



SUSTAINABLE WOOD PROCUREMENT POLICY

Version 1/2025 VNG-ENV-SWP-PL-01

Effective Date: 11 November 2025



Sustainable Wood Procurement Policy

Vanachai Group Public Company Limited and Subsidiaries

Vanachai Group Public Company Limited and its subsidiaries (“the Company”) recognize the critical importance of sustainable wood and raw material sourcing as the foundation of its wood-based products business. The Company is committed to operating responsibly toward the environment, society, and the economy across its entire supply chain; promoting the conservation of natural resources, biodiversity, and sustainable forest management.

The Company places strong emphasis on collaboration with farmers, local communities, and regional suppliers to create shared value through the procurement of wood and agricultural residues from local sources. These efforts prioritize forest conservation, prevention of deforestation, ecosystem restoration, and efficient utilization of wood resources. Accordingly, the Company upholds a commitment to transparent, traceable, and responsible wood procurement practices guided by principles of natural resource conservation, legal compliance, and adherence to international sustainability standards.

This Policy serves as an operational framework to ensure that the sourcing of wood and related materials is carried out sustainably – encompassing plantation selection, supplier evaluation, traceability systems, and performance reporting. The Policy has been developed in alignment with FTSE Russell ESG Indicators (EPR03, EBD17) and international standards including GRI Standards ((102, 103, 301, 306), ISO 14001, ISO 50001, and recognized Sustainable Forestry Certifications. It supports the Company’s broader objectives of advancing a Circular Economy, conserving biodiversity, and minimizing environmental impacts across the value chain – in line with Vanachai’s long-term sustainability vision:

“FOREST | FUTURE | TOGETHER - for a Sustainability Living”

1) Objectives

- To ensure that the Company’s wood procurement practices are environmentally, socially, and economically responsible, by promoting the use of timber sourced from sustainable and traceable origins.
- To prevent and mitigate the impacts of deforestation, illegal logging, and procurement from environmentally unsound or high-risk sources.
- To foster collaboration with local farmers and surrounding communities in sourcing wood and agricultural residues, thereby promoting employment, income generation, and sustainable local economic development.

- To increase the proportion of sustainably certified wood and alternative materials (Certified Materials) in order to enhance product quality, traceability, and stakeholder confidence.
- To strengthen sustainable procurement standards throughout the supply chain by collaborating with suppliers, manufacturers, and communities in adherence to human rights, ethical conduct, and sustainability principles – fostering a transparent, fair, and accountable supply chain.
- To integrate the principles of the Circular Economy into wood procurement and resource utilization, with the aim of reducing waste and greenhouse gas emissions throughout the sourcing process.
- To support Vanachai’s sustainability objectives under the framework “FOREST | FUTURE | TOGETHER – for a Sustainable Living,” driving balanced growth between nature and communities while advancing business development alongside the conservation of natural resources.

2) Policy Alignment and International Standards

- **FTSE Russell ESG Indicators:**

Resource Use and Circular Materials: EPR03, EPR02, EPR11, EPR12, EPR13 and EPR16, where applicable.

Biodiversity, No Deforestation and Sustainable Forest Products: EBD17, EBD02, EBD05, EBD06, EBD08, EBD12 and EBD14, where applicable.

Supply Chain Environmental Management: ESC03, ESC04, ESC05, ESC08, ESC09, ESC10, ESC11 and ESC12, where applicable. ESC02 may also apply where supplier energy use or GHG emissions are included.

Supply Chain Social Responsibility: SSC01, SSC02, SSC03, SSC08, SSC09, SSC10, SSC11, SSC12, SSC17 and SSC18, where applicable.

Human Rights and Community: SHR08, SHR11, SHR25, SHR26, SHR03, SHR05 and SHR15, where applicable.

