



# **DISCLOSURE ON TCFD REQUIREMENTS**

The Electricity Generating Public Company Limited

May 2021

# EGCO Disclosure on TCFD Requirements

In recent years, the Electricity Generating Public Company Limited (EGCO) has placed the environmental, social, and governance (ESG) criteria on top of its operational norm, projecting the company’s performances and concerns towards nature, all levels of stakeholders, as well as moral and ethical principles in governing. EGCO has been aware that ESG analysis can provide valuable insights about factors that can have a significant impact on the financial metrics of a company, consequently, better inform its investment decisions. On the other hand, ESG criteria can also help investors to understand companies’ performances; thus, avoid those that might pose a greater financial risk due to environmental or other practices.

As part of strengthening the company’s ESG standard, climate change has come into earnest consideration of the company. In regard to uplift its financial disclosure, EGCO has demonstrated that the company is seriously taking action to build a more resilient financial system through climate-related disclosure, by becoming a supporter of the Task-Force on Climate-related Financial Disclosure (TCFD) and its recommendations.

Recommended Disclosures	EGCO Status Mapping
<b>GOVERNANCE</b>	
a) Describe the board's oversight of climate-related risks and opportunities.	Sustainability Report 2019 pp. 12-13, 50 <a href="https://investor.egco.com/misc/sd/20200312-egco-sd2019-en-01.pdf">https://investor.egco.com/misc/sd/20200312-egco-sd2019-en-01.pdf</a>
b) Describe management's role in assessing and managing climate-related risks and opportunities.	Sustainability Report 2019 pp. 12-13, 50 <a href="https://investor.egco.com/misc/sd/20200312-egco-sd2019-en-01.pdf">https://investor.egco.com/misc/sd/20200312-egco-sd2019-en-01.pdf</a>
<b>STRATEGY</b>	
a) Describe the climate-related risks and opportunities the company has identified over the short, medium, and long term.	56-1 One report pp. 63-65, 99 <a href="https://investor.egco.com/misc/flipbook/index.html?id=143718">https://investor.egco.com/misc/flipbook/index.html?id=143718</a> In progress
b) Describe the impact of climate-related risks and opportunities on the company's businesses, strategy, and financial planning.	56-1 One report pp. 63-65, 99 <a href="https://investor.egco.com/misc/flipbook/index.html?id=143718">https://investor.egco.com/misc/flipbook/index.html?id=143718</a> In progress
c) Describe the resilience of the company's strategy. Taking into consideration different climate-related scenarios, including a 2C or lower scenario.	

Recommended Disclosures	EGCO Status Mapping*
<b>RISK MANAGEMENT</b>	
a) Describe the company's processes for identifying and assessing climate-related risks.	Sustainability Report 2019 pp. 42-47 <a href="https://investor.egco.com/misc/sd/20200312-egco-sd2019-en-01.pdf">https://investor.egco.com/misc/sd/20200312-egco-sd2019-en-01.pdf</a> In progress
b) Describe the company's processes for managing climate-related risks.	
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the company's overall risk management.	
<b>METRICS AND TARGETS</b>	
a) Disclose the metrics used by the company to assess climate-related risks and opportunities in line with its strategy and risk management process.	56-1 One report pp. 98, 428-429 <a href="https://investor.egco.com/misc/flipbook/index.html?id=143718">https://investor.egco.com/misc/flipbook/index.html?id=143718</a> In progress
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	
c) Describe the targets used by the company to manage climate-related risks and opportunities and performance against targets.	

\*Page numbers in this column are those number in the report, not the PDF file.

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### Elaboration on Climate Change Strategy in Accordance with TCFD Requirement

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EGCO Group realizes the impact of sustainability factors that are important to the organization's progress and growth, including all stakeholders along its business value chain. Therefore, risk and crisis management are considered means to minimize the occurring probability of scenarios that may cause damages, as well as decrease the level and magnitude of those damages. If the applicability of company's risk manage policy, plans and procedures are ineffective, the consequences will fell upon its ability to respond to emerging crises, as well as its adaptability to present and future situations.

EGCO Group is aware that risks are inherent to business, and the company is committed to effective risk management, by considering striking a balance between risks and opportunities for all levels of stakeholders. This way, risk management not only creates various opportunities to achieve the corporate's targets, but also allows the EGCO to create sustained value. The following figure illustrates EGCO Group's internal process to build resilience of the company's strategy.



