

Report of the Corporate Governance Committee

07



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Gen. Chatchalerm Chalermsook
Chairman of the Corporate
Governance Committee

Dear Shareholders

The Corporate Governance Committee is made up of three independent directors, chaired by Gen. Chatchalerm Chalermsook (Chairman), together with Mr. Don Wasantapruet, and Mr. Thon Thamrongnawasawat as members. The Vice President, Office of the President and Corporate Secretary, serves as secretary to the committee.

The Board of Directors placed the core value on the business conducting with integrity, transparency, and accountability, thus the firm commitment to corporate governance, high ethical standard, the Code of Business Conduct, and PTT Group's frameworks for sustainability development, have been emphasized in order to elevate PTT's CG system effectively and sequentially towards confidence among stakeholders and PTT's sustainable growth.

To this end, the Board has assigned the committee to propose CG guidelines and oversee the conduct of the directors and the management so as to ensure conformance to CG principles, SET's CG principles, IOD's recommendation from the Corporate Governance Assessment Report, and together with the international principles of The Organization for Economic Cooperation and Development (OECD), the ASEAN CG Scorecard and the DJSI Corporate Sustainability Assessment. The committee's mandate also includes encompassing sustainability management and formulating the frameworks for PTT's anti-corruption tasks.

In 2017, five meetings were held by the committee as planned with the objectives to track and assess CG and anti-corruption tasks, public relations and corporate reputation as well as social, community, and environmental responsibilities and sustainable development plans, as highlighted below:

Information Disclosure and Transparency

- Completed the annual information disclosure form (Form 56-1), and the annual report, and regularly disclosed quarterly performances and key information for shareholders, investors, and the public, complete with essential, adequate, credible, and timely details through assorted channels, including SET's publicity channels and www.pttplc.com with Investor Relations Department and Corporate Communications and Branding Department as core units for information distribution.

- Developed the annual sustainability report for 2017 as the 10th consecutive year of economic, social, and environmental data disclosing under the Sustainability Reporting Standard (GRI Standard, which amended from Sustainability Reporting Guidelines version 4.0 (GRI G4), and Oil and Gas Sector Disclosure (OGSD) of the Global Reporting Initiative (GRI). The report presented updates on compliance with the 10 elements of the United Nations Global Compact (UNGC), Integrated Reporting (IR), and informed the summary of operations that in line with the UN's Sustainable Development Goals (SDGs) to indicate PTT's firm commitment to support the SDGs. The report was also constantly reviewed by a third party and published along with others reports from previous years on PTT's website, GRI's website, and UNGC's website. In addition, PTT advocated

companies in PTT Group, namely PTTEP, PTTGC, TOP, IRPC, and GPSC to prepare this report on compliance with SET's direction of convincing listed companies to use GRI in their information disclosure.

- Developed the quarterly PTT Bizway newsletter for shareholders to keep them informed and foster understanding.
- Developed the quarterly Happiness newsletter for debenture holders to keep them informed and foster relations.

Rights of the Shareholders

- Held the annual general meeting of shareholders (AGM) for the year and provided in advance adequate and timely information of date, time, venue, and agenda, as well as all information relevant to matters needing decisions at the meeting.
- Informed the shareholders about meeting protocols and distributed such information at PTT's website before sending out meeting notices so that shareholders may have adequate time to study details, together with facilitated their full exercising of meeting and voting rights. As a result, PTT scored "Outstanding" on the AGM Checklist assessment.

Equitable Treatment of Shareholders

- Allowed shareholders to propose additional agenda items and nominate directors for election in advance from September 1 to November 30, 2017, as required by PTT.
- Required all directors and executives to disclose their vested interests and their related parties for the year so that the Board can review those potential conflicts of interest and decide for the benefit of PTT.

- Required all directors, executives, and employees to report their conflicts of interest for the year. Also executives and employees are able to electronically report on the PTT intranet. No significant conflict was reported this year.

- Required all directors and executives to report their securities portfolios as required by law and assigned the Corporate Secretary to collect and propose to the Board every quarter.

- Ensured enforcement of the Insider Trading Guidelines by asking the directors and the management of PTT Group to refrain from PTT Group companies' securities trading. If such trading is necessary, they must notify the Corporate Secretary ahead of time for transparency.

Responsibilities of the Board

- Assessed Board performance (overall, self-assessment, cross-assessment, and subcommittee assessment), with "excellent" outcomes for the year.

- Attended training courses regularly to build capacity and develop expertise in directorship, such as courses hosted by the Thai Institute of Directors (IOD).

- Attended a site-visit on PTT Group companies and businesses in energy sector, in Thailand and abroad.

- Held one meeting among the independent directors.
- Held one meeting in absence of the management.

Recognition of Stakeholders

- Endorsed an action plan on PTT's CG and anti-corruption for the year, together with the annual goals for cascading the plan to all for implementation. Constantly monitored performance and provided recommendations to upgrade PTT's CG on a par with international standards.

- Provided oversight for the enforcement of the "Corporate Governance Handbook and Ethical Standards and Code of Business Conduct (Revision 4)."

