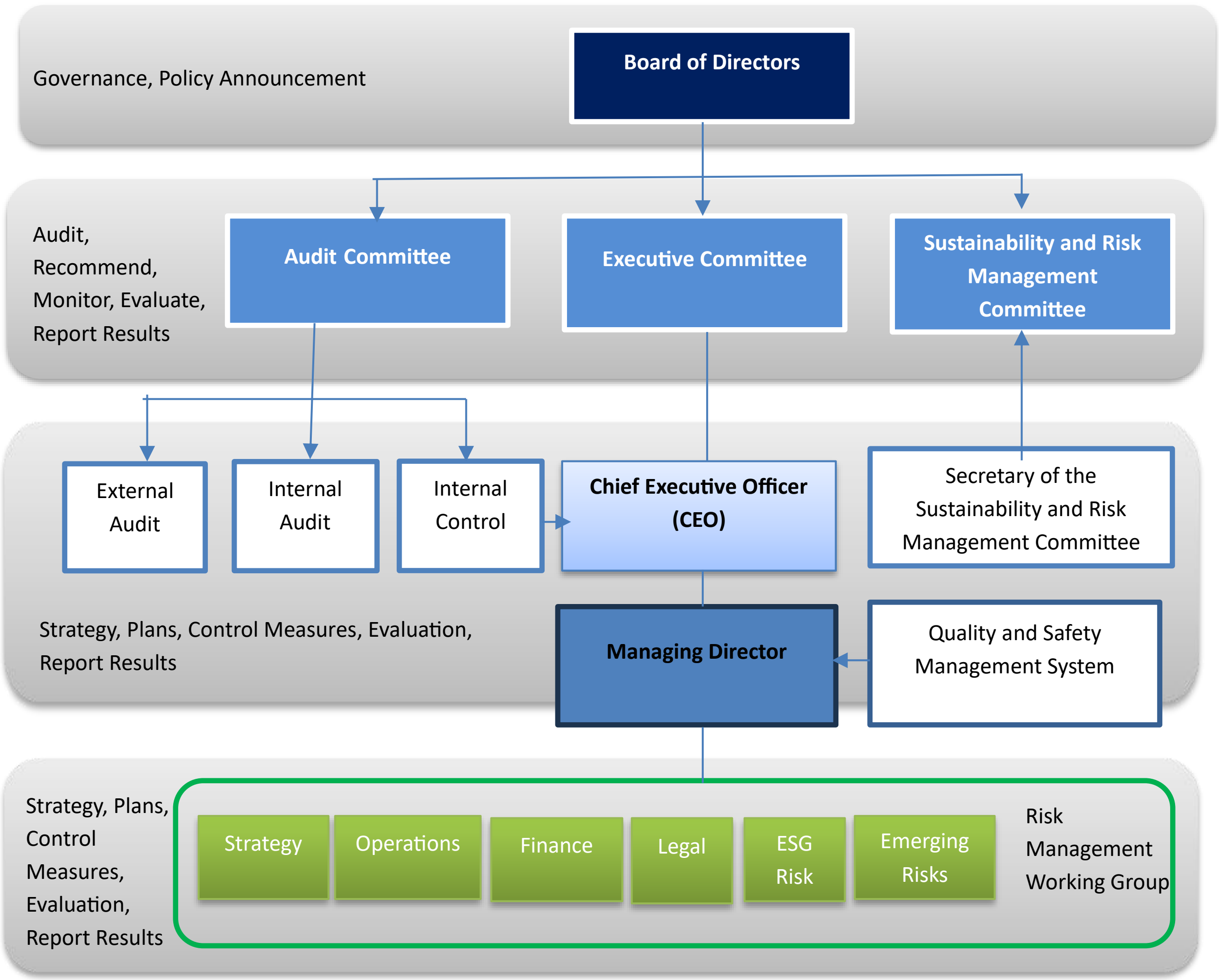
Risk Management

Risk Management Policy and Plan

The Company recognizes the importance of risk management under the changes arising from internal and external factors that may impact the business in both the short and long term. The Company is therefore committed to managing enterprise risk in an integrated manner, alongside strategic management. It also establishes and reviews its Risk Appetite and Tolerance levels to help frame the evaluation of alternatives and the selection of appropriate strategies that support business operations in achieving strategic goals, in accordance with the Company's objectives, and in fostering organizational sustainability based on the COSO Enterprise Risk Management Framework (COSO ERM) at the enterprise level, business level, and operational level. This includes environmental, social, and governance (ESG) aspects. This serves as a guideline for managing risks that may affect the achievement of the Company's objectives and goals. It also enables the use of risk management to create sustainable business opportunities in both the present and the future.

