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Policy

Risk Appetite

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Effective Date	2023-07-07
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Approval Record		
<u>Approver</u>	<u>Job title</u>	<u>Date</u>
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Introduction:

Due to a rapid business expansion at a regional level and diversified locations of operations in various base countries as well as during times of economic growth and, more critically, when market conditions are uncertain and volatile the increasing complexity of business process and materialization of large risk events have significantly increased in recent years. It is imperative that effective risk management is implemented to ensure that the organization achieves its objectives.

A Risk Appetite Framework has been identified as a critical component of an effective risk management and governance framework and a key enabler for assisting the organization in aligning the organization, people, and processes in infrastructure necessary to effectively respond to and monitor risks.

Banpu Power Public Company Limited and its subsidiaries shall ensure the company’s level of risk taking is aligned with strategic objectives and risk appetites.

Objective:

- (1) Provide guidance on the acceptable level of risk that it considers appropriate across the breadth of its business.
- (2) Reflect the entity’s risk management philosophy, and in turn influences the entity’s culture and operating style. It is part of the guideline for resource allocation and alignment of the organization, people, and process management to effectively respond to risk.

Scope:

This Policy applies to all operations and functions under Banpu Power and its subsidiaries in which Banpu Power holds **more than 50%** of shares.

Definitions:

At the simplest, risk appetite can be defined as the type, amount, and likelihood of risks, on a broad basis, that the company is willing to take on in pursuit of value. Or, in other words, the total impact on each type of risk that company is prepared to accept in the pursuit of its strategic objectives which is approved by the Board of Directors and Management.

Policy Statement / Principles:

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This Statement considers the most significant risks to which the company is exposed and provides an outline of the approach to manage these risks. All strategies and business plans for functional areas need to be consistent with this Statement.

Risk appetite is classified into 4 categories; Strategic risk, Financial risk, Operational risk, and Compliance risk.

1.Strategic Risk Appetite: To represent impact on earnings or value arising from adverse business decisions or lack of responsiveness to industry changes.

Risk Element	Risk Appetite Statement
Business External Environment	· We conduct analysis to identify and respond early to change of key external factors to ensure that we are flexible and proactive to remain competitive in the dynamic industry.
Long-term Investment	· We do businesses that are aligned with our strategic direction by trading off risk and return to achieve our strategic objectives and sustainability. · We are committed to ensuring adequate investment returns with robust project management and integrated processes , which cover the assessment of business requirements while also having preventive and recovery measures for any potential negative impacts on our business.
Human Capital	· We are committed to maintaining a sufficient leadership pipeline in the organization with the target to develop at least 1 potential successor for all N-1 and critical N-2 positions across organizations. · We are committed to providing a working environment in which all employees are able to develop and thrive, working positively and constructively to maximize their personal and collective contributions towards the achievement of our strategic vision and goals by striving to sustain employee engagement by least of moderate zone of external benchmark in Asia Pacific or market average. · We are committed to maintaining and properly deploying a highly motivated, diverse, talented, and empowered work force and strive to maintain a vibrant ambience to ensure our people’s competency to match with our business direction, especially in organization and digital transformation. · We strive to support all employees to grow in new areas of capability and to develop a global career track towards opportunities across countries.
Business Partner	· We aim to be recognized as a fair and professional business partner and do not tolerate for business partners who have negative reputation in governance.
Reputation	· We strive to enhance our robust reputation , derived from consistently promising performance, business ethics and effective communication. · We are committed to being a good corporate citizen in every country where we operate to sustain our business operations. · We have no appetite for risks or circumstances by leaders acting as a role model to prevent proactively any risks that could cause us reputational damage or a loss of public confidence.

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Sustainability	· We are committed to achieving a sustainable performance with respect to the environment, social and governance (ESG) by integrating ESG standards into our policies, business models, strategies, and business operation.
Climate Change	· We are committed to managing the transition and physical climate-related risks faced today and under future scenarios; and managing the risks and opportunities associated with the strategic commitment as plan.

