

Risk Management

Risk Management Policy and Plans

Risk Management Policy

Recognizing the value of risk management under changing circumstances that may affect businesses due to internal and external factors, HARN relentlessly complied with the principles and approach of COSO, an international standard on risk management. Regards risk management as a critical component of all its business processes that must be comprehensively connected, so it has risk management policy for everyone to observe. The Risk Management Committee were thus appointed to steer overall risk management for maximum effectiveness.

Risk Management

Corporate risks are systematically managed through various risk management committees to give risk management plans effectiveness and efficiency in line with corporate goals and strategies. Operational risks fall under the supervision of executives responsible for managing and controlling risks to manageable levels and this has been spelled out in the job descriptions of all units.

However, HARN has investigated and applied various risk management tools, including adopted Risk & Control Self-Assessment (RCSA) to help analyze the risk factors and prioritized to assess the level of impact of the major risks and Key Risk Indicators (KRI), to indicate the impact on operating results in

the form of the existing control level, as well to define measures, prevent and monitor. In addition, it monitors key changes in external factors and emerging risks to develop proactive risk management measures before such risks harm business.

HARN cultivates risk management awareness among all its employees along with nurturing risk management ambiance and culture, focusing on due resource allocation and provision of assorted supports for continuous improvement of corporate risk management efficiency, a risk management policy has been published on a website www.harn.co.th accessible to all, along with risk management training courses, as well as an annual review opinion and understanding of corporate risk management.

Risk Factors Facing HARN's Businesses

Risks Facing Businesses

HARN analyzes internal and external risks that affect business, various trends economic, social, political, technological, industrial, competitor, including important goals and strategies of the organization and others to arrive at corporate risk factors, grouped as follows:

Risk from Loss of Distributorship Status

HARN is a distributor fire suppression product, air-conditioning products, sanitation products, refrigeration products, and digital printing products, and 3D Medical products, including Internet of Things systems, containing various products. HARN is a world-renowned products distributor, and the top three brands have sales for 54% and 49% of the total sales revenue in 2023 and 2024 respectively. Therefore, if HARN loses its position as a distributor of major brand products, it may adversely affect HARN's income.

Being appointed as a brand distributor is an important factor in HARN's business. As a distributor of two partners has the

characteristics of established representative age and no representative age limit. However, for most of the brands distributed by HARN, it has **not** yet officially entered into distributorship contract with the brand owners. If the company is losing the rights to sell these brands, it may cause significant impacts on the total sales of the company under whatever circumstances, for example, trade partner entering joint venture with another company or trade partner discontinuing business, etc. Since 2011, HARN's brands had never been revoked since being authorized as the distributor. Nonetheless, over more than 60 years, the company had good relationships with suppliers,

customers and adheres to ethical trading conditions. Therefore, the Company has been trusted with the manufacturing that owns the brand and has been appointed as distributor.

HARN has distribution coverage of over 60 brands, as well as a large customer base of over 5,400 customers, with the image of professional distributor of the complete engineering products and rich business experience, as well as developed and improved its distribution channels to cover changing target customer groups. HARN is confident that if it loses distribution authorization of any brand, it will be able to secure alternative brand to satisfy the market demand. Furthermore, HARN also has a policy to reduce the risks and the damage arising from the loss in becoming a distributor, by selecting high-quality goods and goods, new

technologies constantly emerging, and also the development of brands under HARN trademark in some products to meet the needs of customers. In 2024, the 5.42% of HARN's own brand sales revenue to sales and service revenue.

As can see, HARN's sales have grown in an orderly manner, coupled with Hahn's efficient distribution channels and strong sales team. As a distributor, products can create sustained sales growth, including the application of IoT technology to the company's products. Become a distributor that meets customer needs and continuously create added value for products. Believe that the brand owner will continue to designate HARN as the distributor. Therefore, it is classified as an organizational level risk and evaluated to be controlled at a satisfactory level.

Risk from Brand Owners Implementing Marketing by Themselves

If a foreign brand owner intends to enter the Thai market without going through HARN, there may be the risk of losing the agency right of the brand and the risk of competing with such brand owner companies.

