

- The management of subsidiaries of each business unit will communicate, follow up, provide counsel, and assess the implementation of policies with PTT Group companies.

The regulations determining the roles, duties, and responsibilities of directors and President & CEO of PTT Group companies, including:

- The regulations of the Securities and Exchange Commission
- The management principles of the PTT Group
- The anti-corruption principles as monitored by the Private Sector Collective Action Coalition against Corruption

POLICY ON SERVING AS DIRECTORS OF OTHER COMPANIES

In 2014, PTT had 43 affiliated companies, seven of which are SET-listed in which PTT has invested and held shares. About 29% of its current net income is derived from these companies. Thus, PTT has adopted the PTT Group management structure for synergy and alignment of policies. To achieve this, it appoints directors or management team members to serve as directors in these companies to supervise policies and business management which align with PTT's policies for the benefit and value addition for all stakeholders. The objectives for such appointments are:

1) To ensure that the management of a given company aligns with the policy of PTT Group companies; to monitor its overall business performance to align with PTT's policy and institute comparable standards.

2) To establish synergy for the business of PTT Group companies and add value to all related parties, including Thailand as a whole.

3) To apply specific expertise in support of business, including financial know-how to improve accounting and financial processes to enable a given company to grow robustly. This includes assistance to companies outside PTT Group. The resulting application of the knowledge and expertise gained from serving in such leading companies will enhance the benefit to PTT and foster cordial relations and business alliances for PTT.

4) This is part and parcel of the responsibility of directors and the management of PTT.

PTT ensures its consideration of executives or outsiders from the Ministry of Finance's Director's Pool for appointment within PTT Group, which is regarded as state enterprises, based on an act on standard qualifications of directors and state enterprise officials. Chosen directors from the pool must make up no less than one-third of other directors of a given state enterprise. As of February 5, 2015, PTT had six members who were on the list of the Director's Pool. It also ensures that PTT executives and such outsiders who serve as directors in PTT affiliates serve on no more than three PTT affiliates or other state enterprise affiliates. This is designed to lower risks of conflicts of interest and ensure conformance to applicable laws, as well as conformance to a Cabinet resolution of January 24, 2011, on fraud prevention measures at state enterprises, entitled "The appointment of senior government officials or persons as directors on multiple state enterprises", as proposed by the National Anti-Corruption Commission.

SUPERVISION OF THE USE OF INSIDE INFORMATION

1. INTERNAL CONTROL SYSTEM

PTT consistently values internal controls, particularly a system that is comprehensive in scope of activities and dimensions, as well as adequate and suitable for its businesses. Adding efficiency and effectiveness to business, resource utilization, and stewardship of properties, this system consists of an accurate and reliable accounting system and financial reporting. In addition, it calls for strict conformance to laws and regulations related to PTT's businesses.

The President & CEO has authorized the Risk Management and Internal Control Committee to define work procedures under PTT's internal control standards, together with assessing the outcomes and reporting the overview of PTT's internal control.

PTT has conducted an internal control assessment by the rule of the Office of the Auditor-General governing the formulation of internal control standards, B.E. 2544 (2011), Article 6, under which the head of a government agency or state enterprise must report to the Office of the Auditor-General, the monitoring agency, and the Audit Committee on internal controls at least once a year. The Board has assigned the Audit Committee to review the findings of such internal control assessment, annually conducted by the management and the Office of Corporate Audit, as highlighted below.

(1) Control Environment

PTT commands a sound overall control environment that is adequate for business efficiency and effectiveness. Its executives have promoted an organizational culture focusing on the code of conduct as a role model with the following implementations:

- PTT Group has defined a policy and procedures in writing on integrity and a code of conduct. The Corporate Governance Committee defines a CG policy in line with international standards. Disclosures are made about conflicts of interest toward off activities of such conflicts, illegal, and improper activities. The policy and the handbook are revised every year. Each director, management team member, and employee sign to acknowledge and conform to such policy and handbook as part of their work, illustrating the commitment to apply the good CG policy and code of conduct to bring practical results.

- PTT has instituted an organizational structure that decentralizes power for business flexibility and alignment with prevailing circumstances, as well as clear and suitable lines of command. Duties and responsibilities are defined in writing, with definitions of key performance indicators (KPIs) early in the year as guidelines for employee performance, and performance is regularly monitored against goals and measured at the year-end. Goals are revised each year. All employees are aware of their roles, authorities, duties, and responsibilities.

- It has integrated CG in the organization's vision, missions, and core values by setting the goal for PTT as a company with sustainable growth strategy, a high-performance organization with CSR, and with proper benefits to the stakeholders on the basis of CG.

(2) Code of Conduct

PTT's written policy and a code of conduct are in place for integrity and ethics. In the handbook, the Corporate Governance Committee has defined the code based on international standards. Violators of the code are subject to disciplinary action.

The essential aspects of the code are included below:

1. Respect the law and the Universal Declaration of Human Rights principles
2. Stay politically neutral
3. Stay free of vested interests and conflicts of interest
4. Maintain confidentiality and refrain from using inside information for self-gains
5. Respond to customers' needs and show responsibility to consumers
6. Compete freely and fairly
7. Use a transparent procurement system and treat business partners fairly
8. Show responsibility to communities and society
9. Support employees' rights and establish employee engagement
10. Abide by the code of conduct on treatment of creditors
11. Have an efficient internal control system and an internal audit system
12. Have a guideline for accepting and giving gifts, assets, or other benefits
13. Maintain safety, promote health, and preserve the environment
14. Respect intellectual property and properly apply information technology.

(3) Conflicts of Interest

PTT requires information disclosure to prevent conflicts of interest and illegal, improper activities. Under the Board's policy, business decisions made by the management and employees must be solely for PTT's best interests. All staff 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 staff with interests or related businesses which may require 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.

