

2. Risk Management

2.1 Business Risk Factors

2.1.1 Financial Risk

a) Exchange Rate Risk

The Company has transactions of export, import and long-term loan in foreign currency from a financial institution which expose to foreign exchange risk by having account receivables, payables and liabilities in different currencies. Majority of the Company transactions is USD currency.

Foreign exchange gains/losses in the income statement resulted from the changes in the value of a foreign currency assets/liabilities. The Company recognizes net of gain(loss) on exchange rates as below.

Million THB	2022	2021	2020
Gain (Loss) on exchange rates, net	7.16	18.00	16.26

The Company does not have a policy to use financial derivatives to manage risk from foreign exchange rates fluctuations. However, the executives may consider using forward exchange contracts to hedge against possible foreign exchange fluctuation risk in certain cases.

As of 31 December 2022, the Company does not have any open Foreign Exchange Forward Contract.

b) Interest Rate Risk

The Company received interest income from cash and cash equivalents, and short-term investments. Therefore, the Company managed interest rate risk by depositing cash, cash equivalents and investments that are subject to different maturity periods and interest rates. The company does not have assets with significant interest rates reference.

c) Credit Risk

Since the Company has a large number of customers that include manufacturing customers, distributors and consumers, if customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on the assessments in accordance with limits set by the board. The compliance with credit limits by customers is regularly monitored by line management. As a result, the Management believes that there is no risk in granting credit to accounts receivable because the amount reserved for debt repayment is higher than the credit granted.

The Company has no concentrations of credit risk associated with its cash and cash equivalents. The Company makes deposits with several reliable financial institutions. The Company's policy is to limit the risk by distributing deposits, not limiting deposits to one financial institution and for excess cash to invest in low-risk investments or highly reliable investments that are due within 90 days. The Company has never suffered any loss from such investments

d) Liquidity Risk

The Company manages an adequate amount of cash and investments in marketable securities by finding funding sources, demonstrated by having a sufficiently funded borrowing and the ability to close the market position.

2.1.2 Raw Material Risk

The Company procures raw materials for production both domestically and internationally. Natural rubber, synthetic rubber, carbon black, polyester and chemicals are important raw materials in automotive tire production. Each raw material is procurement from both domestic and foreign manufacturers. However, the Company set a policy regarding raw material procurement and assessment, the systematic management of raw materials, the preparation for raw material shortages and the volatility of raw material prices. The Company partnered with Goodyear's affiliated companies in Asia-Pacific, Europe, North America, Latin America to prevent and manage the risk of raw material shortages and the volatility of raw material prices. This collaboration ensures the Company's confidence in the preparation plans that deal with problems and risk and this collaboration also creates confidence that the Company can handle raw material shortages, which will reduce damage to the Company's production.

2.1.3 Risk from main customer (GY Singapore)

The main customer of Goodyear Thailand is Goodyear Singapore. As both companies are part of the same Group, risk of losing the main customer is mitigated.

2.1.4 Risk from our business driven by our parent company i.e., Engineering/ Know-how/ Trademark etc.

Using the Group's overall strategy for guidance, GYT determines its own objectives and operating strategies. The objectives generally focus on the enhancement of the manufacturing process by achieving the lowest production cost while being able to deliver the best product quality, as well as the development of relationships with the local dealers.

2.2 Market Risk

2.2.1 Original Equipment Market (OEM)

Automobile business operators having production based in Thailand shall produce for domestic sales and export. Therefore, direct market risk depends on both domestic and oversea sales volumes. The overall domestic automobiles production in 2022 increased by 13% compared to 2021, in line with the trend of domestic sales and the increase in export volumes compared to 2021.

The automobile market is dependent on external factors which are uncontrollable and affect production plan such as Thailand's flood, shortage of semiconductors (Electronic circuit boards) that are the most important parts of automobile production and have continuously affected the automobiles production plan of the business operators in Thailand since 2021 until present as well as the Russia-Ukraine War which impact on global supply chain and logistic issue. Goodyear has assessed and mitigated the risk by increasing sales in other markets as well as looking into the future customer base in OEM market.

The percentage of Original Equipment Market sales is as below.

Percentage of sale	2022	2021	2020
Original Equipment Market (OEM)	17%	8%	11%

2.2.2 Replacement Markets

The demand for tires in the replacement market depends on the number of vehicles on the road (Vehicles Parc) in Thailand and number of kilometers driven. The number of registered vehicles in Thailand has continued to increase during the past years but consumers have started to delay the replacement of tires.

9. Internal Control and Connected Transaction

9.1 Internal Control

9.1.1 Opinion of the Board of Directors on the Company's Internal Control System

In 2022, the Board of Directors assessed the adequacy of the internal control system, which included risk management that is available on the website of the Securities and Exchange Commission and passed the review of the Audit Committee and the Nomination and Governance Committee. The Committees agreed that Company has an adequate and suitable internal control system in aspects of (1) Internal Control of the organization (2) Risk Assessment (3) Control of Operations (4) Information and Communication Systems and (5) Monitoring System. The Company has set clear and measurable business goals. There is a set of realistic and measurable operational goals reviewed on a regular basis. The organizational structure is appropriate and suitable for efficient management. The company has set a policy to prevent the actions that may cause conflicts of interest between employees and the company.

