

Internal Control and Connected Transactions

Internal Control

PTT Global Chemical Public Company Limited (GC) runs an Internal Control System in accordance with the international standards of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to achieve internal control objectives relating to operations, reporting, and compliance with laws and regulations.

During the Board of Directors Meeting 2/2021 held on February 15, 2021, the GC's system was evaluated based on an internal control assessment report prepared by executives following Securities and Exchange Commission (SEC) guidelines. Together with the results of the Audit Committee's internal control review, the Board of Directors viewed that GC's internal control was adequate and effective for its businesses. No significant problems or material shortcomings were detected that could interfere with achieving internal control objectives. GC's Internal Control System functioned properly in an adequate manner. The operation was efficiently managed with sufficient numbers of qualified and competent employees and processes. In addition, GC implemented a monitoring system to ensure the achievement of business objectives with effective and efficient operations, reliable reporting, and compliance with applicable laws and regulations as well as safeguarding GC's assets against misuse or unauthorized use by the Board of Directors, executives, and employees.

GC improved on internal control procedures and processes in 2020 to increase robustness and speed in identifying risks including enhanced internal control in response to the New Normal. GC's Internal Control System in accordance with COSO can be summarized in five categories:

1. Control Environment

The Board of Directors and executives strive to promote a corporate culture that focuses on integrity and ethics. They also supervise operations to ensure compliance with the organizational vision and mission and to ensure that GC's control environment is appropriate for implementing the Internal Control System, as detailed below.

- The Board of Directors and executives establish the Corporate Governance Policy, Business Code of Conduct, Corporate Compliance Policy and Anti-Corruption Guidance setting out preferred practices for the Board of Directors, executives, and employees. Executives and employees are required to study, test understanding, and sign in e-CG Handbook in Hook e-Learning system to pledge their compliance in the policy, principles, and business ethics. They are also required to annually declare any potential Conflict of Interest in the online system. The Company also emphasizes on communicating these policies and consequential penalties to executives and employees.
- GC regularly builds awareness in Ethic and Business code of conduct to executives and employees through training courses, orientation, e-mail communication and other activities. For example, Hook Talk is conducted by top management to communicate ethics and business code of conduct to employees and promote a good corporate governance culture. In addition, GC also announces corporate governance and code of conduct principles on the Company's website to emphasize the policy to suppliers/vendors, joint-venture partners, and company representatives to operate their businesses with integrity.

- The Board of directors is independent from executives and responsible for supervising overall operations as well as expressing views on the direction and strategy to formulate business and operating plans. Furthermore, the Board of directors regularly monitors GC's performance and its sub-committees to ensure that GC achieves objectives and goals.
- GC's corporate structure is grouped into business units and functions that best support efficient business operations and good governance. This structure embedded with checks and balances principal, in which duties and responsibilities were delegated appropriately. Furthermore, all employees acknowledge their roles, authorities, responsibilities, and accountabilities.
- GC specifies the qualifications for all positions, which form the basis of recruitment and personnel development aligned with corporate culture. Succession plans are in place for key management positions to ensure business continuity. Furthermore, performance-management and fair-reward systems are in place to incentive and motivate employees. In 2020, GC implemented 360-degree evaluation — a tool to evaluate employee's behavioral attributes against GC SPIRIT 4 Core Behaviors by supervisors, subordinates, peers, and outside stakeholders. This evaluation was also part of the annual performance evaluation. In addition, the Company encouraged all employees to enhance their capability and knowledge through the e-Learning platform "UP" that contain various contents to shape the learning to be more interesting, convenient, comfortable, accessible, and to make GC being the learning organization.
- GC establishes the Internal Control Policy that all employees are accountable for their internal control activities and consistently communicates with executives and employees through training courses, public communication, and other activities to ensure accurate understanding of everyone's roles and responsibilities in relation to the internal control system.
- GC applies Integrated Governance, Risk Management, & Internal Control and Compliance principle (Integrated GRC) in the Company's business process to ensure efficient and effective operations. The Company appoints GRC personnel to major business unit to strengthen and ensure GRC integration. The workshops for executives are held to enhance GRC awareness and understanding. Integrated GRC principle is also deployed to subsidiaries through GRC committees to govern, review, monitor, and assess GRC performance. Additionally, GRC Health Check questionnaire is annually conducted to assess the understanding and compliance of employees. The results showed that most executives and employees are aware and understand GRC. This result will finally be used to analyze and plan GRC execution to be more efficient. Furthermore, the Company regularly communicates GRC from top management to employees (Tone at the top). In 2020, GRC was communicated in the CEO Town Hall activity to enhance and increase awareness and understanding of GRC to all executives and employees.

2. Risk Assessment

The Board of Directors and Executives emphasize on risk management to ensure the achievement in both short-term and long-term goals. The Risk Management Committee is appointed by the Board of Directors, along with the Enterprise Risk Management Committee and taskforces are appointed by the CEO to manage business risk and specific issues. This structure is appropriated, allowing the Company to have flexibility and ensure efficiency and effectiveness.

GC has implemented the Integrated Enterprise Risk Management systematically and continuously throughout the organization according to the international risk management framework and guidelines. The risk assessment is conducted in various aspects, including current business-related risk factors, future business-related risk factors, emerging risk factors, and the potential for fraud and corruption, thus the mitigation plans are developed accordingly.

