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INNOVATION MANAGEMENT AND VALUE CREATION POLICY

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Innovation Management and Value Creation Policy

Vanachai Group Public Company Limited and Subsidiaries

Vanachai Group Public Company Limited and its subsidiaries ("the Company") recognize that innovation and value creation are essential foundations for long-term competitiveness, operational excellence, customer trust, and sustainable growth. As a producer of wood-based products, the Company is committed to using resources efficiently, developing products and processes responsibly, and applying technology, creativity, knowledge, and collaboration to create business value together with positive impacts for stakeholders.

The Company promotes innovation across product development, production and work processes, services, digital systems, resource efficiency, circular economy, climate and environmental performance, and new business models. Innovation shall be managed systematically from idea generation, feasibility assessment, project development, testing, implementation, commercialization, scaling, and performance review, while ensuring appropriate governance, risk management, intellectual property protection, and ethical conduct.

This Policy provides the governance and management framework for innovation management and value creation across the Company. It has been developed by expanding the previous Innovation and Value Creation Management Policy into the corporate policy structure used by Vanachai, with alignment to applicable international standards, sustainability expectations, and the Company's long-term sustainability direction: "FOREST | FUTURE | TOGETHER - for a Sustainable Living".

1) Objectives

- To establish a clear governance and management framework for innovation and value creation across the Company.
- To promote systematic innovation in products, production processes, work processes, services, digital systems, and business models.
- To support efficient use of resources, reduction of waste and environmental impacts, and development of circular and low-carbon business opportunities.
- To strengthen competitiveness, customer value, operational resilience, productivity, quality, safety, and long-term business growth.
- To encourage employees, suppliers, business partners, academic institutions, and other stakeholders to participate in internal and open innovation activities.
- To protect, manage, and create value from intellectual property, knowledge, inventions, trade secrets, and confidential information.

- To define innovation metrics and reporting practices that support transparent monitoring, decision-making, and continuous improvement.

2) Policy Alignment and International Standards

This policy is aligned, where applicable, with the following standards, frameworks, and guidance:

- ISO 56001 Innovation Management System, where applicable, for requirements related to innovation management governance, leadership, planning, support, operations, performance evaluation, and improvement.
- ISO 56002 Innovation Management System Guidance, where applicable, as a reference for establishing and continuously improving innovation management practices.
- ISO 56005 Innovation Management, Tools and Methods for Intellectual Property Management, where applicable, to guide intellectual property identification, protection, ownership, and value extraction.
- GRI Standards: GRI 2-23 Policy Commitments, GRI 2-24 Embedding Policy Commitments, GRI 2-27 Compliance with Laws and Regulations, GRI 3-3 Management of Material Topics, and other topic standards related to economic performance, indirect economic impacts, materials, energy, emissions, waste, occupational health and safety, training, customer health and safety, and supplier assessment, where applicable.
- FTSE Russell ESG Indicators, where applicable, including governance, risk management, product responsibility, environmental management, resource use, climate, supply chain, human capital development, and innovation-related disclosure expectations.
- Thailand laws and regulations relating to intellectual property, trade secrets, copyright, patents, personal data protection, consumer protection, occupational health and safety, environmental management, and fair business conduct, where applicable.
- United Nations Sustainable Development Goals: SDG 8 Decent Work and Economic Growth, SDG 9 Industry, Innovation and Infrastructure, SDG 12 Responsible Consumption and Production, SDG 13 Climate Action, and SDG 17 Partnerships for the Goals.
- Company policies and frameworks, including Corporate Governance Policy, Business Code of Conduct, Risk Management Policy, Sustainability Policy, Sustainable Wood Procurement Policy, environmental management systems, and Vanachai Integrated Materiality and Risk Assessment (V-IMRA).

