



## Corporate Governance

Our most convincing evidence of being a public company limited with good corporate governance practices since our listing on the Stock Exchange of Thailand (SET) in late 2001 lies in assorted public acclaims together with high ratings by organizations, offices, and public as well as private institutions, both domestic and international. Since day one, the Board has instituted a written policy on this matter. Notable examples in 2007 included:

- **Asia's Best Managed and Governed Companies Poll 2008** conducted by Euromoney Magazine, January 2008 issue, December 21, 2007:

1. Best Corporate Governance (PTT was ranked the best in Thailand)
2. Best Corporate Governance (PTT was ranked 2<sup>nd</sup> best in Asia)
3. Most Transparent Accounts (PTT was ranked 2<sup>nd</sup> best in Asia)
4. Most Convincing and Coherent Strategy (PTT was ranked the best in Thailand)
5. Most Convincing and Coherent Strategy (PTT was ranked 4<sup>th</sup> best in Asia - Overall)
6. Most Convincing and Coherent Strategy (PTT was ranked the best in Asia - Oil & Gas Sector)

- **Recognition Awards 2007, The Best of Asia**, by Hong Kong-based Corporate Governance Asia Magazine, April/May/June 2007 issue, June 18, 2007

- **Board of the Year for Exemplary Practices Award 2006/2007 and Board with Consistent Practices (a special award for winning the Board of the Year for three consecutive times)**, December 11, 2007

- **Outstanding State Enterprise Award for 2006**, by the Ministry of Finance on August 29, 2007, covering three areas:

1. Outstanding Performance  
(three consecutive years)
2. Outstanding Organizational Management
3. Outstanding Social and Environmental Performance.

- **Thailand Quality Award (TQA) 2006** for Rayong GSP (Gas Separation Plant), by the National Quality Award Committee, April 30, 2007.

PTT is committed to conducting its business in compliance with corporate governance principles and the guidelines laid down by the Securities and Exchange Commission (SEC). Today the Company is determined to apply corporate governance as its guiding principle for efficient business management in tandem with sustainable business growth. PTT regulations states: "The Company must have and implement a policy on its business ethics, including the ethics of its Board of Directors, Management, and employees in compliance with good corporate governance practices as its code of conduct for the proper conduct of the organization with high standard." Since 2001, PTT subsequently issued rules on good corporate governance and published them as a handbook. The Corporate Governance Committee has not only come up with a code of practice and recommended practices for the Board, but also now updates the handbook to be more comprehensive and more in line with international practices, with topic rearrangement and content addition. To illustrate, the publication will now cover the rights of shareholders and promotion of their exercise of these rights, in particular fundamental rights, including sharing of profits, purchase or transfer of shares, acquiring adequate business information, attendance at shareholders' meetings and voting and appointing or removing directors, deciding Board compensation, appointing the external auditor and its fees, and matters affecting the Company. By and large, the contents align with the above-mentioned policy, and the publication is known as

the Corporate Governance Handbook (Revision 1/2548) for the Board and all employees to acknowledge and observe along with the Corporate Governance Principles for Listed Companies of 2006, which in turn aligns with our corporate governance principles. A summary of the essences of our practices this year appears below:

## Rights and Equitable Treatment of Shareholders

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The Board's policy on corporate governance is as follows:

1. In their conduct of business, the Board, the management, and all employees are committed to the six elements of corporate governance, namely Accountability, Responsibility, Equitable Treatment, Transparency, Vision to Create Long-Term Value, and Ethics. An organizational structure effectively balances the roles of the Board, the management, and shareholders.

2. Directors must perform their duties independently with full commitment and responsibility. There is a clear division of responsibilities between the Chairman and the President.

3. Playing a key role in the formulation of corporate vision, strategies, policies, and critical plans with due regard for risk factors and suitable risk management, the Board must also ensure the credibility of the accounting system, financial statements, and accounting audits.

4. Leading the rest of the Company on ethics and corporate governance, the Board must supervise the management and solution to any conflict of interest or connected transactions.

5. The Board may appoint committees (subcommittees) to help it screen and deliberate critical issues.

6. The Board must undergo annual self-assessment to obtain a framework for its performance assessment.

7. The Board must establish a Code of Conduct for itself, the management, employees, and all contract employees to observe in addition to PTT's rules and regulations.