(4) Reporting Connected Transactions with PTT

PTT has required the directors, management, and all employees to disclose potential conflicts of interest through a specific disclosure form. In addition, any approval of such items must not contain special conditions or specifications that are out of the ordinary, which forms a part of PTT's internal controls. 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. In 2014, the directors, management, and all employees were required to fill a form for conflicts of interest at the beginning of the year. However, no such cases of significance have arisen. The disclosure form confirms their acknowledgment that violation of ethics and the code of conduct in PTT's business operations is subject to disciplinary measures varying with the seriousness of the actions.

(5) Reporting Vested Interests of Directors, the Management, and Related Parties

In the first quarter of 2014, PTT requires reporting of the vested interests of directors, the

management, and related parties as basic information to manage vested interests for directors and the senior management. The directors and the management are to report such matters every year and with every change. The Corporate Secretary is to compile and submit the copy to the Chairman of the Board and the Chairman of the Audit Committee to check and manage the conflicts of interest. This year no such cases have arisen.

(6) Reporting Changes in Share Ownerships (Portfolios)

As part of the oversight of inside-information measures, 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 the SEC under Article 59 of the Securities and Exchange Act B.E. 2535 (1992) within three days from the dates of sale, purchase, disposal, or receipt of such shares. PTT defines the policy of disclosing or reporting the sale, purchase, disposal, or receipt of such shares, changes of share ownerships of the directors and the management to the monthly Board meeting, contained in advance as a regular agenda item.

Moreover, one week before the closing of the quarterly and yearly financial statements, the Office of the President and Corporate Secretary issues a letter forbidding directors, the management, or internal units with inside information to disclose such information to external parties or unrelated parties, and to buy or sell PTT shares within 45 days of the last effective date of the financial statements to the notification date of the financial statements to SET, ahead of the public dissemination of the statements so as to prevent abuse of such inside information. In 2014, all directors and management have strictly observed this policy. The notifications of for bidding sale, purchase, disposal, or receipt of PTT's shares were sent to the directors and the management four times this year: (1) between January 1 - February 28, 2014 (2) between April 1 - May 15, 2014 (3) between July 1 - August 14, 2014 and (4) between October 1 - November 14, 2014.

Report on Directors' Securities Portfolio 2013 - 2014

No.	Name	Shares		Shares	Remark
		Dec 31, 2013	Dec 31, 2014	Change during the year	
1.	Mr. Piyasvasti Amranand	N/A	-	-	Appointed on July 1, 2014 (No PTT share held)
2.	Mr. Kittipong Kittayarak	N/A	-	-	Appointed on July 1, 2014 (No PTT share held)
3.	Mr. Watcharakiti Watcharothai	-	-	-	(No PTT share held)
4.	Mr. Rungson Sriworasat	N/A	-	-	Appointed on July 26, 2014 (No PTT share held)
5.	Gen. Chatchalerm Chalermsook	N/A	-	-	Appointed on September 4, 2014 (No PTT share held)
6.	Mr. Kurujit Nakornthap*	N/A	-	-	Appointed on July 1, 2014 (No PTT share held)
7.	Mrs. Nuntawan Sakuntanaga	N/A	-	-	Appointed on July 1, 2014 (No PTT share held)
8.	Mr. Vichai Assarasakorn	N/A	-	-	Appointed on September 4, 2014 (No PTT share held)
9.	AM Boonsuib Prasit	N/A	-	-	Appointed on September 4, 2014 (No PTT share held)
10.	Mr. Chanvit Amatamatucharti	N/A	-	-	Appointed on September 4, 2014 (No PTT share held)
11.	Mr. Don Wasantapruet	N/A	-	-	Appointed on July 26, 2014 (No PTT share held)
12.	Mr. Prasert Bunsumpun	210,800	130,800	(80,000)	(80,000 shares was traded in 2014)
13.	Mr. Areepong Bhoocha-oom	N/A	-	-	Appointed on July 7, 2014 (No PTT share held)
14.	Mr. Pailin Chuchottaworn	-	-	-	Shown in the Management's Ownership of Shares Table

Securities Portfolio of Directors Who Completed Their Terms and Who Resigned During the Year 2014

No.	Name	Shares		Shares	Remark
		Dec 31, 2013	Dec 31, 2014	Change during the year	
1.	Mr. Chitrapongse Kwangsuksathit	218,090	N/A	N/A	Term completed on April 10, 2014
	Spouse	40,600			
2.	Mr. Parnpree Bahiddha- Nukara	-	N/A	N/A	Resigned on June 15, 2014 (No PTT share held)
3.	Mr. Waroonthep Watcharaporn	-	N/A	N/A	Resigned on June 16, 2014 (No PTT share held)
4.	Mr. Athapol Yaisawang	-	N/A	N/A	Resigned on June 17, 2014 (No PTT share held))
5.	Mr. Suthep Liumsirjarern	-	N/A	N/A	Resigned on June 28, 2014 (No PTT share held)
6.	Mr. Sihasak Phuanketkeow	-	N/A	N/A	Resigned on June 30, 2014 (No PTT share held)
7.	Mr. Insorn Buakeow	-	N/A	N/A	Resigned on June 30, 2014 (No PTT share held)
8.	Adjunct Prof. Dr. Thosaporn Sirisumphand	-	N/A	N/A	Resigned on June 30, 2014 (No PTT share held)
9.	Mr. Boonsom Lerthirunwong	-	N/A	N/A	Resigned on June 30, 2014 (No PTT share held)
10.	Mr. Somchai Sujjapongse	-	N/A	N/A	Resigned on July 21, 2014 (No PTT share held)
11.	ACM Prajin Juntong	-	N/A	N/A	Resigned on August 23, 2014 (No PTT share held)
12.	Gen. Paiboon Koomchaya	-	N/A	N/A	Resigned on August 25, 2014 (No PTT share held)
13.	Mr. Pornchai Rujiprapa	-	N/A	N/A	Resigned on August 28, 2014 (No PTT share held)
14.	Mr. Arkhom Term pittayapaisith	-	N/A	N/A	Resigned on August 28, 2014 (No PTT share held)
15.	Mr. Montri Sotangkul	-	N/A	N/A	Vacated office on December 26, 2014 (No PTT share held)

