

## 5.5 Risk Management

The company recognizes risk factors across multiple dimensions that may affect the achievement of business objectives amid changes in the business environment and global trade landscape. At the same time, such risks may also lead to business opportunities. Therefore, the company emphasizes comprehensive consideration and analysis of relevant factors, implementing a systematic risk management approach and integrating it into strategic planning and business plans to effectively control and mitigate risks, as well as minimize potential impacts on the organization.

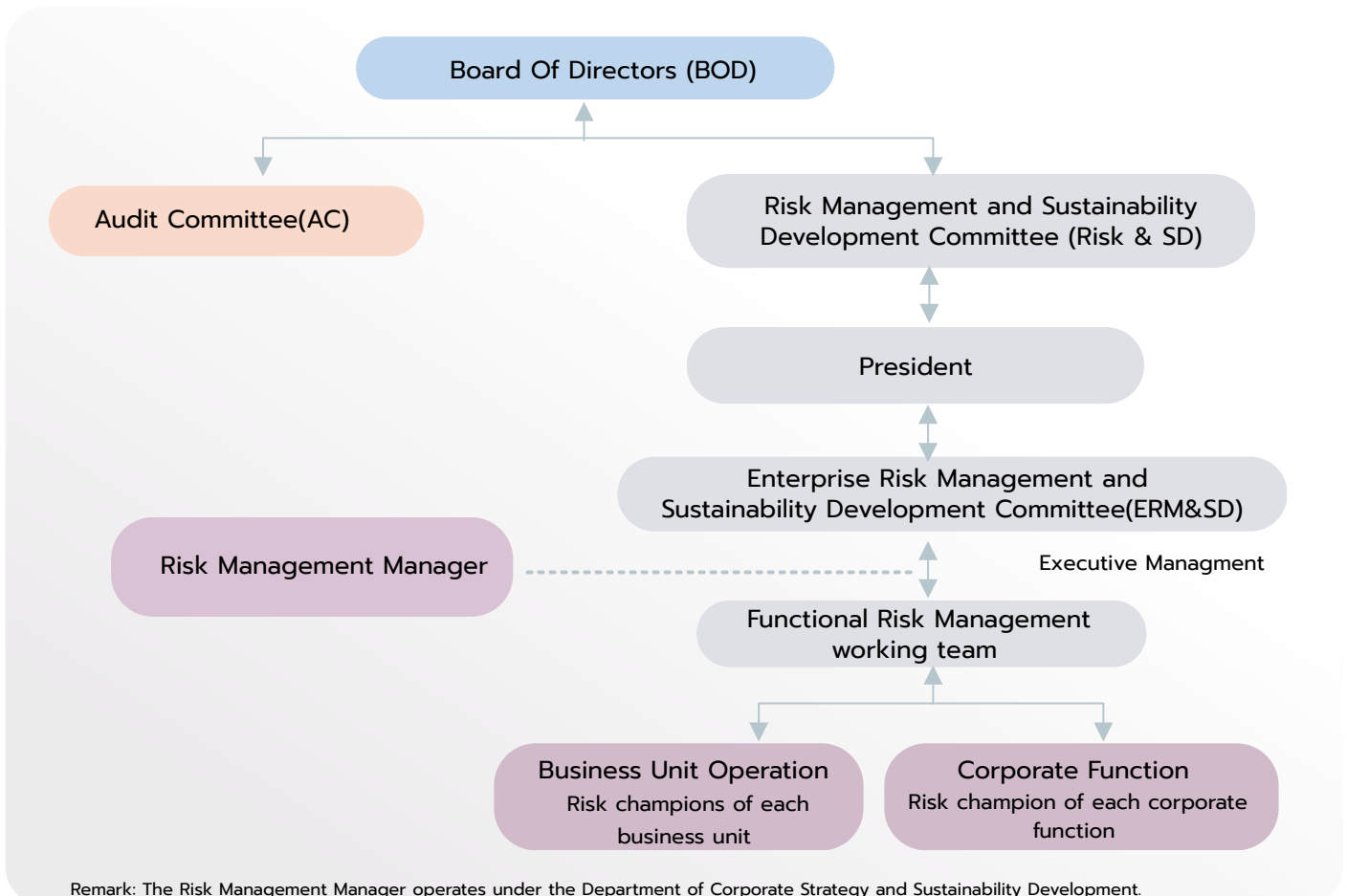
### Risk Management Policy and Plan

The company implements a risk management framework in accordance with the international standard set by The Committee of Sponsoring Organizations of the Treadway Commission (COSO), which aligns with the principles of good corporate governance and promotes the integration of risk management into the organizational culture.