8. Disclosure of PTT's financial and non-financial information must be carried out adequately, credibly, promptly, and fairly for all shareholders and stakeholders. To investors and the general public, the Capital Market & Investor Relations Department is responsible for such disclosure.

9. To receive equitable treatment, PTT shareholders have the right to access information through suitable communication channels with PTT.

10. A proper selection procedure must be in place for the appointment of key management personnel under a fair and transparent nomination process.

### **Shareholders' Rights and Equitability**

Investors will put trust and confidence in PTT's business only if they can be assured of its fair policy and respect for shareholders' fundamental rights and equitability under the law, as well as business management that proves suitable, efficient, effective, and accepted by investors and stakeholders as one with good corporate governance.

PTT schedules an annual general meeting of the shareholders (AGM) within four months of the annual closing date of its accounting books. For urgent matters of shareholders' interest or requiring shareholders' approval, it will call an extraordinary meeting of the shareholders.

### **Shareholders' Meetings**

The Board acknowledges the right of shareholders in all matters. Therefore, as preparation for smooth shareholders meetings, PTT has invited minor shareholders to propose in advance the agenda items for the AGM and nominate directors to promote fair treatment of all shareholders, which is part of good corporate governance practice.

Besides, to ensure a clear and transparent process while enabling the Company to tangibly observe corporate governance principles, criteria were established for proposals made by minor shareholders to identify items that are truly beneficial to the Company and choose qualified individuals as directors who would efficiently perform their roles for the best interest of the Company and stakeholders. Before the 2007 AGM, the Company had posted these criteria at its website ([www.pttplc.com](http://www.pttplc.com)) from December 21, 2007 to January 20, 2008. No shareholders, however, submitted any agenda items or nominated directors.

### **Delivering Meeting Notices**

To date, PTT has assigned Thailand Securities Depository Co., Ltd., its securities registrar, to mail meeting notices together with details of the agenda and accompanying documents to shareholders at least 14 days ahead of each meeting date. This also allows shareholders who cannot attend a given meeting to delegate their proxies, as allowed by the Ministry of Finance to exercise their voting rights. Similarly, at least three days ahead of each meeting, the invitation must be announced through one Thai and one English newspaper for at least three consecutive days. The AGM meeting notices were made available at PTT's website (<http://www.pttplc.com>) at least 30 days ahead of each meeting date.

### **Conduct of Shareholders' Meetings**

At each meeting, PTT exercises fair treatment of all shareholders, who are duly facilitated by officers, assured of their security, registration opportunities beginning at two hours before the meeting time, as well as proper reception. In short, fairness is the name of the game. After explaining the Company's rules on voting and vote counting for individual agenda item, the chairman of the meeting must address each opinion, question, or recommendation of shareholders, giving adequate time for debate. The Board Chairman and the management are to address and answer all questions clearly

and precisely. The chairman ensures that the meeting proceeds according to the order of the agenda and does not add an item without notifying shareholders in advance. For the election of directors, individual votes are required, and the minutes of the meeting must be completely and accurately recorded with a written summary of voting results on each matter. As a rule, shareholders' meetings last three hours.

In 2007, PTT organized two meetings of the shareholders: the AGM on April 30, 2007 and an extraordinary meeting on September 13, 2007. Here is a summary of the meetings:

- **Before the Meeting Date**

As a rule, PTT posts the complete meeting notices on its website 30 days before the meeting. More than 14 days ahead of the meetings, meeting notices are mailed to each shareholder along with agenda details, essential supporting information to facilitate decision-making, opinions of the Board, complete minutes of the previous meeting, annual report and supplementary meeting information, and a proxy form complete with instructions. In addition, the Company posts such notices in one Thai and one English newspaper for three consecutive days, more than three days ahead of each meeting date. The complete package is duly sent to each registered shareholder. Should shareholders wish to appoint proxies to attend the meeting and vote on their behalf, they may do so under the procedure or delegate independent directors as their proxies.

- **On the Meeting Date**

PTT values the accommodation provided to shareholders and give them a sense of security as well as suitably and adequately designating registration locations. Registration through a barcode system begins at least two hours ahead of the meeting and proceeds until the conclusion of the meeting. Meeting keepsakes and suitable reception are extended.

During the meeting, the Board Chairman generally serves as the chairman of the meeting by clarifying the quorum, explaining voting and vote-counting procedures, balloting, clearly disclosing voting results on each agenda item, and conducts the meeting strictly by the agenda – allowing shareholders to pose questions and express views. The chairman also ensures that directors or the management reply to questions clearly.