Management's Ownership of Shares (As of December 31, 2013 and December 31, 2014)

No.	Name	Shares			Warrant#1		Warrant#2		Remark
		Dec 31, 2013	Dec 31, 2014	Change during the year	Allocated in 2005	Remaining	Allocated in 2006	Remaining	
1.	Mr. Pailin Chuchottaworn	60,000	60,000	-	52,600	-	27,600	-	(No trading transactions of PTT shares during 2014)
	Spouse	2,000	2,000	-	-	-	-	-	(No trading transactions of PTT shares during 2014)
2.	Mr. Wirat Uanarumit	25,500	25,500	-	-	-	-	-	(No trading transactions of PTT shares during 2014)
3.	Mr. Surong Bulakul	118,183	118,183	-	63,300	-	33,000	-	(No trading transactions of PTT shares during 2014)
4.	Mr. Nuttachat Charuchinda	10,563	63	5,000 (15,500)	60,800	-	31,800	-	Transactions of PTT shares in 2014: - Buy in 5,000 shares - Sell out 15,500 shares
5.	Mr. Sarun Rungkasiri	0	0	-	56,900	-	30,000	-	(No trading transactions of PTT shares during 2014)
	Spouse	0	0	-	N/A	N/A	N/A	N/A	(No trading transactions of PTT shares during 2014)
6.	Mr. Pitipan Teparitimgorn	8,334	4,334	(4,000)	38,500	-	20,400	-	Transactions of PTT shares in 2014: Sell out 4,000 shares
7.	Mr. Charcrie Buranakanonda	44,108	44,108	-	N/A	N/A	N/A	N/A	(No trading transactions of PTT shares during 2014)
	Spouse	11,300	11,300	-	-	-	-	-	(No trading transactions of PTT shares during 2014)
8.	Mr. Chavalit Punthong	0	0	-	N/A	N/A	N/A	N/A	(No trading transactions of PTT shares during 2014)
9.	Mr. Sarakorn Kulatham	46,400	45,400	13,000 (14,000)	54,200	-	28,300	-	Transactions of PTT shares in 2014: - Buy in 13,000 shares - Sell out 14,000 shares
	Spouse	13,500	11,000	3,000 (5,500)	-	-	-	-	Transactions of PTT shares in 2014: - Buy in 3,000 shares - Sell out 5,500 shares

Management's Ownership of Shares (As of December 31, 2013 and December 31, 2014)

No.	Name	Shares			Warrant#1		Warrant#2		Remark
		Dec 31, 2013	Dec 31, 2014	Change during the year	Allocated in 2005	Remaining	Allocated in 2006	Remaining	
10.	Mr. Chansin Treenuchgron	N/A	0	-	N/A	N/A	N/A	N/A	Appointed on October 1, 2014 (No trading transactions of PTT shares during 2014)
11.	Mrs. Boobpha Amornkiatkajorn	N/A	101,900	-	N/A	N/A	N/A	N/A	Appointed on October 1, 2014 (No trading transactions of PTT shares during 2014)
12.	Mr. Auttapol Rerkpiboon	N/A	22,500	4,000 (7,000)	N/A	N/A	N/A	N/A	Appointed on October 1, 2014 Transactions of PTT shares in 2014: - Buy in 4,000 shares - Sell out 7,000 shares
	Spouse	N/A	2,300	-	-	-	-	-	(No trading transactions of PTT shares during 2014)
13.	Mr. Tevin Vongvanich	56,000	56,000	-	40,300	-	21,000	-	Secoded to PTTEP since May 1, 2012. (No trading transactions of PTT shares during 2014)
14.	Mr. Sukrit Surabotsopon	2,000	2,000	-	0	0	0	0	Secoded to IRPC since October 1, 2013 (No trading transactions of PTT shares during 2014)
15.	Mr. Pramin Phantawesak	0	0	-	N/A	N/A	N/A	N/A	Secoded to PTT Phynol since October 1, 2012. (No trading transactions of PTT shares during 2014)
	Spouse	300	300	-	N/A	N/A	N/A	N/A	(No trading transactions of PTT shares during 2014)
16.	Ms. Pannalin Mahawongtikul	N/A	28,812	1,000	N/A	N/A	N/A	N/A	Appointed on August 1, 2014 Transactions of PTT shares in 2014: - Buy in 1,000 shares

Note: As of December 31, 2014, No. 1 - 5 are PTT Management under SEC's announcement.

Securities Portfolio of Executives Transferred/ Retired During the Year (As of December 31, 2013 and December 31, 2014)

No.	Name	Shares			Warrant#1		Warrant#2		Remark
		Dec 31, 2013	Dec 31, 2014	Change during the year	Allocated in 2005	Remaining	Allocated in 2006	Remaining	
1.	Mr. Atikom Terbsiri	0	0	-	-	-	-	-	Seconded to Thaioil since October 1, 2014 (No trading transactions of PTT shares during 2014)
2.	Mr. Supattanapong Punmeechaow	0	0	-	-	-	-	-	Seconded to PTTGC since October 1, 2014 (No trading transactions of PTT shares during 2014)
3.	Mrs. Nitima Thepvanangkul	N/A	41,000	-	N/A	N/A	N/A	N/A	Resumed work at PTT on May 1, 2014 (No trading transactions of PTT shares during 2014)
4.	Mrs. Prisana Praharnkhasuk	47,363	N/A	-	35,100	-	18,400	-	Seconded to Thaioil since May 1, 2014 (No trading transactions of PTT shares during 2014)
5.	Mr. Veerasak Kositpaisal	31,400	N/A	N/A	-	-	26,400	-	Retired on September 30, 2014 (No trading transactions of PTT shares during 2014)
6.	Mr. Bowon Vongsinudom	12,100	N/A	N/A	-	-	12,100	-	Retired on September 30, 2014 (No trading transactions of PTT shares during 2014)

(7) Reporting List of Assets and Debts to the Office of the National Anti-Corruption Commission (NACC)

Under Article 39 of the Anti-Corruption Act B.E. 2542, PTT's directors and senior management, including directors and senior management in the companies where PTT holds more than 50% of shares, are required to submit a list of their own assets and debts, including those of their spouses and children not yet of legal age, to the NACC Board every time they take up a position, every three years during their terms, and when they no longer hold their positions. To achieve this, PTT will issue a reminder to each of the directors and senior management as required.

