

2. Risk Management

2.1 Risk Management Policies

The Company has set risk management policies for the entire organization by appointing a risk management committee to carry out the duties of reviewing policies and assessing various risks created from external factors and internal factors. Additionally, the committee is tasked with the establishment of guidelines towards the management of risk for the purpose of maintaining acceptable levels, and with the communication and arrangement of operations training seminars for officers, in order to create awareness on the importance of risk management. The risk management committee may consider the appointment of persons and/or work groups to proceed with these various work tasks, as assigned and deemed appropriate by the risk management committee. This will allow the aforementioned persons and/or work groups to operate, follow up on, and report to the risk management committee, such that the risk management committee may be informed of the compliance of the Group Company to the risk management policies. Furthermore, the Group Company has the following risk management policies:

1. To endorse a culture of risk management in order to construct understanding, conscience, and mutual responsibility in matters concerning risk, control, and risk impacts on the Group Company, in the administrative and operational processes of the entire Company group. To promote risk management culture to have the same understanding, cultivate consciousness, mutual responsibility in matters concerning risk, control, and impacts on the administration and operation of the Group Company.
2. To have the procedures, guidelines, and methods for risk management that possess universally appropriate and sufficient quality, including the continuous and consistent indication, analysis, evaluation, ordering, management, control, follow-up, reporting, assessment, and communication of risk-related data, operating for the entire Company group.
3. To have risk measurements, both in qualitative aspects, such as the reputation and image of the Group Company, and quantitatively, such as the loss, decrease in revenue, or increase in expenses, calculated from feasibility and impacts. To have risk assessment in both qualitative aspect, such as the reputation and image of the Group Company, and quantitative aspect, such as the profit and loss, decrease in revenue, or increase in expenses. The assessment covers both probability and impact.

4. To implement risk ceilings (Risk Limits) to limit the extent of damage that might occur to be within acceptable levels for the Group Company. This includes the specification of events or risk levels which may serve as warnings (Warning Signs) that will signal workers to proceed in such a way as to prevent risks from exceeding their determined limits.
5. To have a written operating procedure that will guide executives and workers to function under, which will control risks caused by operational activities.

The Group Company's Risk Management Procedure is as follows:

1.1 Setting the policies and criteria for risk management

This is a formulation of the policies, purposes, limits, responsibilities, and methodologies for risk management, such that it is in accordance with the present strategies, targets, plans, and business directions. The Group Company will provide an annual review and arrange this formulation alongside its business plan for the sake of synergy.

1.2 Risk identification

This is an identification of risks that may impact the achievement of goals and targets, bearing in mind the risks that may be caused by internal and external factors, such as by the environment, law, finance, information systems, decision-making information systems, investor satisfaction, invested capital management, fame and image, and security systems. The Group Company will manage risks by prioritizing them before considering control systems: should the risks fall under the "high" and "very high" priorities, the Company will bring these risks under analysis for further management.

1.3 Risk analysis

This is an analysis to assess the levels of remaining risk subsequent to the evaluation of existing control systems, and a prioritization in order of importance of these risks. Should any risks remain in the "high" or "very high" levels, measures for managing these risks must be immediately established by the responsible high-level executives. Should any risks remain in the "moderate" or "low" levels, management measures will be assigned on the departmental level, or resolved during work operational procedures.

1.4 Risk management

This is a formulation of planning methods to manage significant risks, as prioritized by their levels during the risk analysis procedure. Risk management occurs under many methods, such as control, risk transfer, risk avoidance, risk exploitation, or risk acceptance.

1.5 Results monitoring and review

These are steps for the review of risk management results which were made under the specified plans. They include the evaluation of results from risk management, which the risk management committee will monitor and report to the high-level management and the board of directors.

2.2 Risk Factors

The risks specified below contain several which are significant, and may have negative impacts to business, financial status, operational results, business opportunities, and ultimately the ordinary shares of the Group Company. Furthermore, other risks may exist which the Group Company has currently yet to anticipate, or may be risks which the Group Company has considered and has deemed as having no significant impact on the business operations of the Group Company.

The important risks factors for the Group Company are categorized as (1) Risks caused by being a company that does business by holding shares in other companies (Holding Company), (2) Risks from business operations, (3) Management risks, (4) Financial risks, (5) New project investment risks, and (6) Risks related to the Company's ordinary shares, for which the details are given as follows:

(1) Risks caused by being a company that does business by holding shares in other companies (Holding Company)

Since the Company has primary income stemming from holding shares in other companies, and does not significantly operate its own businesses that generate income, the Company's operating results and dividend payments will depend on the operational results and dividend payments of its subsidiaries. Thus, the Company's turnover and dividend payments will depend on the operational results and dividend payments of its subsidiary companies. Currently, the Company holds shares in 36 subsidiary companies located both in Thailand and in foreign countries, of which 4 solar power project companies invested through the GK-TK structure in Japan.