### Risk Management Structure

The company is well aware of the uncertainties that may arise from both internal and external business factors, including risks related to environmental, social, and governance (ESG) issues. Therefore, the Board of Directors has established the **"Risk Management and Sustainability Development Committee."**

The Risk Management and Sustainability Development Committee is responsible for establishing the direction and policies for risk management and sustainability development, ensuring alignment with corporate strategic and business objectives. It aims to effectively meet stakeholder expectations while driving the organization to create value and achieve sustainable growth.



**1. The Board of Directors (BOD) :** oversees the company's operations according to its risk management policies and strategies and has the authority to approve for the organization's Risk Appetite.

**2. The Risk Management and Sustainability Development Committee (Risk & SD) :** reviews the organization's risk management policies and acceptable risk appetite, presenting them for the Board of Directors for approval. The committee establishes an organization-wide risk management structure, has the power to appoint the Enterprise Risk Management and Sustainability Development Committee (ERM) at the executive level, and provides guidance and monitors the performance of this committee to strengthen the organization's risk management system.

**3. The Enterprise Risk Management and Sustainability Development Committee (ERM & SD) :** is tasked with setting corporate-level risk management strategies and acceptable risks for consideration by the Risk Management and Sustainability Development Committee. They outline processes and measures for managing corporate-level risks, oversee risk reviews and reporting to the Audit Committee, and have the authority to appoint the Functional Risk Management working team (FRM) as appropriate.

**4. The Functional Risk Management working team (FRM) )**

are responsible for identifying, assessing risks, and developing functional-level risk management plans. They also designate responsible individuals and monitor and report on operational risk management performance to ensure compliance with company policies.

**5. The Functional Risk Management working team (FRM)** supervises and evaluates the effectiveness of the organization's risk management operations. It reviews risk management practices and offers recommendations to the Board of Directors and the Risk Management and Sustainability Development Committee for improvements in the organization's overall risk management.

### Risk Management Culture

The company fosters a risk management culture at all organizational levels, instilling a consciousness among executives and employees alike about the significance of risk management. This culture is embedded throughout the organization in a continuous and comprehensive manner, ensuring the effectiveness of risk management and the tangible outcomes of risk management practices. The company 's risk management policy, external factor analyses, and risk management training materials, are communicated across the company through our internal website, ensuring accessibility for all employees to understand their roles and responsibilities in risk management and apply them appropriately in alignment with the company's framework.

The company lays the foundation for systematic risk management by adhering to international standards, in order to apply risk management systems effectively and efficiently to business operations. Through the efforts of various committees, the company can promptly identify business risks or opportunities as they arise and devise practical risk management strategies. The framework for risk management is as follows:



- Review the risk management policy and the acceptable level of risk (Risk Appetite) annually, and communicate this to executives, employees at all levels, and all units across the organization. This is to ensure that both management and employees are aware of the potential risks, the impacts arising from those risks, the importance of risk management, and their shared responsibility towards risk. Additionally, integrate the risk management policy into daily operations, using it as a guideline for decision-making and planning.
- Integrate risk assessment is mandated alongside the formulation of strategic plans and the evaluation of overall organizational risk profiles. This is to encourage a thorough understanding of the Risk Appetite across various functional lines, facilitating informed assessment, planning, and management.
- Apply the result of Maturity Assessment for organizational risk management to ensure ongoing and efficient implementation
- Promote the integration of operational lines by following the Three Lines of Defense approach to mitigate risks, reduce operational errors, and to support the organization's strategic objectives and enhancing stakeholder confidence.
- Define guidelines to develop Risk Champions for each operational line, representing their units in coordinating and monitoring the implementation of risk management plans.
- Advocate for policies that foster the development of skills, knowledge, and understanding of risk management, emphasizing the importance of related certifications to ensure competent and effective advice is provided to the management and staff.
- Continuously improves and refines its risk information database, providing a robust platform for the collection, monitoring, analysis, and reporting of data, ultimately facilitating effective risk management decisions.

