



Contents

- ▷ Vision, Mission and PTT Values
- ▷ PTT Information
- ▷ Financial Highlights
- ▷ Milestone Achievement
- ▷ Awards and Recognition
- ▷ Message from the Board of Directors
- ▷ Economic, Petroleum and Petrochemical Review and Outlook

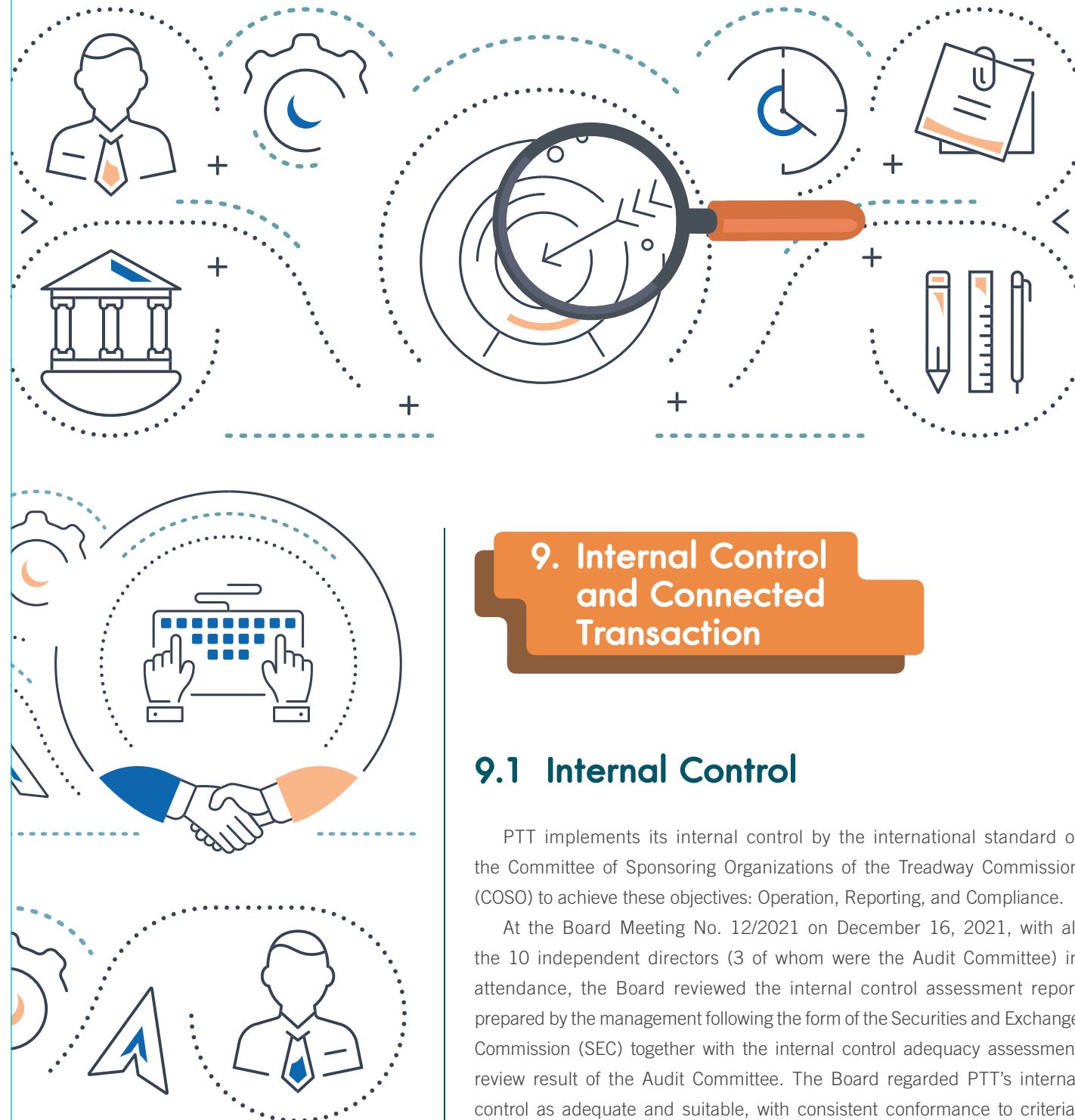
- ▷ **Section 1**
Business Operations and Performance

- ▶ **Section 2**
Corporate Governance

- 6. Corporate Governance
- 7. Governance Structure and Key Data
on the Board of Directors, Specific Committees,
Management, Employees and Others
- 8. Corporate Governance Milestones
- 9. Internal Control and Connected Transaction

- ▷ **Section 3**
Financial Report

- ▷ **Attachment**



9. Internal Control and Connected Transaction

9.1 Internal Control

PTT implements its internal control by the international standard of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to achieve these objectives: Operation, Reporting, and Compliance.