In 2007, a total of 14 directors attended the AGM, with only one missing because of an important engagement. These consisted of the Board Chairman, the Chairmen of all committees, and the President – together with senior management members and the external auditor. Two legal advisors served as moderators in audit and voting matters in cases of disagreements. The chairman performed his role thoroughly as defined by law and the meetings also gave their unanimous approval on each agenda item.

At extraordinary meeting No. 1/2550, a total of 12 directors attended the AGM, with three directors missing because of an important engagement. These consisted of the Board Chairman, the Chairmen of all committees, and the President – together with senior management and the external auditor. Two legal advisors served as the moderators in audit and voting matters in cases of disagreements. Again, the chairman performed his role thoroughly as defined by law and the meetings also gave their unanimous approval on each agenda item.

At shareholders' meetings, all directors are aware of the guidelines of conduct, especially for connected transactions or other involvement. Directors in questions duly inform the meeting to excuse themselves and abstain from voting on each connected matter.

- **After the Meeting Date**

After each meeting, PTT duly submits the minutes of the shareholders' meeting, with voting records, and every question raised by shareholders to the Stock Exchange of Thailand within 14 days. Meeting information is accessible through [www.pttplc.com](http://www.pttplc.com).

## Conflicts of Interest

Under the Board's policy on conflicts of interest, business decisions made by the management and employees must be solely for PTT's best interests. They must not only avoid engaging in financial and other relationships with external parties that would lead to financial losses for PTT or a conflict in loyalty or interest, but also must not compromise the efficiency of business operation. Those with interests or related businesses to a matter requiring PTT's review and decisions must report their relationships and connection with a possible conflict of interest. PTT is to disallow such connected persons from exercising their authority for and involvement in such transactions.

PTT has required directors, the management, and all employees to disclose potential conflicts of interest with it through a disclosure form. In addition, any approval of such items must not contain special conditions or specifications that are out of the ordinary. PTT's Office of Corporate Audit and the Audit Committee have been entrusted with the monitoring and resolution of issues related to conflicts of interest. To date, however, there no such case has arisen.

At each Board meeting, the Chairman reminds directors of this policy, asks them to declare a possible conflict of interest on each agenda item, and asks them to refrain from expressing views or voting on that item.

The Audit Committee regularly presents to the Board its findings on connected transactions and conflicts of interest, carefully prepared in line with the regulations of SET, which specify that these issues must be disclosed every quarter. PTT has strictly observed this practice.

All PTT directors and management, including their spouses and children not yet of legal age, must report any changes in their PTT share ownership to SEC under Section 59 of the Securities and Exchange Act B.E. 2535 (1992) within three days from the date of sale, purchase, disposal, or receipt of such shares. To prevent abuse of inside information, the executives or agencies that are aware of such inside information may not disclose it to outsiders or unrelated persons and may not buy or sell PTT shares within 30 days ahead of the public dissemination of its financial statements. During the past year, all directors and management have strictly observed this.

## Stakeholders' Rights

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PTT accounts for stakeholders' rights and interests by establishing guidelines for addressing the needs of each group inside and outside the Company, including its customers, shareholders, employees, as well as its own responsibility to society and the environment, as published in the Corporate Governance Handbook (Revision 1/2548), which has been used as a guideline for the Board and all employees in meeting the demands of each group of stakeholders. The details are summarized below:

**Shareholders:** PTT is committed to being a good representative of all shareholders in operating the business with transparency, taking into account long-term growth in share value and decent returns.

**Employees:** PTT considers its employees a key success factor and supports their professional development, attends to the quality of the workplace, and provides fair and proper compensation.

**Business Partners:** PTT fosters good relationships for mutual benefit and strictly observes contractual agreements.

**Competitors:** PTT not only observes the framework of fair competition, but refrains from harming the reputation of business competitors through false accusations.

**Creditors:** PTT honors all its obligations to creditors.

**Customers:** PTT is committed to satisfying its customers and the public through its products and services, as well as providing confidence in its quality at suitable prices.

**Communities and Society:** PTT takes seriously people's safety, environment, and quality of life. It maintains active interest in community and social development activities while strictly observing the spirit of laws and regulations.