Risk Management Structure

The Company manages risk systematically through various committees, teams, and management units. In the past year, the Company appointed a Sustainability Committee and integrated it with the Risk Management Committee, according to the resolution of the Board of Directors of Apply DB Public Company Limited, No. 7/2566, dated November 30, 2023. Additionally, a Risk Management Working Group was appointed, as per the resolution of the Board of Directors of Apply DB Public Company Limited, No. 7/2566, dated November 30, 2023, to assist in defining strategies, plans, and measures to ensure the efficient and effective integration of risk management in alignment with the organization's goals and strategies.



Roles and Responsibilities

1) **Board of Directors**

- Sets the organizational direction and approves sustainability plans and frameworks.

2) **Sustainability and Risk Management Committee**

- Establishes sustainability and risk management policies.
- Committee members jointly design and develop the Company's sustainability initiatives.
- Develops action plans and monitors their implementation.
- Assesses the adequacy and appropriateness of the sustainability and risk management plans and reports significant matters to the Board of Directors.

3) **Risk Management Working Group and Risk Owners**

- Jointly define strategies, plans, and various measures related to sustainability with the risk owners of each department.
- Collaboratively establish the sustainability framework and measure performance based on sustainability indicators relevant to their respective operational departments.
- Integrate job functions according to the business process with sustainability to create a unified approach.

4) **Secretary of the Sustainability and Risk Management Committee**

- Coordinates sustainability and risk management matters closely with the Risk Management Working Group and the Sustainability and Risk Management Committee members.
- Ensures the effective implementation of sustainability and risk management policies and plans.
- Reports risks to the Sustainability and Risk Management Committee.

Risk Management Tools

The Company has studied and applied various risk management tools, such as: defining the organization's acceptable level of risk (Risk Appetite); assessing and prioritizing risk factors using a Risk Map; monitoring risk management through a Risk Mitigation Plan; and utilizing Key Risk Indicators (KRIs). Furthermore, the Company monitors changes in significant external factors, including Emerging Risks, to proactively prepare risk management measures before they impact the Company's business operations.

The Company has analyzed both internal and external environments, including economic, social, political, technological, industrial, marketing, and competitor trends, as well as the expectations of relevant stakeholders, to identify organizational-level risk factors that may significantly impact the Company and its stakeholders.

The Company's Risk Management Policy covers the following key aspects:

1) The Company aims to cultivate a shared understanding, awareness, and responsibility for risk, encompassing the control and impact of risks on its administrative and operational processes for all employees and executives.
2) The Company is committed to establishing high-quality, appropriate, and internationally recognized risk management processes, approaches, and measures, including continuous identification, analysis,

assessment, prioritization, management, control, monitoring, reporting, evaluation, and communication of risk information throughout the organization.

3) The Company mandates both qualitative risk assessment, such as considering its reputation and image, and quantitative risk assessment, like potential financial losses, revenue reduction, and increased expenses, taking into account the likelihood and impact of such events.
4) The Company requires defining the organization's acceptable level of risk (Risk Tolerance) to limit potential damage to manageable levels and establishing warning signs or risk thresholds that necessitate specific actions to prevent risks from exceeding the defined risk appetite.
5) The Company ensures that risk management within acceptable limits aligns with its policies, where the cost of mitigation strategies is appropriate relative to the anticipated benefits.
6) The Company mandates the creation of written operational procedures for all executives and employees to adhere to, thereby controlling operational risks.

In the year 2024, the Sustainability and Risk Management Committee has assessed, controlled, and monitored risk management across all aspects, including strategic risks, operational risks, financial risks, compliance risks, sustainability development risks, emerging risks, and the overall risks of the Company. All identified risks were deemed to be at a manageable level. These identified risk factors were assessed based on the current situation. However, there may be other risks that the Company cannot currently foresee or risks that the Company has considered and currently deems not to have a material impact on its business operations, according to the analysis and explanation transparently disclosed by the Management to data users.

Risk Factors Affecting the Company's Business Operations

Strategic and Business Risks, Including Emerging Risks

1) **Changing Customer Behavior and Needs** This is due to the global economic slowdown, the prolonged military conflict between Russia and Ukraine, the war between Israel and Palestine, the surge and volatility in energy prices, economic warfare, trade sanctions, rising inflation and interest rates, and increasing public debt. These factors have led to a decrease in consumer purchasing power. This also includes the delay in the approval of Thailand's fiscal year 2024 budget, which has caused a slowdown in new projects requiring resources. All of these are considered emerging risks.