At the Board Meeting No. 12/2021 on December 16, 2021, with all the 10 independent directors (3 of whom were the Audit Committee) in attendance, the Board reviewed the internal control assessment report prepared by the management following the form of the Securities and Exchange Commission (SEC) together with the internal control adequacy assessment review result of the Audit Committee. The Board regarded PTT's internal control as adequate and suitable, with consistent conformance to criteria. Its assigned unit responsible for internal control focused on laying down a system embracing all activities that was adequate and suitable for its businesses for efficient and effective achievement of internal control objectives. Its financial and other reports were transparent, reliable, timely, so was compliance with applicable laws and regulations.

PTT has further improved its procedures and systems to support internal control and ensure the efficient and speedier system's detection of problems or risks. PTT's internal control system can be summarized by COSO components as seen below:

(1) Control Environment

PTT commands a sound overall control environment that is adequate for business efficiency and effectiveness. Its executives have promoted a corporate culture focusing on integrity and ethics as a role model with the following implementations:

- The Board and executives take the control environment and corporate culture seriously by defining policies for internal control, risk management, corporate governance (CG), anti-fraud and corruption, compliance, and giving and receiving of gifts, assets, or other benefits. These policies are announced for all to acknowledge and observe and training and internal/external public relations about them are organized. Regular monitoring and assessment are in place. The Board, executives, and employees must acknowledge such guidelines in writing and conform to the Corporate Governance, Ethical Standards, and Code of Business Ethics Handbook (CG Handbook).
- Integrity and ethics form part of the SPIRIT corporate values to stress transparent business conduct and collaboration in the power of virtue, which explicitly embraces their everyday duties, decision-making, and treatment of all stakeholders, including business partners, customers, and third parties. PTT values equitable treatment based on fair competition, mutual respect of rights, nurturing of relations and cooperation, and strict honoring of contracts. All executives and employees prepare reports disclosing items of potential conflicts of interest with PTT annually or upon every related incident.

- Setting good corporate governance as a part of the organization's vision, mission, and values by considering the 3 aspects of equilibrium which include Environmental, Social, and business operation under good Governance principles (ESG), and integrated management of stakeholders with the strategy of Business Integrity as part of the operation.
- Its structure is based on the "Three Lines Model" management approach focusing on ensuring everyone's understanding and strictly complying with regulations and duties and responsibilities. To this end, it aims at prevention and solution by those on the job, systematic operation with total segregation of authority for approving, account recording, payment and receipt of payment, and verification and stewardship of assets, which results in effective checks and balances. In addition, under PTT's structure the Office of Corporate Audit has a clear and independent reporting line to the Audit Committee, which is marked by decentralization of power to business units, thus giving due flexibility to communication for their duties and responsibility.
- PTT defines a written policy and procedure for human resource (HR) development, including procedures for planning and administering the overall workforce in both short and long terms. In place is an annual analysis and revision of manpower, as well as analysis, planning, and definition of key succession processes by defining policies, regulations, tools, selection, assessment of potential, and plans for developing those in the potential pool for key positions. All these are compatible with business directions, as well as compliance. PTT reviews the suitability of audit authority segregation for checks and balances for efficient internal control and communicates to applicable units to prepare for recruitment and prepare expenditure budgets to meet HR needs.