## Business Continuity Plan

The Emergency drill are an activity that the company recognizes as important in preparing for unforeseen events, ensuring that the company's operations can continue without interruption or can be quickly restored. In 2025, the company's Business Continuity Management working team reviewed the results of the emergency drills conducted in the previous year, while improving preparedness measures and testing response plans in alignment with the specific risk characteristics of each operational area. For the head office in Samut Prakan Province, the company selected a flood scenario for the emergency drill, focusing on testing notification procedures, evacuation processes, resource management, and crisis communication. Meanwhile, at the Rayong site, the company conducted a drill simulating damage to critical machinery leading to a production line shutdown, to test the readiness of response plans, the allocation of alternative resources, and the recovery of production processes.

The results of the drill were successful, effectively testing the employees' readiness to handle potential real-life situations, as well as evaluating resource management and communication systems during a crisis. The company is confident that it can continue operations efficiently.

In March 2025, following the earthquake incident, the company responded appropriately and was able to operate in accordance with the established procedures. This was the result of regular emergency drills and periodic reviews of preparedness measures, reflecting the company's readiness in terms of personnel, systems, and processes to effectively manage emergency situations.

## Risk Factors Affecting the Company's Business Operations

### • Risks to the Company or Group's Business Operations

The company conducts analysis and assessment of the business environment by considering both internal and external factors alongside the organization's goals and strategies. This includes evaluating economic, industry and technological trends, competitive landscape, and other environmental factors at the global, regional, and national levels. The objective is to establish appropriate operational strategies while identifying and assessing potential risks that may impact business operations and the achievement of organizational objectives.

In 2025, the company has evaluated and established critical risk management plans by integrating additional analysis on the following key sustainability issues as follows:

### Strategic risks

#### 1. Automotive Industry Competitive Risk



Environmental



Social



Governance

The automotive industry is facing intensifying competition, driven in part by competition with component manufacturers from low-cost countries, which gain a competitive edge through lower raw material costs supported by domestic steel resources, along with lower labor costs, allowing them to offer more competitive pricing.

## Risk Management

The company has prepared and implemented risk management measures to reduce potential impacts as follows:

- 1) Improving production cost efficiency and raw material costs by sourcing, developing raw materials and enhancing work processes in collaboration with partners. Additionally, the company ensures product quality control, promotes employee skill development in technology, training and development of the Somboon Production System (SPS), to reduce processes and waste while enhancing production efficiency, thereby maintaining cost competitiveness. Furthermore, the company is committed to managing and fostering trustful relationships with customers at all levels while sustaining long-term engagement with all customer groups and continuous monitoring customer needs.
- 2) Increasing market share (domestic and overseas) by seeking business opportunities to expand both existing products and new products. This is aimed at reducing the impact of the aforementioned risks and to ensure business performance aligns with ongoing business plans.

### 2. New Business Development Risk



Environmental Governance

The company has expanded investments into the automotive components and electric vehicle system platforms, as well as into the development, production, and distribution of mechanical machinery and agricultural equipment, aligning with the set goals and long-term growth strategic directions. However, the investments and operations of subsidiaries and joint ventures in these new businesses remain subject to various risks and uncertainties such as uncertainties in order volume, both in term of quantity and price, production and assembly costs and product quality, which pose challenges that the company must actively manage. These include equipment procurement, partner management, capital management, investment costs and skilled labor with expertise, along with climate change, which affects testing in the agricultural machinery sector, are among the key challenges. These risk factors may impact the company's performance, potentially leading to deviations from targets.

#### Risk Management

The company has measures to manage these potential risks as follows:

- 1) Partner management by recruiting experts with knowledge and experience in automotive industry.
- 2) Work plans and processes are continuously improved, with the integration of technology such as scenario simulations based on weather conditions or economic situations, and adjusting business models, to keep pace with rapidly changing circumstances, with reports presented to the board of directors.

### 3. Climate Change Risk



Environmental Governance

Climate change remains a globally recognized risk factor, with all sectors acknowledging its potentially significant impacts. The 30th session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP30), scheduled for November 2025 in Brazil, has advanced several measures such as increasing adaptation finance targets for droughts and floods, launching the Belém Mechanism for Just Global Transition, to support a fair transition to a low-carbon economy. Discussions on phasing out fossil fuels remain under consideration, which the company continues to closely monitor.