- Provided oversight and preventive measures by rolling out a CG and anti-corruption system under the guidelines of PTT Group's Corruption Risk Management Handbook for anti-corruption risk assessment and suitable internal controls.

- Provided oversight for the report of gifts that cannot be refused or returned, in compliance with the "No-Gift Policy," to establish a higher standard expecting that all personnel will devote their best to their jobs without expecting anything in return while avoiding potential conflicts of interest.

- Provided oversight for the establishment of an anti-corruption operations center in state enterprises according to the National Anti-Corruption Commission (NACC) guidelines. To this end, the Corporate Governance Working Group (CGWG) has been elevated to the Corporate Governance Management Committee (CGMC) and serves as PTT's anti-corruption operations center for state enterprises.

- Advocated to PTT's business allies declaration to join CAC and run their operations with transparency and anti-corruption of all forms. This is to illustrate their intention to cooperate and move forward with PTT.

- Took part in activities regarding transparency and anti-corruption with external agencies, both public and private sectors, including the National Anti-Corruption Day and International Anti-Corruption Day, as well as preparing a PTT Masterplan and a Moral Promotion Workplan for submission to the National Moral Promotion Committee of the Department of Religious Affairs, Ministry of Culture.

Social Responsibility and Sustainable Development

- Defined a social responsibility approach in support of the sustainability management scope for PTT Group by committing to Corporate Citizenship that values participation by all sectors for the stewardship of environment and ecology; and sustainably improve the livings in communities and society where PTT has its business operated through more than 40 social projects. In 2017, projects encompassed three sectors:

Human resource development: Promoted development of human resources as part of national advancement through the improvement of education and enhancement of infrastructure for scientific and technological skills building at the Vidyasirimedhi Institute of Science & Engineering (VISTEC). Established proper knowledge and understanding about energy, petrochemical, and refinery businesses by organizing the Petroleum Camp Project for students with good behavior of secondary schools and institutions located around PTT businesses all over Thailand. At the same time, PTT also organized the 4th “Energy for Community Course” to create leaders of change in the energy sector and provided a chance for participants to develop and propose projects for implementation in their own workplaces.

Community development: Steadily emphasized the strengthen of community to upgrade standards of living and alleviate community problems through the “Rice Purchase from Farmers” Project for the second consecutive year to increase market channels for farmers with rice distribution difficulties. Provide knowledge regarding management skills for farmers as well as promoted farm-to-table purchasing between farmer and consumer. PTT also advocated energy self-sufficiency at the community level through a biogas project from pig farms and floating PV research at alternative energy learning centers: Tambon Tha Manao, Amphoe Chaibadan, Lopburi; Tambon Kham Khaen, Amphoe Manchakiri, Khon Kaen; and Tambon Sansai, Amphoe Prao, Chiang Mai.

Conservation of natural resources and environment: Supported community cooperation and networking partners from all sectors in the revival and protection of natural resources and biodiversity as well as disseminating information and instilled a sense of environmental responsibility through various projects in learning centers such as Pa Nai Krung (Forest in the City), Wang Chan Forest, and Sirinath Rajini Ecosystem Learning Center.

- Passed the assessment by RobecoSAM Corporate Sustainability Assessment and qualified as a member for a sixth consecutive year—one of the nine companies and only Thai company among 79 companies on DJSI World (Dow Jones Sustainability World Indices, and one of the two companies out of 19 companies in Dow Jones Sustainability Emerging Markets Indices (DJSI Emerging Markets) in the Oil and Gas Upstream & Integrated Industry (OGX) category. PTT achieved an “Industry Best” score on Materiality, Policy Influence, Supply Chain Management, Environmental Reporting, Environmental Policy, Biodiversity, Climate Strategy, Social Reporting, Labor Practice Indicators, Human Rights, and Social Impact on Communities.

Awards of Pride

Thanks to its firm commitment to operate businesses under CG principles and social responsibility. The continuity of sustainable development in 2017 brought about extensive acclaim from domestic and international level. Below are examples of prideful awards.

- NACC's Integrity Award, Honorable Mention
- NACC Award for State Enterprise with "Moral and Transparency Promotion Planning" in Integrity Culture and Work Integrity at the "Excellent" level
- NACC Integrity & Transparency Assessment (ITA) at the "very high" level for four years in a row
- An "Excellent" ranking of its CG report based on a survey of listed companies (Corporate Governance Report of Thai Listed Companies 2017) for nine consecutive years
- Corporate Governance Asia Annual Recognition Award 2016: Icon on Corporate Governance for 13 consecutive years
- The Asset Corporate Award 2017 (Platinum level) in its ninth consecutive year of assessment
- The Strongest Adherence to Corporate Governance Award, Most Consistent Dividend Policy, and Best Strategic Corporate Social Responsibility presented by the Alpha Southeast Asia Magazine

The Corporate Governance Committee remains committed to improve its efficiency in steering PTT's CG, social responsibility, and sustainable development practices to align with PTT's business strategies in pursuit of a Pride & Treasure of Thailand for the best interests of all stakeholders and greater international acceptance.