

## 2023 Significant Risk Factors

Strategic Risk	
<b>Risk Factors</b>	<b>1. Raw Material Security</b>
<b>Key Risks and Impacts</b>	<p>The quantity of primary raw materials such as sugarcane, fuel, rubber wood and fertilizer materials might fall below target. Inadequate sugarcane, in particular, can impact downstream businesses such as electricity and ethanol, leading to unexpectedly high costs. This is primarily due to the following issues:</p> <ul style="list-style-type: none"> <li>● Impacts of the El Niño phenomenon</li> <li>● Trend of farmers reducing the use of fertilizer due to drought and high prices driven by the ongoing Russia-Ukraine conflict, which affected sugarcane yield per rai</li> <li>● Some farmers have switched to growing cassava instead of sugarcane, as cassava requires less water and offers higher market prices, leading to reduced sugarcane plantation areas.</li> <li>● Increased competition among businesses that use the same raw materials</li> </ul>
<b>Management</b>	<p>The Company focuses on both short and long-term management as follows:</p> <ol style="list-style-type: none"> <li>1. Purchase sugarcane from farmers under a contract farming system and provide financial support as a factor of production.</li> <li>2. Promote sugarcane farming near water sources and irrigation systems.</li> <li>3. Support the development of small and large water sources to ensure an adequate water supply for farming.</li> <li>4. Provide modern technology and advancements to improve the sustainable management system.</li> <li>5. Provide farmers with modern agricultural knowledge through ModernFarm Academy.</li> </ol>

	<p>6. Implement projects such as purchasing sugarcane leaves and the "Follow Father - Plant (for) Happiness" initiative to generate additional income for farmers.</p> <p>7. Expand areas for sourcing wood supply and diversify the portfolio of alternative fuels for power generation, such as sugarcane leaves, rice straw, and rice husks, as well as source alternative materials for ethanol production, like C-Mol, to better manage stocks and costs.</p>
<b>Operational Risk</b>	
<b>Risk Factor</b>	<b><u>2. Waste and Pollution Management</u></b>
<b>Key Risks and Impacts</b>	<p>One of Mitr Phol's key missions is to manage waste and emissions from business operations and related activities. This includes managing dust from sugarcane burning, emissions from production processes, bagasse piling, sugar mill effluent, ash, and noise from sugarcane transportation for crushing. In today's age of rapid communication and heightened environmental awareness, these issues could lead to complaints or lawsuits, which will impact costs and approval of permits for new or expanded operations and damage the Company's reputation.</p>
<b>Management</b>	<p>Establish short-term and long-term measures to manage waste and pollution as follows:</p> <ol style="list-style-type: none"> <li>1. Implement measures to prevent and control dust levels.</li> <li>2. Manage water used in the production process to ensure efficient and sufficient water utilization based on the 4Rs principle: Resource Reduce Recycle and Reuse.</li> <li>3. Implement a standard environmental management process.</li> <li>4. Monitor water and air quality to meet legal requirements and conduct risk assessments in each area for effective management.</li> <li>5. Establish a complaint handling process to receive complaints through multiple channels, such as social media platforms, telephone, and the Environmental Impact Assessment (EIA).</li> </ol>

Financial Risk	
<b>Risk Factors</b>	<b>3. Commodity Price Volatility</b>
<b>Key Risks and Impacts</b>	Volatility and the difficulty in forecasting prices of commodities, such as sugar, molasses, fertilizers, and energy, impact revenue and cost forecasts differently across businesses.
<b>Mitigation</b>	<ol style="list-style-type: none"> <li>1. The Sugar Sales Committee and the Ethanol Sales Committee have established guidelines and policies, and a dedicated department is responsible for monitoring situations, analyzing trends, and assessing direct impacts on selling prices, enabling timely decision-making based on market conditions.</li> <li>2. Coordinate closely with Thai Cane and Sugar Co., Ltd. (TCSC) to exchange information and policies on sugar sales to support the development of sales strategies and plans.</li> <li>3. Use various financial instruments to mitigate risks from volatile sugar and ethanol prices.</li> <li>4. Engage related departments in developing a cost management plan.</li> <li>5. Collaborate with suppliers and customers to plan deliveries in advance to maximize transportation cost management.</li> </ol>
<b>Risk Factors</b>	<b>4. Exchange Rate Volatility</b>
<b>Key Risks and Impacts</b>	The high volatility of the Thai baht poses a significant risk to the forecasted revenue of the sugar and wood substitute businesses, as the majority of their income comes from exports. Furthermore, fluctuating prices of imported molasses and fertilizer materials for ethanol and fertilizer production, as well as imported machinery for the manufacturing process, can impact cost forecasting.

