



**DRAFT**

# SUCCESSION POLICY

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## **Succession Policy**

### **Vanachai Group Public Company Limited and Subsidiaries**

Vanachai Group Public Company Limited and its subsidiaries ("the Company") recognize that leadership continuity, executive capability, and orderly succession are essential to business resilience, corporate governance, and long-term value creation. The Company therefore establishes this Succession Policy to ensure that critical leadership positions are identified, monitored, and supported through a structured and transparent succession planning process.

The Company aims to maintain a qualified leadership pipeline for the Managing Director, senior executives, business-unit leaders, and other critical positions that may materially affect strategy execution, production continuity, financial discipline, stakeholder confidence, regulatory compliance, and the Company's sustainable growth. Succession planning shall be conducted with objectivity, fairness, confidentiality, and alignment with the Company's business strategy, organizational culture, and good corporate governance principles.

This Policy provides a practical framework for identifying critical positions, defining competency requirements, assessing internal and external candidates, preparing Individual Development Plans, maintaining emergency succession arrangements, and reporting progress to the relevant governance bodies. It builds upon the Company's previous Succession Plan by expanding the policy into a systematic corporate governance framework under the Company's policy architecture.

#### **1) Objectives**

- Ensure continuity of leadership and management for the Company and its subsidiaries, particularly for the Managing Director and other critical positions.
- Reduce business, operational, governance, and stakeholder risks arising from vacancy, retirement, resignation, prolonged absence, incapacity, or unexpected loss of key executives.
- Establish a transparent, fair, and structured process for identifying, assessing, developing, and appointing qualified successors from internal and, where necessary, external sources.
- Develop a leadership pipeline with the required knowledge, competencies, experience, integrity, and potential to support the Company's strategy and sustainable growth.
- Support employee motivation, retention, and career growth by providing high-potential employees with clear development opportunities and readiness plans.

- Integrate succession planning with workforce planning, talent development, risk management, performance management, and business continuity planning.

## **2) Policy Alignment and International Standards**

- Securities and Exchange Commission of Thailand (SEC) Corporate Governance Code for Listed Companies, including principles relating to board responsibilities, nomination, remuneration, executive development, and succession planning.
- Stock Exchange of Thailand (SET) expectations for good corporate governance, transparent nomination processes, board oversight, and disclosure of governance practices in annual reports and sustainability reports.
- FTSE Russell ESG Indicators, where applicable, particularly indicators related to corporate governance, board effectiveness, nomination and succession, human capital management, employee development, leadership capability, and risk management.
- GRI Standards: GRI 2-10 Nomination and selection of the highest governance body; GRI 2-13 Delegation of responsibility for managing impacts; GRI 2-17 Collective knowledge of the highest governance body; GRI 2-19 and GRI 2-20 Remuneration policies and process to determine remuneration; GRI 3-3 Management of Material Topics; GRI 401 Employment; and GRI 404 Training and Education, where applicable.
- ISO 30414 Human Resource Management - Guidelines for Internal and External Human Capital Reporting, ISO 30409 Workforce Planning, ISO 30405 Recruitment, and ISO 30408 Human Governance, where applicable.
- United Nations Sustainable Development Goals (UN SDGs): SDG 4 Quality Education, SDG 5 Gender Equality, SDG 8 Decent Work and Economic Growth, SDG 10 Reduced Inequalities, and SDG 16 Peace, Justice and Strong Institutions.

## **3) Scope of the Policy**

This policy applies to:

- The Company, its subsidiaries, and business units under operational control.
- The Board of Directors, Nomination and Remuneration Committee, Board of Executive Directors, Managing Director, senior executives, managers, department heads, and employees involved in succession planning or talent development.
- The Managing Director position and other critical positions, including senior executive, business-unit leadership, plant leadership, finance and accounting, production, procurement, sales and marketing, human resources, sustainability, risk management, compliance, internal audit, information technology, and other roles determined by the Company.

- Succession planning for planned transitions, emergency transitions, retirement, resignation, organizational restructuring, promotion, acting assignments, external recruitment, and leadership development.
- External executive search firms, assessment providers, consultants, and training providers engaged to support succession planning, where applicable.