The subsidiary companies in Thailand have dividend payment policies with rates no less than 70% of their net profit after income taxes and legal reserve. The foreign country subsidiary companies have dividend payment policies with rates no less than 40% of their net profit, or retained earnings after required legal reserves. Nevertheless, the subsidiary companies might not be able to pay dividends to shareholders due to certain limitations, such as dividend restrictions in loan agreements with commercial banks, capital expenditure requirements for business expansion as well as significant changes in law of the countries in which the Company operates its businesses. These aforementioned cases may cause the decrease in dividend income of the Company and would negatively impact the operational results and financial status of the Company.

Furthermore, as of December 31, 2021, Sermsang Palang Ngan Company Limited (SPN), which is a subsidiary company that operates the business of solar power plants in Thailand (the “Sermsang Solar Project”), is obliged under the loan agreement with commercial banks to pay the loan installment and maintain certain financial ratios before declaration of dividend payment to shareholders. Thus, the Company possesses risk should SPN become unable to pay its dividends, if SPN is unable to repay its loans, maintain its financial ratios, or proceed in accordance with the aforementioned contract stipulations. Nevertheless, since the start of its commercial operations, SPN has displayed sufficient operating results and liquidity, and has been continuously able to retain its financial ratios while operating in accordance with these aforementioned contract stipulations, which has allowed a consistent payment of dividends to shareholders.

As for the power plant projects in Japan, Mongolia and Vietnam, the project finance loans have similar conditions which must also be complied with prior to dividend payments.

For solar rooftop projects in Thailand, the Group Company has invested through SN with the Company's fund, and has not used loans from commercial banks. Thus, SN still does not have any limitations in the payment of its dividends from loan stipulations made with commercial banks. Nevertheless, there is a risk that SN is unable to pay its dividends, should the project turnover proceed in unexpected ways, or in the event that SN seeks its project finance which may have the dividend payment restriction same as the Group Company SPN as mentioned above.

(2) Risks from business operations

The Group Company operates the businesses of (1) domestically and internationally producing and distributing electricity from renewable energy resources, and (2) other businesses related to the domestic and international production and distribution of electricity from renewable energy resources.

The business operations of the Group Company have the following risks that might occur:

2.2.1 Business operation risks for solar power plants and wind power plants

2.2.1.1 Risk of irradiation being lower than anticipated

Solar power plants depend on solar irradiation as a main factor for electricity generation. Should the solar irradiation be of an intensity lower than the anticipated levels, operational results might be negatively impacted. During the project's feasibility study stage, the Group Company performed a detailed assessment on the project site location, and statistically analyzed solar irradiation using historical data collected during a period of 25–35 years from reliable sources, such as the Department of Alternative Energy Development and Efficiency, the National Aeronautics and Space Administration (NASA), the New Energy and Industrial Development Organization (NEDO), and data from Metronome. This was done to develop confidence that the areas in which the projects would be developed possess irradiance levels that would produce returns for the Group Company within a satisfactory range. Furthermore, the Group Company has considered hiring technical consultants to carefully assess various factors, such as intensity of solar radiation, soil characteristics, project location, and equipment qualification that are suitable for the project sites, so that the investment decisions of the Group Company may proceed in a suitable manner.

2.2.1.2 Risk of wind speed being lower than anticipated

Wind power plants rely on wind energy as a main factor for electricity generation. Should wind speed is lower than what was anticipated, operational results might be negatively impacted. During the project's feasibility study stage, the Group Company performed a detailed assessment on the project site location and installed wind masts to record wind speed information and other data that might affect the wind power assessment, to a duration of over 1 year. The aforementioned data was used to analyze the correlation between the detailed level data (Microscale) from the wind masts and the moderate level data (Mesoscale) from satellites and international climate models. Historical wind condition data was used at durations no less than project life, or for about 20 years, from reputable sources such as the MERRA-2 climate model from the National Aeronautics and Space Administration (NASA), and ERA-5 climate models from the European Centre for Medium-Range Weather Forecasts (ECMWF). This ensures that the areas in which the projects will be situated possess wind condition levels that would produce returns for the Company within a satisfactory range. Furthermore, the Group Company has considered hiring technical consultants to carefully assess various factors, such as wind speed, project location, and equipment qualifications that are suitable for the projects, so that the investment decisions of the Group Company may proceed in a suitable manner.