- **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 2021

GRI 301 Materials 2016

GRI 306 Waste 2020

GRI 308 Supplier Environmental Assessment 2016

GRI 101 Biodiversity 2024

GRI 411 Rights of Indigenous Peoples 2016

GRI 413 Local Communities 2016. Where climate, energy and supply chain emissions are reported, the Company also refers to GRI 305 Emissions 2016 and prepares for future alignment with GRI 102 Climate Change 2025 and GRI 103 Energy 2025 from 1 January 2027.

- **ISO 14001 Environmental Management System:** Ensures that wood procurement and supply chain operations are conducted under a systematic environmental management framework.
- **ISO 50001 Energy Management System:** Supports the enhancement of energy efficiency throughout procurement, logistics, and wood production processes.
- **ISO 38200 Chain of Custody of Wood and Wood-Based Products,** where applicable.
- **Sustainable Forestry Certifications:** Verifies that all sourced wood originates from legally compliant, sustainably managed plantations that do not contribute to deforestation.
- **CITES** and applicable national and international forestry, environmental, labor, human rights and supply chain regulations.
- **United Nations Sustainable Development Goals (UN SDGs):** Aligned with SDG 8 (Decent Work and Economic Growth), SDG 12 (Responsible Consumption and Production), SDG 13 (Climate Action), SDG 15 (Life on Land) and SDG 17 (Partnerships for the Goals) – reinforcing the Company’s contribution to global sustainability efforts.

3) Scope

This policy applies to:

- The operations of the Company, its subsidiaries, and joint ventures under the Company’s control that involve the procurement of wood, wood-based raw materials, or alternative materials.
- Suppliers, contractors, manufacturers, and business partners involved in the sourcing, production, transportation, storage, and distribution of wood or wood-derived materials.
- All products and materials containing wood or wood-based components, including alternative wood-based materials and recycled or renewable resources.
- Logistics and supply chain management activities related to the transportation of wood and wood-based raw materials from origin to destination.
- Outsourced procurement activities related to wood and wood-based materials, to ensure that all external parties comply with the same responsible sourcing principles and sustainability standards.

4) Definitions and References

- **Sustainable Wood Procurement:** The sourcing of wood and wood-based raw materials from traceable, legally compliant, and sustainably managed sources that do not contribute to deforestation or cause adverse environmental and social impacts.
- **Sustainably Sourced Wood:** Timber obtained from renewable plantations that are certified under internationally recognized sustainable forestry standards.
- **Traceability:** The ability to track the origin of wood or wood-based raw materials from the source (plantation or supplier) to the end point (manufacturing and distribution process).
- **High-Risk Sources:** Wood originating from illegal logging, forest encroachment, protected areas, or sources lacking legal documentation or sustainability certification.
- **Circular Economy:** An economic model emphasizing efficient resource utilization, waste reduction, reuse, and recyclable materials to generate economic value while minimizing environmental impact.
- **Sustainable Forest Management (SFM):** The management of forest areas to maintain a balance among economic, social, and environmental values, while conserving biodiversity and ecosystem services.
- **Forestry Certification:** Independent, third-party verification ensuring that wood products come from responsibly and sustainably managed forests, based on internationally recognized or equivalent local standards.
- **Alternative Materials:** Non-wood or renewable materials used as substitutes for wood, such as agricultural residues (e.g., bagasse, rice husk) or recyclable materials from industrial processes.
- **Reference Standards:**
 - FTSE Russell ESG Indicators: Categories EPR03 (Resource Use) and EBD17 (Biodiversity)
 - GRI Standards: GRI 301 (Materials-2016), GRI 102 (Climate Change-2025), GRI 306 (Waste-2020)
 - ISO 14001: Environmental Management Systems
 - ISO 50001: Energy Management Systems
 - FSC™: Forest Stewardship Council Principles and Criteria
 - PEFC: Programme for the Endorsement of Forest Certification
 - UN SDGs 12, 13, 15: Responsible Consumption and Production; Climate Action; Life on Land
- **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 and oversees the Sustainable Wood Procurement Policy, monitors strategic implementation progress, and provides guidance for continuous improvement to ensure alignment with the Company's sustainability objectives.

