



RISK MANAGEMENT

POLICY AND RISK MANAGEMENT PLAN

The Company established a risk management process in conformity to internationally-recognized COSO ERM and ISO 31000 standards for effective application to prevent and mitigate risks that may impede the organization from achieving the goals set. All executives and employees are responsible for risk management in parts related to their duties and shall outline a risk management process based on the principles of good corporate governance. In addition, there is also an Enterprise-Wide Risk Management Committee to supervise and monitor organizational risk management to ensure its appropriateness with a risk assessment conducted annually.

BUSINESS RISK FACTORS

In 2021, the Company classified risk factors into 6 major groups, namely strategic risks, operational risk, financial risk, environmental risk and related regulations, emerging risks, and corruption risk, with details as follows:

STRATEGIC RISK

(1) Risk caused by changes in official policies and those of other related government bodies

The renewable energy power plant business is set on the foundation of official energy policies stipulated by the government of each country. In the event that there is a change in investment policies, or requirements, or international relations, such changes may affect power purchase agreements and future business plans. However, all public sectors of the countries in which the Group invests set forth a policy to constantly promote the production of electricity generated by renewable energy with concrete plans to develop and support renewable energy. In addition, the Company has always kept itself updated with news in respect of policies and shall prepare a support plan if there is any change, as well as strengthening relationships with government regulators and other relevant bodies.

2) Risk caused by dependence on key customers

Customers of the Group are purchasers under the power purchase agreement, which are small in numbers. Therefore, if any key customer terminates its power purchase agreement, such termination may affect the Group's performance. However, the Group has applied stringent control on the operation of renewable energy power plants based on contractual terms of Power Purchase Agreement, as well as complying with international standards and other requirements to ensure that the Group is equipped with full qualifications according to respective contracts and relevant laws. In addition, the Group also seeks out opportunities to expand overseas renewable energy power plants and related businesses such as energy management business or energy storage business, etc., to enlarge customer bases and reduce dependence on the key customers.

(3) Risk caused by relevant business expansion that is below expectation

In addition to investing in renewable energy power plant business, the Group has sought other related business growth opportunities with good returns under clean energy, infrastructure, and innovative digital energy models to create a new income channel. However, if the business expansion does not go as planned, it can result in costs incurred by the studies on project feasibility, research, product development, or marketing fees. In order to lessen the risks, the Group has prepared a plan with due care to detail, procure project consultants while also collaborating with multisectoral business alliances of the highest credibility and recognition in the industry and ensuring a process for monitoring the progress of the projects.

OPERATIONAL RISKS

(1) Risk caused by delayed development and construction of power plant projects

Success in the development and construction of power plant projects, both domestic and international, depends on several factors, e.g., license acquisition, financing, land acquisition, construction of transmission lines to connection points, compliance with power purchase agreements, etc. These factors may impede the progress of the project

against the plan and may affect returns to be generated by the respective project. Nonetheless, the Group shall study the feasibility of each project prior to its investment by procuring specialized consultants, having a rate of return calculation and a sensitivity analysis of the project in place, collaborating with experienced business partners, and conducting risk assessment, as well as ensuring regular monitoring of the project progress after the investment to assess problems (if any) and provide timely solutions.

(2) Risk caused by the efficiency and stability of the power generation process

In the power generation process, many factors affect the efficiency and stability of power generation, examples of which are conditions of main equipment, rates of electricity loss in the production process, weather conditions, and the interruption of electricity generation, either internal or external factors, which shall affect the amount of electricity produced and influence the income generated by the Group. However, the Group shall conduct inspection and maintenance of power plants, pre-maintenance through computer systems and using artificial intelligence (AI) technologies while also monitoring and analyzing the production efficiency of each project. In addition, there shall be an assurance of production volumes and availability of power generation in each project.

(3) Risk caused by dependence on turnkey contractors

The Group procures a turnkey contractor for the entire construction of each power plant. In the event that the respective turnkey contractor faces any operational interruption that affects its financial liquidity, it possibly leads to failure to comply with the terms set forth in the contract and affects Group's performance. Nevertheless, the Group has adhered to a stringent selection process for turnkey contractors based on technical data, scope of warranty and services, as well as financial position.

FINANCIAL RISK

(1) Risk caused by fluctuations in exchange rates and interest rates

The Group has a policy to invest in renewable energy power plants in many countries, thus dealing with income, expenses, and loans of various currencies, e.g., JPY, LAK, USD, etc. In 2021, the exchange rate remains highly volatile due to the uncertainty of the Covid-19 outbreak and the implementation of monetary policy of major economies

under high inflationary pressures. Due to the appreciation of the US dollar, all emerging market currencies have weakened. In addition, some borrowings of BCPG are available at floating interest rates. If the interest rate changes, it may affect business performance and financial position of the Group.

However, the Group has closely monitored the developments of the global and Thai financial markets. There is a natural hedge risk management approach in which some of the loans invested abroad are in the same currency as the project's income. Moreover, it shall employ other financial instruments; for example, forward contracts and cross currency swaps for some borrowings with floating interest rates. It may provide interest rate swap contracts as deemed appropriate, including considering making a new loan, refinance with an increased fixed interest rate to manage cash for future investments more efficiently.