Contents

- ▷ Vision, Mission and PTT Values
- ▷ PTT Information
- ▷ Financial Highlights
- ▷ Milestone Achievement
- ▷ Awards and Recognition
- ▷ Message from the Board of Directors
- ▷ Economic, Petroleum and Petrochemical Review and Outlook

▷ Section 1 Business Operations and Performance

▶ Section 2 Corporate Governance

- 6. Corporate Governance
- 7. Governance Structure and Key Data on the Board of Directors, Specific Committees, Management, Employees and Others
- 8. Corporate Governance Milestones
- 9. Internal Control and Connected Transaction

▷ Section 3 Financial Report

▷ Attachment

(2) Risk Assessment

PTT recognizes the importance of risk management to achieve business objectives as well as those of compliance and preparation of credible reports under changes that impact its businesses due to internal and external factors. It views risk management as a critical component of every business process that must be interconnected.

- PTT defines corporate risk management policy for all to conform to. At every level, risks are to be assessed, including those of corruption. For corporate risks, management is systematically undertaken by its various management committees. Operational risks fall under the oversight of respective executives. The Enterprise Risk Management Committee (ERMC) steers and supports corporate risk management in line with business strategies and goals as well as shifting circumstances and provides advice on guidelines for monitoring and assessment to the Corporate Plan and Risk Management Committee (CPRC) to manage overall risks for maximum efficiency. It is the responsibility of all units to manage and control risks to manageable levels (risk appetite), as clearly stated in the functional descriptions of all units.
- A third-party screening process has been developed for greater efficiency and prudence together with fostering credibility and confidence in engagement with business partners and stakeholders for standardized and suitable analysis and assessment of suppliers, customers, business partners, and employees.
- The Business Continuity Management (BCM) process is applied to the COVID-19 situation management to assess guidelines for business, workforce communication, and preparation of resources and business processes for employees' uninterrupted and safe work without impacts on key goals. In addition, PTT holds annual crisis management and business continuity training to ensure the readiness of emergency management as well.

(3) Control Activities

PTT defines control activities to lower risks to achieve its objectives as described below.

- The Management Committee (MC) reviews financial and other reports of all business groups and regularly reviews performance to ensure conformance to regulations, protocols, and job manuals. PTT defines written policies and procedures, including those for performance assessment of all employees, which relies on KPIs to take control of administrative activities suitable, adequate, and auditable. Portions of businesses have been identified for key risks, and mechanisms have been 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 proper checks and balances. Authority is duly and fully segregated for approval, information compilation, transaction recording, receipt and disbursement of cash, reviews of 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 and consistent storage of accounting documents, both documents and information, is in place to comply with the law. Should PTT engage in transactions with the major shareholder, directors, executives, or their related parties, it would apply strict measures to ensure that each such transaction secures the required approval every time and for every item. Parties with vested interests will not take part in the approval of such an item. PTT also closely monitors subsequent actions.
- PTT Group Way of Conduct serves as a mechanism and guidelines for steering the policies and business conduct among PTT Group. Multi-level Governance ensures a single implementation standard for all. The internal control policy is grouped under strategic alignment, with a report submitted to PTT annually. Site visits to PTT Group companies are arranged to

engage in sharing, counseling, and recommending ideas on internal control development, including GRC and PTT Group Way of Conduct.

- Policies, regulations, and procedures are constantly reviewed to ensure their suitability, for example, corporate governance policy, anti-fraud and corruption policy, Corporate Governance, Ethical Standards, and Code of Business Ethics Handbook (CG Handbook), Fraud and Corruption Risk Assessment Manual, regulations for finance and accounting, procurement, etc. to comply with law, rules, regulations, including risks and current situations.
- PTT defines its requirement on the standard for compliance with the ICT policy to control, develop, or execute change management to its computer work systems. The practical guidelines embrace various work procedures, including requesting, testing, and migrating for actual application, and major system maintenance, e.g., data backup. Also in place are policies and requirements for ICT policy compliance for controlling key infrastructure, including the security of network systems and operation centers and access control to wireless networks. PTT develops infrastructure for emergencies by leveraging the BCM standard to sustain uncertainty, thus it can provide continuous services, with annual plan drills. Should its businesses be affected by COVID-19, procedures have been amended in line with the Ministry of Public Health's measures, including delivery and transmission of documents, to allow uninterrupted businesses.
- Operations controls by humans are designed, such as document validation, data accuracy review, as well as those controlled by ICT system in accordance with regulations and requirements through ERP, procurement, expense disbursement systems, etc. Controls are both for prevention, detection, and correction. Continuous Control Monitoring and Auditing System (CCMS) is in place to assist in scrutinizing and monitoring irregularities, as well as potential fraud in the procurement process. (Procure to Pay) and the process of receiving orders until payment (Order to Cash: O2C)

