and impact, and to implement measures that align with the overall risk management framework.

## 5. Monitoring and Review

The steps for monitoring the effectiveness of the risk management plan include evaluating the outcomes of risk management actions. The Risk Management Committee will track progress and report to the Board of Directors, the Audit Committee, and the Board of

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Directors to ensure that risk management efforts align with the company's objectives. The committee will regularly review and assess the performance of risk mitigation measures and adjust strategies as necessary to address any emerging risks or changes in the risk landscape.

## 6. Promotion

The Company encourages everyone to be aware of risks and to understand that risk management is the responsibility of all, particularly the risk owners. Management has promoted the integration of risk management into the company's culture. Additionally, regular training on risk management, as well as relevant laws and regulations related to the business, is provided across the organization to ensure that all employees are informed and equipped to handle risks effectively.

Furthermore, the Company recognizes the importance of both direct and indirect impacts of potential or existing risks on business operations. Therefore, the Company has established guidelines for managing business risks as follows:

### 1. Risk from Exchange Rate Fluctuations

Since the Company's main revenue comes from exports, exchange rate fluctuations inevitably impact the Company's financial performance. To mitigate this risk, the Company may adopt strategies such as hedging, diversify currency exposure, and closely monitor market trends to manage the effects of currency fluctuations on profitability.

#### The Company's Risk Management

The Company closely monitors exchange rate fluctuations and has a clear policy in place to manage and mitigate risks appropriately at all times. The Company utilizes risk management tools to assist in business planning. Additionally, the Company strives to diversify its sales into multiple foreign currencies, taking into account the suitability of each customer group and country. The selection of currencies for transactions is done in close consultation with each customer. The Company does not engage in currency speculation for profit.

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## 2. Legal and Trade Regulation Risks

Currently, international trade barriers include both tariff and non-tariff measures, such as sanitary regulations and various quality standards. These measures are increasingly being used and have a more significant impact on global trade. Therefore, if the Company is unable to adapt or comply with these regulations, it may adversely affect its operations and ability to conduct business effectively. The Company ensures that it remains compliant with all applicable standards and regulatory requirements to minimize the impact of such trade barriers on its operations.

### The Company's Risk Management

The Company closely monitors the trade and legal requirements of importing countries, analyzing the potential impact of these regulations, and providing recommendations for preparation. At the same time, the Company communicates with relevant government and private sector agencies, as well as international business partners, to exchange information and insights. This collaborative approach helps the Company stay informed about developments in a timely and comprehensive manner. Once the information is gathered, it is analyzed and used to improve work processes, controls, and preventative measures to ensure compliance with standards and regulations.

## 3. Legal Risk Regarding the EU Deforestation Regulation (EUDR)

The Company's business operations are subject to various laws, regulations, and compliance requirements both domestically and internationally, including the EU Deforestation Regulation (EUDR). As a result, the Company must comply with the laws regarding deforestation-free products. Failure to fully comply with these laws, regulations, or the policies of individual countries may impact the Company's reputation and could lead to penalties, fines, or the loss of business opportunities. Additionally, the legal processes involved may result in higher costs due to the need for reporting and ensuring traceability

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of the supply chain. Furthermore, these regulations may become even more stringent in the future, requiring the Company to adapt to stricter compliance measures.

#### The Company's Risk Management

The Company has established a department responsible for monitoring changes in relevant laws and regulations. This department analyzes the impact and factors related to the Company and reports findings to management and relevant departments. It also supports and manages critical issues related to the EU Deforestation Regulation (EUDR) project to ensure compliance with legal requirements. Furthermore, the Company has developed policies and procedures to ensure governance is in line with applicable laws and regulations, such as creating a Corporate Governance and Business Ethics Handbook and conducting annual legal and regulatory compliance assessments by the central unit. These efforts ensure that the Company operates in full compliance with all relevant laws and regulations.