   Impact on the Company

- Slowdown in product demand. Reduced sales.
- Increased demand for low-cost products.
- Customers placing advance orders, which can lead to production discontinuity and necessitates careful production planning and resource allocation.
- Uncertainty in raw material procurement planning and challenges in supply chain management.

Risk Management Measures

- Maintain strong relationships with business partners: Foster collaborative planning and close cooperation to enable partners to accurately plan production and replenish goods in highly uncertain situations.
- Increase executive and sales team engagement with customers: Enhance cooperation through product and financial negotiations, such as extending payment terms and providing advance notice of market situations affecting price adjustments.
- Engage with and introduce products to new customers and markets: Prepare products, train sales staff, and develop distribution channels to access new markets and customers seeking new business partners, as well as develop new products.
- Continuously study production innovations and market trends: Allocate research and development budgets appropriately to reduce production costs.
- Develop low-cost products: Explore more alternative raw materials and improve processes for efficient resource utilization, enabling the recycling of production waste back into new products.

2) **Reliance on Major Customers:** The Company's customer base primarily consists of wire and cable manufacturers, a relatively small number of companies domestically. However, these customers account for a significant portion of the Company's PVC compound consumption. While focusing on this segment provides consistent sales and growth aligned with economic conditions and urban development, the limited number of wire and cable producers in the country presents a risk. Intense competition or any difficulties or crises experienced by a major customer, particularly issues stemming from an economic slowdown in the real estate and construction sectors, could significantly impact the Company's revenue and financial performance.

Impact on the Company

- Revenue Risk: If major customers reduce their orders or change their procurement policies, it could significantly impact the Company's revenue.
- Lower Bargaining Power: Major customers have significant bargaining power, potentially forcing the Company to accept unfavorable terms such as price reductions or extended payment periods.
- Limited Market Diversification: Reliance on a limited market reduces the Company's revenue stream diversity, making it vulnerable to changes or increased competition within that specific sector.
- Reduced Business Agility: The need to align with the demands of major customers can limit the Company's flexibility and lead to missed opportunities for developing new products or services for other customer segments.
- Financial and Cash Flow Risks: If major customers face financial difficulties and cannot make payments on time, it could negatively impact the Company's cash flow.

Risk Management Measures

- Diversification of Customer Base: In addition to major wire and cable manufacturers, the Company has been diversifying its customer base into the medical equipment PVC compound sector through a collaboration with Showa Global (Thailand) Co., Ltd. Furthermore, in 2024, the Company has planned to increase its marketing efforts towards other customer segments beyond wire and cable manufacturers. This involves hiring sales personnel with language skills and expertise in selling to injection molding and product forming customers in the automotive and electrical appliance sectors. This strategy aims to capitalize on the potential relocation of manufacturing bases from China due to anticipated future trade war tariffs.
- Development of High-Grade Wire and Cable Products: The Company is developing higher-grade and specialized wire and cable products, such as heat-resistant and fire-retardant grades, to mitigate price pressure in the general (low-voltage) wire and cable product segment.
- Expansion into International Markets: The Company plans to increase sales of PVC compounds for wire and cable applications in international markets, including Laos, Vietnam, the Philippines, and Indonesia. This will leverage existing customer data and the collaboration with the Showa Group from Japan, which has a customer base in some of these countries.
- Systematic Credit Approval Process: The Company has established a systematic process for approving customer trade credit, where credit limits are considered based on the customer's operating performance and financial standing.

3) **High Market Competition:** Due to the domestic market contraction resulting from the economic downturn, competitors are seeking to expand into new markets beyond their traditional focus. This has led to increased competition for the Company within its areas of expertise.

Impact on the Company

- Decreased Market Share and Increased Price Pressure: The rise in competitors negatively impacts the Company's sales volume, profit margins, and overall financial performance.
- Increased Marketing and Development Costs: More investment is required in marketing and product development to attract customers and establish a competitive edge.
- Increased Customer Churn: Customers may more readily switch to competitors' products or services if the Company fails to maintain quality or differentiate itself effectively.