- **Sustainability Committee:** Serves as the policy owner, responsible for setting strategic direction and annual action plans, overseeing implementation, monitoring progress, and reporting outcomes to the Board of Directors and the Managing Director.
- **Sustainability Development Task Force:** Supports the assessment of environmental risks, verification of forestry certifications, and preparation of external sustainability reports. The Task Force also coordinates and implements the policy at the operational level, ensuring data accuracy in wood sourcing, supplier evaluation, and supply chain risk management.
- **Internal Audit Department:** Conducts periodic audits to verify compliance between policy and actual practices, and proposes recommendations for improving the sustainable procurement management system to the Audit Committee.
- **Procurement Department:** Serves as the lead unit for implementing this policy, responsible for sourcing wood and raw materials from sustainable sources, conducting due diligence on origin documentation, and preparing annual performance reports.
- **Management:** Integrates sustainability and responsible procurement indicators into the performance evaluation (KPIs) and compensation systems to incentivize achievement of corporate sustainability goals.
- **Employees, Suppliers, and Partners:** All parties are required to strictly comply with this policy, promote best practices, and actively participate in continuous improvement efforts to build a transparent and sustainable supply chain.

6) Commitments and Principles

6.1 Compliance with Laws and International Standards (*FTSE Russell EPRO3, EBD17, GRI 301, and CITES – Convention on International Trade in Endangered Species*): The Company procures wood in full compliance with Thailand’s environmental laws and regulations, as well as international obligations such as the Paris Agreement, CITES, and forestry laws of supplier countries.

6.2 Responsible Procurement (*GRI 308, UN SDG 12, FSC™ Principles & Criteria, PEFC Chain of Custody*): The Company sources wood and related raw materials from legal, ethical, and traceable origins, free from deforestation, human rights violations, and exploitation of protected areas. Priority is given to sustainably managed plantations with transparent supply chain traceability.

6.3 Promotion of Sustainable Forest Management Standards (*FTSE Russell EBD17, ISO 38200, SDG 15*): The Company supports and collaborates with suppliers in adopting forest certification systems such as FSC™, PEFC, or equivalent standards to enhance sustainability performance across the supply chain.

6.4 Increasing the Use of Recycled and Alternative Wood Materials (*FTSE Russell EPRO2, EPRO3, EPR11; GRI 301, GRI 306; ISO 14001; Thailand’s BCG Economy Framework*): The Company

promotes the use of circular materials, including agricultural residues and recyclable inputs, to maximize resource efficiency and reduce waste generation from production processes.

6.5 Respect for Human Rights and Local Communities (*UN Global Compact Principles 1 & 2, ILO Convention No.169, GRI 413, SDG 8 & 16*): Wood procurement is conducted with full respect for the rights of local and indigenous communities. The Company promotes community participation in sustainable plantation management and supports livelihoods that align with environmental conservation.

6.6 Traceability and Transparency (*FTSE Russell EPRO3, EBD12, EBD14, ESC09, ESC11; GRI 301, GRI 308; ISO 38200*): The Company develops digital data systems and technologies that ensure traceability throughout the entire wood supply chain – from plantation to production and distribution – with transparent disclosure of sourcing information.

6.7 Continuous Improvement and Innovation (*GRI 103, ISO 14001*): The Company is committed to regularly reviewing and enhancing this policy to align with evolving environmental trends, legal requirements, and international standards, while leveraging technology and innovation to improve the efficiency and integrity of sustainable wood procurement practices.

7) Risk, Impact, and Dependency Management

The risks, impacts, and dependencies associated with the matters addressed in this policy are identified, analyzed, and prioritized through the Company's Vanachai Integrated Materiality and Risk Assessment (V-IMRA) process. V-IMRA is an internal assessment framework that considers both impact materiality and financial materiality across the value chain.