#### 4) Definitions and References

- **Succession Planning:** A structured process to identify, assess, develop, and prepare qualified candidates to assume critical positions when such positions become vacant or when a planned transition occurs.
- **Critical Position:** A role that is essential to strategy execution, operational continuity, regulatory compliance, stakeholder confidence, risk management, or business performance. Vacancy in such role may create material impact on the Company.
- **Successor:** An internal or external candidate assessed as having the qualifications, competency, integrity, experience, and potential to assume a critical position within a specified readiness timeframe.
- **Talent Pool:** A group of employees with high performance and/or high potential who may be considered for future leadership or critical positions.
- **Individual Development Plan (IDP):** A structured development plan for a potential successor, including training, coaching, mentoring, job rotation, strategic assignments, competency development, and progress reviews.
- **Emergency Succession:** A temporary or urgent succession arrangement activated when an incumbent of a critical position is suddenly unable to perform duties.
- **Readiness Level:** The timeframe and degree of preparedness of a successor, commonly categorized as Ready Now, Ready in 1-2 Years, Ready in 3-5 Years, or External Search Required.
- **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, oversees succession planning for the Managing Director and other key executive positions, considers recommendations from the Nomination and Remuneration Committee, and ensures leadership continuity aligns with corporate strategy and good governance.

- **Nomination and Remuneration Committee:** Serves as the policy owner. The Committee establishes succession planning principles, reviews the succession plan for the Managing Director and key executives, evaluates successor readiness, recommends appointments or acting arrangements to the Board of Directors, and monitors development progress.
- **Board of Executive Directors:** Supports business and workforce analysis, identifies leadership requirements, reviews executive-level talent and critical roles, provides development opportunities, and supports the implementation of succession plans across business units.
- **Managing Director:** Ensures succession planning is implemented for senior executives and critical positions; supports talent development, job rotation, coaching, and acting-role exposure; and reports key succession matters to the relevant governance bodies.
- **Human Resources and Central Administration Department:** Coordinates the succession planning process, maintains the critical position inventory, competency profiles, assessment records, talent pool data, IDPs, and succession reports; and supports internal promotion or external recruitment when required.
- **Department Heads and Line Managers:** Identify potential successors, evaluate performance and potential, implement development plans, transfer knowledge, and ensure business continuity within their functions.
- **Internal Audit:** May review the effectiveness of succession planning controls, documentation, approval processes, and compliance with this Policy, and provide recommendations to the Audit Committee or relevant governance body.
- **Employees and Successor Candidates:** Participate in development activities, uphold Company values and ethical standards, maintain confidentiality, and prepare for expanded leadership responsibilities where selected.

## 6) Commitments and Principles

### 6.1 Leadership Continuity and Business Resilience

The Company shall maintain succession arrangements for critical positions to reduce disruption to strategy, operations, governance, and stakeholder confidence.

### 6.2 Transparency, Fairness, and Objectivity

Succession decisions shall be based on clearly defined qualifications, competencies, performance, potential, integrity, experience, and role requirements. The process shall avoid discrimination, favoritism, conflicts of interest, and undue influence.

### **6.3 Board Oversight for Key Executive Succession**

Succession planning for the Managing Director and key executives shall be overseen by the Board of Directors through the Nomination and Remuneration Committee.

### **6.4 Internal Talent Development with External Option**

The Company shall prioritize the development of internal talent where candidates meet the required competency and readiness criteria. External recruitment may be used when internal candidates are not available, not ready, or not appropriate for business needs.

### **6.5 Competency-Based Assessment**

Successor selection and development shall be guided by core, managerial, functional, and leadership competencies that reflect the Company's strategy, culture, risk profile, sustainability direction, and governance requirements.

### **6.6 Emergency Succession**

The Company shall maintain emergency acting arrangements for critical positions to ensure continuity when an incumbent is unable to perform duties due to unexpected circumstances.