2.2.1.3 Risk of solar panel deterioration being faster than anticipated

Solar panel is one of the main equipment used to produce electricity in solar power plants. Should the solar panels deteriorate at a rate faster than normal, the solar power plants might produce reduced levels of electricity. This would negatively impact the operational results and financial status of the Group Company.

Nevertheless, the Group Company has proceeded to provide the solar power plants of the Group Company with significant insurance from its turnkey contractors and/or the solar panel manufacturers, under the following details:

	Solar panels	PV Output Warranty	Construction quality
Sermsang Solar, Lopburi	10 years	25 years	Main equipment quality 5–10 years
Zouen, Japan	10 years	20 years	2 years
Solar Rooftop	10 years	25 years	3 years
Solar War Veterans Organization of Thailand, Ratchaburi	10 years	25 years	5 years
Binh Nguyen, Vietnam	10 years	25 years	2 years
Khunsight Kundi, Mongolia	10 years	20 years	3 years
Yamaga, Japan	10 years	25 years	2 years
Leo, Japan	15 years	25 years	2 years

2.2.1.4 Risks related to power generation process efficiency and stability

The main factors affecting the Group Company's power production process efficiency and stability include (1) the efficiency and service life of the key equipment used to generate power, (2) weather conditions, and (3) the cessation of power production in the solar power plant due to internal factors, such as technical issues in the power production process, or external factors, such as the instability or repair of electricity transmission systems.

The Group Company has chosen solar panels that suit the climate in each area; for example, the Sermsang Solar project uses Thin Film Silicon solar panels, while the solar power plants in Japan, Mongolia, and Vietnam use Poly Crystalline solar panels. The Group Company has also chosen wind turbines that suit the wind conditions at their place of installation, referring to the wind condition model simulation data mentioned above, in order to create confidence that the wind turbines can produce electricity at the fullest efficiencies, with absolutely minimized shut down period. due to weather conditions being outside their working range.

In addition, the Group Company manages its risk by (1) arranging 24-hour monitoring of power plant activity results using the computerized Supervisory Control And Data Acquisition (SCADA) system in order to quickly determine and solve any problems that occur, so that the power plant can resume normal electricity distribution; (2) arranging regular power plant inspections and maintenance to ensure that power plant operations proceed effectively; (3) arranging insurance for the key equipment used in electricity generation, to build confidence that the project can operate continuously; and by (4) creating contracts with experienced operations and maintenance service providers, and/or arranging standardized operations and maintenance teams, to reduce these aforementioned risks.

2.2.1.5 Management risks for projects under construction

There exists construction delay risks, which might delay commercial operation from the stated schedule in the power purchase agreement. Furthermore, there are also risks involving construction costs that might be higher than what was estimated.

The Group Company reduces aforementioned risks by hiring turnkey contractors in the design, equipment procurement, and construction of the power plants, and to reduce the risk of dependence on these turnkey contractors, it has established strict turnkey contractor consideration procedures both in Thailand and internationally, which ensures that construction will proceed in a timely manner and within the specified budgets.

Namely, these selection processes will consider important qualities such as (1) experience and expertise in various related areas, such as design, equipment procurement, or power plant construction; (2) knowledge and specialties in technological fields; and (3) strong and stable financial positions. Furthermore, the limits of work and service guarantees are also considered, in addition to acceptance from the commercial banks that provide project loans.

During the construction period, the Group Company controls and monitors project progress and the continuous disbursement of the project budget. For projects of a large size, technical consultants experienced in construction supervision will also be hired for monitoring purposes.

2.2.1.6 Risk from increased solar power plant operations and maintenance costs

Projects that hire operations and maintenance service providers

- SPN, Zouen, and Yamaga projects

The Group Company has contracted operations and maintenance service providers to operate and maintain the Sermsang Solar Project, and upon expiration of the contract, the Group Company may be at risk should these aforementioned service costs increase significantly. Nevertheless, the Group Company may consider (1) opening auctions to select the best offers from operations and maintenance service providers, or (2) proceed with maintenance using the Group Company's own personnel, as the Group Company currently works closely with these operations and maintenance service providers. Thus, the Group Company is confident that its personnel will have the ability to independently and efficiently perform the above operations.

Projects operated and self-maintained by the Company

- The Solar War Veterans Organization of Thailand, Solar Rooftop, Binh Nguyen Solar in Vietnam, and Khunsight Kundi in Mongolia projects.