- **The results of V-IMRA** are integrated into the Enterprise Risk Management (ERM) system to support policy formulation, strategic decision-making, the setting of risk appetite, and the creation of long-term sustainable value.
- The Company recognizes that the procurement of wood and related raw materials may pose environmental, social, and economic risks throughout the supply chain. Therefore, a systematic risk management approach is implemented to ensure that wood sourcing practices are sustainable and aligned with international standards. The approach includes the following:
 - **Risk Identification and Assessment:** Identify, analyze, and evaluate Environmental, Social, and Governance (ESG) risks associated with wood procurement, including risks of illegal logging, biodiversity loss, human rights violations, illegal labor practices, and lack of transparency within the supply chain.
 - **Impact Assessment:** Apply ISO 14001, ISO 31000 and the Company's Enterprise Risk Management framework to identify, assess, manage and monitor environmental, social and governance risks related to wood procurement across the value chain. Nature-related dependencies and biodiversity impacts, including

risks related to forests, ecosystems, water resources, high-risk sourcing areas and land use, shall be assessed with reference to TNFD LEAP, GRI 101 and the mitigation hierarchy, where applicable. Climate-related risks, including physical and transition risks affecting wood supply, logistics and procurement costs, shall be assessed in alignment with TCFD / IFRS S2 and integrated into strategic planning, procurement decisions and risk response planning.

- **Resource Dependency Analysis:** Assess dependencies on critical natural resources—such as plantation wood, clean water, and logistics routes—to develop mitigation measures and strengthen supply chain resilience, using the LEAP (Locate–Evaluate–Assess–Prepare) framework.
- **Integration into Enterprise Risk Management:** Integrate environmental and social risk assessment results into the Enterprise Risk Management (ERM) system to ensure that procurement and investment decisions are consistent with the Company’s long-term sustainability goals.
- **Risk Response Planning:** Develop a Risk Mitigation Plan incorporating the Mitigation Hierarchy (Avoid–Reduce–Restore–Compensate) to manage potential impacts from wood procurement activities, with periodic monitoring and evaluation of effectiveness.
- **Regular Review of Risks and Impacts:** Conduct annual reviews and updates of risk assessments, or as needed in response to significant events such as changes in environmental regulations, global timber market dynamics, or natural disasters, to ensure the continued effectiveness of preventive measures.
- **Applicable Standards and Frameworks:**
 - FTSE Russell ESG Indicators: EPR03 (Resource Use), EBD17 (Biodiversity & Land Use)
 - GRI Standards: GRI 102 (Climate Change-2025), GRI 103 (Energy-2025), GRI 308 (Supplier Environmental Assessment-2016)
 - ISO Standards: ISO 14001 (Environmental Management), ISO 31000 (Risk Management)
 - Frameworks: TCFD, LEAP Framework, Mitigation Hierarchy

8) Targets and Metrics

The Company has established clear targets and performance indicators for sustainable wood procurement to ensure that all wood sourcing activities are conducted responsibly, transparently, and verifiably, while promoting the conservation of natural resources, as follows:

- Increase the proportion of wood sourced from sustainably managed and traceable plantations to at least 80% by 2032.

- Eliminate wood procurement from high environmental and social risk sources (High-Risk Sources) by 2030.
- Promote the use of alternative materials, such as agricultural residues and recyclable materials, to increase the share of renewable and circular resources to at least 30% by 2035.
- Support local smallholder farmers and community forestry programs to achieve Sustainable Forestry Certification (SFM or equivalent) for at least 50 households by 2032.
- Monitor and publicly disclose data on sustainable wood sourcing in the Company's Annual Sustainability Report.