### **6.7 Confidentiality and Data Protection**

Succession information, assessment results, talent pool data, and remuneration-related information shall be handled confidentially and accessed only by authorized persons for legitimate business purposes.

### **6.8 Diversity and Inclusion**

The Company supports equal opportunity in succession planning and leadership development, considering diverse backgrounds, experience, skills, gender, age, and perspectives while maintaining merit-based selection.

### **6.9 Accountability and Continuous Improvement**

Succession planning shall be reviewed regularly to ensure relevance to business strategy, workforce risks, organizational changes, and evolving governance expectations.

## **7) Risk, Impact, and Dependency Management**

Succession-related risks, impacts, and dependencies shall be identified, analyzed, and monitored as part of the Company's enterprise risk management and workforce planning processes. Where relevant, the Company may integrate succession risks into the Vanachai Integrated Materiality and Risk Assessment (V-IMRA) and the Enterprise Risk Management (ERM) system.

- **Key-person risk:** risk that excessive reliance on an individual may disrupt decision-making, operations, relationships, or stakeholder confidence.

- **Leadership vacancy risk:** risk arising from retirement, resignation, incapacity, termination, organizational restructuring, or prolonged absence of a critical-position incumbent.
- **Capability gap risk:** risk that successors do not have sufficient knowledge, experience, leadership capability, technical expertise, or governance maturity to assume expanded responsibilities.
- **Knowledge-transfer risk:** risk that essential technical, commercial, operational, or stakeholder knowledge is not effectively transferred before a role transition.
- **Talent retention risk:** risk that high-potential employees leave the Company due to unclear career paths, insufficient development, or lack of advancement opportunities.
- **Compliance and governance risk:** risk that succession decisions are made without appropriate approval, documentation, objectivity, confidentiality, or conflict-of-interest management.
- **Business continuity dependency:** dependency on the availability of qualified acting leaders and successors for critical positions during emergencies or planned transitions.

Risk responses may include maintaining a critical position inventory, identifying at least one emergency acting replacement for key roles, preparing IDPs, using job rotation, ensuring documented delegation of authority, conducting annual successor readiness reviews, and activating external search when internal successor readiness is insufficient.

## 8) Targets and Metrics

The Company shall establish measurable indicators to monitor the effectiveness of succession planning and leadership development. Indicators may be reviewed annually and adjusted according to business context, workforce profile, and risk level. Key indicators include:

- Percentage of identified critical positions reviewed and updated at least annually.
- Percentage of critical positions with at least one identified successor or emergency acting arrangement.
- Percentage of successor candidates with completed competency assessment and readiness classification.
- Percentage of successor candidates with active Individual Development Plans.
- Progress against IDP milestones, including training, job rotation, coaching, strategic assignment, and leadership exposure.
- Internal promotion rate for critical and executive positions, where appropriate.
- Time required to fill critical positions and effectiveness of transition or acting arrangements.
- Retention rate of identified high-potential employees or successor candidates.

- Frequency of succession reporting to the Nomination and Remuneration Committee, Board of Executive Directors, and/or Board of Directors.

A practical minimum target is that 100% of the Managing Director position and other identified critical positions shall be reviewed annually, and each shall have either a designated successor, an emergency acting arrangement, or an external search plan where internal readiness is not sufficient.

## 9) Supply Chain and Partner Responsibility

Although succession planning is primarily an internal governance and human capital process, the Company may engage external parties such as executive search firms, assessment providers, leadership development consultants, training institutions, or technology providers. Such parties shall be managed responsibly as follows:

- External partners must comply with applicable laws, confidentiality obligations, personal data protection requirements, anti-corruption standards, and the Company's Code of Conduct for Business Partners.
- Executive search and assessment processes must be fair, transparent, merit-based, and free from discrimination, conflicts of interest, or improper influence.
- Personal data and assessment results of candidates must be used only for authorized purposes and protected from unauthorized disclosure.
- Training and development partners should provide programs that strengthen leadership, governance, risk management, ESG knowledge, and role-specific capabilities.
- Where external recruitment is required, the Company shall ensure that candidates are evaluated against the same competency, integrity, qualification, and governance criteria applied to internal candidates.