(8) Declaring Vested Interests at Meetings

At every Board meeting, the Chairman reminds the directors to conform to the policy on conflicts of interest on all agenda items, which requires those with vested interests must declare such interests to the meeting to abstain from voting or giving any views. In 2014, a total of 15 notices were made to the Chairman out of 15 Board meetings.

(9) Review of Connected Transactions

The Audit Committee presents these transactions to the Board along with items of conflicts of interest, which have been examined for conformance to SET's criteria. Such transactions are strictly disclosed in the reports and disclosed in every quarter of the year.

(10) Corporate Governance Promotional Activities

The Corporate Governance Committee is assigned to promote and screen CG matters so that PTT may actively campaign for compliance with CG principles. A working group on CG, headed by an executive vice president, has implemented assorted matters under the policy and conducted campaigns to cultivate awareness in the directors, management, employees, and related parties as described below:

- PTT constantly reviews and amends its values and corporate culture to suit and align with its vision and business context. Senior leaders show their commitment to the values and communicate with all staff across PTT through assorted channels. They also define promotional plans and activities for such values and culture, together with indicators for monitoring and assessment to lend effectiveness to internal communication, personnel skill sharing, and innovation in the workplace.

- PTT has defined its policy and management procedures for human resources in writing, including selection, training, promotion, and compensation procedures. A policy is in place to constantly develop competencies so that employees' capability matches business needs and accommodates work expansion.

- PTT has set up a complaint management center, with Corporate Communications as the main responsible unit, charged with the management of external complaints and responses to queries, together with internal complaints. Suitable periods have been defined for these purposes. Issues are compiled, managed, and regularly submitted to the management for comprehensive improvement and development of PTT.

- In 2014, the Corporate Governance Committee held five meetings, with meeting frequency set for at least quarterly, to monitor corporate governance, follow up on the progress of the management of PTT's sustainability, and activities for society and PTT's communication.

- A channel for directly communicating CG with all stakeholders that are shareholders is a quarterly newsletter called "PTT Bizway" in Thai and English, mailed to shareholders. It contains key information, including the vision, missions, message from the President & CEO, performance outcomes, CG, and management for PTT's sustainability. PTT enclosed an attitude survey form for shareholders and received cooperation from the readers. For the topic on satisfaction with PTT on CG, it received assessment at "very satisfied" to "most satisfied" of about 80%.

- In late 2014, the CG taskforce conducted a survey through internal communication channels to assess PTT employees' mastery of CG matters. Its conclusion was that nearly 90% of them commanded good understanding of CG and the code of business conduct. It also developed CG E-learning on the intranet as a learning media for CG and the code of business conduct for all employees. The plan is to assess employees' understanding to promote the cultivation of awareness and campaign for it in their performance under the code of business conduct.

- For new employees, the corporate governance principles are communicated through the orientation, with tests to assess their knowledge in CG E-Learning system. In 2014, there were four batches, each 60-80 persons. All new employees receive a CG handbook each. They had to study them and sign their names as acknowledgment before applying the CG principles and the code of business conduct as guidelines in their work.

- Besides promoting CG knowledge within the organization, PTT shared this knowledge with external parties by agreeing to requests for visits by assorted organizations/ institutions. PTT's top management was also invited to give talks or join seminars on the subject.

- Periodic promotional campaigns were conducted through various media within PTT, including exhibitions, a CG website packed with information, and two-way communication channels through email: cghelpdesk@pttplc.com, video, and CG column in the "PTT Spirit" magazine are among the publicity and awareness tools, with positive responses from all. In addition, the Corporate Governance Committee distributed the Thai and English versions of the Good Corporate Governance Handbook (3rd Revision) to investors, international interested parties, and stakeholders for their reference. This will also be posted on PTT's website.

- A "CG Camp" was arranged where employees jointly studied CG principles and correct and proper implementation through various activities. The employees were encouraged to give their views on CG, and the learning was assessed through CG application under assigned scenarios.

- A "CG Run" was set up as a game on PTT Intranet to foster CG knowledge through puzzle-solving and adventures of characters in various dimensions under PTT's code of business conduct for knowledge and easy memorization.

- In addition, PTT focused on CG among PTT Group to align with PTT's CG management standards. To this end, they agreed to jointly study and develop CG guidelines based on international best practices to establish a standard suitable for PTT Group as a step toward future ranking. Implementation plans and proactive promotional strategies for CG were also established as follows:

- R-E-A-C-T**
- R = Responsibility
 - E = Equitable Treatment
 - A = Accountability
 - C = Creation of Long-term Value
 - T = Transparency

- Below is a description of activities promoting CG among PTT Group companies:

- Appointment of a PTT Group CG Steering Committee

- Staging of a PTT Group CG Day, a key annual activity designed to campaign, promote, and publicize CG practices among PTT Group companies, namely PTT, PTTEP, PTTGC, TOP, IRPC, BCP, and GPSC. It promoted awareness among executives and employees of CG application to their work. The all-day event consisted of exhibitions and recreational games that also educated visitors, in addition to a top-management seminar and an employee show among seven PTT Group companies, featuring employees from all. Guests also paid a visit, including representatives of SET, Thai Listed Companies Association, and PTT Group executives. Knowledge and impression were evident in the spirit shown by senior executives and employees that participated in growing good awareness of the significance of CG to management and work. In 2014, IRPC was the host for the event under the "PTT Group CG Day 2014: The Power is in Your Hands" theme with emphasis on positive power, potential, and innovative cooperation of PTT Group to help society in its anti-corruption efforts.