However, HARN firmly believes that this kind of risk is unlikely, because HARN has won the trust of the owner brand company to create good sales in Thailand. In addition, the owner of the brand must consider the value of investing in and selling the product itself. In addition, the distribution of products in the construction engineering for fire suppression system, air-conditioning system, sanitary system, refrigeration system, digital printing system and 3D medical, must be able to offer a broad variety

and comprehensive solutions, can fully meet satisfaction customers, due to customers will consider the convenience of ordering goods from dealers who have the required goods. HARN, as a multi-brand dealer, has a team proficient in goods, maintains good relations with customers for a long time, and has a strong customer base in many industries, which can help reduce the risk of sales decline when any brand owner enters the Thai market. Over the past years, some brand owners from abroad assigned their subsidiaries to directly operate on their behalf, but they failed, so they have switched back to the original distribution method through distributors, it is therefore classified as assessment the risk control at a satisfactory level.

Regulation Risks

Risks of non-compliance or inadequate compliance with changes in rules, laws, and regulations may affect a negative impact on the Company's reputation or lead to penalties, fines, or loss of business opportunities.

HARN, it has formulated a performance monitoring policy for all employees, monitored new investigated laws and regulations, changes in government policies, e.g. laws on trade competition and the Public Procurement and Supplies Management Act, laws concerning public-sector financial discipline, laws on anti-corruption, Personal Data Protection Act (PDPA), human rights law, laws on cybersecurity, climate change law, and laws whose interpretation is unclear, causing a discrepancy in compliance as well as its HARN image and reputation.

To ensure that HARN's operation complies with the laws, regulations, announcements, rules, the public sector's, and regulatory corporate, directives that bind businesses to be enforced in the future, include operation context as well as changes. HARN has determined the acceptable risk level of the organization, communication with management and employee to raise awareness of the workplace rules, as well as set goals to monitor and prevent risks of violating laws and regulations related to business operations. Operate in line with the corporate governance code and adequate internal control by performance reports are to the Risk Management Committee.

In 2024, HARN **did not** violate good corporate governance, code of conduct, compliance with relevant laws and regulations, and has safety management and legal standards.

Business Disruption Risks

The management and control of safety risks for its operations by setting long-term goals to control incidents that cause losses and affect lives, property, and the environment. Targets for accidents that cause injuries to employees and contractors until work stoppage must be zero. Defined work standards equivalent to international standards and creating a safety culture for employees and contractors through imparting knowledge and activities to raise awareness of safety are fundamental to the organization-wide and continuous improvement of operations.

Domestic and international operations are likely to be affected by operations interruption from human errors, catastrophes, threats of political instability, together with terrorist activities, epidemics. Therefore, values Process Safety by focusing on systematically managing and controlling operating risks through the introduction of engineering technology and sophisticated international standards, to lower the likelihood and impacts of such threats cyber, as well as closely monitored the geopolitical conflicts and domestic political situations, has safety, health,

and environmental management standard and the business continuity management system standard to prevent disruption and prevent value-adding activities under business chain from being disrupted. In addition, HARN also review, improve and develops connection business management with human resource preparation plans, work from anywhere, and information system preparedness plan to ensure a practical connection between business units

Personnel Health and Safety, had regular provision of news and information along with easy access and continuously monitoring the number of infected people, including people at risk, continuously announcing measures and guidelines from relevant government agencies to determine measures and guidelines to prevent and reduce the risk of infection in HARN's work areas.

Risk control results are at a controllable level without deaths or accidents from operations, and **not** affected by threats that significantly affect HARN's costs.

Manpower and Competency Capacity Risks are Insufficient for Business Growth.

Challenges in ensuring preparedness with regard to its people, organization, and culture to support new business models and evolving work formats in an efficient, adequate, and timely manner. This is risk could harm its businesses and long-term goal achievement.

Therefore, HARN has restructured the workforce and modified the recruitment strategies as well as improved potentials to keep up with business requirements to be in line with the vision, strategy, and direction of the organization and align with the New Normal, modification of corporate image communication, personnel development planning that addresses future needs by designing essential expertise and enhancing knowhow among related personnel, introduction of technology to support personnel development, and improve the succession plan for positions critical to the success of the organization.

Moreover, has created learning media, added communication channels, and strengthened relations within the organization

to address needs from all groups of age, and modified the work format for job flexibility, increasing welfare schemes' diversity, also modified plans and activities to enhance engagement with HARN to ensure the alignment with employees' needs and expectations while supporting compliance with the human rights in the workplace.