- *Identifying strategic positioning options:* EGCO Group has identified its strategic positioning options for the next five years, serving as part of the corporate direction and strategy. Climate change has been taken into account as one of the drivers of innovation, also an issue impacting long-term business growth. EGCO's strategy focuses on reducing coal-fired power plants, increasing renewable energy, developing new businesses to facilitate Smart Technology., power purchasing from SPPs, expanding investment portfolio towards new businesses, as well as emphasizing innovation development for funding opportunities.
- *Conducting Scenario Analysis to identify and assess climate change impacts on business:* EGCO Group has conducted Scenario Analysis following the Intergovernmental Panel on Climate Change's (IPCC's) Representative Concentration Pathway (RCP) 8.5 to identify and assess potential impacts induced by climate change risks towards its businesses. This includes physical risks, e.g. potential floods and droughts occurring at each operational site; and transition risk, e.g. carbon taxes (including Cap & Trade measures), potentially introduced in 2030.
- *Development corporate Climate Change Strategy:* In relevance to the Group' completion of strategic positioning options development and scenario analysis in order to identify and assess potential business impacts from climate change risks, EGCO has established corporate climate targets and climate change strategy. The strategic planning efforts are to ensure the Group's targets achievement, as well as to expand its business opportunities.

The table below summarizes the climate-related risks and associated mitigation plans.

*Result of Scenario Analysis*

		Risk Level* by 2030	Risk Mitigation
<i>Physical Risk under RCP8.5 Scenario (Worst case scenario)</i>			
Acute	Flood	Medium	Flood control structures and response plans are recommended for these locations to minimize damage and business interruption
Chronic	Water stress	Low	Installation of on-site water reserves, implementation of water saving measures and local community engagement on water-related risks are recommended to save cost and avoid reputational damage.
<i>Transition risk (Assume carbon tax in 2025 at the value of \$10/tCO<sub>2e</sub>)</i>			

Policy and Legal	Mandates and regulations on pricing of GHG emission	Low	Regulatory monitoring process is recommended. Efficiency improvement and decarbonization of GHG intensity will also lessen the risk of high cost from carbon tax.
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\*Risk level can be determined based on the potential impact size factored by the probability of risk occurring. Noted that the resulted presented under this column are only examples. EGCO may apply its own risk level, determined by its internal approach in the table.

\*\*The value has been assumed based on expert's judgement and current in-country situation, where carbon tax application has not yet introduced.

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### Elaboration on Climate Change Risk Management in Accordance with TCFD Requirement

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EGCO Group has taken the climate-related risk seriously. The Group identifies, assesses and manages climate-related risks in accordance with the procedures defined in the company's **Risk Management Manual**, which was developed in line with the 2017 COSO ERM. It is common that the climate-related risks are generally considered under Operational Risk (e.g. risk from water shortage caused by extreme climate conditions) and Compliance Risk (e.g. carbon tax).

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 operation, along with monitoring and evaluating procedures, as well as periodic reporting to the Board and the Board Committees.

The Risk Assessment Division (RA) is responsible for monitoring, assessing and reporting Corporate Risk Management Performance to the Risk Management Committee (RMC) and the Risk Oversight Committee (ROC) according to the EGCO's risk management policy. Along these lines, the ROC will monitor and assess the Company's risk management to ensure it is complied with the risk management framework and plans.

The Risk Oversight Committee Meeting is conducted quarterly. At the meeting, the RA Division has followed up with risk owners to prepare corporate risk management report, which conveys the information regarding risk level, risk mitigation, implementation of risk management plan and mitigation action, and residual risk level after risk mitigation. The report construes all four risk categories i.e. strategic, operation, financial and organization Risk-based on the 2017 COSO ERM. Amongst key risks, climate change, including drought, flood, severe weather and increasing frequency, average temperature rises, is a part of the company identified operational risks. The key factors that EGCO concerns and applies in order to determine its risk level consists probable effects towards earning loss, business interruption and reputation. As such, the mitigation actions and plans are established accordingly.

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### Elaboration on Climate Change Metrics and Targets in Accordance with TCFD Requirement

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EGCO has continually demonstrated its environmental responsibility through several performance parameters in relevance to energy, GHGs, water, waste management and environmental compliances. In the recent years, the company has extended its ESG responsibility to mitigate climate change impacts. The 2020-2030 long-term sustainability targets have been set. These targets include the percentage of electricity generation from renewable sources and the same from coal, indicating EGCO Group's intent to reduce the greenhouse gases emitted as the results of the Group's operations. However, in order to show

clearer targets used by the company to manage climate-related risks and opportunities, EGCO has a plan to assess and determine a target for **greenhouse gas emission intensity (tCO<sub>2</sub>e/MWh)**, which is associated with one of the company performance parameters. In addition, following the company's strong intention to disclose its climate-related financial system, the target will also be a stage of advancement for EGCO towards its commitment on science-based target setting. For transparency, this target will be publicly available on EGCO website.