In the automotive industry, continued emphasis is placed on greenhouse gas (GHG) emissions and climate change. Customers have requested cooperation in collecting GHG data and in setting both short-term and long-term GHG reduction targets.

In Thailand, climate change has contributed to flooding caused by La Niña in 2025, affecting the northern, central, and southern regions of the country. This resulted in impacts on agricultural output and crop prices and signals the increasing frequency and severity of extreme weather events.

## Risk Management

The company recognizes the significance of climate change risks and is committed to playing an active role in mitigating their impacts. Setting targets to reduce greenhouse gas emissions, implementing measures to combat global warming and continuously enhanced energy management efficiency. These initiatives include operations in various areas, including:

- 1) Utilizing clean energy from solar panels
- 2) Optimizing machinery operation and maintenance for maximum efficiency, further enhancing the SPS System in conjunction with the implementation of TPM to reduce processes and waste, minimize the use of unnecessary equipment and tools, and ensure comprehensive machinery maintenance.
- 3) Reducing energy loss from the production of substandard products by applying digital technologies to minimize energy consumption, which is one of the key mechanisms in reducing greenhouse gas emissions.

In agricultural machinery component production, the company has adopted a flexible manufacturing approach, including adjustments to raw material procurement plans, production schedules, and inventory management. These measures ensure responsiveness and efficiency in adapting to changing circumstances.

Furthermore, the company remains dedicated to its sustainability development policy, striving to become an organization that can adapt to climate change, alongside reviewing and conducting emergency drills for flood scenarios to enhance preparedness for unforeseen events, while promoting renewable energy use and energy conservation. This commitment aims to balance business growth with environmental responsibility.

### Operational risks



#### 1. Risk from Declining Production in the Pickup Truck and Agricultural Machinery Sectors Due to Economic Factors

The country's overall economic recovery remains in a slowdown, with government economic stimulus measures having limited effectiveness. Constraints on household income recovery, persistently high household debt levels, and weakened repayment capacity of buyers, particularly in the pickup truck and agricultural machinery segments, continue to pose challenges. These factors have led financial institutions to maintain stringent lending policies, restricting access to financing and weakening overall consumer purchasing power. In addition, the entry of electric vehicles (EVs), as well as PPV and SUV models from Chinese manufacturers offering a wide range of pricing and technologies, may influence some consumers to shift their purchasing decisions away from pickup trucks toward these vehicle segments. Consequently, domestic pickup truck production volumes have declined significantly.

## Risk Management

The company is aware of the potential impacts of such risks and has adjusted its production to align with changing demands by optimizing resource utilization throughout the supply chain. Continuous improvement of production processes, together with the implementation of the SPS System, are undertaken to minimize waste and enhance efficiency. Along with exploring market opportunities, collaborates with customers on sales promotion initiatives, expanding sales channels by increasing export volumes, expanding the product range in current markets, entering new countries, and focusing on maintaining the existing customer base. These strategies aim to mitigate potential operational impacts arising from these risks.

### 2. Risk in Human Resource Management for Adapting to Business Changes



Social



Governance

The slowdown and decline in both the domestic automotive market and the agricultural machinery and equipment market, driven by fragile economic conditions and volatile climate factors, have directly impacted the manufacturing sector within the automotive industry, related component manufacturers and businesses in agricultural machinery and equipment. These sectors face significant challenges in adjusting production plans, workforce planning, and operational structures to align with changing market conditions.

In the event that the company is unable to effectively manage the transition of its workforce and work systems, it may adversely affect operational efficiency, competitiveness, business continuity, fairness to labor, and the organization's long-term sustainability in alignment with the ESG framework.

## Risk Management

The company has planned workforce adjustments and continuous employee skill development, while enhancing operational flexibility to align with business trends. In addition, production lines have been improved and diversified employment arrangements have been prepared to effectively accommodate changes in a timely manner.

### 3. Cyber Security Risks



Social



Governance

Rapid advancements in technology have made information access easier and faster, posing a risk that may impact data breaches and the security of the company's information systems. Without adequate security measures or a well-structured management approach, these risks could negatively affect the company's reputation, image, and stakeholder confidence.