Stakeholders may use any mechanism to inform PTT about their questions, complaints, or recommendations either through the intranet webboard, the public website [www.pttplc.com](http://www.pttplc.com), by phone, or by e-mail to Investor Relations, the Corporate Secretary, Corporate Public Relations Department, or the Customer Relations Center. Directly relevant agencies are to address these questions, take corrective steps, and come up with proper responses to all. An internal committee is to supervise and review, and the Office of Internal Audit is to assess the efficiency and adequacy of the internal control system and audit performance companywide, while receiving complaints, ensuring improvement, and summarizing actions for the attention of the Audit Committee and, eventually, the Board.

In 2007, the Company was engaged in no dispute with stakeholders.

## Disclosure of Information and Transparency

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### Corporate Governance Activities

The Corporate Governance Committee is assigned to promote and screen corporate governance matters so that the Company may actively campaign for compliance with corporate governance principles. A working group on corporate governance, headed by an Executive Vice President, has implemented assorted matters under the policy and conducted campaigns to cultivate awareness in directors, the management, and employees. Periodic promotional campaigns were conducted through various media within the Company, including exhibitions, a CG Website packed with information, and two-way communication channels. Internal news broadcast, video shows, a CG column in the "PTT Spirit" magazine, and a CG-Digest via e-mail-newsletters are among the publicity and awareness tools, with positive responses from all. In addition, the Corporate Governance Committee distributed the English version of the Corporate Governance Handbook (1<sup>st</sup> Revision) to investors, international interested parties, and stakeholders for their reference. This will also be posted at PTT's website.

In 2007, PTT organized Company visits for minor shareholders, analysts, and institutional investors by asking all current shareholders as of the date of interim dividend payment to notify PTT of their interest in joining the activity. To bolster shareholders' confidence, 360 names were drawn under a fair and transparent process. The visit was organized three times, each time with about 120 participants.

In addition, PTT focused on corporate governance among companies in the PTT Group to align with PTT's corporate governance management standards. To this end, they agreed to jointly study and develop corporate governance guidelines based on international best practices to establish a standard suitable for PTT Group and used by all subsidiary companies. In addition, PTT proposed a self-assessment mechanism for each company to rate its corporate governance activities for continuous improvement and as a step toward future ranking. Implementation plans and proactive promotional strategies for corporate governance were also established. Promotional activities undertaken by PTT since 2006 within PTT Group included:

1. Establishing a committee to oversee corporate governance policies for PTT Group
2. Organizing seminars to foster awareness of corporate governance and social responsibility, with experts as guest speakers, to encourage the sharing of experience. The target audience was the staff of PTT and PTT Group with corporate governance roles.
3. Organizing the "PTT CG Group Day" to disseminate PTT Group's corporate governance activities
4. Planning a contest of the implementation of corporate governance principles in operating entities
5. Sharing comments and ideas within PTT Group on each company's corporate governance handbook based on international standards.

### **Appointing Directors of Listed Subsidiary Companies**

PTT Group currently commands 40 affiliates (9 of which are listed companies on SET), and 60% of PTT's current net income comes from these. To create synergy among the Group, PTT proposed that its directors or executives should be appointed as directors of the Boards of subsidiary companies to ensure the alignment of policies and business plans to maximize value for all stakeholders. Therefore, a PTT director or executive could well be appointed to oversee more than five subsidiary companies. PTT's director appointment rationale is as follows:

1. To oversee business management under the policies of PTT Group and ensure that the subsidiary company's business management aligns with PTT's policies, directions, and standards.

2. To create synergy for the businesses of PTT Group, thereby resulting in joint benefits and enhancing value for all related organizations and the country alike

3. To leverage PTT's specific experience and competencies to improve business processes among subsidiary companies, including the application of financial knowledge to improve accounting and finance processes so that subsidiary companies can continue their healthy growth. In addition, PTT's knowledge and experience can help companies outside PTT Group, which will in turn foster good relationships among all and fortify PTT's network of business allies.

4. This is part and parcel of the roles and responsibilities of directors and the management.

### **Board and Management Compensation**

The Board-appointed Remuneration Committee oversees the compensation for directors and the management. As a rule, the compensation of directors follows shareholders' resolutions and approvals. The compensation for directors and the management is disclosed under the "Management" section.

### **Financial and Other Reports**

Each quarter, together with the Accounting Department and the Office of the Auditor-General, the Audit Committee reviews PTT's financial reports and presents its findings to the Board. The Board is accountable for PTT Group's consolidated financial statements, as well as other financial information ("Report on the Board's Responsibility to Financial Reports") presented in the annual report. The financial statements are prepared under generally accepted accounting principles, examined, and certified by the Office of the Auditor-General. Essential information, financial and otherwise, is completely and consistently disclosed.