- PTT values the steering of sustainability management together with security, safety, health, and environment (SSHE), all of which are likened to a vital shield against risks or impacts, and efficiently as well as effectively lowering potential losses suffered by all stakeholders, assets, work processes, data, and the surroundings. This would bring about business sustainability while extending performance in all aspects of excellence for vision and goal attainment. In 2021, tools and processes for sustainability management are defined under the "State Enterprise Assessment Model" section 4.1 policy and job manual and strategic implementation of corporate social responsibility in process (CSR in Process) and section 9.2 policy and job manual and development of strategic sustainability, required by the State Enterprise Policy Office for sustainability management supervisory structure. In the sustainability management governance structure, the Board looks after, monitors, and provides policies as well as recommendations on sustainability management and SSHE; the Corporate Governance Committee (CGC) reviews, orders, and comments on the outcomes of strategic and plan implementation, key sustainability, and SSHE goals and indicators every quarter. The PTT Management Committee, led by the President & CEO, screens, orders, and comments monthly, supported by subcommittees at the management level for specific matters and management practices at the strategic level and operating level for sustainability and SSHE, namely Governance, Risk and Compliance Management Committee (GRCMC), PTT Group Sustainability Management Committee (GSMC) and Corporate Plan and Risk Management Committee (CPRC). To this end, centralized departments are Good Governance and Corporate Ethics, Sustainability Strategy, and Corporate Planning and Budgeting Departments, which would report to related committees e.g., GRCMC and CGC on a quarterly basis. Details about sustainability management and SSHE management appear under Section 3 "Driving Business for Sustainability" of this 56-1 One Report.



Contents

- ▷ Vision, Mission and PTT Values
- ▷ PTT Information
- ▷ Financial Highlights
- ▷ Milestone Achievement
- ▷ Awards and Recognition
- ▷ Message from the Board of Directors
- ▷ Economic, Petroleum and Petrochemical Review and Outlook

▷ Section 1 Business Operations and Performance

▶ Section 2 Corporate Governance

- 6. Corporate Governance
- 7. Governance Structure and Key Data on the Board of Directors, Specific Committees, Management, Employees and Others
- 8. Corporate Governance Milestones
- 9. Internal Control and Connected Transaction

▷ Section 3 Financial Report

▷ Attachment

(4) Information & Communication

PTT values quality ICT systems since ICT supports effective internal control. Below are its management guidelines:

- Managing data by classifying levels of confidentiality; defining guidelines for storing key documents and control documents, and internal and external operation-supporting data to ensure that key information related to business is accurate, complete, adequate, and timely and that an efficient data analytics and storage system is in place to ensure that the data used are credible and adequate for timely decision-making.
- Formulating various internal communication channels, namely Town Hall, intranet communication, electronic mail, orientation, and Learning Management System.
- Creating communication channels with external stakeholders, including the website and Facebook. Directly responsible units regularly disclose key data to all stakeholders. PTT set up its 1365 Contact Center to centralize data provision covering integrated goods and services for interested parties. It allows shareholders to propose AGM agenda items and nominate directors in advance, thus promoting corporate governance under the rights of shareholders and equitable treatment.
- Inaugurating clear grievance channels and management guidelines so that employees and third parties can be assured that their complaints will be transparently, fairly, confidentially, and honestly considered in due time.

In 2021, PTT has forged ahead with a new vision, "Powering Life with Future Energy and Beyond." PTT's key mission is to create energy security by supplying sufficient energy to meet the needs of the country. Nevertheless, PTT looks to future energy that will play a greater role, which is the springboard of the operational strategy in line with the future energy business, including new trends beyond in non-energy business opportunities. The Board, therefore, approved and pushed ahead with the Digital Roadmap

implementation to drive innovations for business efficiency, lower business costs and competition expenses by focusing on outcomes that comprehensively and equitably meet all stakeholders' needs with the application of digital technology.