## Risk Management

The company prioritizes data security, including information related to all stakeholders across the value chain. The company has prepared to address cyber threats in accordance with the NIST framework, covering issue identification, prevention, monitoring and detection, incident response, and systematic recovery measures. In addition, the company has announced a policy on the use of Artificial Intelligence (AI). The company has undergone cybersecurity risk assessments based on the evaluation criteria of key customers. Additionally, enhanced authentication measures have been implemented for system and network administrators and employees to further strengthen system security. Also supports efforts to raise awareness and knowledge of information technology and cybersecurity risks among employees and stakeholders by communicating through comprehension tests conducted before and after training sessions on "Decoding the Top 10 Cyber Threats 2025" together with communications via the official Line Somboon channel and the internal website on " AI-Driven Cyber Threats Businesses Must Watch in 2025". These measures help mitigate the risk of cyberattacks and foster trust among stakeholders in the security of the company's information systems.

### 4. Human Rights Risks



Social



Governance

The company is committed to equitable and fair treatment of its workforce, adhering to international labor standards, the Thai Labor Protection Act, and Thai labor standards, as well as other relevant laws and regulations. With the company's diverse workforce and multiple regional offices, it manages information dissemination and creates an environment that promotes cooperation and mutual understanding.

## Risk Management

The company and the group acknowledge and respect human rights in all aspects of every individual, as well as society and communities, according to the laws of the country and international agreements to which each country is bound. The company evaluates and acts in accordance with the law, continuously applying international human rights principles, such as the Thai Labour Standard TLS 8001-2020, the United Nations Guiding Principles on Business and Human Rights (UNGPR), and the Guide to Human Rights Impact Assessment and Management (HRIAM). Communication and knowledge dissemination on human rights are provided to employees through comprehension assessments, along with promoting a culture of occupational health and safety among employees through Safety Talks activities. Also there have various channels for receiving complaints, such as suggestion boxes and company whistleblower systems. To date, no cases of human rights violations have been identified within the Group.

## 5. Readiness to Strengthen ESG Management of Key Tier 1 Suppliers across the Supply Chain



Environmental



Social



Governance

With the business philosophy of "Somboon Triple Bottom Line" which includes “[Smart People](#), [Business Trust](#), and [Growth Society](#)”, the company also supports, promotes and develops both upstream and downstream partners to follow the company's sustainable business practices.

The company's core business is the manufacturing of automotive parts and agricultural machinery components, with steel as the primary raw material. The company procures steel from domestic distributors and collaborates with overseas manufacturers to develop material properties according to customer requirements. Customers specify the material properties and sources of steel production, while the company purchases compressed steel scrap from multiple domestic suppliers.

In view of the supply chain's linkages with domestic and international customers, any failure by the Company's key upstream Tier 1 suppliers to comply with ESG standards may expose the Company to risks of non-compliance with customer requirements, regulatory obligations, and applicable international standards, potentially affecting supply continuity, corporate reputation, and stakeholder confidence.

### Risk Management

The company prioritizes enhancing supply chain management efficiency while integrating sustainable development principles throughout the supply chain. The company has actively participated in strengthening ESG readiness among its key suppliers by integrating the “Somboon Triple Bottom Line” into the establishment of ESG standards and expectations for suppliers. This has been implemented through the adoption of the supplier Code of Conduct, together with ongoing support and capacity-building initiatives, including training programs on Carbon Footprint and other relevant sustainability topics conducted by the company representative. In addition, the company continuously evaluates and monitors suppliers' ESG performance, commencing from the selection and procurement process, followed by periodic assessments, gap analyses, and collaborative improvement initiatives to ensure alignment with the established standards.

### Financial risk

#### 1. Foreign exchange Volatility



Governance

In 2025, the Thai Baht appreciated further, adversely affecting the company's export revenue and profitability. On the cost side, although the Company derived partial benefits from imported steel, most of procurement is sourced from domestic suppliers and settled in Thai Baht. As a result, the overall impact of exchange rate fluctuations on the company's operating performance remained limited.

Nevertheless, the company continues to closely monitor and place importance on foreign exchange risk in order to address potential uncertainties arising from future economic and financial market conditions.

