

## INTERNAL CONTROL

PTT Global Chemical Public Company Limited values the importance of Internal Control System which designed to be in accordance with the international standards to ensure its operations to maintain accuracy, transparency, accountability and to mitigate or prevent losses from unexpected risks.

Board of Directors Meeting No. 2/2015 held on February 16<sup>th</sup>, 2015, evaluated PTTGC's Internal Control System based on the internal control assessment report prepared by the Management, together with the Audit Committee report and the result of the Audit Committee's internal control review. The Board viewed that PTTGC's Internal Control System has been functioning properly in an adequate and effective manner. The operation has been efficiently managed with sufficient number of qualified and competent personnel. In addition, PTTGC has implemented monitoring system to ensure safeguard of PTTGC Group assets against misuse or unauthorized use by the Board or the Management.

In this regard, the Audit Committee agrees with the Board on the adequacy and effectiveness of the PTTGC's Internal Control System.

PTTGC's Internal Control System can be summarized as follows:

### Control Environment

The Board and the Management strived to promote corporate culture values that focused on integrity and ethics. The Board also provides supervision of PTTGC's operations to ensure its compliance with the organizational vision and missions and to ensure that PTTGC's control environment is appropriate and effective, as has been detailed below:

- The Board maintains its independence from the Management and it is responsible for supervising the overall operation of PTTGC as well as expressing views on the directions and strategy of PTTGC which will be used as guidelines to formulate business and operating plan. Furthermore, the Board regularly monitors the

performance of PTTGC and its Sub-committees to ensure achievement of PTTGC's objectives and goals.

- The Board and the Management have established Corporate Governance Policy, Business Code of Conduct, and Internal Control System Policy which provide preferred practices for all Directors, the Management and Employees. All Employees are accountable for their internal control activities and maintain effective internal control system. Moreover, PTTGC has developed Whistleblower system as a mechanism to enable individuals to voice concerns on non-compliance as well as to investigate and verify complaint in order to arrive at appropriate response to the non-compliance in a timely manner.
- PTTGC's corporate structure has been grouped into business units and functions in a way to best support its business operations in an efficient manner and good governance. This structure comes with a system of checks and balances which delegates duties and responsibilities appropriately.
- PTTGC has specified personnel qualifications for individual positions. These qualifications form the basis for recruitment and personnel development. PTTGC has also put in placed succession plan for important management positions to ensure business continuity. Furthermore, it has established performance management and fair rewarding system as incentives provided to motivate efficient towards employees.

### Risk Assessment

The Board recognizes the significance of business strategies and goals setting. The Board has appointed the Risk Management Committee to oversee PTTGC's risk management in an appropriate and efficient manner in order to support the achievement of its strategies and business goals, as following details:

- PTTGC has established Risk Management Framework which follows international standards of ISO 31000 - Risk Management and COSO Enterprise Risk Management. Furthermore, Risk Management Policy has been set as a guideline to manage risks that might have an effect on business operations or PTTGC's strategic direction
- PTTGC identifies and assesses risks across the entity, which consists of corporate level, business unit level, department level, and process level. In addition, PTTGC considers the changes from internal and external factors, and the potential of fraud and corruption in assessing risks to the achievement of objectives. Moreover, mitigation plan is identified in order to manage those risks. Risks and mitigation plan are reviewed and monitored on a monthly basis. All departments are responsible for managing risks to maintain an acceptable level.

### Control Activities

PTTGC has developed efficient and effective control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels. They have been detailed below:

- PTTGC has designed its control activities which follow internal control principles. These include the segregation of duties, policies and good practices for conflicts of interest transactions. In addition, business is operated in a transparent, fair and auditable manner. There is a transparent transaction approval process which takes into account the utmost benefit of the organization.
- PTTGC has written rules, regulations, policies, and procedures to specify work process and appropriately limit the power and authority of Chief Executive Officer, the Management, as well as all levels of Employees. Furthermore, operations are reviewed regularly to ensure their compliance with rules, regulations, policies, and procedures.
- PTTGC has implemented the information technology system to support operating process and the Management's decision making, which include automated

controls. For example, automated control on Segregation of Duties will segregate authorization function, recording function and custody of asset for appropriate level of checks and balances.

- PTTGC has established Information Technology Security Policy in accordance with the ISO27001 – Information Security Management standard to ensure efficiency and effectiveness of PTTGC's information technology security.
- PTTGC has established guidelines to govern and manage companies invested by PTTGC in each business units. The purpose of this is to ensure that these companies align with PTTGC in terms of working direction as well as comply with PTTGC's policies, procedures and strategic direction. Operations of these companies are monitored regularly and continuously.

### Information & Communication

PTTGC recognizes the quality of Information & Communication which largely supports the effectiveness of PTTGC's Internal Control System, as has been detailed below:

- PTTGC has set information classification, instructions for filing important documents and controlled documents. This includes information from both internal and external sources. This process is intended to ensure the accuracy, completeness and adequacy of important information concerning PTTGC and its business operations.
- PTTGC communicates appropriately with the Board, the Management, Employees and Stakeholders. Crucial information relevant to PTTGC's performance will be delivered to Directors prior to the Board of Directors meetings in order that they will have sufficient time to study, review and make decisions. When necessary, Directors may request additional information from relevant specific departments or personnel.
- PTTGC has set up several internal communication channels, for example, Town Hall activities for facilitating communication from Senior Managements to Employees,

the organization's intranet and e-mail. In addition, new employees receive important information through orientation. Employees receive useful information through Knowledge Based System and E-Learning System.

- PTTGC has set up external communication channels to communicate with stakeholders via the PTTGC website and e-mail.
- PTTGC has established the Whistleblower System as another channel for receiving and managing internal and external complaints.

### Monitoring Activities

PTTGC has monitored and evaluated the sufficiency of its internal control system. Development and improvement processes have also been in place to ensure the efficiency and effectiveness of PTTGC's Internal Control System. They have been detailed below:

- PTTGC evaluates sufficiency of corporate's internal control system on an annual basis. In addition, PTTGC

has implemented Control Self-Assessment (CSA) to evaluate internal control mechanisms at process level. The adequacy and appropriateness of CSA results will be verified by the Internal Control System Division, which also provides recommendations for improvement on internal control deficiencies, if any. A monitoring process is also in place to tracks whether deficiencies are remediated on a timely basis.

- The Internal Audit Department, which is an independent unit reporting directly to the Audit Committee, examines and evaluates the effectiveness of internal control activities according to the audit plan approved by the Audit Committee. Deficiencies and recommendations are communicated to parties responsible for implementation. The audit reports and findings are presented to the Audit Committee on a quarterly basis.

In 2014, the Audit Report did not find any issues related to conflicts of interest, fraudulent activities, or any other significant deficiency in the Internal Control System. Furthermore, no violations of SEC and SET rules and regulations or other laws related to PTTGC were found.