In 2024, the survey results of employee engagement, happiness, and satisfaction with work had an average of 83.49%, an increase of 2.23% from 81.26% in 2023. However, HARN tracked and improved activities, policies, and work methods to increase efficiency. In addition, the turnover rate in 2024 of 15.55%, achieving the goal of not exceeding 14% per year, a decrease of 3.87% compared of 11.68% in 2023. The recruitment rate for 2024 is 21.43%, which is more than the set target of 18% and an increase of 8.05% compared of 13.38% in 2023. However, the current number of employees per employee is 95.75%, still at a controlled risk level.

Personal Data Protection Act (PDPA)

Personal data is a risk that must be properly managed as it may fall into the wrong hands. Failure to safeguard personal data also negatively affects the business credibility. HARN recognizes the importance of safeguarding personal data of our employees, customers and stakeholders, which have been collected, used, disclosed, and transferred.

HARN has established a Personal Data Protection Policy, a Cookie Policy, as well as policies on data recording, reporting, and retention on its website www.harn.co.th, with the aims at enhancing the data security standard as so to comply with the

Personal Data Protection Act (PDPA), e.g. establishing a personal information working group, and setting up a cookie and consent management database, training and communicate personnel within the organization, regularly check whether the operation complies with the above policies, etc., are the responsibility of the Personal Information Protection Officer (DPO) responsible for protecting personal information to prevent confidential information from being disclosed to third parties. If there are complaints about personal information, they can be notified through the website www.harn.co.th.

Volatility Exchange Rate Risk

Fluctuations in the exchange rate, directly and indirectly, affect the costs of products. As the prices of fire protection system products, air-conditioning and sanitation system products, refrigeration system products, digital printing system products, and biological 3D printing system, refer to the prices of foreign manufacturers, However, the fluctuation of exchange rate will affect HARN's gross profit to some extent, Tender offer and payment for products are primarily denominated in US dollar, Pound Sterling and Euro currency, while most products are almost entirely for local distribution in Thai baht.

However, its import volume in 2023 and 2024 made up 76.19% and 73.39% of total volume of product procurement respectively. Tender offer and payment for products are primarily denominated in US dollar, Pound Sterling and Euro currency totally 99.21% and 99.49% of product procurement of foreign currency respectively.

To ease risks of baht fluctuation, HARN has the exchange rate management policy, including risk management requirements of maybe impact the financial condition as the follow:

- Require a pre-opened foreign exchange trading limit with financial institutions to prevent such risks. The contract value covers all existing of product procurement of foreign currency. HARN balances its purchasing forward foreign currencies its foreign-currency product procurement invoice in each ordering

cycle, including while managing its foreign-currency deposits in USD, GBP, EUR, JPY and AUD for smart repayment from customer in foreign currencies.

- Also continuously monitor the trend in the change of the currency for evaluation and to manage the risks from the exchange rate closely

In addition, if foreign exchange rates change to the level that leads to sharp increase in its cost, HARN will revise its selling prices based on market conditions with prior notice thereof to its customers. HARN also keeps a stock of products to accommodate product distribution in advance. Therefore, foreign exchange volatility does not have any significant impact on the revenues and costs of HARN.

To ease risks of foreign currency fluctuation, in 2023 and 2024, HARN has purchasing forward foreign currencies for smart repayment and commercial transactions total Baht 536.53 million and Baht 587.84 million, or 92.29% and 95.65% of its import volume. Furthermore, HARN managed its exchange rate risk by always keeping abreast of foreign exchange movement, resulting in only not much risk exposure as can be seen from its exchange risk management outcome. In 2023 and 2024 which recorded foreign exchange gains of Baht 2.97 million and Baht 3.27 million, respectively, it is therefore classified as assessment the risk control at a satisfactory level.

Risk from Impairment of Goodwill

HARN has record goodwill from a fair value of the consideration for the purchase and acceptance of entire business transfer of net assets of Chillmatch Co., Ltd. and subsidiary, which is higher than a fair value of Chillmatch Co., Ltd. and subsidiary as of the date of issuance of newly ordinary shares as a consideration for the said entire business transfer. by issuing additional shares worth Baht 675.36 million in exchange for the identifiable net assets of both companies, valued at Baht 340.69 million, goodwill amounting to Baht 334.67 million was recognized. In this respect, the executive of HARN will conduct an impairment test in every year and set aside an allowance for impairment loss (if any). HARN may therefore be exposed to risk in case the auditor considers that there is impairment of goodwill which then affect HARN's net profit and loss, equity and debt to equity ratio.