(2) Risk caused by downgrading the credit rating of the countries of investment

The Group has expanded its investment in renewable energy power plants in some countries, which are at risk of credit rating downgrade due to economic conditions, fiscal status, reduced country's reserve funds, international deficit, and inability for debt repayment, resulting in credit rating agencies downgrading their credibility; for example, a hydroelectric power plant project in Lao PDR. The Group has worked with local partners to build good relationships with government bodies to provide support in monitoring the payment of electricity according to the terms set forth in the power purchase agreement. Furthermore, the Group managed the risk by planning to sell electricity to Vietnam. In December 2021, the Group signed a joint venture project to develop and construct power transmission lines from Lao PDR to Vietnam. The transmission line project is expected to be completed (approximately) within 2022.

ENVIRONMENTAL AND RELATED REGULATORY RISKS

(1) Risk caused by seasonal fluctuations or natural disaster

The Group's renewable power plant business relies on natural energy such as solar, wind and water to generate electricity. In case of low sunlight intensity, low wind speed, seasonal fluctuations due to inclement weather, these factors may cause the power plants unable to produce electricity at their full capacity, hence affecting the Group's revenue. However, BCPG has conducted a study on the nature

and climate, which is to be assessed by external experts or based on historical statistical data for further analysis, which is a key hypothesis in assessing the feasibility of project development prior to investment in each project.

In addition, the Group provides property damage insurance, business interruption insurance and third-party liability insurance against natural disasters or unforeseen environmental events, which may result in the power plants being interrupted.

(2) Risk caused by incomplete compliance with relevant laws and regulations

Changes in relevant laws and regulations, or interpretation that is different from the laws currently in force may result in incomplete compliance with applicable laws and regulations, leading to punishment or revocation of licenses, temporary or permanent closure of power plants, affecting implementation of the project and the Group's reputation. However, the Group shall strictly comply with applicable laws and closely monitor changes in relevant laws and regulations. It may also consider hiring an external legal advisor if there are complex legal issues in order to ensure that business operations of the Group are in conformity with all relevant rules, regulations and laws.

EMERGING RISKS

(1) Climate-related risk

Global climate change that triggers the rise of average temperatures has adverse impacts on ecosystems and biodiversity. In 2021, international allies, including Thailand, joined force to ratify the 26th UN Framework Convention on Climate Change (COP26) in Glasgow, Scotland. Thailand set its targets to achieve carbon neutrality by 2050 and net zero greenhouse gas emissions by 2065 while aiming to reduce greenhouse gas emissions by 20-25% within 2030 as its national goal. For this reason, the Group participates in the implementation of the goals and may face climate-related risks that affect operating results, making it unable to promote the reduction of greenhouse gas emissions to achieve the country's goals. However, the Group has a policy to comply with the requirements of safety laws in order to not affect the community and the environment by constantly making the most valuable use of resources, increasing efficiency by choosing modern, environmentally friendly technology, energy saving, and participating in voluntary greenhouse gas reduction projects. There are also plans to plant trees for carbon dioxide absorption.

(2) Cybersecurity risk and personal data protection

Information technology system is the infrastructure to control and enhance efficiency of the Group's electricity generating business. In the event of cyberthreats, Group's critical information may be lost; or the threats may bring about interruptions to business operations. In addition, there may also be a risk of personal data breaches, which affects the rights and freedom of data subjects and corporate image. However, the Group has policies and measures to prevent data leakage. A cyberthreat assessment is carried out to ensure employees are continually aware of its importance and proactively apply data protection before being attacked by malicious software. The IT Department has established a system to support information security according to ISO 27001 international standards, including getting prepared for personal data protection in pursuance of the Personal Data Protection Act, B.E. 2562 (A.D. 2019).

(3) Risk caused by the pandemic of coronavirus disease 2019 (COVID-19)

In 2020-2021, COVID-19 continued to spread rapidly and widely, causing a rise in numbers of the infected and deaths. Therefore, travel restrictions and measures still remain, resulting in severe economic slowdowns and influencing investment confidence. The Group was affected by its new project investments due to business travel restrictions and the delay in transportation of installation equipment for such projects, making the operational goals taken hold. However, the Group has managed to solve some problems, using technology to communicate with suppliers and plans, taking into account delay factors as well as establishing strict measures to prevent communicable diseases for all employees. Moreover, it has developed and prepared employees' skills for changes in the modern era.

CORRUPTION RISK

In contacting with the government sector at each step, there may be a risk of expediting an administrative process, correcting actions, or continuing the business, which may involve reciprocal benefits to facilitate the process, whether in form of entertainment, gifts, donations, or support. However, the Group has stipulated (1) an internal control process, which has been cascaded to employees for acknowledgment and strict compliance; (2) clear disbursement approval procedures which require traceable proof; and (3) whistleblowing mechanisms on the Group's website.