## Investor Relations

Ever since PTT's privatization and share trading on SET in October 2001, the Capital Market & Investor Relations Department was established as a clearing house for disclosing essential information to investors and financial reporting, which includes performance reports, financial statements, and information reported to SET, together with quarterly management discussion and analysis reports. These are disclosed to both domestic and international shareholders fairly, regularly, and thoroughly. Investors may contact the Department directly or through the PTT website ([www.pttplc.com](http://www.pttplc.com)), which is regularly updated, for information in Thai and English, which includes:

- Annual report
- Major investment project information
- Hiring and procurement
- Management discussion of Company policies and direction
- Implementation of state policies
- Major plans
- Corporate governance policies and promotional activities
- Financial performance
- Non-financial performance.

Through the years, PTT has valued the disclosure of information that is accurate, complete, transparent, and comprehensive, as well as direct and indirect presentation of performance and keeping investors, business proprietors, and relevant parties informed of its information. A summary of our activities appears below:

Direct: PTT regularly presents information to analysts, investors, and employees at analysts' meetings, road shows, conference calls, and conferences. Analysts, investors, and interested parties also pay visits to meet our management and inquire about our updates. In 2007, these activities took place:

- International road shows 12 times
- Domestic road shows 7 times
- Analyst meetings 4 times
- Company visits / conference calls 173 times
- E-mails / telephones 4 - 6 times/day
- Participation in SET excursions 2 times
- Trips for institutional investors to visit and meet management team members 1 trip
- Trips for minor investors to visit and meet management team members 1 time.

Indirect: Information about the Company, its performance, financial statements, and reports filed with SET are found at [www.set.or.th](http://www.set.or.th) and [www.pttplc.com](http://www.pttplc.com).

: Investors and interested parties can also contact PTT Capital and Investor Relations Department at 0 - 2537 - 2792 - 3 or post inquiries through [www.pttplc.com](http://www.pttplc.com) or through email at [ir@pttplc.com](mailto:ir@pttplc.com).

In addition, PTT has constantly publicized news, business activities, and project updates, apart from addressing questions and facilitating contacts for the media and the public.

The activities of 2007 appear below:

- E-mails 2,162 items
- News / photo releases 383 pieces
- Press conferences 77 times
- Media visits to operations 9 times.  
(domestic and international)

## Responsibilities of the Board

### Appointing Four Committees (or Subcommittees)

The Board highly values corporate governance by initially appointing three committees, namely the Audit Committee, the Nominating Committee, and the Remuneration Committee. For a period, the Audit Committee also looked after corporate governance. In 2004, the Board set up a Corporate Governance

Committee, charged with promotion and screening of corporate governance and promotion of excellence in such areas. PTT today therefore has four committees investigating critical matters under the corporate governance principles to create maximum benefit for shareholders, taking into account stakeholders' concerns and interests, business ethics, and transparency. Each of these committees consists of qualified directors as required by SET, with clearly written roles and responsibilities in a charter. Please see details about the four committees under the "Management" section.

### Leadership and Vision

The Board consists of knowledgeable, capable, and experienced professionals from diverse, related fields to boost PTT's efficiency. Clear evidence of the Board's efficiency in 2007 lie in its being named Board of the Year for Exemplary Practices (2006 - 2007) and Board with Consistent Best Practices, an award to honor those that win the Board of the Year awards for three consecutive times, attested by the Thai Institute of Directors (IOD). Another achievement is the Outstanding Board of State Enterprise Award of the Ministry of Finance, consisting of three distinct awards, namely 1. Outstanding Performance (third consecutive year) 2. Outstanding Organizational Management, and 3. Outstanding Social and Environmental Performance.

Based on integrity, business ethics, and compliance with the directors' code of conduct, the Board exercises its authority over business operation under laws, regulations, and resolutions of shareholders' meetings. It also ensures management conformance to PTT's objectives and guidelines for the maximum benefit of stakeholders.

The Board defines PTT's vision, annually reviews and approves directions, strategies, policies, together with financial and operating objectives for the management's implementation in their respective preparation of business as well as other plans and budgets, and follows up on the management's implementation of operating plans. Early each year, it sets assessment criteria and key performance indices and, toward year-end, it assesses actual performance against the agreed performance agreements.