Risk Management Measures

- Focus on Building and Maintaining Strong Customer Relationships: The Company prioritizes continuous relationship building with customers and implements tailored strategies to address the unique needs of each customer in terms of quality, service, and delivery. A team-based approach involving sales, quality assurance, and technical service ensures comprehensive customer support. Differentiation is achieved through product and service innovation, quality, and after-sales service.
- Build Customer Confidence through QCD and ESG: The Company aims to build customer trust by focusing on Quality, appropriate Cost, and reliable Delivery (QCD), complemented by a commitment to Environmental, Social, and Governance (ESG) principles. This includes safe products and a focus on employee safety, boosting employee morale, environmentally friendly production processes and products, and ethical business conduct, underpinned by certifications in ISO 9001 (Quality Management System), ISO 14001 (Environmental Management System), and ISO 45001 (Occupational Health and Safety Management System).
- Improve Operational Efficiency to Reduce Costs and Enhance Production Efficiency: The Company invests in new machinery that reduces labor-intensive processes, minimizes waste, and conserves energy.

- Develop a Comprehensive Product Range: The Company expands its product offerings to cover various application levels within each product category, providing customers with more choices and creating a competitive advantage.
- Allocate Appropriate Budget to the Technical Department and Modernize Testing Capabilities: The Company invests in its technical department and upgrades testing equipment, tools, and methodologies to ensure accuracy and build greater customer confidence.

4) **Climate Change:** The Company's business utilizes raw materials related to the petrochemical industry, which is a significant emitter of greenhouse gases and has environmental impacts. The effects of climate change are increasingly evident globally. This risk affects the Company in several ways, including raw material and supply chain management, innovation driven by growing environmental awareness among consumers as the transition to a Low Carbon Society begins, business regulations, product regulations, carbon tax measures, and the Company's future image and reputation. All of these are also considered emerging risks.

Impact on the Company

- Business goals and future operational planning aimed at transitioning towards a green industry, including the Company's reputation and image.
- Disruptions, shortages of raw materials, or increased raw material costs due to natural disasters, environmental measures, and regulations.
- Higher operating costs resulting from the necessity to comply with environmental measures and regulations from government agencies, regulatory bodies, or customer demands.
- The need for environmental innovations related to products to offer customers alternative options.

Risk Management Measures

- The Board of Directors oversees climate change issues, integrating them into the Company's strategy. This includes annual reviews and assigning all management levels to participate in monitoring customer needs, business partners, markets, regulatory organizations, and to manage risks and identify business opportunities related to climate change. The Company aims for Carbon Neutrality by 2050 (B.E. 2593) and Net-Zero Greenhouse Gas Emissions by 2065 (B.E. 2608) initially, while continuously monitoring internal operations and external situations that may necessitate accelerating these targets.

- The Company has verified its Corporate Carbon Footprint (CFO) for Scope 1 and 2 greenhouse gas emissions data for its 2023 operations and is prepared for the verification of its 2024 Scope 1 and 2 emissions data, with plans to apply for certification in 2025 as scheduled.
- The Company has planned to conduct Product Carbon Footprint (CFP) assessments to provide its customers with product-related greenhouse gas emissions data. This will enable customers to calculate their own product carbon footprints in the future, creating a competitive advantage and preparing for potential carbon tax measures.
- In 2024, the Company invested in modern machinery that reduces waste and energy consumption.
- In terms of Research and Development, the Company is developing environmentally friendly products, which is defined as a key performance indicator in its sustainability efforts.

Regulatory and Legal Risks

1) **Violation of Relevant Rules and Laws:** The Company has previously established policies and measures against fraud and corruption, internal control systems, and procedures for monitoring compliance, imposing penalties, providing protection, and strictly adhering to the code of conduct and work guidelines. There are regulations and operational procedures in place to ensure compliance with legal requirements to prevent corruption, including the designation of personnel to monitor various channels established by the Company for reporting dishonest acts or complaints. The Company also has a systematic and fair process for responding to complaints, protecting whistleblowers, reporting results, and informing complainants, in accordance with Company regulations. These guidelines have been published on the Company's website. However, within the context of the industry, laws related to the environment, labor, and human rights, as well as safety regulations, are critical areas that require close monitoring and represent a significant risk to the Company's operations.

Impact on the Company

- Fines or business suspension due to violations of environmental laws, such as exceeding standard limits for wastewater or pollution discharge, non-compliance with industrial waste management laws, or the use of prohibited chemicals harmful to the environment. Violations of labor and human rights laws, including illegal labor, child labor, or forced labor, and failure to comply with workplace safety standards, discrimination, or labor rights violations.

- Loss of investor confidence. Damage to the Company's reputation and image.
- Negative impact on the trust of customers, the community, and society, as well as potential opposition from employees.