## Risk Management

The company manages foreign exchange risk by closely monitoring currency movements and aligning the risk management of foreign currency-denominated transactions with its revenue and cost structure, while utilizing financial instruments, including foreign exchange forward contracts, together with appropriate contract management practices to mitigate the impact of exchange rate volatility. In addition, the company conducts analyses of currency movements under both depreciation and appreciation scenarios and assesses the potential impact on profitability to support prudent management decision-making.

## Compliance Risks

### 1. Readiness to Comply with Changing Standards and Regulations



Environmental



Social



Governance

In response to the revision or introduction of criteria, regulations, or measures related to business operations, the company realizes the importance and conducts studies to ensure full compliance, especially in the areas of sustainability and environment, for instance, studies if IFRS S1 and S2 sustainability disclosure standards come into effect, and studies for implementation and compliance if the Clean Air Act is enacted. These are all challenges that the company and the Somboon Group must be prepared for, study, comply with, and be able to effectively adapt to the changing legal and regulatory context.

## Risk Management

The company has measures in place to manage these risks by regularly reviewing and studying all relevant business regulations. This includes training employees on these changes to study, improve and develop policies to accommodate various new standards, appointing responsible individuals, and establishing working groups as necessary. For the preparation of environmental reporting, systematic data collection and organization of information related to the environmental impact of business operations are being carried out. Relevant information has been uploaded to the ESG Data Platform and utilized for retrieval and access to the company's ESG data management system, improving the efficiency of data retrieval, accessibility, and reporting.

## Emerging Risk

### 1. Supply Chain Risk from Geopolitical Factors



Environmental



Social



Governance

The ongoing geopolitical conflicts, including international political tensions and unrest along the Thai–Cambodian border, constitute factors that may affect the company's strategies and operations including ESG-related dimensions. Such impacts may include fluctuations in energy and fuel prices, increased transportation costs, and delays in maritime shipments, U.S. tariff measures, as well as heightened regulatory requirements and the need for greater organizational resilience amid uncertainties directly affecting the automotive supply chain and automotive parts manufacturers in Thailand.

An analysis of the impact of such events on critical suppliers, particularly steel used in production, can be concluded that there was no impact from these incidents that would cause disruption to relevant transportation route in supply chain. However, it is still necessary to remain vigilant and closely monitor the situation.

## Risk Management

The company has implemented measures to closely monitor and keep abreast of news related to these risk factors. Comprehensive impact analyses, both internal and external factors, with a particular focus on U.S. trade policies regarding import tariff increases, together with ongoing negotiations with customers, to mitigate and minimize potential impacts, the company has adjusted its strategies accordingly. For example, optimizing inventory levels in overseas markets, adjusting transportation routes in accordance with the situation, and exploring alternative shipping methods to ensure timely fulfillment of customer demands, mitigate risks associated with delivery delays, and maintain supply chain continuity. Additionally, seeking opportunities to expand into other regions to diversify its market presence and reduce the potential impact of this risk on business performance.

## Investment Risks for Security Holders

### 1. The risk of uncertainty in the expected returns to investors

The share price is contingent upon the company's performance and ability to generate long-term growth, which could be influenced by various factors such as:

- The production structure of automobiles in Thailand
- The production volumes of agricultural machinery in Thailand
- Changes in policies, laws, regulations, or conditions affecting the automotive and agricultural machinery industries
- Increases in production costs due to rising raw material, energy prices and costs of compliance with environmental and sustainability standards.
- Volatility in domestic and international economic conditions; uncertainties in global supply chains and logistics networks; the structural transition of the automotive industry from internal combustion engine vehicles to electric vehicles (EVs); heightened competition from foreign automotive manufacturers, particularly from China; and fluctuations in exchange rates and international trade policies, such as import and export tariffs and conditions for using domestic raw materials (local content)

These factors may impact the company's operations and stock price.

### 2. The risk that dividend payments may not meet investors

Expectations depend on several factors, such as maintaining sufficient reserves for business operations, regular investment budgets, and reserves for business expansion. These factors could affect the level of cash available for dividend payments to shareholders. However, the company has a policy to pay dividends of no less than 30% of net profits after deducting various types of reserves as required by law and company regulations.

## Risks of Investing in Foreign Securities (In cases where the issuer is a foreign company)

-None-