Due to the outbreak of the COVID-19, PTT manages its digital business support to enable prompt adjustment to change and engage in uninterrupted business. To elaborate, PTT's digital management enables employees to work from home efficiently and safely as normal.

In addition, PTT has established the Data Governance Framework to ensure that information is accurate, complete, safe, and reliable while supervising the optimization of growing data from data analytics in decision making.

The Board also emphasizes cybersecurity, which is on the rise. This year saw a wide variety of cyberattacks worldwide through networks, applications, data, Cloud, and the Internet of Things (IoT), wreaking havoc to organizations in several aspects, including data ransom expenses, business disruption impacts, and worst of all, loss of customers' confidence in the organization. Cyber threats are therefore a common topic of value. Aware of cybersecurity, the Board has planned and installed preventive hardware through cooperation with PTT DIGITAL in three aspects. First, technology, systems, and hardware. Second, the process for dealing with cyber threats and reporting with the Cyber Security Operation Center (CSOC); all CSOC personnel are internationally certified experts, their potential can thus be confided. Third, users; to ensure that PTT's cybersecurity is indeed efficient and that employees are poised to handle cyber threats; users are therefore exposed to activities and tools to relentlessly forge awareness of cybersecurity e.g., phishing mail and digital culture. To this end, PTT in conjunction with PTT DIGITAL hired third parties to attempt to penetrate PTT's system (penetration test); the test outcomes have helped PTT improve the system. In 2021, PTT adopted multi-factor authentication technology to be enforced throughout PTT to enhance the security of users' part in verifying their identity before entering PTT's system via mobile devices in addition to logging in to normal system access.

(5) Monitoring & Evaluation Activities Internal Audit System

PTT commands a process for monitoring and assessing the adequacy of internal control and defines guidelines for improvement to ensure system efficiency and effectiveness:

- Assess the efficiency and effectiveness at least annually by requiring top management to conduct such assessment by themselves according to their assigned roles through the Control Self-Assessment (E-CSA) forms and by requiring all departments and direct-report departments and divisions to assess risks and internal control by themselves against the Governance, Risk and Compliance (GRC) guidelines. They are also to develop internal control improvement plans for high-risk processes and regularly follow up the outcomes of such improvement at least quarterly.
- Regularly monitor and report the implementation outcomes of strategic plans, laws, and regulations (inside and outside PTT and PTT Group).

This year, the Office of Corporate Audit also reviewed internal control practices to ensure that they are adequate, suitable, and consistently practiced. If a given item needed improvement, procedures would be discussed with management to define implementation guidelines along with improvement plans to ward off or lower risks and monitor execution to ensure that audit and review findings are promptly remedied. This is reported every quarter to the Audit Committee, indicating that PTT's internal control system for this year is adequate, efficient, and effective, a view shared by the external auditor.

The Office of Corporate Audit is an independent unit that directly reports to the Audit Committee. It fosters assurance and provides advice to ensure that business processes are duly equipped with efficient CG, risk management, and internal control practices in support of corporate objectives.

The Office commands an annual audit plan and three-year audit plans in line with PTT's business strategic direction and a risk-based approach to key corporate risks, encompassing PTT Group's domestic and international businesses. It reports findings to the Audit Committee for consideration and forwards them to the Board for acknowledgment every quarter. Regular monitoring is undertaken for actions in response to the office's recommendations. In its course of work, the office freely expresses its opinions. No conflicts have arisen between audited units and the office that cannot be resolved.

Head of the Office of Corporate Audit

At the Meeting No. 5/2019 on May 16, 2019, the Board appointed Mr. Chadil Chavanalikhorn, Executive Vice President, Office of Corporate Audit, with effect from July 1, 2019, citing his mastery of PTT's business. Equipped with expertise, skills, and experience in internal audit, he is familiar with the business undertaking, good governance, risk assessment, and internal control at the business and overall levels and was therefore regarded as suitable for the position. The Audit Committee approved the appointment, transfer, performance assessment, and annual merit pay increase of this position.