Risk Management Measures

- The Company utilizes the services of safety and environmental expert companies to monitor and provide information on safety, occupational health, environmental, and energy laws to its relevant departments. This information is used for improvement, inspection, and implementation to ensure the Company operates in compliance with new and relevant laws and regulations appropriately and promptly.
- In 2024, the Company became a member of the Safety and Health at Work Promotion Association of Thailand under Royal Patronage to receive higher quality academic services, training, and information regarding occupational health and safety.
- The Company has a dedicated Environmental, Occupational Health, and Safety department that works in conjunction with the Safety Committee and the 5S Activity Working Group, operating in line with the ISO 14001 Environmental Management System and the ISO 45001 Occupational Health and Safety Management System.
- The Company allocates a budget for additional training to ensure compliance with new environmental, occupational health, and safety standards and related laws.
- The Company has enhanced its legal requirement control process by collecting and establishing listing procedures, along with status surveys, from relevant departments and units across the Company.
- The Company has an Internal Audit system in place to reduce the likelihood of violating relevant rules and laws.

Management and Operational Risks

1) **Shortage or Reliance on Skilled Labor:** Personnel development is a significant risk for the Company, as its business requires labor in the production process. Currently, labor costs are a major expense. Reducing staff in certain positions or departments to enhance efficiency necessitates that remaining

employees possess broader expertise. Consequently, upskilling is crucial to prevent operational issues, delays, and limitations in long-term growth and competitiveness.

Impact on the Company

- Reduced production and efficiency, leading to issues with product quality.
- Increased operating costs due to product quality problems and the expense of training employees for new skills.
- Decreased competitiveness, impacting customer satisfaction and directly affecting the confidence of customers and business partners.

Risk Management Measures

- The Company facilitates the development of internal trainers to transfer knowledge and experience to other employees within the organization.
- The Company plans training schedules to enhance employee job skills, aligning with the evolving structure, roles, and increased responsibilities in certain positions. This aims to equip employees with necessary new skills and knowledge for their tasks and reduce reliance on highly specialized labor.
- The Human Resources Department has developed a Succession Plan and collaboratively established Training Roadmaps with various departments and units to align with the Company's current operational structure.

2) **Raw Material Price Volatility:** The Company's business involves purchasing raw materials and blending them through a process to achieve properties suitable for customer applications and requirements. Therefore, the price of raw materials is a primary driver of production costs and significantly influences the selling price of goods. Fluctuations in raw material prices due to global situations, oil prices, energy prices, supply and demand, environmental measures, legal requirements, and trade barriers will directly impact raw material costs and significantly affect the Company's gross profit and production expenses.

Impact on the Company

- Increased and volatile raw material costs, driven by unpredictable global demand for chemical feedstocks, impacting the Company's pricing strategies and gross profit margins.

- Inventory write-downs in cases where raw material prices fluctuate and decrease below the average raw material cost.
- Impact on customer purchasing power, leading to a slowdown in orders or a lack of advance orders, hindering effective and efficient raw material procurement and production planning.
- Shortages of raw materials.

Risk Management Measures

- The Company mitigates raw material price risk by sourcing key materials from multiple suppliers, both domestically and internationally, to reduce reliance on a single source. This involves coordination between the purchasing and research and development departments to identify, test, and approve materials from new sources.
- The Company adjusts its purchasing strategies and customer relationship management, focusing on supply chain management.
- The Company monitors price movements of goods and various production factors, considering market trends, oil prices, inflation, interest rates, exchange rates, and political and economic conditions. It also assesses supplier risks and identifies additional alternative material sources when necessary to prevent excessive high-priced inventory or overstocking.
- During price crises, the Company emphasizes managing both short-term and long-term plans, adapting flexibly to changing situations, responding to customer needs, and coordinating its delivery capabilities, prioritizing key and target customer groups.

3) **Work Systems and Processes:** Currently, the Company has various operational systems, work processes, guidelines, regulations, and work requirements in place. Some areas involve newly added activities required for reporting or implementation to align with policies, diverse needs (including legal requirements, customer demands, and system requirements), and public reporting and disclosure. Some of these are new activities, and with personnel limitations, the Company faces an increased burden of complex operations. This poses a risk of diminishing competitiveness, administrative flexibility, communication effectiveness, work efficiency, and long-term growth.