(11) Anti-corruption

- PTT set anti-corruption guidelines in its ethics and code of practice, including the code of practice for vested interests and conflicts of interest and that for acceptance and giving of gifts, assets, or other benefits. In essence, improper practice could bring unease or could affect business decisions and ultimately deprive PTT of its interests. In line with the law, PTT is absolutely against bribery. It also designates integrity and ethics as corporate values and PTT's ethics standard for all directors, executives, and employees to observe in tandem with PTT's regulations so that administration and business conduct may be transparent, straightforward, fair, and worthy of stakeholders' confidence and trust.

- In 2010, PTT enlisted in the declaration of the intention to join Thailand Private Sector Collective Action Coalition against Corruption (CAC), an endeavor of the Thai Institute of Directors (IOD) with the support of the government and the Office of the National Anti-Corruption Commission (NACC). PTT was one of the first 27 companies to do so.

- In 2012, PTT joined the United Nations Global Compact (UNGC) to show its desire to apply the principles of human rights, labor rights, environmental preservation, and anti-corruption at the international level to its business conduct.

- PTT's Board Meeting No. 6/2014 dated June 27, 2014, endorsed PTT's and PTT Group's anti-corruption policies for implementation across the organization. It requires PTT's Anti-Corruption Policy as a part of PTT's Corporate Governance, Ethics Standards, and Code of Conduct Handbook and requires PTT Group's Anti-Corruption Policy as a part of the PTT Way of Conduct so that PTT Group companies may observe the same standards and management approaches.

- PTT's Anti-Corruption Policy requires that PTT's employees must not carry out or participate in corrupt practices, as well as all forms of bribery giving or acceptance (direct and indirect). PTT's employees must seriously observe the Anti-Corruption Policy, which covers various processes, including donation to charities, human resource administration, material procurement, and internal control.

- PTT communicates its Anti-Corruption Policy and guidelines to its subsidiaries, associates, and other PTT-controlled companies, business partners, and stakeholders, as well as the public, through assorted channels like letters, E-mails, website, PTT Intranet, seminars, and exhibitions so that all stakeholders may acknowledge and conform to PTT's guidelines.

- PTT establishes constant communication with and training for its employees so that they may develop true understanding about PTT's anti-corruption measures, PTT's expectations, and punishment for violations, including training for new employees on corporate governance and anti-corruption through orientation sessions, CG Camp, and CG E-learning. It also arranges for its executives and employees to join training courses on anti-corruption organized by external organizations, including IOD.

- Conforming to CAC's certification process by showing evidence about its business policies, procedures, and internal control system to CAC, PTT duly secured the status of a CAC member on October 3, 2014.

- Monitoring of performance:

- The Board ensures that PTT has an efficient system in support of anti-corruption to ensure that the management recognizes and values anti-corruption and cultivates it as a corporate culture.

- The Audit Committee supervises internal control, financial reporting, and other procedures related to anti-corruption measures, and steers conformance to anti-corruption measures, and reviews applicable measures and internal control to ensure that the measures are adequate and effective. The committee reviews risk assessment and provides recommendations to the Board about suggested practices to mitigate such risks. Executives must implement such recommendations. The committee also regularly reports the internal audit findings regarding anti-corruption measures to the Board and provided good practices to the Board and the executives.

- The Corporate Governance Committee annually defines and reviews the Anti-Corruption Policy, provides recommendations, guidelines, monitors, and assesses anti-corruption performance.

- The Risk Management Committee steers and advocates risk management practices related to anti-corruption by assessing corruption risks and reviewing anti-corruption measures for adequacy and suitability.

- Executives establish risk assessment for business procedures that may lead to corrupt practices, review the suitability of processes and measures, and exemplify proper behavior as well as communicating it to all employees and related parties.

- PTT's internal control can reduce and curb practical risks through the establishment of control environment that promotes integrity among all employees, risk assessment, and control activities that are adequate and suitable, particularly those unacceptable to PTT, including corruption risks.

- PTT establishes procedures for maintaining auditable documents and records to confirm the accuracy and suitability of financial reports. The internal control of accounting processes and information storage are audited to verify the effectiveness of anti-corruption measures and processes and to ensure that the entry of financial items is well-evidenced for audit.

- The Office of Corporate Audit examines items of potential conflicts of interest, the likelihood of corruption, and organizational efficiency in managing risks arising from corporate corruption and those at operating levels. The office also reviews business ethics principles and the code of conduct for executives and employees. It reviews and reports to the Audit Committee and top executives immediately when encountering items or actions that could devastate PTT's performance outcomes, including corruption.

- Measures, scope, and tools for whistleblower protection

- PTT's human resource administration process reflects its determination for anti-corruption measures. Although it may deprive PTT of business opportunities, PTT's policy is not to demote, punish, or harm those that refuse to take part in corruption.

- PTT's employees should not ignore actions that could go against anti-corruption measures. PTT has established channels for whistleblowing and protection of whistleblowers or those that need advice about conformance to anti-corruption measures.

- PTT has established a requirement concerning complaint-making and whistleblowing to define criteria and guidelines for complaint-making and whistleblowing that are suitable and uniform

throughout the corporation. Besides, there are protective measures and fair treatment of whistleblowers or those that cooperate in providing relevant information. Whistleblowing serves as an alerting tool for the organization and a channel for suppressing corrupt practices, since it could resolve problems promptly before they worsen and spoil the image and financial standing of the corporation. All employees can become whistleblowers by echoing irregularities for the benefit of PTT's transparency, corporate governance, and sustainability.

- Punishment

- Since PTT requires that all employees must sign their names in acknowledgment of the CG Handbook to show their commitment to acceptance of good practices as their guidelines, the handbook serves as discipline that all must strictly observe.