## 10) Integration with Corporate Strategy

The Succession Policy is integrated with the Company's corporate strategy, workforce planning, enterprise risk management, human capital development, and business continuity planning. Succession planning supports the Company's long-term vision by ensuring that leadership capability is available to sustain business performance and responsible growth.

- **FOREST:** Develop leaders who understand responsible resource management, sustainable wood-based products, environmental stewardship, biodiversity, and community relationships.
- **FUTURE:** Build executive capability in innovation, digital transformation, operational efficiency, financial discipline, risk management, climate resilience, and circular economy opportunities.

- **TOGETHER:** Strengthen leadership behaviors that promote collaboration, stakeholder engagement, employee development, ethical conduct, and shared value across the organization and value chain.

Ensure succession planning supports strategic priorities, including production continuity, market competitiveness, governance quality, ESG performance, risk resilience, and long-term value creation.

## **11) Implementation and Management Tools**

### **11.1 Critical Position Inventory**

The Human Resources and Central Administration Department shall coordinate with executives and department heads to maintain an inventory of critical positions, including role purpose, authority, key responsibilities, risks of vacancy, required competencies, and potential successors.

### **11.2 Competency Profiles and Role Requirements**

Each critical position shall have updated role requirements, including qualifications, knowledge, experience, leadership behaviors, governance expectations, authority level, and technical or functional competencies.

### **11.3 Talent Identification and Assessment**

The Company shall identify potential successors through performance reviews, competency assessments, leadership potential reviews, manager recommendations, talent discussions, and other appropriate assessment tools.

### **11.4 Individual Development Plans**

For selected successors, the Company shall prepare IDPs that may include training, coaching, mentoring, strategic project assignment, job rotation, plant or business-unit exposure, acting assignments, and leadership development programs.

### **11.5 Emergency Succession and Acting Appointments**

For the Managing Director and critical executive positions, the Company shall maintain emergency acting arrangements. Where a role becomes vacant or the incumbent is unable to perform duties, the relevant authority shall activate temporary assignment or acting appointment according to the Company's approval process.

### **11.6 External Recruitment**

When internal candidates are not available or not ready, the Company may conduct external recruitment using transparent and professional processes based on role requirements, job specifications, competency profiles, integrity checks, and governance criteria.

### 11.7 Documentation and Confidentiality

Succession records, assessment results, readiness levels, development plans, and Board or Committee minutes shall be documented, retained, and protected in accordance with the Company's document control and confidentiality requirements.

### Succession Planning Process

Step	Minimum requirement
<b>1. Business and workforce review</b>	Review business strategy, technology changes, expansion or slowdown plans, retirement profile, leadership pipeline, and workforce risks.
<b>2. Identify critical positions</b>	Determine roles where vacancy or prolonged absence may materially affect strategy, operations, compliance, stakeholder confidence, or business continuity.
<b>3. Define role requirements</b>	Update job descriptions, job specifications, authority levels, competency profiles, leadership behaviors, and legal or governance qualifications.
<b>4. Identify internal and external candidates</b>	Assess eligible internal candidates and maintain a talent pool; use external recruitment when internal successors are not yet ready or do not meet role requirements.
<b>5. Assess readiness and potential</b>	Evaluate performance history, competency level, leadership potential, integrity, cultural fit, risk awareness, and ability to manage key stakeholder relationships.
<b>6. Develop successors</b>	Prepare Individual Development Plans (IDPs), coaching, mentoring, job rotation, assignment to strategic projects, formal training, and acting-role exposure.
<b>7. Appoint acting replacement when needed</b>	Activate emergency succession arrangements if a critical position becomes vacant or the incumbent is unable to perform duties.
<b>8. Report and review</b>	Report succession status, readiness level, development progress, and key risks to the relevant governance body at least annually, or when a material change occurs.