For these aforementioned projects, the Company, or the company that owns the project (Project Company), will independently perform operations and maintenance. Thus, their costs can be more effectively assessed and controlled than any externally dependent methods.

2.2.1.7 Risks from expenses incurred from renewal of performance and main equipment of solar power plants warranty

Mainly, solar power plant equipment comprises (1) solar panels (PV Module), (2) an electric current converter system (Inverter), and (3) a transformer. These appliances are included in the warranties of the turnkey contractor and/or equipment manufacturer (depending on each case, and on the business operation standards of the country that the Group Company has chosen to invest in). Should these aforementioned warranties expire, the Group Company might receive increased costs due to equipment warranty extensions, or from increased costs due to appliance self-replacement, should damages occur.

Details on equipment warranties for each project are shown under sections 1.3.3 and 2.2.1.3: Risk of solar panel deterioration being faster than anticipated.

2.2.1.8 Risk from reliance on major customers

In general, the solar power plant projects and rooftop solar power plant (Solar Rooftop) projects of the Group Company have taken medium-term to long-term power purchase agreements contracts with the electricity off-taker, the important details of which are shown below:

Project	Contract (Off-taker)	Contract duration	Contract status	Commercial operation schedule
<u>Projects that have opened for commercial operations</u>				
Project Sermsang Solar	Electricity Generating Authority of Thailand	5 years, extendable in increments of 5 years	Signed	Opened for commercial operations
Project Zouen	Kyushu Electric Power Co., Inc	20 years	Signed	Opened for commercial operations
Projects SNNP1, SNNP2, SNNP3 and SNNP4	Srinanaporn Marketing Company Limited	25 years	Signed	Opened for commercial operations
Project Do Home	Dohome Public Company Limited	25 years	Signed	Opened for commercial operations

Project	Contract (Off-taker)	Contract duration	Contract status	Commercial operation schedule
Project PRC	Prs Plast (Thailand) Company Limited	25 years	Signed	Opened for commercial operations
Project TAPACO	Tapaco Public Company Limited	25 years	Signed	Opened for commercial operations
Project SPT	Siam Plastic Products Company Limited	18 years	Signed	Opened for commercial operations
Project Solar War Veterans Organization of Thailand, Ratchaburi	Provincial Electricity Authority	25 years	Signed	Opened for commercial operations
Project Yamaga	Kyushu Electric Power Co., Inc	20 years	Signed	Opened for commercial operations
Project Khunsight Kundi	National Dispatch Center of Mongolia	12 years	Signed	Opened for commercial operations
Project Binh Nguyen Solar	Vietnam Electricity (EVN)	20 years	Signed	Opened for commercial operations
Project Ashita Power 1	Tokyo Electric Power Company Holdings, Inc	20 years		Opened for commercial operations
Project UPT	Provincial Electricity Authority	20 years	Signed	Opened for commercial operations

Project	Contract (Off-taker)	Contract duration	Contract status	Commercial operation schedule
Project TTTV	Vietnam Electricity (EVN)	20 years	Signed	Opened for commercial operations
Projects under construction and development				
Project Leo (Ashita Power 2)	Tokyo Electric Power Company Holdings, Inc	20 years	Operationally underway	2024

For the Group Company projects shown above, the Group Company may be at risk if the power purchasers terminate their power purchase agreements, which would negatively impact the operational results and financial status of the Group Company at a significant level.

The Group Company, however, possesses strict control and monitoring measures for the solar power plants of the Group Company, in accordance with the terms/conditions of the power purchase agreements, and operates in compliance with international standards and with other stipulations specified by the power purchaser and/or the employers. This was assigned so that the Group Company's solar power plants will have all the qualifications required in the contracts and under related laws.

Furthermore, the Group Company has a policy of seeking additional business expansion opportunities by investing in renewable electricity energy businesses, both in Thailand and internationally, to reduce the reliance risks associated with a small number of customers.

2.2.1.9 Risks from natural disasters or force majeure

Currently, the Group Company operates its businesses of solar power electricity production and distribution in Thailand, Japan, Mongolia, and Vietnam. Should any unanticipated natural disasters or critical events of force majeure occur, such as power systems failures, floods, snowstorms, fire, earthquakes, volcanic eruptions, or sabotage occur in locales where the Group Company's solar power plants are situated, the operations of the Group Company's solar power plants might be halted, or damage might be inflicted on the property of the Group Company, which may negatively affect the operational results and financial status of the Group Company.