Contents

- ▷ Vision, Mission and PTT Values
- ▷ PTT Information
- ▷ Financial Highlights
- ▷ Milestone Achievement
- ▷ Awards and Recognition
- ▷ Message from the Board of Directors
- ▷ Economic, Petroleum and Petrochemical Review and Outlook

▷ Section 1 Business Operations and Performance

▶ Section 2 Corporate Governance

6. Corporate Governance

7. Governance Structure and Key Data on the Board of Directors, Specific Committees, Management, Employees and Others

8. Corporate Governance Milestones

9. Internal Control and Connected Transaction

▷ Section 3 Financial Report

▷ Attachment

Biography of the Head of Corporate Audit



Mr. Chadil Chavanalikhorn

Age: 55

Education

- Bachelor of Engineering, Kasetsart University
- Master of Business Administration, Kasetsart University
- Certified Internal Auditor (CIA), The Institute of Internal Auditors

Training

- Senior Energy Executive, Thailand Energy Academy, Ministry of Energy
- Administrative Psychological Operation: Institute of Security Psychology, National Defence Studies Institute

- Anti-Corruption Training Program for Public Officials, NACC
- Senior Executive Program (SEP), Sasin Graduate Institute of Business Administration
- Leadership Development Program II, PTT-Harvard Business School: PLLI
- Leadership Development Program II, PTT-IMD: PLLI
- Leadership Succession Program (LSP): IRDP
- Successful Formulation & Execution of Strategy (SFE 17/2013), Anti-Corruption: The Practical Guide (ACPG 2/2013), Company Secretary Program (CSP 65/2015), Independent Observer Program (IOP 1/2016), Thai Institute of Directors Association (IOD)

Working Experiences (๙๖๕๕ 5 years)

- 2016 - 2017
Vice President, Internal Audit Department
- 2017 - 2018
Executive Vice President, Sustainability Management
- 2018 - 2019
Executive Vice President, Corporate Governance
- 2019 - Present
Executive Vice President, Office of Corporate Audit

Key Related Directorship

- -None-

Relations with the Management

- -None-

Compliance Unit

PTT inaugurated Compliance Department, which governs legal and regulatory compliance of PTT with detailed roles, duties, and responsibilities defined in the Compliance Charter, under the Office of General Counsel and reports directly to the Senior Executive Vice President, Office of General Counsel (biography shown in Information of Executives Section), indirectly reporting to the Governance, Risk and Compliance Management Committee (GRCMC) and the Corporate Governance Committee (CGC), respectively.

Compliance Department centralizes corporate compliance and oversees all personnel and all business units under PTT to fully comply with all external and internal laws, rules, regulations, directives, procedures, and announcements controlling all facets of PTT businesses, both inside and outside. Compliance routinely works with the 2nd Line of Defense to collect and develop a data depository on laws and regulations governing PTT operations and businesses and is tasked to analyze and assess legal risks and impacts on the operational activities of PTT. Compliance's duties include providing consultations, supports, supervisions, and reviews of the 1st Line of Defense to ensure compliance of PTT with all laws and regulations. Compliance also constantly develops and nurtures compliance culture through continuous organization of legal learning and development sessions, consultancy services, and publications and dissemination of data and information related to laws, rules, and regulations governing operations and businesses. In 2021, communication sessions on laws and regulations as well as compliance behaviors and practices were organized e.g., internal e-mails, online learning, virtual classroom, legal podcast, infographics on key legal

summaries, and Tips & Tricks on how to work with compliance. PTT personnel has also been promoted to adhere to laws and regulations, corporate governance, and business ethics through Tone from the top in Compliance Role Model project: doing good you can; don't ignore, which is to communicate key messages from top management as food for thought or direction via e-mail to promote compliance culture from top management. In addition, non-compliance management has been implemented by showcasing non-compliance incidents (if any) to find prevention and reduce repeating cases in the future. Whistleblowing has also been continuously communicated by launching video clips requesting and supporting employees not to bear with fraud or non-compliance. Whistleblowing channels have been promoted. These compliance efforts are intended to nurture compliance values and culture and to enhance understanding of legal and compliance issues concerning individual job responsibilities and the awareness of consequences of non-compliance. Thanks to correct work practices and strict adherence to legal and regulatory compliance of all, PTT can rest assured that all operations and businesses are uninterrupted by legal risks while striving to become a sustainable zero non-compliance organization.