- PTT has established a suitable and fair process for punishing those that violate anti-corruption measures. Any violation of this policy, direct or indirect, calls for disciplinary review under PTT Regulations, consisting of explicit fact-finding, investigation, punishment, and appeal. They could also lead to punishment by law. Employees must therefore master and strictly conform to the Anti-Corruption Policy in every step of their work.

2. RISK ASSESSMENT

PTT recognizes the significance of risk management under changes that impact its businesses because of internal and external factors. Viewing risk management as a key component of every business process which must be linked with one another, PTT therefore defined a policy of corporate risk management that all must conform to and undertake at the operating level. As for corporate risks, this management is systematically undertaken by PTT's management committees. Operation risks fall under the oversight of respective operations. A risk management and an internal control committee manages overall risks for maximum efficiency. It is the responsibility of all units to manage and control at manageable levels, as is clearly stated in the functional job descriptions of all units.

3. CONTROL ACTIVITIES

The Management Committee is authorized to review reports, financial and otherwise, of all business groups and corporate overviews, and regularly review all reports to ensure conformance to regulations and job manuals. PTT has defined policies and procedures in writing, including those for performance assessment of all employees, which relies on KPIs to enable control of management activities to be suitable, adequate, and accountable. Portions of businesses have been identified for key risks, and mechanisms defined to control and minimize errors. Regular performance reviews by the management are in place, including financial, procurement, and general administrative transactions. Systematic delegation of duties to personnel groups ensures checks and balances. Authority is duly and totally segregated for approval, information processing, transaction recording, receipt and disbursement of cash, reviews and inspection, and stewardship of properties. In place is an internal control system for finance and accounting, dealing with cash collection, cash retention, receipt and disbursement, bank deposits, and cash advances. These follow the rules, with complete, accurate, and regular recording. Systematic storage of accounting documents, both documents and information, is in place to comply with the law.

In procurement and hiring, PTT follows rules and requirements on material and supply matters, which clearly define responsible parties, including the authority, approval limits, supply need assessment, inspection, control and storage of supplies, and property counting. As for human resource management, PTT has instituted a human resource management system, complete with adequate monitoring and assessment, covering recruitment, determination of compensation, duties, personnel development, performance, and communication so that employees may be competent and that PTT's human resource management may be both suitable and efficient.

If PTT enters into transactions with major shareholders, directors, the management, or related persons, PTT applies strict measures to ensure that each such transaction goes through the required approval procedures every time and for every item. The stakeholders will not take part in the approval of such an item. PTT also closely monitors any subsequent actions.

In addition, PTT values security, safety, occupational health, and environment (SSHE), which is likened to a vital shield against losses to PTT's businesses so that the corporation may grow smoothly and sustainably, while extending corporate performance in all aspects for excellence to ensure vision and goal attainment. The Board looks after, monitors, and provides policies as well as recommendations on SSHE, which PTT then applies as its control activities through the PTT MC, led by the President & CEO, the PTT Group QSHE Policy Committee, and the PTT QSHE Committee, which screens and steers management practices at the operating level for PTT Group and PTT. To this end, centralized units are SSHE and Quality Management. Details in the subject are described in "SSHE: Shielding against damage and losses for sustainability" and 2014 Corporate Sustainability Report.

4. INFORMATION & COMMUNICATION

In regards to the vision of the Board, the PTT group have jointly established PTT ICT Solutions Co., Ltd. (PTTICT), to centralize IT services for the group, a cost-saving idea that reduces infrastructural spending and IT redundancies for each company, while adding bargaining power for the group. To date, PTTICT has performed its role consistently well and has become PTT Group's flagship in IT operations.

The Board has also supported PTT's information system development to establish innovation and enhance its ICT competitiveness

for efficiency on a par with leading companies worldwide. Cases in point are the development of the Fil'n Go system and the Fully Self-Serve/Next Generation Service Station system. With SAP's program succeeded and adopted as PTT's core system, PTT has expanded its application to Group companies under the SAP Roll-out Plan, enabling them to compile business data as fast as PTT. Therefore, ERP Harmonization/ One SAP can efficiently reduce data redundancy in application and connection, whether domestic or international.

PTT also developed the "Global Infrastructure as a Service", enabling itself to rapidly develop executive summaries. It also came up with an innovation supporting a more efficient cash receipt-disbursement process. Which is to develop the LPG Compensate System, a tool to aid LPG traders in trader registration under the government policy. The tool features performance measurement, performance comparison with goals, and the addition of an information system to accommodate policies and restructure the organization in line with prevailing business circumstances. For instance, the improvement of a system to accommodate the Infrastructure Business Group for the COOI, the development of a PTT Daily Performance system, and the PTT Health Dashboard to track corporate situations under the Thailand Quality Award (TQA) standard.

The Board recognizes and values security in its IT system and the storage of electronics data, evident in the approval for the construction of a new computer center under the TIER IV data center design standard. An ICT emergency drill is held to accommodate continued business.

This year, despite prolonged protesters' rallies at the "Head Office, prompting PTT to activate back-up offices and secure back-up ICT equipment for application to keep its business uninterrupted. Allowing PTT computing system to successfully operate smoothly as well as reviewing critical computer systems in addition to successfully undergoing assessment for ISO/IEC 27001 (Information Security Management System - ISMS).

Concurrently, PTT underwent BCM (Business Continuity Management) assessment designed to upgrade its standard to ISO 22301. Besides, it operated through the Audit Committee and the Risk Management and Internal Control Committee, both of which required reviews of the information system for administering various tasks, not to mention development of internal control reports and IT Governance rollout to all PTT Group companies.

5. MONITORING & EVALUATION

• Internal Control System

The Office of Corporate Audit is an independent unit which directly reports to the Audit Committee. It fosters assurance and provides consultation to ensure that business processes are properly equipped with CG, risk management, and sound internal controls in support of PTT's objectives.