For the consideration and preparation of areas in which the projects might be located, the Group Company has studied retrospective statistics on natural disasters in order to create confidence that the projects of the Group Company will be located in areas with low potential for natural disasters. Additionally, arrangements were made to procure insurance to reduce risks and the financial impacts that may occur, for which the insurance policy is set at a comparative level to that of general operators in the industry and proceeding in accordance with the terms set by commercial banks and/or financial institutions (Project Finance lenders).

2.2.2 Other risks associated with business operations

2.2.2.1 Risks from personnel reliance, particularly for high-level executives

Operating the business of electricity production from renewable energy sources, including other related businesses, relies on the knowledge, ability, expertise, and experience of personnel, and in particular, on high-level executives. Should the Group Company be unable to preserve the aforementioned important personnel, or be unable to procure persons with the appropriate qualifications at the same level of these high-level executives to maintain positions in place of these important personnel, this may impact the consistency of work management and operations of the Company.

2.2.2.2 Risk from policy changes in the government sector, and from other related government agencies

Currently, the Group Company possesses power purchase agreements with the government sector both in Thailand and internationally. Changes or cancellations in power purchase conditions by the government sector might negatively impact the Group Company's operational results and financial statements to a significant extent.

The executives and work teams of the Group Company, who comprise personnel possessing knowledge, ability and experience, are tasked with studying and following the news and policies of the government sector and other related government agencies, and with assessing the competitive ability of the Group Company, in order to prepare in advance plans that accommodate change. They must use this aforementioned data to assemble the Group Company's future business plans. Furthermore, the Group Company also studies information and considers its feasibility prospects regarding international investments in renewable energy power plants to mitigate risk.

2.2.2.3 Risk of income loss from electricity purchase restrictions (Curtailment)

Projects in Japan

In general, to carry out solar power plant business operations in Japan, the Group Company must enter into power purchase agreements with private power business operators who service the areas in which each power plant is located. The power purchase contracts have a term of 20 years, and under these aforementioned contracts, the Group Company has no obligations to sell electricity to these private power business operators; however, the private power business operators are obligated to sell all the electricity that each project can produce.

Nevertheless, in early 2015, the Agency for Natural Resources and Energy (“ANRE”) in Japan announced its intent to apply law and operations guidelines to revise the current guidelines regarding the purchase of electricity from renewable energy sources. This includes the implementation of limits on electricity purchases (Curtailment), in which electricity provider companies have the right to limit electricity power purchases from renewable energy sources to a duration no greater than 360 hours per year without needing to compensate for damages incurred. Furthermore, this law also enables specific private electricity operators to restrict quantities of purchased electricity without limit (Unlimited Curtailment), in which the electricity business operator must officially announce its purchase restriction schedule to the private electricity business operator.

Furthermore, the private electricity operators, i.e., the electricity purchase recipients of Project Yamaga and Project Zouen, namely, Kyushu Electric Power Co., Inc, are in areas that allow unlimited restrictions on electricity purchases (Unlimited Curtailment) for all 3 cases. For these reasons, the Group Company faces a possible risk of lost revenue if the quantity of its electricity purchases becomes restricted.

The Group Company has considered these aforementioned electricity purchase limitations during the feasibility studies for its projects in Japan. The Group Company has the policies of (1) hiring technical consultants to study matters concerning electricity purchase limitations for private electricity business operators who will purchase electricity from each project, and/or (2) coordinating with the private electricity business operators by requesting reports on electricity purchases in each project (if any) for decision-making purposes before investing in these aforementioned projects.

For Project Yamaga and Project Zouen, the Group Company has received study results regarding electricity purchase limitations from its technical consultants, and after consideration, has judged that continued investment in these projects is worthwhile and appropriate.

2.2.2.4 Risk of procurement inability for Chief Electrical Engineers to supervise solar power plant operations in Japan

The Electricity Business Act of Japan requires operators to have a Chief Electrical Engineer tasked with the supervision of safety measures during the construction, operation, and maintenance of the power plant, in which the license level of the Chief Electrical Engineer will vary depending on the size of the power plant. Thus, the Company's solar power plant projects in Japan might face delay risks for the project's commercial operation start date, or incur additional costs.

Furthermore, the Group Company's solar power plant projects in Japan have set rules and/or guidelines towards the scope of duties for property managers to proceed in engineer acquisition.

The Group Company has selected property managers who are experienced, are trustworthy, have good past performance, have strong financial positions, and are accepted by banks that provide project loans (Project Finance), creating confidence that the Group Company will be able to work within the scope of services required in its contracts.