Sufficiency and appropriateness of the company's internal control system

The Company gives importance to the establishment of the Company's internal control system and emphasizes on effective supervision. The Board of Directors assigned the Audit Committee to oversee and review the appropriateness and effectiveness of the internal control system in order to ensure that the Company's internal control system was adequate and appropriate to protect the Company's assets and prevent the illegal exploitation of executives. The information is sufficiently disclosed to ensure transparency and accountability in accordance with good corporate governance practices for the greatest benefit of the shareholders based on the fairness of the interests of all stakeholders.

The Company believes that the internal control system is sufficient to protect the Company's assets and any risk that may arise because of the misuse of authority or the insufficient authority of the Executives. The Company does not find any defect related to the internal control system. The Company has an effective internal control system at both the management level and operational level. Therefore, the Company clearly set the duties and the authority of operations of the executives in written form. The Board of Directors is responsible for the financial statements of the Company. The financial statements were prepared in accordance with Thailand's generally accepted accounting standards. The Company always complies with accounting policies, prepare its financial statements with caution and disclose sufficient information in the notes of the financial statements. The Company maintained an effective internal control system to ensure that the accounting records were accurate, complete and adequate in order to maintain assets and identify weaknesses to prevent any fraud or significant unusual conduct.

In this regard, the Board of Directors appointed an Audit Committee, which consisted of non-Executive Directors to be responsible for the quality of financial reports, internal controls and the opinion of the Audit Committee. The Board of Directors is of the opinion that the overall internal control system is satisfactory and can build confidence in the reliability of the Company's financial statements as of December 31, 2022. The Company is aware of both the Company's financial and non-financial information affects the decision-making process of the Company's investors and stakeholders. Therefore, the Management is required to deal with matters related to the disclosure of information with completeness, accuracy, reliability and timeliness. Management of the Company has always paid attention to and adhered to these matters.

In terms of investor relations, the Company has not yet established an investor relation department because there are not many activities in this area. The Company assigned Company's Secretary to contact shareholders and the relevant government agencies. Investors can receive this information from Tel. 0 2909 8080 Email: GYTH_COSC@goodyear.com or <https://investor.goodyear.co.th/en>

9.1.2 Opinions of the Audit Committee that differ from the opinions of the Board of Directors

-None-

9.1.3 Head of Internal Audit Information

The Head of Internal Audit of the Company is Ms. Maxine Mae J. Escoto, Internal Audit Manager, Asia Pacific Region. Details are shown in Attachment 3.

9.2 Connected transactions

The Company established a policy and procedures regarding connected transactions in order to make transactions transparent between individuals, and juristic persons who may have a conflict of interest, as well as protect the interests of the Company. The Company will comply with the laws regarding the Securities and the Stock Exchange, which includes the acts, notifications, orders, or regulations required by the Capital Market Supervisory Board and the Stock Exchange of Thailand regarding connected transactions. Therefore, executives or stakeholders shall not partake in the approval of the connected transactions. In case that the law requires the approval from the Board of Directors' meeting, the Company will arrange for the Audit Committee to attend the meeting in order to consider and give opinion on the necessity and the reasonableness of the transaction. As a result, business transactions with general business conditions and non-general business conditions are required to apply the following principles.

Business Transactions with General Trade Agreement in general business Conditions

The Management has the ability to approve connected transactions, which are trade agreement with general business conditions between the Company and affiliated companies – entities under the same control with directors, executives or related persons and criteria was approved by the Board of Directors. If the said transaction has a trade agreement in the same manner as the ordinary person should do with the general contractor in the same situation, without the influence on of having a status as directors, executives or related persons.

Business Transactions with Non-General Business Conditions

The Audit Committee must review and consider Business transactions with non-general business conditions prior to submit for approval by the Board of Directors and/or Shareholders' meeting. Therefore, there must be regulatory compliance with laws regarding the Securities and the Stock Exchange, and the acts, notifications, orders or regulations required by the Capital Market Supervisory Board and the Stock Exchange of Thailand. This includes regulatory compliance with any required regulations regarding the disclosure of information regarding connected transactions.

In the event that the Audit Committee does not have expertise in considering any connected transactions that may occur, the Company will appoint independent experts or the Company's auditor to give an opinion concerning the connected transactions for the Audit Committee and/or the Board of Directors and/or the shareholders to consider as the case may be. This is in order to ensure that the connected transactions are necessary and reasonable, taking into account the interests of the Company. Therefore, the Company will disclose any connected transactions in the Annual Report in the notes to the Financial Statement that have audited by the Company's auditor.