The Office audits annual operating plans and three-year advanced audit plans in line with business strategic directions and the so-called risk-based approach (key corporate risks), encompassing PTT Group's businesses, both domestic and international. It reports findings to the Audit Committee for consideration and reports to the Board for acknowledgment every quarter. Regular monitoring is undertaken for actions in response to the office's recommendations. In its work, the Office freely expresses its opinions. No conflicts have arisen between audited units and the Office that cannot be resolved.

• Control Self-Assessment (CSA)

In addition, PTT monitors internal controls and assesses them at least annually by defining this task as a part of the routine procedures of executives, supervisors, and relevant parties. It also instituted Control Self-Assessment (CSA) within PTT in a blended mode:

- Specific questionnaires on internal controls at corporate and departmental levels
- Facilitated Workshops to assess internal controls at the activity level, with a focus on process control, assessment outcomes, and plans to improve internal controls, which must have the buy-in of work process owners and monitoring by superiors.

The Risk Management Department compiles data and summarizes the analyses of those data in reports of self-assessment covering the entire PTT for the committee to screen, comment, and issues approaches for responsible units to proceed with corrective actions every year. In addition, the Office of Corporate Audit conducts reviews to ensure that the existing internal controls are adequate for handling risk management and are consistently conformed and observed. The Audit Committee reviews the findings of the internal audit annually. If any areas needing improvement are found, PTT has instituted procedures to ensure that such areas receive due attention and immediate corrective actions. As for the internal control assessment of accounting and finance, the audit and review is usually undertaken by the Office of the Auditor-General (the auditor), with the findings submitted to the Audit Committee for consideration quarterly and annually.

In monitoring and assessing internal controls, PTT conforms to the guidelines for report preparation issued by the Auditing Commission Regulation (Clause 6). It was concluded that the latest assessment was at a "good" level. All business groups also report their performance every month and have it regularly measured against KPIs.

The regular review of the assessment outcomes conducted by executives and the Office of Corporate Audit and the Audit Committee for this year indicated no significant problems or defects, a view shared by the external auditor. In summary, PTT's internal control system is adequate and effective from a business standpoint.

This year the Corporate Risk Management Department under the Corporate Strategy Unit, which was assigned to look after PTT's internal control assessment, collected data and developed

an information system for a list of key controls. The effort consisted of data on task description (FD), appointment orders of committees, roles of the Board, rules of the State Audit Commission, COSO Internal Integrated Framework, and anti-corruption measures in response to CAC's questions. The purpose is to refine the assessment form for internal control for vice presidents upward under PTT's corporate structure and those on secondment with PTT Group companies to respond with a scope covering key process activities and to develop a database for key controls for 30 core processes. The response format was also developed as an e-CSA (electronic) for executives to assess and access assessment reports through the intranet.

AUDITOR'S FEE

(Information on the auditor's fees appears in the annual financial report 2014.)

IMPLEMENTATION OF CORPORATE GOVERNANCE IN OTHER AREAS

According to a survey on PTT's corporate governance conducted by the Thai Institute of Directors (IOD), the score given on the overall picture of PTT on the CG principles for listed companies in 2014 was "excellent". Compared with peer companies dealing in natural resources, those in the SET 50 group, and those with market capitalization exceeding THB 10,000 million, PTT's average score topped the three groups of companies. The survey result was based on the information that PTT disclosed to the public. This year, PTT has good practical guidelines apart from the survey criteria which can serve as good practices for other listed companies such as:

- The Board meeting passed the resolution to appoint Mr. Piyasvasti Amranand, independent director, as Chairman. Therefore, the assignment of policies and supervision of PTT's operations is independent.
- PTT requires that independent directors make up at least half of its directors.

- Because under the Budget Procedures Act B.E. 2502 (1959), PTT is regarded as a state enterprise, the Audit Committee endorsed the appointment of the Office of the Auditor General of Thailand (a credible, neutral agency) as PTT's external auditor. The committee has secured the Board's endorsement for review and approval by the shareholders, who will appoint and approve its audit fees.

- PTT prepares an agenda-based meeting format for its units to increase performance review efficiency, guided by QSHE / SPIRIT / CSR / CG Talk as channels to communicate the CG principles and encourage reminders of the campaign on the awareness of CG-based work.

- PTT has defined guidelines to systematically promote the SPIRIT core values by stressing concrete, sustainable implementation. A developed SPIRIT Norm Checklist aids various units in deploying agenda-based meetings to enhance a work ambience that not only supports or reminds employees to exhibit work behavior in line with the SPIRIT values, but encourages all executives to show determination in their SPIRIT coaching and their SPIRIT role model. This includes the communication of good corporate governance, also one of PTT's core values.

- Communication of the core values to PTT Group companies through the PTT Group policies. It also defines SPIRIT as one of the supervision approaches for PTT Group companies (PTT Way of Conduct).

- PTT requires that the PTT Group Anti-Corruption Policy be part of the PTT Way of Conduct, with tangible KPIs designed to drive the management of PTT Group toward the same standard and management approach and direction so as to create synergy in line with investment objectives and to drive the policy into systematic implementation, ready for upcoming assessment.

This year although PTT observed CG, it may not cover the criteria of the Corporate Governance Report of Thai Listed Companies and ASEAN CG Scorecard in the following aspects:

- **Board composition of 5 - 12 directors**

PTT Regulations call for 5 - 15 directors. Today it has a total of 13 directors, which agree with the requirement for petroleum businesses that needs experts from a variety of professions. Today the Board has appointed five specific committees to screen key matters, namely the Audit Committee, the Nominating Committee, the Remuneration Committee, the Corporate Governance Committee, and the Enterprise Risk Management Committee.