2. Financial Risk Appetite: To allocate for specific risk categories in financial areas the impact on income, cash flows, or valuation of equity resulting from adverse movements in financial market.

Risk Element	Risk Appetite Statement
Liquidity	· We are committed to ensure adequate day-to-day liquidity under normal conditions and sufficient available funds within one-month time during liquidity crisis which required to maintaining cash reserves of at least THB 1,000 Million and BE line available at least THB 1,000 Million, and keep undrawn banking facility available at least THB 500 Million in the Banpu Power portfolio under stressed conditions. · We shall maintain Net Debt to EBITDA ratio to be less than 4.0 the Banpu Power portfolio.
Financial Discipline	· We optimize our capital structure and maintain Net D/E ratio to be less than 1.6 times the Banpu Power portfolio. · We strive to sustain creditworthiness of the company with an enterprise-level credit rating of at least "A-" by a recognized rating agency.
Market Risk	· We regularly monitor financial market situation and use financial instruments to manage and control market risks as well as balancing opportunities under related policies and product program as approved by the Board of Directors.
Counterparties Risk (Finance Institution)	· We are committed to managing and controlling counterparty risks approved by the Board of Directors.

3. Operational Risk Appetite: The risk of adverse economic impact resulting from human error or malfeasance, internal processes or systems malfunction, or external factors.

Risk Element	Risk Appetite Statement
Supply Chain Management	· We are committed to periodically assessing supply chain risks and defining mitigating actions , improving the resilience and anti-fragility of the supply chain.
Operation	· We focus on operational excellence to improve productivity, efficiency, and reliability. · We are committed to continuous improvement of our services and operations through innovation and technological development in our organization.

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Quality of products & Services	<ul style="list-style-type: none"> We focus on operational excellence to improve productivity, efficiency, and reliability. We are committed to continuous improvement of our services and operations through innovation and technological development in our organization
Customer Credit	<ul style="list-style-type: none"> We aim to control customer credit risk through customer credit grading policy and proactive process management.
Information Management	<ul style="list-style-type: none"> We are committed to providing safe and reliable Information technology systems and processes, as well as ensuring the protection of information by considering personal information protection, cyber security risks, maintaining confidentiality to accuracy, completeness and readiness for appropriate operations in adherence to applicable laws and regulations including information security laws and privacy law. We follow the international information security standard to ensure the selection of adequate and proportionate security controls that protect information assets and give confidence to interested parties.
Human Right	<ul style="list-style-type: none"> We are committed to operating our business activities across a supply chain on a foundation of respect for human rights principles that align with the UN Guiding Principles on Business and Human Rights (UNGPs) and local regulations.
Fraud Management	<ul style="list-style-type: none"> We have no appetite for any fraud or corruption perpetrated in our organization that could cause our stakeholders reputational damage or financial loss. We take all allegations of suspected fraud and corruption seriously and respond fairly as set out in the Code of Conduct.

4. Compliance Risk Appetite: To allocate for specific risk categories of the risk of legal or regulatory sanctions, financial loss, or damage to reputation as a result of the company's failure to comply with laws and regulations.

Risk Element	Risk Appetite Statement
Health, Safety, Environment & Community	<ul style="list-style-type: none"> We are committed to provide a safe workplace for our employees, contractors, subcontractors and other stakeholders by the achievement of zero fatality in our operations. We have a low risk appetite for any health, safety, environmental and community related activities that could lead to operational disruption and reputation damage. We adopt international standards in Health, Safety, Environment and Community Engagement to achieve sustainable performance with respect to the environment, social and governance (ESG).
Legal & Regulation Compliance	<ul style="list-style-type: none"> We are committed to being compliant with all applicable local and international laws and regulations governing our operations and investments and embedded in corporate culture.

