RISK FACTORS

RISK GOVERNANCE STRUCTURE

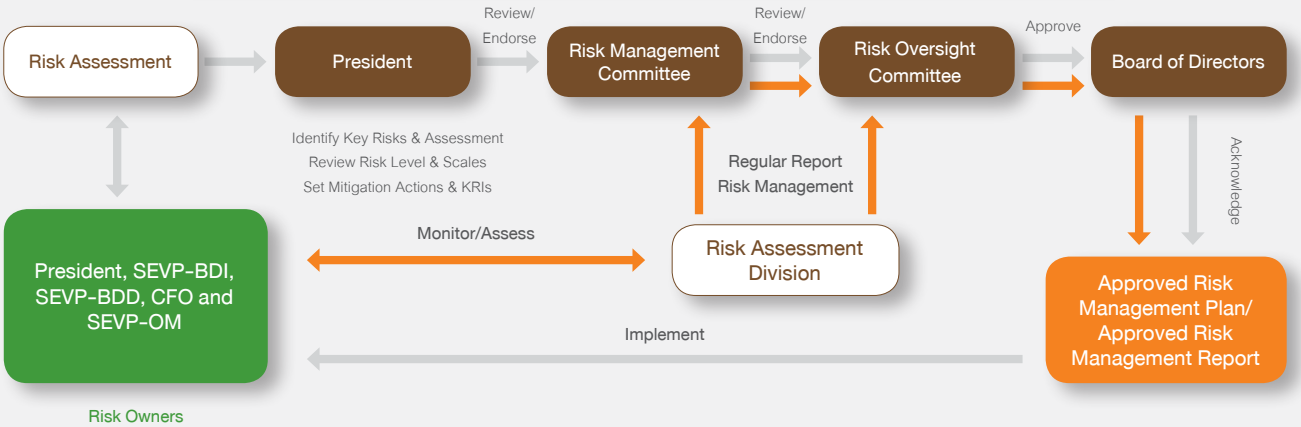
Electricity Generating Public Company Limited (EGCO) operates its core business, focusing on power generation and the continued expansion of investments in up-and downstream related energy businesses (e.g., those related to fuel and other infrastructure and smart energy solutions). EGCO is fully committed and determined to enhance its sustainable growth while operating its business using effective Enterprise-Wide Risk Management, which ultimately optimizes stakeholder value.

Our Risk Oversight Committee (ROC) operates at the level of the board of directors and is comprised of five experienced directors from the fields of enterprise risk management, corporate governance, strategy and business planning, law, accounting, economics, finance and banking, engineering, infrastructure project investment, human resource development, power, and energy business. The executive vice president of corporate strategy is the secretary. The Risk Oversight Committee's main duties and responsibilities are to consider, review, and provide recommendations on enterprise risk management (ERM) policy and framework; to set corporate risk appetite and risk tolerance level; to confirm the key risks, their impacts, and possibilities; ERM plan and process; to provide recommendations and support to EGCO Group's Board of Directors and management, and to appropriately and efficiently supervise the managing of various risks relating to business operations. Additionally, they are to regularly report to the board on the results of their risk assessments and implemented risk mitigations.

At the management level, our Risk Management Committee (RMC) is comprised of top executives with the president serving as the chairman of the committee; all senior executive vice presidents are members, the executive vice president of corporate strategy is the consultant, and the senior vice president of risk assessment is the secretary. The Risk Management Committee's main duties and responsibilities are to manage EGCO Group's risk management to comply with risk management policies and guidelines, promote and support ERM policies, and to regularly report to the ROC and the board of directors. In the case of potential significant risk factors, the Risk Management Committee shall promptly report to the ROC and the board.

Additionally, EGCO Group has a Risk Assessment Division which functions as the secretary of the RMC and the ROC. This division is responsible for monitoring and reporting the company's risk management practice, cooperating with the risk owners on risk identification, risk assessment, risk response, and reporting matters about risk management practice to the Risk Management Committee. In 2021, there were 11 meetings with the RMC and 13 meetings with the ROC to make sure that the risk management processes are implemented throughout the organization, all divisions and EGCO Group are fully aware of risk management's importance. The corporate risk management framework is as follows:

FRAMEWORK FOR CORPORATE RISK MANAGEMENT



RISK MANAGEMENT PHILOSOPHY AND POLICY

EGCO Group announced its risk management philosophy, which states:

EGCO Group strives to manage risk efficiently, despite the risks implicit in doing business, balancing risk and return for the benefit of all stakeholders. Our risk management shall increase our opportunities to achieve corporate goals and create sustainable corporate values.

Our philosophy will be applied throughout our organization to support enterprise risk management (ERM), which follows the risk management framework set by the board of directors. EGCO strives to manage risk efficiently with consideration of balancing risk and return to create value optimization. The Risk Oversight Committee (ROC) is responsible for the management overview of this Risk Management Policy, in which the assignment has been made to the Risk Management Committee (RMC) for execution. The effectiveness of this Risk Management Policy shall cover all companies under EGCO management and control. Moreover, EGCO will inform all of its subsidiaries and affiliated companies, including relevant, about this policy, helping them to enact the risk management goals listed below.

1. To create risk awareness and foster a mutual understanding that risk management is everyone's duty and responsibility.
2. To establish 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 the awareness of organization risk management as a culture throughout the organization.
4. To set 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, law, and regulation.
6. To conduct a project risk assessment that aligns with the company's risk management perspective and that must be approved by the Board of Directors for all investment projects.
7. To prepare a risk management report, risk management manual, and business continuity plan for its subsidiaries. Reviews and updates of these documents shall be made regularly.
8. To regularly set an internal audit policy that focuses on risk management activities as well as internal control systems for risk management processes.

EGCO management will ensure the enforcement and continuous support of the risk management policy to ultimately achieve a risk management goal. EGCO Group also applied the Committee of Sponsoring Organizations of the Treadway Commission Enterprise Risk Management (COSO ERM) framework, which was classified as strategic risk management, operating risk management, financial risk management, and compliance risk management. We recently updated our "Risk Management Manual" to be in line with the 2017 COSO ERM. Moreover, EGCO Group established its key risk indicators (KRIs) which comprised the leading and lagging indicators in risk management, and also encouraged the employees to appropriately utilize these KRIs with their operations.

ENCOURAGE RISK MANAGEMENT CULTURE THROUGHOUT THE ORGANIZATION

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