#### **4. Risk from Raw Material Price Fluctuations**

The Company's products rely on agricultural raw materials, which are subject to fluctuations due to various factors such as climate conditions, environmental changes, and natural disasters, both within Thailand and in other raw material-producing countries. These fluctuations can lead to significant volatility in both the price and availability of raw materials, which in turn can have a considerable impact on the Company's financial performance.

#### The Company's Risk Management

The Company has enhanced the capabilities of its procurement and sourcing departments to ensure a sufficient supply of raw materials by diversifying sources and increasing the number of suppliers. In addition, the Company actively monitors news and information to analyze raw material situations in a timely and appropriate manner. The Company also manages its raw material inventory levels to ensure they are adequate and aligned with production needs. Furthermore, the Company collaborates with business partners to enter into advance purchase and delivery contracts, ensuring that raw materials

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are procured on time and at a reasonable cost. This proactive approach helps mitigate risks related to raw material availability and price fluctuations, ensuring a smooth and cost-effective production process.

## 5. Risk from Labor Shortages and Labor Cost Increases

The labor shortage situation, combined with the burden of minimum wage policies and other employee benefits, has led to an increase in overall labor costs, which in turn directly impacts production costs. This rise in labor costs is an unavoidable consequence that the Company must manage effectively to maintain competitiveness and profitability.

### Risk Management of the Company

The Company has made significant improvements in labor efficiency by reducing production losses and investing more in machinery and technology. This has enhanced production processes, contributing to greater overall efficiency. In addition, the Company has placed a strong emphasis on employee relations by organizing more activities to maintain good relationships with employees. These initiatives are aimed at fostering a positive work environment and improving the quality of life for employees, which in turn helps boost morale, productivity, and retention.

## 6. Natural Disaster Risk

In recent times, the global environment and climate have undergone significant changes, leading to an increased likelihood of natural disasters across all regions of the world. These events can have a profound impact on the Company's operations. As such, this represents a risk that must be closely monitored and managed to mitigate potential disruptions. The Company recognizes the importance of staying proactive in disaster preparedness, strengthening its resilience against these unpredictable events, and minimizing their impact on its business activities.

### Risk Management of the Company

The Company has developed preventive measures and contingency plans to mitigate the severity of potential impacts from natural disasters. These measures include

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the establishment of systems for continuous data monitoring, situational analysis at various stages, as well as detailed plans for correction, prevention, and recovery. Additionally, the Company focuses on enhancing the skills of its team to manage operations effectively and promptly during crisis situations.

## 7. The risk of climate change

Sudden climate-related disasters caused by global warming are a global environmental issue. Manufacturers across all industries in the supply chain are focusing on reducing waste emissions and enhancing production efficiency to maximize environmental friendliness. This is aimed at driving changes in consumer behavior and production practices to become more environmentally conscious. Therefore, the company must establish strategies for managing and adapting to climate change in order to mitigate the potential impacts on production costs, competitiveness, and the long-term sustainability of its business operations.

### The company's risk management.

The company has established guidelines and measures to continuously reduce greenhouse gas emissions and expand these efforts to the value chain in the future as follows: setting policies and frameworks to support investments in low-carbon projects, aiming to enhance operations in reducing greenhouse gas emissions, such as energy management, improving production efficiency, promoting the use of renewable energy, and monitoring performance. The company also reviews strategies and targets for reducing greenhouse gas emissions and adjusts operations to ensure alignment with policies, regulations, and various compliance requirements on an ongoing basis.

## Policy Review and Improvement

The company's Risk Management Policy must be reviewed and improved regularly, at least once a year, to ensure it remains appropriate for the changing organizational environment. Any

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changes to the Risk Management Policy require approval from the Board of Directors, and its suitability and effectiveness in implementation must also be reported.

This policy was reviewed and approved at the Board of Directors' Meeting No. 8/2567 on November 7, 2024, and became effective on November 8, 2024.

- Mr. Tepakul Poonlarp -  
(Mr. Tepakul Poonlarp)  
Risk Management Committee

- Mr. Chanitr Charnchainarong -  
(Mr. Chanitr Charnchainarong)  
Chairman of the Board of Directors

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