2.2.2.5 Risk associated to involvement in operation for solar farm projects in Japan

Currently, the Company has invested in 3 solar power plant projects in Japan through the GK-TK investment structure, which holds the purpose of tax management for investments in Japan. The Company has invested under the GK-TK investment structure by holding shares in SEG, a subsidiary company for which the Company holds shares at a 100% stake, which is located in the Hong Kong Special Administrative Region of the People's Republic of China. SEG has invested in the aforementioned projects with the status of a TK investor.

Furthermore, under the GK-TK investment structure, SEG, as a TK investor, will be an investor that does not participate in work management (Silent Investor), pursuant to Section 536 (Contribution by Silent Partner and Right and Obligations) under the Commercial Code of Japan. The operating company will hold the right to receive tax benefits through investors investing in Japan from business operations made by the operating company, which are paid to TK investors, and considered as tax expenses of the operating company.

The operating company is required to deduct a withholding tax with a rate of 20.42%, which is the tax burden of the TK investors, from these aforementioned profit shares (TK Distribution).

Although SG holds the status as a TK investor, and has no part in operations management or in Day-to-day operations, the Company, with the status of the parent company, has set guidelines for the supervision of solar power plant projects in Japan by selecting business partners in Japan who are trustworthy and experienced in solar power plant operations. Furthermore, for (1) the TK investment contracts made between SEG, which was designated by the Company as a TK investor company, and the operating companies, and (2) various contracts related to business alliances and/or various service providers, and their operating companies, their scope of investment purposes, operations, and important business activities has been defined during the project development phase. For example, procurement for project development financing, turnkey construction contractors, and property managers were all defined in this stage, which holds high importance for project control and management after the power plants begin commercial operations. This creates confidence that the solar power plant projects will proceed in the best interests of the Company and its shareholders.

Nevertheless, although investments under the GK-TK structure are generally implemented under Japanese law, should SEG, with the status of a TK investor, proceed with any actions that are deemed as having influence over the management or operations of the solar power plants, this might impact its status as a Silent Investor under the GK-TK investment structure, causing potential risk of reclassification (re-characterization) into a limited partnership (NK, or *nin-i-kumiai*). This may cause the profit shares (TK Distribution) from business operations, paid by the operating companies to SEG, which has the status of a TK investor, to no longer be held as tax expenses, and may cause the operating companies to receive higher tax burdens, and/or penalty fee payments, and/or additional payable tax interest on top of the aforementioned tax assessment. Therefore, should SEG, under the status of a TK investor, be reclassified (re-characterization) as a general limited partner (NK or *nin-i-kumiai*), this might impact the Company's Return on Investment in Japanese solar power plants to fall to lower rates than what was anticipated by the Group Company.

Currently, the Japanese solar power plant projects have opened in some parts for commercial operations, and have already begun profit share payments (TK Distribution) from business operations made by the Operator to some TK investors.

2.2.2.6 Risk from decreased average electricity tariffs received by the Company group

As the new Company group power plants that have opened for operations collect their electricity fees in the form of Feed-In Tariffs, which are at rates lower than originally supported by the Group Company under the adder format, the Group Company is at risk of receiving lower average tariff rates. Combined with the high interest payment rates required of the Group Company, this may cause certain limitations in the ability of the Group Company to generate profit. Nevertheless, the electricity fees received by the Group Company will be in line with lower power plant construction costs when compared to past costs; this impact on the Company's profitability may only be to a minimal extent.

2.2.3 Management risk

2.2.3.1 Risk of being controlled by major shareholder votes during the shareholders' meeting

As of December 30, 2022, the Kraipisitkul family holds approximately 55.6% of the total paid-up capital in the Company. Furthermore, the Kraipisitkul family maintains their positions as the executives, directors, and authorized directors of the group. Thus, the Company has given these major shareholders the power to control the Group Company's management, in addition to the ability to control the majority of votes in the shareholders' meeting, including matters concerning the appointment of directors, or requests for authorization on any other matters that require majority votes in the shareholders' meeting, except for matters involving law or Company regulations, for which the Company requires a vote of no less than three-fourths of the shareholders attending the shareholders' meeting who hold the right to vote. Thus, minor shareholders may not be able to combine their votes to examine and influence matters proposed by the major shareholder group.

Nevertheless, the Group Company has organized its management structure with personnel who are knowledgeable and competent, and the Group Company has clearly and transparently determined the scope of their operations, duties, and responsibilities in its delegation of authority to its directors and executives. Measures have been set for the formulation of items related to the executives, major shareholders, and authorized operations managers, including persons with conflicting interests. These aforementioned persons will not have voting rights in their corresponding authorization items, so that the business operations of the Group Company might proceed in a transparent way.