<p><b>Management</b></p>	<ol style="list-style-type: none"> <li>1. Establish the Financial Risk Management Committee to set a framework, develop systems, and identify tools for effective financial risk management.</li> <li>2. Set a clear Exchange Rate Risk Management Policy to maintain the risk at an acceptable level.</li> <li>3. Designate a dedicated unit responsible for close monitoring of financial situations.</li> <li>4. Use various financial Instruments</li> <li>5. Coordinate closely with Thai Cane and Sugar Co., Ltd. (TCSC) to monitor sugar sales data to support planning forward trading and enable effective cost management.</li> </ol>
<p><b>Legal and Regulatory Compliance Risk</b></p>	
<p><b>Risk Factors</b></p>	<p><b>5. Changes in Relevant Laws, Rules, and Regulations</b></p>
<p><b>Key Risks and Impacts</b></p>	<p>Failing to keep up with changing laws and policies, as well as strict enforcement, can lead to non-compliance with relevant regulations, potentially resulting in penalties or a reduced ability to compete. Relevant changes include:</p> <ul style="list-style-type: none"> <li>● The Cane and Sugar Act (No. 2) B.E. 2565 defines "bagasse" as a "by-product" that must be calculated and included in the benefit-sharing system and the sugar quota system.</li> <li>● The Notification of the Central Committee for Price of Goods and Services on Additional Controlled Goods declared sugar as controlled goods.</li> <li>● The government policy to promote electric vehicles and remove subsidies for E85 fuel</li> </ul>
<p><b>Management</b></p>	<ol style="list-style-type: none"> <li>1. Establish the compliance guidelines to monitor Mitr Phol's compliance</li> <li>2. Establish a Compliance Unit responsible for supporting the monitoring and risk assessment of relevant laws, and for tracking new regulations in collaboration with representatives from each unit.</li> </ol>

	<ol style="list-style-type: none"> <li>3. Deploy technology for effective monitoring of legal compliance through the compliance system and regularly report compliance with relevant laws, rules, and regulations to the executives and relevant parties.</li> <li>4. Educate employees to create an understanding of relevant laws</li> <li>5. Support and advocate for the Thai Sugar Millers Corporation Limited in using the cane and sugar fund mechanism to stabilize sugarcane prices.</li> </ol>
<b>Environmental, Social and Governance (ESG) Risk</b>	
<b>Risk Factors</b>	<b>6. Climate Change (Drought)</b>
<b>Key Issues and Impacts</b>	<p>The El Niño phenomenon and the positive Indian Ocean Dipole are expected to cause drought in Thailand in 2023-2024. The climate will be extremely hot and dry with delayed rainfall. All regions will experience below-average rainfall, leading to depleted water levels in natural sources and dams, resulting in the following effects:</p> <ul style="list-style-type: none"> <li>● Less sugarcane yield and sweetness, subsequently raising the farming costs.</li> <li>● Water reserve may be Insufficient for industrial production processes.</li> <li>● Fire risks are increased from hot and dry weather.</li> </ul>
<b>Management</b>	<ol style="list-style-type: none"> <li>1. Promote sugarcane farming near water sources and irrigation systems.</li> <li>2. Promote the development of small and large water resources to ensure a sufficient water supply for agriculture, and increase water efficiency through the use of drip irrigation and solar water supply systems.</li> <li>3. Provide modern technology and advancements to enhance the sustainable management system from sugar plantations to sugar mills under the Mitr Phol ModernFarm Project.</li> <li>4. Implement measures to manage water used in the production process to ensure efficient and sufficient water utilization based on the 4Rs principle: Resource Reduce Recycle and Reuse.</li> <li>5. Establish measures for fire prevention and response.</li> </ol>