

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. 2/2016 held on February 15th, 2016, evaluated PTTGC's Internal Control System based on internal control assessment report prepared by the Management which follows the guidelines of the Securities and Exchange Commission (SEC), together with 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 safeguarding of PTTGC Group assets against misuse or unauthorized use by the Board or the Management.

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

Control Environment

The Board and the Management strive to promote corporate culture values that focused on integrity and ethics. They also provide 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, Corporate Compliance Policy, Internal Control System Policy and Anti-Corruption Guidelines 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. The policies have regularly been communicated and promoted to all employees through training courses, activities, and E-Learning courses regarding Corporate Governance and Business Code of Conduct, Corporate Compliance, Risk Management, and Internal Control.
- 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.
- PTTGC organized 'PTTGC Active Citizen' exhibition to raise anti-corruption awareness among the Management and the Employee, as well as encourage them to monitor the transparency, auditable manner and fairness of the operations.

Risk Assessment

The Board and the Management recognizes the significance of risk management which enables PTTGC to achieve its short-term and long-term goals. The Risk Management Committee appointed by the Board, along with Enterprise Risk Management Committee appointed by President and Chief Executive Officer, is responsible to oversee PTTGC's risk management in an appropriate, effective and efficient manner, 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 has applied risk management across the entity including (1) Enterprise Risk Management which develops risk profiles at corporate level, business unit level and department level (2) Investment Risk Management (3) Business 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 plans are reviewed and monitored on a monthly basis. All departments are responsible for managing risks to maintain an acceptable level.
- PTTGC has developed Key Risk Indicators (KRI) to monitor changes in risks factors in order that those risks are managed efficiently and timely.

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
- The Company has adequately implemented manual and automated control of crucial processes.
- 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 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 established guidelines to govern and manage companies invested by PTTGC. The purpose of this is to ensure that these companies align with PTTGC in terms of operating direction as well as comply with PTTGC's policies, procedures and strategic direction. Operations of these companies are monitored regularly and continuously.
- The Company has enhanced the efficiency of the SAP GRC – Access Control system, which is a tool to manage access right in the SAP operating system appropriately and effectively in accordance with good practices of segregation of duties.

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 that important information concerning PTTGC and its business operations is accurate, complete, adequate and timely.
- PTTGC has appropriately communicated the relevant information to 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, the Board 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, e-mail, etc. In addition, new employees receive important information through orientation. Employees can access useful information through Knowledge Based System and E-Learning System.
- PTTGC has set up external communication channels to communicate with stakeholders, such as PTTGC website, e-mail, facebook and twitter. In addition, assigned departments are responsible to disclose important information to all stakeholders regularly.
- PTTGC has established an open communication channel managed by Whistle Blower System. This allows employees and external individuals to be confident that the complaints will be handled with transparency, fairness and confidentiality in timely manner.
- PTTGC has developed STS E-Dataroom to maintain key external factors and share information among business units. The data are from (1) external reports or analyses by consultants, (2) internal information collected by Strategy and Planning Department or business units, and (3) analyses from workshops of business units. This

information is used to prepare strategic plans. In addition, PTTGC has developed the E-Initiative Charter system, which maintains strategic plans of each business units that are in line with the Company's strategies. Information in the system is properly categorized, analyzed and updated.

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 reporting and monitoring process is also in place to report deficiencies to the Management and track remediation progress on a timely basis. In 2015, CSA was performed for the process of Procure to Pay, Plan to Produce and Order to Cash.
- 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 2015, the Audit Report did not find any significant issues related to conflicts of interest, fraudulent activities, or any other significant deficiencies in the Internal Control System. Furthermore, no violations of SEC and SET rules and regulations or other laws related to PTTGC were found.