As of the year ending December 31, 2024, HARN's management has prepared financial projections for the Refrigeration Systems

and Digital Printing Systems business units to conduct an impairment test on goodwill. The value-in-use assessment was performed using the discounted cash flow (DCF) method, which calculates the present value of projected net cash flows expected to be generated over an estimated five-year period (from January 1, 2025, to December 31, 2029). The discount rate applied was derived from the business unit's Weighted Average Cost of Capital (WACC) at 5.81%, with a terminal value growth rate of 0%.

Management has determined that goodwill impairment did not occur for the Digital Printing Systems business unit. However, the Refrigeration Systems business unit experienced an impairment loss of Baht 18.70 million as of December 31, 2024. Consequently, the carrying amount of goodwill as of December 31, 2024, was recorded at Baht 315.97 million. This assessment complies with financial reporting standards and has been audited by a certified public accountant.

Risk from Corruption

HARN is committed to conducting business with honesty, transparency, and fairness in accordance with the principles of good corporate governance. Regardless of whether the business activities are within the country or oversea for the government agencies or private companies. HARN will comply with the relevant law and regulations, as well as never accept to all forms of corruption directly and indirectly.

protect from the illegitimate activities i.e. products import, customs clearance, product offer, sales auction, and/or high value project installation services, as well as internal processes which may result from neglected operators, i.e. procurement, control of goods or assets, facilitation bribing, bribing or being asked for bribing from government officials, improper disbursement of expenses, or incorrect accounting, etc., Therefore proceed as follows:

- Prepare and announce the policies and guidelines for anti-corruption. In order to request cooperation from executives and employees throughout the organization to adhere to the same approaches and consistent with HARN's risk management process and communicating to internal and external stakeholders. As well as promoting the encouragement of trading partners to join in implementing anti-corruption measures.

- Established a Risk Management Committee, analyze and determine measures manage business risks, prevent and monitor risks of corruption both at the organization and operation levels a quarterly basis.
- Define the management structure, appropriate roles and responsibilities, provide the channels for complaints and whistleblowing in transparent and fair manner, as well as an adequate and appropriate internal control and audits from external independent auditors. Directly report to the Audit Committee for proposal to the Board of Directors quarterly, including have internal monitor to quality standards ISO 9001:2015 every year.
- Announced the intention as member Thai Private Sector Collective Action Against Corruption (CAC) since March 21, 2017, with a certified for member CAC on quarte 3/2018 and certified for CAC recertification first time on quarte 3/2018, and certified for CAC recertification second time on quarte 2/2024.

In 2024, there were **no** complaints or reports of corruption, **not** any violations of ethical and code of conduct. The results of corruption risk control are controllable.

Emerging Risk

Cybersecurity Threats Risks

Present, cybercrime comes in the form of a variety of attacks and threats, and new methods or technologies are being used to launch attacks through various channels more and more. This, coupled with the changing nature of the business and competition, has spurred to adopt digital technology for enhanced work efficiency and competitiveness. Use of digital technology, however, poses a risk and increases HARN's vulnerability to cyber-attacks, lead to financial losses, affect credibility and corporate image.

HARN is realize the dangers of these mentioned threats. Therefore, the policies and information technology development plans have been prepared, plans and investments have been provided to develop information technology systems in compliance with international standards to prevent and decrease the risks from potential cyberthreats. AS well as continuous development of information technology personnel, provide adequate and suitable internal control and audits from external independent auditors for the operations, including provide the communication, notification, enhancing knowledge and understanding, as well as cultivating caution in all personnel in the organization. In addition, defining the permission to access information, suspend inappropriate use, setting up the network to set up a data

backup center to support emergencies, and prepare the plan to respond with cyber incidents, Test the system and practice the information system recovery plan. In order to ensure the risks can be managed effectively and reduce potential impacts on the organization and business opportunities an and continually meet customers' and stakeholders' needs

In 2024, review the policy and development plan of information technology in Digital Transformation 2022-2025 both hardware and software. Also, a goal of 100% achievement is set each year for all activities to increase competitiveness by using digital technology in accordance with the business operation strategy and response to cyber threats. The budget planning of Bath 2.32 million has already been approved by the Board of Directors.