3) Scope of the Policy

This policy applies to:

- The operations of the Company, its subsidiaries, and joint ventures under the Company's operational control.
- Directors, executives, management, employees, temporary workers, consultants, and persons acting on behalf of the Company.
- All innovation activities related to products, wood-based products, raw materials, manufacturing processes, production technology, energy and resource efficiency, digital systems, logistics, services, customer solutions, business models, and sustainability initiatives.
- Innovation projects conducted internally, across functions, with suppliers, contractors, business partners, customers, research institutions, universities, government agencies, industry associations, and other external collaborators.
- Intellectual property, know-how, confidential information, trade secrets, technical data, inventions, designs, software, digital tools, operational improvements, and other outputs created, developed, acquired, licensed, or used by the Company.
- Procurement, outsourcing, joint development, technology transfer, licensing, research and development, pilot testing, commercialization, and other activities that may affect innovation value, risk, intellectual property ownership, or stakeholder impact.

4) Definitions and References

To ensure a consistent understanding and application of this Innovation Management and Value Creation Policy, the following key terms are defined as follows.

- **Innovation:** The creation, development, improvement, adoption, or application of ideas, technologies, products, services, processes, business models, or organizational methods that generate value for the Company, customers, stakeholders, society, or the environment.
- **Value Creation:** The generation of measurable or demonstrable benefits, including revenue growth, cost savings, productivity, product quality, resource efficiency, emissions reduction, waste reduction, customer satisfaction, employee capability, risk reduction, and stakeholder trust.
- **Innovation Management:** A systematic approach to directing, enabling, implementing, monitoring, and improving innovation activities from strategy and idea generation to execution, scaling, and performance evaluation.
- **Product Innovation:** The development of new or improved products, product features, specifications, quality, functionality, durability, safety, environmental performance, or customer applications.

- **Process Innovation:** The improvement or redesign of production processes, work processes, technology, automation, digital systems, quality control, safety, logistics, or resource efficiency.
- **Service Innovation:** The development of new or improved services, customer support, delivery models, technical solutions, customer experience, or after-sales processes.
- **Business Model Innovation:** The development of new ways to create, deliver, and capture business value, including new markets, service models, circular business models, partnerships, and revenue models.
- **Closed Innovation:** Innovation developed primarily through the Company's internal research, development, knowledge, resources, and cross-functional collaboration.
- **Open Innovation:** Innovation developed through collaboration between internal teams and external stakeholders, including suppliers, customers, research institutions, universities, technology providers, government agencies, and business partners.
- **Intellectual Property:** Creations of the mind or intangible assets resulting from invention, design, copyright, patent, petty patent, trademark, trade secret, software, technical data, know-how, or other creative and technical outputs protected or protectable under applicable law.
- **Innovation Portfolio:** A collection of innovation ideas, projects, pilots, and implemented solutions managed according to strategic relevance, value potential, risk, resource requirements, and implementation readiness.
- **Stage-Gate Process:** A structured decision process for reviewing innovation projects at key stages, such as idea screening, feasibility, development, pilot testing, commercialization, implementation, and post-implementation review.
- **Vanachai Integrated Materiality and Risk Assessment (V-IMRA):** An internal assessment process used by the Company to identify and prioritize sustainability-related issues by integrating impact and financial materiality perspectives, supporting enterprise risk management, strategic planning, and management decision-making.

5) Governance and Accountability

- **Board of Directors:** Approves this Policy and oversees the Company's strategic direction on innovation, competitiveness, responsible business conduct, and long-term value creation.
- **Risk Management and Governance Committee:** Oversees governance, risk management, compliance, ethical conduct, and risk integration related to innovation management and value creation.

- **Sustainability Committee:** Oversees the integration of innovation with sustainability strategy, circular economy, climate and environmental performance, stakeholder value, and sustainability disclosure.
- **Board of Executive Directors and Managing Director:** Set business priorities, approve major innovation directions and resources, and ensure implementation across relevant functions.
- **Innovation Management Working Group or designated functions:** Coordinate innovation plans, manage the innovation portfolio, track performance, support cross-functional projects, and prepare reports for management review.
- **Research and Development, Production, Engineering, Quality, Procurement, Sales, Marketing, Information Technology, Sustainability, and other relevant departments:** Identify, develop, evaluate, implement, and scale innovation projects within their areas of responsibility.
- **Legal, Compliance, and responsible functions:** Support intellectual property management, contract review, confidentiality, ownership arrangements, licensing, and compliance with applicable laws and regulations.
- **Internal Audit:** Conducts periodic reviews, where applicable, to assess whether innovation management controls, data, intellectual property controls, and policy implementation are operating effectively.
- **Employees, suppliers, contractors, and business partners:** Comply with this Policy, protect confidential information and intellectual property, contribute ideas responsibly, and participate in innovation activities where relevant.

