

Risk Management Philosophy and Policy



The EGCO Group strives to manage risks, including those implicit in conducting business, efficiently, balancing risk and return for the benefit of all stakeholders.

Risk management increases opportunities to achieve corporate goals
and create sustainable corporate value.

The EGCO Group announced its risk management philosophy, which states:



Our philosophy will be applied throughout our organization to support enterprise risk management (ERM), following the risk management framework set by the board of directors.

The EGCO Group strives to manage risk efficiently by balancing risk and return and optimizing corporate value. The ROC is responsible for the overview of this risk-management policy, which is assigned to the RMC for execution. The effectiveness of this risk management policy covers all companies under the EGCO management and control. Moreover, The EGCO Group will inform all its subsidiaries and affiliated companies, about this policy, helping them enact the risk management goals listed below.

1. To create risk awareness and foster mutual understanding that risk management is everybody's duty and responsibility.
2. To establish a risk governance structure and resources that comply with the COSO-Enterprise Risk management framework (COSO-ERM) using risk management knowledge and expertise.
3. To ensure that management encourages awareness of organizational risk management as a culture throughout the organization.
4. To set the risk appetite and the range of acceptable risk tolerance, complying with business context and strategy.
5. To regularly provide capacity building and knowledge-sharing regarding enterprise risk management, covering guidelines for implementation and rules and regulations.
6. To conduct a project risk assessment that aligns with the company's risk management perspective, with approval from the Board of Directors mandatory for all investment projects.
7. To prepare a report and manual for risk management, as well as a business continuity plan for subsidiaries. These documents will be reviewed and updated regularly.
8. To regularly establish internal audit policies for risk management activities, as well as internal control systems for risk management processes.

EGCO management will ensure the enforcement and continuous support of risk management policies to ultimately achieve risk management goals.

The EGCO Group also applied the COSO-ERM framework, which is classified as strategic, operating, financial, and compliance risk management. Recently, The EGCO Group updated the "Risk Management Manual" to align it with the 2017 COSO ERM. Moreover, the EGCO Group established its key risk indicators (KRIs), which comprised the leading and lagging indicators in risk management, and encouraged employees to appropriately adhere to them while conducting operations.

Encourage Risk Management Culture throughout the Organization

The EGCO Group realizes that the risk management culture in an organization is a key factor in achieving ERM; therefore, it has been promoting the importance of ERM through various channels, such as annual risk seminars, the Risk Management Manual, journals and news, risk management activities, EGCO radio, EGCO billboards, and EGCO GroupNet. Additionally, the company's board of directors and high-level executives play significant roles in promoting risk management throughout the organization in accordance with the "tone at the top" model. The company is now in the process of developing E-Learning applications to inform employees about the advantages of applying COSO-ERM in their business operations.

In 2021, The EGCO Group developed a "Risk Management Information System" (EGCO RMIS) as an internal monitoring system for risk management, with high-security details and data storage on the cloud to support the risk management culture, and to communicate that its comprehension is a part of every employee's role and responsibility. The system was introduced in 2022.

Employees are encouraged to report any risky event that may have a significantly negative impact on business operations or the organization. This can be achieved through a system-service investigation request (SSIR), which is an internal system, or through the following whistleblowing channels and procedures:



By sending an electronic mail to the whistleblower at any faculty, including:

- Audit Committee (audit.committee@egco.com)
- Good Corporate Governance Working Group (goodgovernance@egco.com)
- Board of Directors (directors@egco.com)



By sending a physical mail to the whistleblower or one of the committees at the following address:

- Electricity Generating Public Company Limited
EGCO Tower, 222 Vibhavadi Rangsit Road,
Thungsonghong, Laksi, Bangkok 10210 Thailand

Assessing Corporate Key Risks, Emerging Risks, and Risk Mitigation

The following is a summary of the EGCO Group's key risk factors and relevant mitigation measures.

1. Investment Expansion Risk

The EGCO Group invests in energy and related businesses in both, domestic and overseas markets. The primary source of income is dividends from subsidiaries and joint ventures. Our strategic plan includes continued investment in new projects to maintain and increase shareholder value. Such acquisition and development projects may entail the following risks, which may affect the company's investment targets.

1.1 Project Selection Risk

The EGCO Group plans to expand its investments to maintain continuous growth. Potential domestic and overseas projects, including the expansion of electricity generation from fossil fuels and renewable energy sources, are included in the annual investment plan.

As the project selection process is vital, the EGCO Group assigned it to the Business Development Unit. This unit analyzes related factors, including the economic, political and social policies of the targeted countries; economic condition; industry; financial, equipment, and construction costs; environmental, social, and governance (ESG) issues; and governmental laws and regulations. Moreover, the analysis of the changing environmental factors and EGCO's internal factors, including internal audit factors that affect projects, is considered, so that risk mitigation and compensation are considered while assessing the return on investment.

Furthermore, new investment opportunities must be reviewed and scrutinized by EGCO's Executive Management and Investment Committee to ensure that all related material risks are identified and managed before they are proposed to the board of directors for approval.

1.2 Overseas Asset Management Risk

Overseas investments create opportunities for the EGCO Group's long-term growth. Nevertheless, various factors, such as economic circumstances, political factors, the business environment, and the local community, may impact the performance of such assets. These factors still exist in the earnings forecast of the EGCO Group. To mitigate these risks, the EGCO Group engages competent personnel, with experience in the identified markets, for efficient management of these overseas assets, and consequent achievement of targeted profits.

The EGCO Group has assigned executives to work at power plants, such as NT1PC and NTPC in Laos, QPL and SBPL in the Philippines, and NGP in the Netherlands. Additionally, it has hired external specialists, familiar with Australia's economy, to work at BRWF in the country.

The appointment of personnel with knowledge and experience in businesses located in different countries will help the EGCO Group to gain a deeper understanding of the various factors, including local culture, government policies, and local business practices, which may affect asset management in those areas. This enables operations to adapt effectively and achieve the established goals.

In addition to delegating the right people to work in overseas power plants, the EGCO Group has appointed competent senior vice presidents from related fields, including business development, financial accounting, and asset management, to serve as competent representative directors of those plants.