9) Supply Chain and Partner Responsibility

The Company places great importance on developing a sustainable and responsible supply chain, guided by principles of accountability, transparency, and collaboration with business partners. The objective is to ensure that all wood procurement and related raw material sourcing are conducted ethically, responsibly, and without adverse environmental or social impacts, as follows:

- Establish Environmental, Social, and Governance (ESG) Criteria for all suppliers, manufacturers, transporters, and service providers involved in wood procurement. All parties are required to comply strictly with applicable environmental laws and regulations.
- Encourage suppliers and business partners to implement Environmental Management Systems (ISO 14001) and maintain traceable wood sourcing standards to ensure full supply chain transparency.
- Require key suppliers providing wood-based raw materials to undergo Environmental and Social Risk Assessments at least once a year, and to implement a Corrective Action Plan (CAP) in cases where non-compliance or deficiencies are identified.
- Collaborate with suppliers to develop Sustainable Sourcing Guidelines, promoting the use of recycled and circular materials, as well as waste reduction throughout the production process.
- Provide capacity-building programs and sustainability training for suppliers and business partners on topics such as GHG reduction, efficient waste management, forest conservation, and compliance with Sustainable Forestry standards.
- Maintain a comprehensive Supplier Evaluation and Monitoring System covering environmental, labor, and business ethics performance, to enhance transparency and foster a long-term, responsible supply chain.

10) Integration with Corporate Strategy

The Company has integrated the Sustainable Wood Procurement Policy into its core sustainability strategy, “**FOREST | FUTURE | TOGETHER** – for a Sustainable Living,” to ensure that business growth is achieved in harmony with natural resource conservation and long-term environmental stewardship, as follows:

- **Integration with the Corporate Sustainability Framework** “FOREST | FUTURE | TOGETHER” includes:
 - **FOREST:** *Conserve and restore natural resources through sustainable forest management.*
 - Promote the sourcing of wood materials from sustainable forestry with transparent traceability.
 - Protect and restore forest ecosystems in collaboration with smallholder farmers and local communities through community and economic forest plantations.
 - Expand green spaces and promote tree planting within operational areas to enhance carbon sequestration and biodiversity restoration.
 - **FUTURE:** *Drive low-carbon innovation and circular economy for a sustainable future.*
 - Develop low-carbon and high-efficiency wood-based product technologies and innovations.
 - Apply the Circular Economy concept throughout the production process to reduce waste and increase the use of recycled and renewable materials.
 - Promote research and development (R&D) to create next-generation sustainable wood products that are environmentally friendly and aligned with the green industry transition.
 - **TOGETHER:** *Collaborate with stakeholders for shared sustainable growth.*
 - Strengthen collaboration with suppliers, regulators, government agencies, industry peers, and communities to elevate national and regional standards for sustainable wood sourcing.
 - Encourage stakeholder participation in forest resource conservation and responsible supply chain management.
 - Communicate sustainability progress and policy outcomes transparently through the Vanachai Sustainability Move Report and other public disclosure channels.

11) Implementation and Management Tools

The Company has integrated the Sustainable Wood Procurement Policy into its environmental management and supply chain systems to ensure that all operational

processes align with responsible sourcing principles. The following tools, mechanisms, and supporting resources are applied:

11.1 Integration with Management Systems

- Integrate sustainable wood procurement practices into the Company's Environmental Management System (ISO 14001) and Energy Management System (ISO 50001).
- Incorporate sustainable procurement criteria into the Supplier Approval Process and Supplier Evaluation System.
- Embed sustainability-related environmental and social risk assessments within the Enterprise Risk Management (ERM) framework.

11.2 Data and Technology Management

- Develop a Digital Traceability System for wood procurement covering sourcing, transportation, and storage activities.
- Utilize Geographic Information System (GIS) technology to identify the origin of timber and verify low-risk plantation areas.
- Prepare certified wood and raw material procurement reports for disclosure to stakeholders.

11.3 Capacity Building & Awareness

- Conduct annual training for employees involved in procurement, production, and logistics to strengthen understanding of sustainable wood sourcing practices.
- Organize training sessions for suppliers, manufacturers, and logistics providers to promote Best Practices in natural resource management and environmental impact reduction across the supply chain.
- Distribute a Sustainable Wood Procurement Guideline to employees and business partners to promote consistent implementation.