- **Policy requirement for a quorum during Board voting that at least two-thirds of the Board be present**

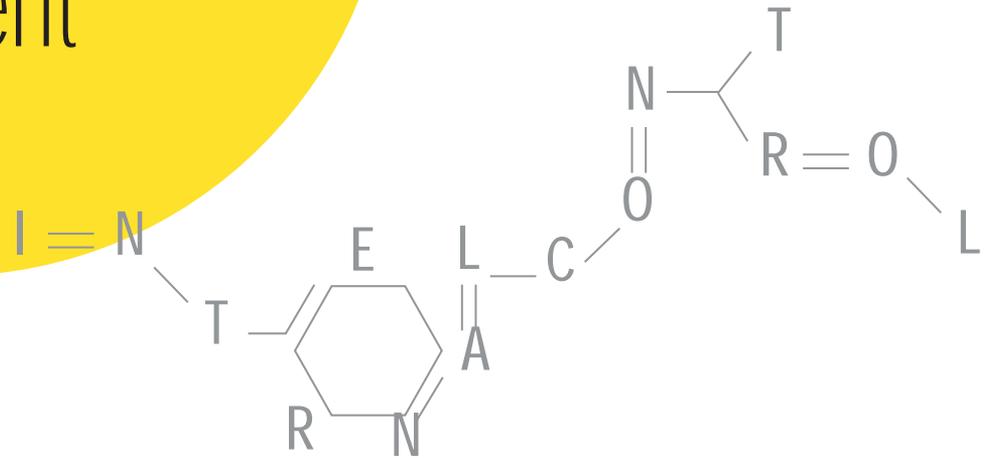
PTT Regulations and the law require that during a PTT Board meeting, the quorum is half of the Board. This year most directors of the Board attended all meetings. Besides, before voting in any meeting, the Chairman allowed all directors to ask questions and express free views, with the exception of the directors with vested interests on certain agenda items, who had no voting right on such items.

- **Director election through cumulative voting**

PTT Regulations call for director election to be decided by a majority of votes. Each shareholder carries votes equal to his or her number of shares. In addition, PTT has consistently devised other ways to preserve the rights of minor shareholders, including its encouragement for them to exercise their right to nominate additional agenda items or nominate directors in advance.

The number of meeting attendance of the Specific Committees is shown under Board Meeting.

Internal Control and Risk Management



The Risk Management and Internal Control Committee has assigned the Corporate Risk Management Department to assess internal controls by preparing the individual self-assessment forms for executives at the vice president level upward who work under PTT's corporate structure and those that are seconded to PTT Group companies, covering and responsibilities as referred in the internal control guidelines of The Committee of Sponsoring Organizations of the Treadway Commission (COSO), which devises the major 5 compositions of internal controls: (1) Control Environment (2) Risk Assessment (3) Control Activities (4) Information & Communication, and (5) Monitoring Activities. The intention is to ensure that PTT's overall business achieves the objectives of internal control in business efficiency; resource consumption; stewardship of properties; prevention or reduction of errors, damage, losses, and waste; credibility of financial, accounting, and other reports; compliance with laws, regulations, Cabinet resolutions, and PTT's policies and regulations. The assessment is also to be conducted with the framework of corporate governance and anti-corruption measures under the checklist of the Thailand Private Sector Collective Action Coalition against Corruption (CAC).

Reviewing the effectiveness of internal controls, the Office of Corporate Audit reports the findings to the Audit Committee and the Board, which then assesses the system by asking questions of the management on the implementation of guidelines/ recommendations to improve internal controls. In summary, in assessing PTT's internal control concerning the five above-mentioned compositions, the Board concluded that PTT's internal control system is adequate and proper. Finally, PTT has provided enough employees to efficiently implement the system.



HEAD OF THE OFFICE OF CORPORATE AUDIT

At its meeting No. 21/2008 of September 22, 2008, the Management Committee appointed Ms. Nitaya Direksathapon as Executive Vice President, Office of Corporate Audit, on October 1, 2008, citing her in-depth knowledge and understanding of PTT's business. Also experienced in PTT's accounting, financial matters, and financial risk management at the business and group levels, she was regarded as suitable for the position. The Audit Committee approved the appointment, transfer, performance assessment, and annual merit pay increase of this position.

COMPLIANCE MECHANISM

PTT defines the responsibilities of the units to ensure its compliance with corporate regulations as follows:

- Office of President and Corporate Secretary ensures that the PTT Group companies, the Board, the management committee, executives and units conform to the rules on state enterprises and listed companies, together with applicable regulations. It also serves as an information clearing house and follows up on outside rules and regulations, and provides knowledge and advice on external regulations on state enterprises and listed companies by interpreting and summarizing them so that relevant persons/ units may conform to them.
- Office of Corporate Legal supervises business legislation, laws on listed companies, laws on environment/ safety in workplace, energy laws, Administrative Court cases, and international laws to ensure that PTT's business operations comply with the other laws and regulations of the State; and counsels other units/ PTT Group companies so that their operations may comply with the law, especially new business transactions (domestic and overseas) to allow flexibility for business operations.
- Office of Corporate Audit assesses the efficiency and adequacy of the internal control system and supervises the operation of PTT and its subsidiaries.

Profile of the Head of the Office of Corporate Audit



Ms. Nitaya Direksathapon Age 57
Executive Vice President, Office of Corporate Audit

Number of shares held: None

Education

- Bachelor of Accounting (Second-Class Honors), Chulalongkorn University
- Master of Business Administration (Finance), National Institute Development Administration (NIDA)

Training

- Sasin Graduate Institute of Business Administration, Senior Executive Program
- Harvard Business School, Finance for Senior Executives
- NIDA - Wharton Executive Leadership Program
- IOD, Director Accreditation Program (DAP) 91/2011
- Office of the Administrative Court, Senior Judicial Administration Executives, Class 3

Work experiences

- 1993 - 2000 : Vice President, Accounting Department, PTT
- 2001 - 2006 : Vice President, Financial Risk Management and Credit Policy Department, PTT
- 2006 - 2008 : Executive Vice President, Corporate Accounting and Finance, IRPC Plc.
- 2009 - present : Executive Vice President, Office of Corporate Audit, PTT

Relevant important position

- None

Relationship with the management

- None