The operating performance against cyber threats has been analyzed and resolved on cyber security flaws of the organization, with protection from external attacks through applications, use of the Virtual Private Network (VPN) system, external email authentication, restriction of access to hazardous sites, prevention against virus infection, backup data to avoid data damages in case of an emergency, and drills of emergency situation plans to deal with such events. Meanwhile, important resources are allocated as appropriate for the performance of operations.

Hardware Road map – 2024

1. Hardware Good Performance	Supply and modernize the deteriorated computer equipment and notebooks.	100%
2. Software ลิขสิทธิ์ถูกต้อง	Purchase and procure licensed software valid for the organization, while suspending illegal personal devices within the organization.	
3. Network and Security Good Performance	Open a VPN license for employees and optimize sufficient internet speed for overall use in the organization, including an effective protection against viruses and cyber threats from outside.	
4. Network Anywhere	Server on Cloud management, Employees use Wi-Fi within the organization to support Digital Transformation	

Software Road map – 2024

Digital Transformation project	<ul style="list-style-type: none"> - Manage the working processes in a digital form and improve the ERP system, including various programs to stably and accurately operate according to the process, with verifiability. - Develop processes, reduce costs, increase revenue, change the method of operations, upgrade business efficiency, and create a modern corporate image. 	99.62%
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Climate Change Risks

Currently, the climate change crisis is becoming increasingly severe, with the scope of affected areas continuously expanding. This issue has gained more attention at the international level, as reflected in the key discussions at the 29th Conference of the Parties (COP 29) to the United Nations Framework Convention on Climate Change (UNFCCC), held from November 11-22, 2024, in Baku, Azerbaijan. The 198 parties to the UNFCCC (197 countries + the European Union) are working together to prevent the global temperature from rising more than 1.5 degrees Celsius above pre-industrial levels.

HARN conducts business in numerous countries is faced with challenges from additional future rules and regulations prescribed by governments to mitigate environmental issues, challenges of shifts in consumer behavior and market trends toward a preference for products and services from manufacturers with low carbon, and packaging that is compostable. There are also challenges from higher operating costs during the initial stages of investments in low carbon and green technologies. If could not timely transform business models, the impacts from these risks may affect corporate image, as well as a rise in financing, and operating costs from taxation that exert environmental impacts.

To drive leadership in sustainability, HARN has announced its carbon neutrality goal by 2040 and a net-zero greenhouse gas emission target by 2050, under the BCG economic model, which covers three key approaches: Bio-Circular-Green (Bio-Circular-Green Economy). Various policies have been communicated to executives and employees to align their operations with these goals, and regular communication is maintained to ensure ongoing alignment.

HARN has defined the measures to control and decrease the impacts. To promote of the BCG economic model for the environment, society, and communities in a sustainable manner, it consists of:

- Establishing a Carbon Footprint Management Task Force and a Sustainability Task Force to set clear goals for addressing climate change. These teams will define targets and implement actions through various supporting mechanisms to effectively achieve net-zero greenhouse gas emissions.
- Reduce energy sources that emit greenhouse gases and increase the use of alternative energy such install solar cells to replace electricity and use electric vehicles to replace fossil fuels.
- Adjusting the use of resources in operations through the 3R strategy by reducing unnecessary usage (Reduce), optimizing usage by reusing (Reuse), and recycling (Recycle). For example, promoting the reduction of plastic use and participating in the Recycle Project, where stretchable plastic is recycled into recycled plastic pellets, which can then be used as raw materials in the production process including, water management through reducing water consumption, treating, and reusing.
- Enhancing knowledge and building awareness among executives and employees on the proper waste segregation methods.
- Develop products, services, and solutions in accordance with the circular economy principles, especially low-carbon products which help reduce GHG emissions across the value chain.
- Collaborate with the government, private sector, and people sectors to play an integral role in planning and management of forest fire and conservation to restore green areas to reduction environmental problems regarding PM2.5

Investment Risks for Shareholders

- None -

Risks Facing Investing in Foreign Securities

- None -