



# Sensitivity Analyzes and Stress Tests

The Company regularly conducts sensitivity analyzes and stress tests by assess risks and their consequences and prepare short-term and long-term mitigation measures as the following details

## Short-term and Long-term Financial Performance

The Company has analyzed and assessed any situations and/or risk factors that will impact to the company's financial performance in the short term and long term, such as industry trends and competitive, marketing trends, competitiveness, energy/utility demand trends, technological change, environmental trends or climate change, and regulations change, etc., in order to assess the financial performance impact of the Company on those situations and/or risk factors as part of the sensitivity analysis and in order to develop or prepare measures in advance to reduce and/or control the impact of those situations/risks including preparing and/or planning various actions to support future business opportunities in business operation.

## Changes in financial risks

The Company exposes to a variety of financial risk: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. the Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company may consider using derivative financial instruments to hedge certain exposure.

The Company's risk management is carried out by the finance department under policies approved by the Board of Directors (which was suggested by the Risk Management Committee). The finance department identifies, evaluates and manages financial risks in close co-operation with the Company's operating units. The Board of Directors (under suggestion of the Risk Management Committee) provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and other financial instruments as well as investment of excess liquidity.

Trading for speculative purposes is not allowed. All derivative transactions are subject to pre-approval by the respective board.

- **Risk on exchange rate**

The Company are exposed to foreign exchange risk from future commercial transactions and net monetary assets and liabilities that are denominated in a currency that is not the functional currency of each entity.

# Sensitivity Analyzes and Stress Tests

The Company considers use hedge instrument to reduce the fluctuation of exchange rate by entering into a foreign currency forward if the Company assess that there is a significant foreign currency exposure. The Company's policy, the critical term of the forward contracts must align with hedge items.

- **Risk on interest rate**

The Company manages interest rate risk by closely monitoring the movement of interest rates in the market. The Company allocates its debt portfolio in either short-term and long-term borrowings with fixed and floating interest rates corresponding to their types of investments and uses interest rate swap contracts to manage risk of movements in interest rates. The Company mostly borrows and issues debentures with fixed interest rate to specify a certain amount of future cash outflows.

## **Risk from Operation Impact to the Community, Society, Environment, and Climate Change**

The Company gives importance to the environmental management system (ISO 14001: 2015) to ensure sustainable business operation alongside the community, the society and the environment, and focuses on preventing pollution which would affect the nearby community, including air, water and industrial waste pollution, as well as the climate change and water shortage. Therefore, the Company has set up ISO Working Group to take charge of the quality, safety and environmental management. Guidelines for operation and monitoring of environmental management, both inside and outside the plant, have been in place to ensure that the Company's operation has neither caused negative impact nor damage to community environment and resources, and is based on the 3R concept, i.e. Reuse, Reduce and Recycle, which helps reduce manufacturing waste, waste material emission and waste disposal expense. Various projects have also been implemented such as installation of solar rooftop, less use of liquefied petroleum gas (LPG) and control of electricity use in the buildings, etc., aiming to reduce greenhouse gas emissions. According to the audit result of ISO certification agency, the Company has complied with the standards, laws and regulations of relevant management standards without any impact or damage to the environment and resources of the community.

## **Changes in water availability or water quality**

The Company is aware of climate change which is global issue and possible to impact on the water situation of the Company, such as low level of water in reservoirs and not sufficient to supply the Company's operation, etc. For this regards, the Company has

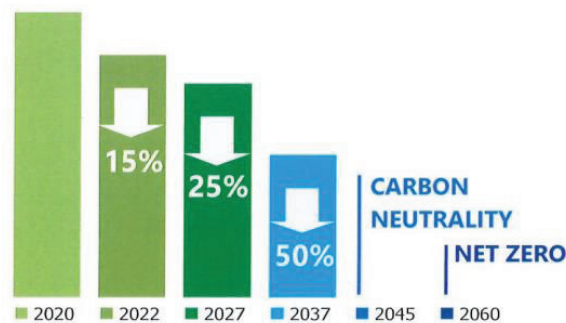
monitored water usage daily basis, analyzes water usage compare against with water level while conducting the mitigation measures to minimize water consumption as well as minimize any impact on the Company's business i.e. brought new technology "Solar Cleaning Robot" to clean Solar PV without water usage and make the Company to reduce water consumption around 3,600,000 liter per annum.

## GHG Emissions

The Company establishes the climate goal and strategy subject to reduce energy consumption and GHG emissions from the operations in alignment with Thailand's GHG emissions reduction target and Net Zero Emission goals in accordance with the COP 26 UN Climate Change Conference (COP26).

### GHG Emission Goal

- 15% by 2022 (from base 2020) (Scope 1 & 2)
- 25% by 2027 (from base 2020) (Scope 1 & 2)
- 50% by 2037 (from base 2020) (Scope 1 & 2)
- Become carbon neutrality by 2045 and net zero GHG Emissions by 2060.