6) Commitments and Principles

6.1 Strategic Alignment and Value Creation

- Innovation shall support the Company's business strategy, operational excellence, customer needs, sustainable growth, and stakeholder value. Innovation priorities shall consider both business value and sustainability value.

6.2 Systematic Innovation Management

- The Company shall apply a structured process for collecting ideas, assessing feasibility, prioritizing projects, allocating resources, testing, implementing, commercializing, and reviewing innovation outcomes.

6.3 Responsible and Sustainable Innovation

- Innovation shall be designed and implemented responsibly, considering product safety, quality, resource efficiency, energy efficiency, greenhouse gas reduction, waste reduction, circular economy, biodiversity, occupational health and safety, human rights, and community impacts where applicable.

6.4 Internal Innovation and Open Innovation

- The Company shall promote innovation generated by employees and cross-functional teams, while also encouraging collaboration with suppliers, business partners, customers, universities, research institutions, technology providers, and public agencies.

6.5 Intellectual Property and Knowledge Protection

- The Company shall identify, document, protect, and use intellectual property and confidential knowledge responsibly. The Company shall also take reasonable steps to prevent infringement of third-party intellectual property rights.

6.6 Digital, Data, and Technology Enablement

- The Company shall encourage the use of digital tools, data analytics, automation, production technology, information systems, and appropriate emerging technologies to improve efficiency, quality, safety, decision-making, and customer value.

6.7 Employee Participation and Innovation Culture

- The Company shall create an environment that encourages creativity, reasonable experimentation, cross-functional collaboration, learning from failure, knowledge sharing, recognition of innovators, and development of employee capability.

6.8 Ethical Conduct and Compliance

- Innovation activities shall be conducted in accordance with laws, regulations, the Business Code of Conduct, anti-corruption requirements, fair competition principles, confidentiality obligations, and data protection requirements.

6.9 Risk-Based Decision-Making

- Innovation opportunities shall be evaluated together with strategic, operational, financial, legal, intellectual property, environmental, social, technology, cybersecurity, and reputational risks.

7) Risk, Impact, and Dependency Management

The risks, impacts, and dependencies associated with innovation management and value creation are identified, analyzed, and prioritized through the Company's Vanachai Integrated Materiality and Risk Assessment (V-IMRA) process and, where relevant, integrated into the Enterprise Risk Management (ERM) system. The Company applies risk-based controls to ensure that innovation creates long-term value while preventing or mitigating potential adverse impacts.

- Risk Identification: Identify strategic, operational, technology, cybersecurity, intellectual property, legal, regulatory, environmental, social, product safety, customer, supply chain, and financial risks related to innovation activities.

- **Impact Assessment:** Evaluate positive and negative impacts that innovation projects may create for the Company, customers, employees, suppliers, communities, society, and the environment.
- **Value and Feasibility Assessment:** Assess expected benefits, resource requirements, financial viability, implementation readiness, market relevance, technical feasibility, and scalability before allocating major resources.
- **Intellectual Property Risk Assessment:** Review ownership, confidentiality, patentability, freedom to operate, third-party rights, licensing conditions, and contract clauses before project development and commercialization.
- **Sustainability and Climate Considerations:** Evaluate opportunities to improve resource efficiency, energy efficiency, low-carbon products, waste reduction, circular material use, and climate resilience where relevant.
- **Risk Response Planning:** Establish mitigation actions, responsible persons, timelines, approval checkpoints, pilot testing requirements, contingency plans, and escalation channels for significant risks.
- **Post-Implementation Review:** Review actual outcomes, risks, lessons learned, customer feedback, and value delivered after implementation or commercialization.

8) Targets and Metrics

The Company shall establish measurable indicators for innovation management and value creation based on business relevance, data availability, and management priorities. Indicators may be applied at corporate, business unit, plant, department, or project level, as appropriate.