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Responsibility:

The process of developing, implementing, and renewing a comprehensive risk appetite statement framework has involved all related function/business unit of the organization with specific roles and responsibilities for the business units, executive management, and the Board of Directors as for carrying out the risk policy, including reporting and management processes.

Roles	Key Responsibility
Board of Directors	<ul style="list-style-type: none"> ·Review and challenge the risk appetite statement framework ·Provide risk governance and independent oversight ·Accountable for overseeing the effectiveness of the risk appetite statement, with audit support
Audit Committee	<ul style="list-style-type: none"> ·Review and continue monitor major risk management related procedures after Risk Management Committee ·Express opinion regarding risk items and risk management process after Risk Management Committee
Risk Management Committee (with Enterprise Risk Management and Compliance support)	<ul style="list-style-type: none"> ·Approve the risk appetite statement framework ·Establish an appropriate risk appetite for the organization which is consistent with the company’s strategy, business and capital plans and risk capacity; ·Monitor aggregate risk exposures against risk tolerances ·Accountable for communicating the risk appetite statement, reinforcing the risk culture, and optimizing the enterprise risk/return profile
Business Units and Supporting Functions (as risk owners)	<ul style="list-style-type: none"> ·Establish business strategies, metrics, and risk tolerances ·Report policy exceptions to executive management ·Accountable for managing the business within defined risk appetite
Risk Management Manager	<ul style="list-style-type: none"> ·Develop risk appetite framework to align with corporate strategy and reporting ·Ensure that the risk appetite statement is implemented by management with appropriate processes in place to effectively identify, measure, monitor and report on the risk profile relative to established risk limits on a continual basis; ·Ensure effective management, and where necessary mitigation, of material risk exposures, in particular those that are close to or exceed the approved risk appetite statement and/or risk limits; and ·Notify Risk Management Committee of serious breaches of risk limits and unexpected material risk exposures.

Approach:

As risk appetites can vary across business and supporting units, various approaches are used to measure risk appetite, ranging from simple qualitative measure, such as defining risk categories and setting target levels around these, to developing more complex quantitative measure. Whichever

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approach is applied, a well-defined and embedded realistic risk appetite shall consist of the following characteristics.

- Ensure it reflects the Board of Directors' vision for business
- Combine and integrate the strategy development and risk identification process
- Articulate the actual risks that the organization can take and those it should avoid
- Capture sufficient data to allow performance assessment against risk appetite
- Make sure risk appetite is consistent with our control framework and capability
- Keep it simple

This Risk Appetite Statement shall be reviewed annually, or whenever there is a significant change to the company's operating environment. The review shall be coordinated by the Enterprise Risk Management Department. Changes to the Risk Appetite Statement must be reviewed by the Risk Management Committee and approved by Chief Executive Officer.

References:

People's competency is defined as the knowledge, skills, and attributes needed to align with company strategies and business structures facilitated by HR department.

Moderate zone of employee engagement is range in average employee engagement endorsed by Human Resource department compare with the global engagement trend reference to the global engagement trend survey by Third-Party International Standards Organization

Corporate governance international best practices refer to "Banpu Power's Corporate Governance Principles and Policies" and "Code of Conduct" which are based on international practices.

Brand ambassador is Banpu Power's employee who lives and represents Banpu brand and reputation while his/her performance, behaviors and communications are strictly aligned with 3 Banpu's brand attributes - Passionate, Innovative and Committed which are also defined as Banpu's corporate culture - Banpu Heart. Banpu Power's reputation rests on the consistency of brand ambassadors' mindsets and actions and the passion with which they live Banpu brand.

Net Debt to EBITDA ratio indicates how many years of EBITDA would be necessary in order to pay back all the debt which is determined against benchmarks in the same industry

Net D/E ratio is determined as the capital buffer required to balance of sufficient to protect against most short-term fluctuations and ability to growth in pursuit of company objective.

Enterprise-level credit rating is determined in keeping with level of ability to take advantage of getting loans to support company growth assessing and providing by TRIS Rating at least annually.