### GHG Emission Strategy

The Company set mitigation measures for GHG reduction align with the business operation both currently and in the future and try to persuade our business partners such as supplier to recognize the importance of environment impact from the operation especially GHG Emission by conducting the Supplier ESG Assessment. The Company focus and spend on R&D and invest in technologies for efficiency production to save an energy subject to achieve the GHG Emission Goal.

## Other risks

- **Operational risks**

The Company has various operation such as risk associated with electric production, human resources management and risk of operational disruption etc.

**Risk associated with electric production**, it due to renewable electric production that depend on natural such as wind power, solar irradiation, etc. which are uncontrollable that cause the Company has risk to not achieve electrical production target and will be impact the revenue target of the company. The Company conduct project feasibility by analyzing project impact of these factors in target location, conduct projection analysis, cashflow, and return on investment etc. before investment as well as invest on high production technologies, proper equipment maintenance system and closely monitor the production to mitigate from the risk.

**Risk associated with human resources management**, human resource is key success factor of the Company's business operation, so the Company set mitigation measures focus in 3 areas 1) Personnel Recruitment 2) Turnover Rate 3) Development of Personnel Potential. Moreover, the Company has encouraged new work challenges through "EA Inside EA Program," a creative work and innovation competition which aims at multi-faceted improvement, such as faster delivery, improved quality, higher productivity, transparency and examinability, and sustainability. Emphasis has been given on development of employee potential to suit the organization needs with the use of systematic and continuous personnel development guidelines involving all staff members organization-wide according to the 10:20:70 learning principle. The 10% represents learning through training and self-learning. The 20% represents learning from supervisors through advice and coaching as well as learning from knowledge exchange with others. Lastly, the 70% represents on-the-job learning and application of knowledge and skills learned from exchange with others into the work in charge.

**Risk of operational disruption**, solar and wind power plants may not be able to be operated during a natural disaster such as in cases of strong wind, flash flood, lightning, etc. These incidents may cause damage of machinery and equipment. The current COVID-19 pandemic may affect the travel of local and foreign experts for repair and maintenance of the solar power plant and the wind power plant. However, the Company has put in place a business continuity plan, and prepared spare parts and tools for repair and maintenance to reduce potential risk of machinery and equipment impairment and for prompt recovery to normalcy. Furthermore, the Company Group has applied for business interruption insurance for compensate when an unexpected situation occurs and in case that the project cannot operate. For the solar power plant, there is power output guarantee from the manufacturers throughout 25 years of useful life, and product warranty of 10 years. Also, the

# Sensitivity Analyzes and Stress Tests

Company has selected inverters with production technology from a renowned manufacturer well accepted overseas and with product warranty of 5 years. As regards wind power plant, the Company has engaged the manufacturers of wind turbines to specifically provide wind turbine generator operation and maintenance service in conjunction with using wind turbines from a reputable manufacturer with 5-year product warranty. This includes systematic and stringent management of the COVID-19 situation to prevent impacts on the operation of each power plant. For other plants, adequate tools and equipment are put in place to support such cases as fire, flood and disaster. All business units will also have practice drills every year to understand the procedures and be able to timely deal with emergency cases.

- **Market risks**

Electrical demand is continuous growth and the public sector policy to support electrical production within the country, it pushes up the renewable power business of the Company. The pricing policy is upon the agreement between the Company and the public sector which is renew contract every 5 years that make the Company can forecast and/or control revenue and cost accuracy and properly.

It's difficult for new competitors in this business due to the limited of location of electrical production, huge investment, and industry knowledge, that make the Company has very low on market and competitive risk.

- **Strategic business risks**

Strategic Risk is a risk arising from the inability to run the business according to the business plan or strategies set by the Company due to unexpected various factors and/or environments that change and/or occur out of plan.

The Company set mitigation measures for strategic risk as following details

- 1) Conduct project feasibility and due diligence.
- 2) Conduct project plan and cash flow and return on investment analysis.
- 3) Conduct business plan, strategies, and closely monitor by executive management team and the board of director.

etc.

- **Compliance risks**

The Company business operations are governed by specific laws, rules and regulations. Any changes in these laws and regulations will have impacts on the Company's business operation. Violation of the rules, regulations, or requirements and relevant laws may also impair the performance and reputation of the Company. The Company is well aware of and gives importance to keeping abreast of new laws,



# Sensitivity Analyzes and Stress Tests

rules and regulations. Its rigorous compliance is assured through adoption of international standard systems, such as ISO 9001, RSPO, ISO 14001 and ISO 45001, etc. In addition, the Company has in place two key work units, namely ISO Department and Licensing and Investment Promotion Department in charge of the control and monitoring of compliance with the related rules, regulations, laws and requirements according to the delegated authority and responsibilities. The Internal Audit Department is also in place to perform the follow-up and examination to ensure operational consistency and prevent possible impacts on the business operation. Information is disseminated organization-wide to create understanding and awareness of the impacts and actions to be taken. This will help support strict regulatory compliance of the management and employees as well as contractors and mitigate risks or minimize impacts on the organization.