- Number of innovation ideas submitted, screened, developed, piloted, implemented, or commercialized.
- Number of new or improved products, product applications, production processes, work processes, digital tools, services, or business models developed.
- Revenue, margin contribution, cost savings, productivity improvement, quality improvement, or customer value generated from innovation projects, where measurable.
- Resource efficiency benefits, including material savings, energy savings, water savings, waste reduction, emissions reduction, or circular material use, where measurable.
- Number of intellectual property assets identified, registered, licensed, protected, or commercially used, including patents, petty patents, copyrights, inventions, software, and trade secrets, where applicable.
- Percentage or number of relevant employees trained on innovation management, intellectual property, digital transformation, process improvement, or sustainability-linked innovation.
- Number of open innovation collaborations with suppliers, customers, universities, research institutions, technology providers, or other partners.

- Innovation project completion, stage-gate approval, implementation success, safety performance, and post-implementation review completion rates.
- Disclosure of material innovation and value creation progress in the Vanachai Sustainability Move Report or other appropriate communication channels.

9) Supply Chain and Partner Responsibility

The Company recognizes that suppliers, contractors, customers, research institutions, technology providers, and business partners may play an important role in developing and scaling innovation. The Company shall manage collaboration responsibly to ensure mutual benefit, confidentiality, compliance, and clear ownership of innovation outputs.

- Define the purpose, scope, roles, responsibilities, confidentiality obligations, intellectual property ownership, data protection requirements, and commercialization rights before entering significant innovation collaborations.
- Encourage suppliers and business partners to propose solutions that improve product quality, resource efficiency, energy efficiency, safety, circular economy, environmental performance, traceability, and customer value.
- Apply due diligence, where appropriate, to assess partner capability, ethical conduct, regulatory compliance, intellectual property risks, cybersecurity risks, and sustainability performance.
- Include relevant innovation, confidentiality, data protection, intellectual property, and sustainability clauses in contracts or collaboration agreements.
- Promote knowledge sharing and capacity building with strategic suppliers and partners to support responsible innovation and continuous improvement across the value chain.
- Ensure that collaboration with competitors, industry associations, or external parties complies with fair competition laws and the Company's anti-unfair competition commitments.

10) Integration with Corporate Strategy

The Company integrates innovation management and value creation into its corporate strategy and sustainability direction, "FOREST | FUTURE | TOGETHER - for a Sustainable Living," to ensure that innovation contributes to both business performance and responsible growth.

FOREST: Resource Efficiency, Responsible Materials, and Nature-Linked Value

- Develop innovations that improve material utilization, product yield, sustainable sourcing, waste reduction, circular material use, and responsible use of natural resources.
- Support product and process innovation that reduces environmental impacts and strengthens the value of wood-based products.

FUTURE: Technology, Low-Carbon Solutions, and Competitive Advantage

- Promote low-carbon products, process efficiency, automation, digitalization, energy efficiency, data-driven decision-making, and technologies that support future competitiveness.
- Support research, development, and commercialization of new products, new applications, and new business models aligned with market transition and customer expectations.

TOGETHER: Collaboration, People, and Shared Value

- Encourage employees, suppliers, customers, communities, and partners to participate in innovation activities that create shared value.
- Communicate innovation progress and lessons learned to strengthen organizational learning and stakeholder confidence.

11) Implementation and Management Tools

11.1 Integration with Management Systems

- Integrate innovation objectives into strategic planning, annual business planning, budgeting, risk management, sustainability management, and relevant management systems.
- Embed innovation-related considerations into product development, process improvement, procurement, quality management, environmental management, energy management, occupational health and safety, and customer management processes.
- Apply approval authority, internal controls, and documentation requirements proportionate to project risk, investment size, and business impact.

11.2 Innovation Process and Portfolio Management

- Establish channels for collecting innovation ideas from employees, teams, customers, suppliers, and partners.
- Apply screening criteria such as strategic fit, customer value, technical feasibility, expected value, sustainability benefits, risk level, investment needs, and implementation readiness.
- Use a stage-gate or equivalent process for idea selection, feasibility assessment, project development, pilot testing, approval, implementation, commercialization, scaling, and post-implementation review.
- Maintain an innovation portfolio to track project status, priorities, resources, benefits, risks, and accountability.