### Minimum Competency Framework for Critical Leadership Roles

Step	Minimum requirement
<b>Core Competency</b>	Organizational commitment, integrity, ethical conduct, communication, collaboration, accountability, respect for stakeholders, and compliance with Company policies.
<b>Managerial Competency</b>	Leadership, decision-making, problem solving, analytical thinking, people development, performance management, change management, and cross-functional coordination.
<b>Functional Competency</b>	Business strategy, financial and cost management, risk management, operational excellence, product and market knowledge, ESG and sustainability awareness, and regulatory compliance relevant to the role.
<b>Leadership Potential</b>	Strategic vision, ability to manage uncertainty, resilience, learning agility, succession readiness, cultural fit, and ability to represent the Company with professionalism.

### Readiness Classification

Readiness level	Definition	Typical action
<b>Ready now</b>	Candidate meets the required competency and governance criteria and can assume the role within a short transition period.	Prepare appointment, transition plan, knowledge transfer, and Board or executive approval as required.
<b>Ready in 1-2 years</b>	Candidate has strong potential but requires targeted development, broader exposure, or experience in specific areas.	Implement IDP, mentoring, strategic assignment, and semi-annual progress review.
<b>Ready in 3-5 years</b>	Candidate is part of the leadership pipeline but requires significant development before role assumption.	Continue development, rotation, leadership training, and annual reassessment.
<b>External search required</b>	No internal candidate is available or sufficiently ready for the critical role.	Activate external search through a transparent process and maintain emergency acting arrangement.

## **12) Monitoring, Reporting and Transparency**

- The Human Resources and Central Administration Department shall monitor succession planning implementation, including critical position updates, successor readiness, IDP progress, emergency acting arrangements, and key talent retention.
- The Managing Director and relevant executives shall review succession status for key managerial and functional leadership positions and escalate material risks to the Nomination and Remuneration Committee or Board of Executive Directors, as appropriate.
- The Nomination and Remuneration Committee shall review the succession plan for the Managing Director and key executive positions and report material matters to the Board of Directors.
- Succession planning results shall be reported at least annually, or more frequently when there are significant organizational changes, leadership transitions, business restructuring, or urgent vacancy risks.
- The Company may disclose key governance practices relating to nomination, executive development, and succession planning in the annual report, corporate governance report, or sustainability report, while maintaining confidentiality of personal data and sensitive assessment information.
- Internal Audit or other designated assurance functions may review policy compliance, documentation quality, process controls, and effectiveness of implementation when appropriate.

## **13) Review and Continuous Improvement**

- This Policy shall be reviewed at least every two years, or earlier if there are changes in laws, regulations, corporate governance expectations, organizational structure, business strategy, workforce risks, or stakeholder expectations.
- The succession plan for the Managing Director and other critical positions shall be reviewed at least annually and updated when material changes occur.
- The Company shall continuously improve succession planning by strengthening competency frameworks, talent analytics, assessment tools, development programs, knowledge-transfer practices, and emergency succession arrangements.
- Lessons learned from leadership transitions, resignations, retirements, emergency appointments, internal promotions, and external recruitment shall be used to improve the succession planning process.
- Any material amendment, cancellation, or replacement of this Policy shall be approved by the Board of Directors or the delegated governance body according to the Company's approval authority.

**14) Succession Policy Revision History**

<b>Version</b>	<b>Date</b>	<b>Policy Owner</b>	<b>Approved by</b>	<b>Key Changes / Comments</b>
1.0	2 January 2024	Nomination and Remuneration Committee	Board of Directors	Initial issue of the Succession Plan, focusing on succession planning for the Managing Director and key executives, critical position identification, competency requirements, successor assessment, Individual Development Plans (IDPs), and annual review of the succession plan.
2.0	10 August 2026	Nomination and Remuneration Committee	Board of Directors	Revised and expanded into a corporate Succession Policy under the 14-section policy structure. Added policy alignment, governance and accountability, succession risk management, emergency succession, critical-position coverage, talent pool and readiness classification, targets and metrics, documentation controls, monitoring, reporting, and continuous improvement. Strengthened links to corporate strategy, workforce planning, leadership continuity, transparency, and long-term organizational resilience.