Impact on the Company

- The Company faces risks in efficiency and work quality due to complex and redundant work processes, potentially leading to frequent errors.
- There are risks related to costs and finances, including the loss of business opportunities that may require excessive resources and the inability to manage personnel effectively.
- The Company faces risks related to personnel and its culture. Without continuous training and development, employees may not be able to perform their duties effectively, especially newly assigned tasks. There may be employee resistance to change.
- Miscommunication within the organization can occur, leading to misunderstandings, inconsistent work, and a loss of focus on the Company's goals and culture.

Risk Management Measures

- The Company is integrating various requirements and systems together, utilizing a process of analyzing input factors and desired outcomes. The systems team is involved, focusing on the connection points between different processes to ensure smooth continuity, maximizing the use of a common database to avoid gaps and reduce work complexity and redundancy.
- The Company is strengthening its Risk Management System by increasing the monitoring, review, and analysis of risks within each division, department, and unit.
- The Company conducts employee training and small group meetings, along with more concrete monitoring of improvements and evaluation of results.
- The Company is enhancing effective communication channels to build understanding and acceptance among personnel, leveraging standardized work systems to foster shared awareness.
- The Company promotes the operations of the Information Technology (IT) department in applying tools or programs that can support operations more quickly, conveniently, and efficiently.
- The Company participates in various projects with institutions that support ESG operations, training grants, and information disclosure, such as the SET Carbon Sandbox project, which assists with recording GHG Scope 1&2 data, thereby reducing the workload associated with mandatory disclosure in this area.

Financial Risks

1) **Default on Debt Payment:** Economic recession, inflation, high interest rates, and delays in government budget disbursement, along with various international situations, impact the financial liquidity of the

Company's customers. This significantly affects their ability to repay debts and has a material impact on the Company's financial standing, operations, and risk management.

Impact on the Company

- he Company's revenue may fall short of targets.
- Increased provision for doubtful accounts due to trade debtors' delayed payments and uncertainty in future collection, impacting the Company's net profit.
- Reduced liquidity from operations due to customers' delayed payments, potentially leading to the postponement of business expansion or new product development.
- Necessity to implement stricter customer screening measures (Stricter Credit Policies), enhance customer credit assessment systems, and impose more stringent credit terms.

Risk Management Measures

- The Company has a customer screening system in place to review customers' financial history and establish credit terms.
- The Company closely monitors customer payments in collaboration with the sales department on a monthly basis, reporting the results to the executive management for their awareness and joint determination of appropriate follow-up approaches and action plans.
- The Company prepares an Accounts Receivable (A/R) Aging Report regularly, either monthly or quarterly, to track the status of outstanding debts closely and establish a system for suspending product shipments in cases where payment terms exceed the defined policy framework.
- For international customers, they are required to open Letters of Credit (L/Cs) to mitigate payment risks or obtain Credit Insurance for exported goods from domestic financial institutions to reduce the risk of non-payment by international customers.
- The Company regularly updates its financial statement database and the financial standing of its customers to reflect the current status of each customer.

2) **Foreign Exchange Rate Volatility:** The Company purchases raw materials and assets in foreign currencies and also sells goods in foreign currencies. Therefore, fluctuations in exchange rates will affect the Company's foreign exchange gains or losses in its financial statements.

Impact on the Company

- Gains or losses from financial foreign exchange rate fluctuations.
- Volatility in product pricing and the calculation of product or raw material costs based on the reference foreign currency exchange rates.

Risk Management Measures

- The Company partially mitigates foreign exchange risk through natural hedging, as it imports some raw materials and also exports goods, generating revenue in foreign currencies. Additionally, the Company maintains Foreign Currency Deposit accounts with financial institutions specifically for settling payments for goods and services. Furthermore, the Company enters into Forward Contracts to hedge against such risks. The Company regularly updates its financial statement database and the financial standing of its customers to reflect the current status of each customer.
- The Company regularly monitors trends in exchange rate movements to assess the appropriateness of hedging strategies at different times.

3) **Interest Rate Volatility:** Interest rate risk arises from inflation, central bank policies, and global financial market conditions due to economic uncertainties, all of which impact the Company's financial costs.

Impact on the Company

- The Company faces higher financial costs.
- Customer purchasing power may decrease.
- Uncertainty may arise in investment or business expansion planning.
- The Company's debt servicing expenses may increase.

Risk Management Measures

- Diversify borrowing sources to compare offers from multiple lenders.
- Maintain good relationships with lending banks.
- Consider entering into derivative contracts to convert floating interest rates to fixed rates to reduce risk (considering future interest rate trends).
- Regularly update the bank's reference interest rate database for comparison and negotiation purposes.