Furthermore, the board structure of the Company comprises 2 independent directors, who hold rank as the Company's auditors, 1 additional independent director, who hold rank as the

Company's chairman and 2 additional independent directors. Furthermore, these independent directors were appointed for the purposes of auditing, balanced decision-making, and the consideration of various items before their presentation at the shareholders' meeting, to create confidence with the minor shareholders and other stakeholders that the Group Company's management structure contains a balance of power, transparently displays its efficient management of operations, and proceeds with all activities and items to the highest benefit of the Group Company.

2.2.4 Financial risk

2.2.4.1 Risk from interest rate fluctuations

As the Group Company develops its power plant projects through Project Finance loans from commercial banks and various financial institutions, its interest rates depend on the nature of the projects. The interest rates are characterized as fixed interest rates and floating interest rates, and should these interest rates change significantly, the business, operational results, and financial status of the Group Company might be negatively impacted.

The Group Company has the policy of consistently managing and monitoring interest rate trends, and of considering the use of suitable financial instruments to reduce interest rate fluctuation risks. For example, SPN made Interest Rate Swap contracts for the majority of its loans to reduce its interest rate fluctuation risks. The Khunsight Kundi project made fixed interest rate contracts throughout the duration of its loan contracts. Although loan agreements in Japan use floating interest rates, currently the levels are close to 0%, and the Company may consider entering into Interest Rate Swap contracts as appropriate, should this be judged as beneficial to the Company.

2.2.4.2 Risk from foreign exchange rate fluctuations

The Group Company has made foreign investments in US dollars and Japanese yen, and has made certain equipment purchase investments in foreign currencies. Furthermore, foreign investments will receive electricity tariffs in the form of foreign currencies; thus, any significant foreign exchange rate fluctuations might impact the group's operational performance.

The majority of power purchase agreements, however, while paid in local currency, are adjusted according to US dollars. Furthermore, the Group Company has a policy of exchange rate risk management by (1) arranging the proportion of long-term loans to be in the same currency as that of revenue from its various projects (Natural Hedge) to reduce foreign exchange rate

fluctuation risks, and (2) using derivative instruments such as Forward Contracts to hedge against exchange rate risks in construction equipment purchases.

2.2.4.3 Risk from debt service capability

For the Group Company's power plant project development, the Group Company's main investment sources comprise Project Finance loans at debt ratios of approximately 70–75% of the projects cost and at approximately 80–90% of the project cost for projects in Japan.

The Group Company is therefore obligated to pay its interest and principal to commercial banks as scheduled, and to operate under the financial terms stipulated in its contracts. Should the Group Company receive operational results that do not match its financial projections, or should it be unable to comply with the terms of these aforementioned contracts, the Group Company might be at risk of being unable to pay its interest and principal as scheduled, and might be called for an immediate repayment.

Nevertheless, the renewable energy power generation and distribution business creates rather stable operating cash flows, and the Group Company has made long-term financial plans while continuously monitoring its own proceedings. This ensures that the Group Company will have sufficient cash flows to pay its interest and principal, operate in accordance with the stipulated conditions in its loan contracts, and also effectively expand its investments according to its set goals.

2.2.5 Risk from new project investments

2.2.5.1 Risk from underperforming returns on investment

the Group Company has continuously expanded its power plant investments. Furthermore, before entering into investments in any project, the Group Company conducts detailed feasibility studies before deciding to invest, of which the important steps are outlined below:

- (1) Select trustworthy business partners who are experienced with renewable energy power plant operations, both domestically and internationally.
- (2) Calculate the return on investment by analyzing a Sensitivity Analysis of the project that covers the Worst Case Scenario to study impacts on finance and returns in worst-case situations that the Company might face. Furthermore, for project investment assessments, the Group Company has calculated the reserve investment (Contingency) funds that the

Company estimates will sufficiently cover any additional costs should project development costs increase by a certain extent.

- (3) Conduct in due diligence and investment feasibility in detail, and possibly arrange for consultation in various areas (depending on the case), such as:
 - (3.1) Technical consultants/engineers, to (1) evaluate sunlight intensity or wind data by referring to statistical data, (2) perform feasibility studies, (3) provide technical and engineering consultation related to project development, and (4) monitor project development/construction so that it proceeds as planned.
 - (3.2) Legal consultants, to provide advice pertaining to law and the steps involved with investment, to inspect land titles, project contracts, and related license documents, to provide advice on compliance with relevant laws, and to negotiate additional related contracts to the highest benefit of the Group Company and its major shareholders.
 - (3.3) Other specialized consultants, such as financial, accounting, and tax consultants, to create confidence that the Group Company possesses reasonable costs in its entries, and correctly and fully operates under the relevant rules and laws.