### Board Training

The Board and the management values participation in development training relevant to their performance. Over 85% of the directors have undergone IOD training, with four enrolled in six training sessions in 2007 as detailed below:

Director	Training Program
1. Gen. Apichart Penkitti	<ul style="list-style-type: none"> <li>● Directors Accreditation Program (DAP 62/2007)</li> </ul>
2. Gen. Somdhat Attanand	<ul style="list-style-type: none"> <li>● Directors Certification Program (DCP # 90)</li> </ul>
3. Assoc. Prof. Dr. Suchart Thada-Thamrongvech	<ul style="list-style-type: none"> <li>● Directors Certification Program (Refresher Course 4/2007)</li> <li>● The Role of Chairman Program 2000 (RC # 16/2006)</li> <li>● Understanding the Fundamental of Financial Statements (UFS 10/2007)</li> </ul>
4. Dr. Praipol Koomsup	<ul style="list-style-type: none"> <li>● Directors Accreditation Program (DAP 52/2006)</li> </ul>

PTT not only supports directors' participation in training programs organized by IOD and other institutions through the year, but also encourages the Board to visit other agencies to accumulate experience applicable to PTT's business.

## Directors' Orientation

For new directors, PTT arranges an orientation program to inform them of its business policies, capital structure, shareholding structure, business performance, information systems, and related laws and regulations. Moreover, each director receives a "Director's Handbook", which includes the following topics:

- **Director's Handbook**

1. The Public Company Act, B.E. 2535 (1992)
2. Guidelines for Directors of Listed Companies
3. Standard Qualifications of Directors Act
4. Company Registration Certificate
5. Company Certificate
6. Company Objectives
7. Company Regulations
8. Company Rules (12 Rules)
9. PTT Corporate Governance Handbook
10. SEC Handbook for Directors of Listed Companies.

- **Information**

1. Overview presentation of PTT by the CEO and President
2. List of directors and management structure
3. Information on the roles of the Board
4. Director Fiduciary Duty Checklist
5. Good corporate governance principles for listed companies in 2006
6. Connected transactions of listed companies
7. Handbook on understanding and preventing conflicts of interest

8. Suggestions on the disclosure of information for the management of listed companies
9. "PTT Group Moving Forward to HPO" information kit
10. PTT Plc. Company Profile
11. Annual Sustainable Development Report
12. Annual Report (Thai Version) in hard copy and CD
13. Brochure on the privatization of PTT
14. "PTT Spirit" monthly newsletters issued in 2007.

So that new directors may have a clear view, the President presents information about PTT in his briefing to them about the policy, relevant information, including the capital structure, shareholders, performance, processes in use at PTT, laws, regulations, a business overview, and update on performance. At the same time, the above-mentioned documents and handbook for new directors are handed over together with a personal computer for use in studying the information before Board meetings.

It is PTT's policy to organize periodic visits to field operations for the Board to bolster their appreciation of the Company. In 2007, the Board observed Rayong GSP, PTT Group's petrochemical plants and refineries in Map Ta Phut Industrial Estate and the vicinity, in addition to observing its corporate social responsibility work at the Princess Maha Chakri Sirindhorn Herbal Garden at Map Kha. Apart from these, interested and available directors observed PTT's and PTT Group's international activities on the gas transmission pipeline construction project in Egypt to benefit their subsequent explanation on behalf of the Board at meetings where the project was tabled for approval.

## Company Secretary

PTT has appointed the Vice President of the Office of the President, Mr. Attapol Rerkphiboon, as Company Secretary to ensure that PTT is managed with the highest efficiency under the principles of corporate governance. The Company Secretary is responsible for:

- Providing legal and regulatory advice to the Board
- Taking care of Board activities
- Ensuring efficient implementation of Board resolutions.

## Business Ethics

To show PTT's intention to conduct its business with transparency, ethics, responsibility to stakeholders, society, and the environment, the Company has issued a code of conduct for its Board, management, and all employees to strictly observe together with Company rules and regulations. Section 3 of the Corporate Governance Handbook, entitled "Code of Conduct for Board, Management, and Employees", is summarized below:

- The Board must properly represent shareholders by ensuring sustainable and profitable Company growth, performing their duties to the best of their ability – with integrity and prudence. They must be politically neutral, decide and act independently without any vested interest in businesses related to or in competition with PTT, and be committed to the prevention and elimination of all dishonest practices.