11.3 Intellectual Property and Knowledge Management

- Identify and record important inventions, designs, software, technical data, trade secrets, know-how, copyrights, patents, petty patents, and other intellectual property created or used by the Company.

- Review ownership, protection strategy, confidentiality classification, registration requirements, licensing opportunities, and commercial use of intellectual property.
- Protect confidential information through access controls, confidentiality agreements, contract clauses, data management practices, and employee awareness.
- Prevent infringement of third-party intellectual property through review of technology, designs, software, licensing terms, and partner agreements where relevant.

11.4 Capacity Building and Innovation Culture

- Provide training and communication on innovation management, creative thinking, problem solving, digital skills, intellectual property, sustainability-linked innovation, and responsible collaboration.
- Promote cross-functional innovation projects, sandbox testing, pilot projects, workshops, idea campaigns, and knowledge-sharing forums.
- Recognize employees and teams that create valuable innovations or improvements in a fair and appropriate manner.
- Encourage learning from successful and unsuccessful projects to improve future innovation capability.

11.5 Resource Allocation

- Allocate appropriate budget, personnel, technology, data, time, and management support for prioritized innovation projects.
- Assign project owners, sponsors, technical leads, and cross-functional team members for material innovation projects.
- Review resource allocation periodically based on project progress, risks, business value, sustainability value, and strategic priorities.

12) Monitoring, Reporting and Transparency

- Monitor the progress of innovation projects, innovation portfolio status, key milestones, budget use, risks, expected benefits, and actual outcomes on a regular basis.
- Maintain reliable data on innovation activities, project approvals, implementation outcomes, intellectual property assets, performance benefits, and lessons learned.
- Report significant innovation performance, value creation, resource efficiency, and sustainability-linked outcomes to management, relevant committees, and the Board of Directors, as appropriate.

- Disclose material innovation and value creation progress in the Vanachai Sustainability Move Report, annual report, website, or other appropriate communication channels where relevant.
- Ensure that external disclosure of innovation projects does not compromise confidential information, trade secrets, intellectual property protection, commercial negotiations, cybersecurity, or legal compliance.
- Use monitoring results to improve future innovation strategy, resource allocation, risk management, employee

13) Review and Continuous Improvement

- This Policy shall be reviewed at least every two years, or earlier if there are significant changes in laws, regulations, international standards, business strategy, technology, stakeholder expectations, or material risks.
- The effectiveness of innovation management practices shall be reviewed through management review, KPI tracking, project review, internal audit, risk assessment, stakeholder feedback, and lessons learned.
- The Company shall continuously strengthen innovation capabilities, intellectual property management, data quality, employee participation, partner collaboration, and value creation measurement.
- Policy review results and improvement recommendations shall be submitted to the relevant committee and the Board of Directors for consideration and approval, where required.
- The Company shall promote continuous learning and improvement to ensure innovation remains relevant, responsible, and aligned with long-term sustainable value creation.

14) Innovation Management and Value Creation Policy Revision History

Version	Date	Policy Owner	Approved by	Key Changes / Comments
1.0	11 November 2024	Management and relevant functional units	Board of Directors	Initial issue of the Innovation and Value Creation Management Policy, focusing on innovation principles, internal and open innovation, intellectual property definitions, innovation process guidelines, monitoring of innovation outcomes, and promotion of an innovation culture.
2.0	11 November 2025	Risk Management and Governance Committee	Board of Directors	Updated and expanded into the Company's 14-section corporate policy structure; assigned policy code VNG-GOV-IVC-PL-02; strengthened alignment with ISO 56001, ISO 56002, ISO 56005, GRI Standards, FTSE Russell ESG expectations, UN SDGs, and Vanachai's sustainability direction. Added governance roles, V-IMRA and ERM integration, innovation portfolio and stage-gate process, intellectual property management, targets and metrics, supply chain and partner responsibility, monitoring, reporting, and continuous improvement.