Furthermore, information from the above studies will be presented to the Executive Committee and/or to the authorizing authorities for the purpose of consideration prior to investment authorization.

2.2.5.2 Risk from land acquisition for use in renewable energy production and distribution businesses

To invest in, develop, and construct renewable energy power plants, the Group Company must acquire land to develop its projects. Thus, the Group Company possesses risk regarding land acquisition as stipulated by the power purchase agreement, which must be of a size that is sufficient with its investment plan, and/or risks involving land acquisition costs, which might be higher than anticipated. This would cause delays in the investments of the Group Company, and so the Group Company's power plants might not be able to open for commercial operations within the schedules stipulated in the power purchase agreements.

Nevertheless, the Group Company procures land by selecting knowledgeable and competent personnel to acquire and gather land under the criteria established by the Group

Company, so that the Company might acquire quality land for its solar power production and distribution business activities within the appropriate prices. In this way, the Group Company will directly enter into purchasing contracts with the landowner, to ensure that the land prices which the Group Company has gained contracts for will have prices appropriate for business operations.

2.2.5.3 Risk from investing in foreign renewable energy power projects

the Group Company has the policy of investing in foreign renewable energy power projects; thus, the Group Company faces risk from changes in the status of the economy, society, politics, law, and government sector policies related to the renewable energy power plant business in countries that the Group Company might invest in. Furthermore, there are financial risks that might negatively impact the operational results of the Group Company, such as risks involving inflation, exchange rate limitations, and foreign exchange rate fluctuations. the Group Company might also have risks involved with an inability to acquire, as scheduled, personnel with the ability to manage foreign projects.

Nevertheless, the Group Company has performed data and feasibility studies on potential investments in many foreign renewable energy power plants to diversify these aforementioned risks, and carries out preparations for the management of foreign renewable energy power plant projects by hiring consultants throughout the stages of project development. Furthermore, the Group Company possesses a policy of acquiring and developing personnel to support the development of foreign renewable energy power plant projects.

2.2.6 Risks related to the Company's ordinary shares

2.2.6.1 Risk from Thai laws and the Company's Articles of Association, which limit shareholdings by foreign shareholders, for which the above limitation might impact the liquidity and market price of the Company's shares

The Company's Articles of Association limit the total ownership of all sold shares of the Company to foreign persons at a value of 49.0%. Furthermore, Thai law also limits the foreign ownership of shares, under the Foreign Business Act of 1999 (and its additional amendments); thus, the liquidity and market price of the ordinary shares might be negatively impacted, and in particular when the foreign shareholding reaches the specified ceiling. This might prevent Thai shareholders from transferring their own shares to other persons who do not possess Thai citizenship. Furthermore, when the shareholders and purchasers who do not have Thai citizenship have not realized in advance that their shares would fall under the provisions of foreign

shareholding limits, in such a scenario, the shares may or may not be able to be registered on behalf of the purchaser, and the registrar may or may not refuse to register the transfer of these shares.

2.2.7 Risk from economic fluctuations caused by the COVID-19 viral outbreak

Due to the outbreak of the COVID-19 virus at the start of 2020, governments in various countries have attempted to enforce various measures to reduce the spread of the virus through the mandated cessation of retail businesses, restaurants, and various service businesses, in addition to requests for citizens to self-quarantine at home. These measures have significantly impacted the nature of worldwide business operations and consumption, which has caused worldwide economic deceleration. Nevertheless, as the main business of the Company is the production and distribution of electricity, which as a concession business facilitated through the use of power purchase agreements (PPA) with domestic and international government sectors, such as the Provincial Electricity Authority, the Electricity Generating Authority of Thailand, the National Dispatching Center (NDC), and Vietnam Electricity (EVN), the Company has not been directly affected by the spread of the COVID-19 virus. The Company has only been affected indirectly in terms of increased operational procedures, and through difficulties in international travel between the countries of the officers and the project developers. This has resulted in only minimal delays to project development. Aside from this, the Company's management continues to closely monitor the progress of the COVID-19 situation to confirm that the Company can immediately change its operational procedures, and has considered the impact of the COVID-19 situation on its financial statement. Thus, the Company has reviewed the value of its assets and estimated liabilities that may have changed significantly due to the COVID-19 situation.