- The management and employees must be committed to developing a team culture, creating customers' satisfaction, and giving due consideration to fairness and integrity in conducting PTT's business. They must not only recognize and be concerned about safety for society, the environment, and the quality of life of the public, but also perform with responsibility, integrity, commitment, and determination for the benefit of PTT.

Along this line, PTT has provided educational media, including articles, radio scripts, and video-scripts illustrating the proper roles of the Board, the management, and employees to cultivate discretion and judgment in their decision-making. Yet, a simple test is by asking oneself whether a certain decision would lead to an action that is improper or socially unacceptable to the public or detrimental to PTT's reputation as an ethical company. PTT continues to monitor the implementation of such compliance.

## Balance of Power for Non-Management Directors

The appointment of directors is subject to the resolutions of shareholders' meetings, with input from the Nominating Committee and the Board. As of January 2, 2008, the Board consisted of 15 members:

- 14 were non-management directors and 10 were independent directors, which exceeded half of the Board composition
- One Director was the PTT Management.

As a result, the stakeholders can rest assured that the directors independently represented the best interests of shareholders and that power was properly balanced. The Chairman and the President are two different persons. In no way related to the management, the Chairman exerts authority that is separate from that of the President. There is a clear distinction between supervisory policy-making and day-to-day business management. And while the Chairman is not an independent director, as he is a representative of the regulating agency in charge of energy affairs, the present composition of the Board, over half or 10 of whom are independent, have provided good checks-and-balances. Above all, the Chairman has continuously conducted himself free from any undue influence.

## Board and Management Compensation

The Board-appointed Remuneration Committee oversees the compensation for directors and the management. As a rule, the compensation of directors follows shareholders' resolutions and approvals. The compensation for directors and the management is disclosed under the "Management" section.

## Board Meetings

Board meetings are planned for the entire year, for instance, in 2007 the third Friday of each month, with additional meetings called to discuss special agenda items as necessary. Seven days ahead of the meeting, the Office of the President issues a meeting notice along with the meeting agenda and relevant supplementary documents contained in a compact disc (CD) to each director. Since April 2004, Board meetings

have been made electronic to provide speed and convenience in information access and management while reducing the accompanying documents.

At each meeting, directors openly and freely express their views. Particularly in connected cases or potential conflicts of interest with PTT, they are required to abstain and refrain from attending that portion of the meeting. The minutes of each meeting are properly documented and, after adoption from the Board is given, are filed for auditing purposes and reference by directors and related persons. By and large, each Board meeting lasts three hours.

In 2007, the Board held 12 regular meetings along with four special meetings of Directors as detailed below.

### Board and Committee Meeting Attendance in 2007

Name	Meeting					Beginning of Term
	Board (16 Times)	Audit Comm. (11 Times)	Corporate Governance Comm. (3 Times)	Nominating Comm. (2 Times)	Remunera- ting Comm. (2 Times)	
1. Dr. Norkun Sitthiphong	-	-	-	-	-	December 21, 2007
2. Gen. Apichart Penkitti	15/16	-	-	-	-	-
3. Mr. Chakramon Phasukavanich	16/16	-	-	2/2	-	-
4. Gen. Somdhat Attanand	15/16	-	3/3	-	-	-
5. M.L. Panasarn Hasdin	16/16	-	2/2	-	-	-
6. Dr. Ampon Kittiampon	16/16	-	-	2/2	2/2	-
7. Khun Pornthip Jala	9/12	-	-	-	-	April 30, 2007
8. Dr. Olarn Chaipravat	15/16	11/11	-	-	-	-
9. Assoc. Prof. Dr. Suchart Thada-Thamrongvech	15/16	10/11	3/3	-	-	-
10. Mr. Panich Pongpirodom	-	-	-	-	-	January 1, 2008
11. Ms. Pannee Sathavarodom	15/16	-	-	-	2/2	<ul style="list-style-type: none"> <li>● First term: July 28, 2005</li> <li>● Second term: April 30, 2007</li> </ul>

Name	Meeting					Beginning of Term
	Board (16 Times)	Audit Comm. (11 Times)	Corporate Governance Comm. (3 Times)	Nominating Comm. (2 Times)	Remunera- ting Comm. (2 Times)	
12. Khunying Jada Wattanasiritham	12/12	5/6	-	-	1/1	April 30, 2007
13. Mrs. Puntip Surathin	14/16	-	-	2/2	-	-
14. Dr. Praipol Koomsup	12/12	-	-	-	-	May 1, 2007
15. Mr. Prasert Bunsumpun	14/14	-	-	-	-	<ul style="list-style-type: none"> <li>● First term expired on August 10, 2007</li> <li>● Second term: September 10, 2007</li> </ul>