11.4 Key Implementation Tools

- Business Code of Conduct for Business Partners: Establishes ethical and sustainability principles for responsible wood sourcing.
- Sustainable Sourcing Checklist: Used to assess supplier risk and compliance with environmental and social standards.
- Sustainable Forestry Standard: Serves as a benchmark for responsible timber procurement practices.
- Grievance Mechanism: Provides a channel for stakeholders to report concerns or suggestions related to the supply chain.
- Internal Audit & Supplier Audit Program: Monitors compliance with this policy and identifies areas for continuous improvement.

11.5 Resource Allocation

- Allocate sufficient budget, personnel, and technology resources to support the implementation of the policy.
- Establish a Sustainable Procurement Task Force responsible for overseeing, monitoring, and evaluating the overall effectiveness of sustainable procurement operations.

12) Monitoring, Reporting and Transparency

The Company places strong emphasis on transparent monitoring and disclosure to build trust among stakeholders and demonstrate its commitment to effective sustainable wood procurement practices. The following measures are established:

- Continuously monitor and evaluate sustainable wood procurement performance, covering raw material sourcing, traceability, supplier assessment, and supply chain risk management.
- Maintain and manage procurement-related data – including the proportion of certified wood, traceable wood, and the use of wood substitutes – for policy analysis, decision-making, and continuous improvement.
- Report sustainable wood procurement performance in the Company’s annual Sustainability Report, disclosing quantitative data and progress trends compared to established targets.
- Ensure all reported data undergo internal review and/or third-party verification to confirm accuracy, reliability, and credibility.
- Disclose policy implementation progress and outcomes to relevant stakeholders – including suppliers, regulatory authorities, investors, and local communities – through appropriate Company communication channels.
- Encourage knowledge sharing and dissemination of best practices between the Company and its business partners to collectively elevate sustainable wood procurement standards across the industry.

13) Review and Continuous Improvement

- The Company is committed to regularly reviewing and enhancing the Sustainable Wood Procurement Policy to ensure its relevance to the evolving business context, legal framework, and international standards. This commitment ensures that the Company’s practices remain effective and continue to generate positive environmental, social, and economic outcomes. The key principles are as follows:

- The policy shall be reviewed at least every two years, or earlier if there are changes in legal requirements, international standards, stakeholder expectations, or emerging risks that may affect the supply chain.
- The policy shall be updated and reinforced in alignment with the latest international frameworks and standards, including FTSE Russell ESG Indicators, GRI Standards, ISO 14001, ISO 50001, and Sustainable Forestry Certifications.
- The effectiveness of sustainable wood procurement practices shall be evaluated annually through internal audits and periodic assessments conducted by the Sustainable Procurement Task Force.
- The Company shall promote research and development (R&D) in sustainable sourcing innovation, enhancement of renewable material efficiency, and reduction of greenhouse gas emissions within the supply chain.
- Knowledge sharing and exchange of best practices shall be encouraged among suppliers, government agencies, industry peers, and international organizations to advance sustainable wood procurement standards nationally and regionally.
- A policy review report and improvement recommendations shall be prepared and submitted to the Corporate Sustainability Committee for approval and formal adoption.

14) Sustainable Wood Procurement Policy Revision History

Version	Date	Policy Owner	Approved by	Key Changes / Comments
1.0	11 November 2025	Procurement Department	Board of Directors	This policy has been developed as a framework to guide the Company's operations in the responsible, transparent, and traceable procurement of wood and related raw materials, covering all activities across the supply chain. It has been formulated in alignment with the FTSE Russell ESG Indicators (EPR03, EBD17) and relevant international standards, including GRI Standards (102, 301, 306), ISO 14001, ISO 50001, and Sustainable Forestry Certifications. The policy aims to support the Company's commitment to the circular economy, biodiversity conservation, and sustainable forest management.

This policy is approved and issued for acknowledgement and implementation by all relevant parties.