#### Directors who resigned or whose terms ended during 2007

Name	Meeting					End of Term
	Board (16 Times)	Audit Comm. (11 Times)	Corporate Governance Comm. (3 Times)	Nominating Comm. (2 Times)	Remunera- ting Comm. (2 Times)	
1. Mr. Cherdpong Siriwit	4/4	-	-	-	-	Retired on April 30, 2007
2. Mr. Pisanu Sunthraraks	3/4	-	1/1	-	1/1	Retired on April 30, 2007
3. Mr. Phadhadej Dhamcharee	4/4	4/4	-	-	-	Resigned on May 1, 2007
4. Dr. Pornchai Rujjirapa	15/15	-	-	-	-	Resigned on December 18, 2007
5. Mr. Metta Banturngsuk	14/16	-	-	-	-	Resigned on January 1, 2008

- Notes:**
- The Audit Committee consisted of No. 8, 9, and 12 (No. 12 was appointed to the Committee on May 25, 2007).
  - The Corporate Governance Committee consisted of No. 4, 5, and 9 (No. 5 was appointed to the Committee on May 25, 2007).
  - The Nominating Committee consisted of No. 3, 6, and 13.
  - The Remuneration Committee consisted of No. 6, 11 and 12 (No. 12 was appointed to the Remuneration Committee on May 25, 2007).

## Internal Control and Audit

The Board monitors the management's performance through its approval of operating plans, budgets, and goals. The management is encouraged to recognize the criticality of an internal control system that is efficient, compatible with acceptable risk levels, and suitable for Company circumstances.

### ● Internal Control

The Board institutes efficient internal control and risk management processes to acceptable levels while regularly monitoring and evaluating their efficiency. The Audit Committee examines compliance in all areas, namely:

1. Management control: Ensuring that relevant units comply with their missions; ensuring that the management formulates plans to achieve its objectives and goals; and monitoring implementation.

2. Operational control: Ensuring comprehensive control, for instance, in procurement and hiring through E-procurement and other means, including price bargaining, open contests, and preferred bidding from the vendor list.

3. Financial control: Ensuring that PTT applies result-based budgeting and SAP (Systems Applications and Products); ensuring adequacy of internal control, for instance, through a control environment, suitable risk assessment procedures, control activities, information and communication systems, and proper monitoring and assessment.

Internal control plays a key role in helping the management lower business risks, enhancing business efficiency through proper allocation of resources, and attaining goals. It also protects Company assets from losses and frauds, reinforces the credibility of financial statements, ensures compliance of all personnel with laws and regulations, and protects shareholders' capital.

### ● Internal Audit

The Office of Corporate Audit observes the highest standards of internal audit by examining financial accounts, information technology, safety, health, and environment, including those of subsidiaries and associated companies.

The office audits annual operating plans, which are consistent with the findings of the corporate risk assessment, and reports them to the Audit Committee every quarter.

### ● Risk Management

A Risk Management Committee manages risks for the entire company, assesses risks, and defines a structure for risk management to manage risks to acceptable levels. Risks generally include financial, operation, business, and event risks. The committee is responsible for preparing an analysis and assessment of risks, their potential effects on PTT – both internal and external – and a risk management report for the Board. An early warning system is now in place with critical risk indicators defined, for instance, the debt-to-equity ratio is to be under 1.

PTT has given serious importance toward risk management. The President has announced risk management policies to all employees, and the Risk Management Committee has printed Risk Management Handbook which is given to all departments as guidelines on assessment and risk management. "Risk Management Information System: RMIS" is also developed.

### ● Self-Assessment of the Board

The Board instituted a review of its self-assessment, similar to the process in 2006, that is, three assessment types, namely group assessment, individual self-assessment, and individual cross-assessment, to help directors review their performance together with issues and obstacles identified during the year. Findings were then analyzed and recommendations made for performance improvements as shown in the "Management" section.

### ● Succession Planning

To prepare for the retirement of senior management team members in 2007 - 2012, PTT has conducted succession planning under PTT Group's policy/guidelines. A management pool has been developed, consisting of 350 management executives, and another potential pool for key areas.