Risk factors and mitigation plans are reviewed and monitored regularly to assure short-term and long-term GC's goals. GC develops Key Risk Indicators (KRI) to monitor changes in risk factors and efficiently manage risk in timely manner. The Company annually tests the robustness of Business Continuity plan (BCP) by simulating events that could disrupt business operations and affect business continuity to assure that GC is well prepared to cope with such crises effectively. The BCP plan is continuously improved from the lesson learn before the incident occurs.

Subsequence of the situation in 2020, there were several risk factors that could impact our business continuity. GC proactively set up specific taskforces to ensure the least impact to our business operation. The "Water Management Taskforce" and the "Supply Chain Management Taskforce for year 2020 Drought" were appointed to closely monitor the situations. "The Corona virus infection Prevention and Control committee" was appointed to establish guidelines and preventive measures in respond to the rapidly evolving situation such as Work from Home policy. Details on risk management are described under "Risk Management and Risk Factors".

3. Control Activities

GC have defined control activities to mitigate risks of not achieving the Company's goals and ensure that the residual risks are at acceptable level. These include:

- The designed control activities align with internal control principles, such as segregation of duties, check and balance system, conflict-of-interest declaration. To ensure that the business is operated in a transparent, fair, and auditable manner for utmost benefit to the organization.
- Rules, regulations, policies, and procedures are in place with clear boundaries of authorization to limit the power and authority of the CEO, the President, executives, and other employees. Furthermore, operations are reviewed regularly to ensure compliance with rules, regulations, policies, and procedures.
- GC implements the automated control in crucial processes: For example, SAP GRC Access Control is in place to ensure that SAP operating system access rights accord with good practices in segregation of duties. GC also uses the Continuous Control Monitoring System (CCMS) for crucial processes to help detect and follow up exceptional transactions and to notify designated employees to correct problematic transactions in a timely manner. In 2020, GC developed the automated control in corresponding to the situations as follow:
 - Reviewed and designed the access rights on SAP system in accordance with the job function, segregation of duties and current operations. The automated access rights were developed based on the user's job function on SAP system.
 - Established the detecting rules in the Continuous Control Monitoring System (CCMS) to find anomalies of transactions in the sales and payment received processes.
 - Extended the use of Robotics Process Automation (RPA) from procurement to accounting and financial processes in order to enhance the performance and efficiency and the mean time reduce time, step of work, and human errors.
 - Developed the Salesforce CRM system in sales and service processes to quickly and accurately respond customer needs, increase transparency and reduce human errors through automated control in each process. The system could record and verify the transaction with an automatic notification and systematic reporting.
- GC has in place an Information Technology Security Policy in accordance with the ISO/IEC27001 – Information Security Management standards and international standards framework and guidance. The policy is reviewed and updated regularly. All executives and employees are required to sign and pledge to comply with the policy to ensure information security and continually business operation of GC group. Furthermore, Cyberthreat

prevention training and communication are regularly provided to all employees for up-lifting information security standards according to current situations.

- Based on the situation of the COVID-19 outbreak in 2020, GC set up important preventive controls to prevent risks that may occur, such as Work from Home policy, Covid-19 report system to screen risks of employees and their family or close people through the Application, temperature measurement before entering the work area. The information management system have been provided to support efficient Work from Home, for example, expanding the Direct Access & Always on VPN system, implementing new application for ease of use and providing online Service Desk to provide working environment as at the Company. Moreover, GC enhanced the security of information technology systems by establishing “Bring Your Own Device Policy” to support the personal devices usage in order to prevent the leakage of corporate information, increase the convenience and flexibility in working for employees and access information anywhere and anytime.
- GC governs and manages its subsidiaries to ensure that their directions, policy and procedure align with GC. Subsidiaries’ performance is monitored regularly and continuously. GC developed the guideline called “ GC Way of Conduct”, which is regularly improved and continually communicated to subsidiaries in the GC group. The training programs are arranged to executives of GC Group to raise understanding and awareness. The assessment is conducted every year to evaluate the implementation for further improvement and enforcement. The progress of this program is regularly reported to top management for acknowledgment.

4. Information and Communication

GC values the quality of information and communication that supports the effectiveness of its Internal Control System, as detailed below.

- GC establishes information classification along with instructions for filing important and controlled documents, including information from both internal and external sources. This process ensures security, accuracy, and completeness of information for the future use.
 - GC implements SAP ECC 6.0 to process key business transactions, reducing duplication of small legacy systems, and enhancing the efficiency of management reporting.
 - In 2020, GC developed the “Idea MANI” (Multi Access for New Initiatives) program that centralized the information of operational development and investment projects. The system reduces duplication of information, improves efficiency of data management by integrating all existing systems from project review to the approval process. Then, those are delivered to the next phase.
 - In 2020, GC prepared to comply with the Personal Data Protection Act 2019 in conjunction with a professional consulting firm to support the enforcement in the year 2021. The training and workshops were organized to communicate and provide basic knowledge and understanding to all parties. The assessment was conducted to determine operational plans and procedures for handling and protection of personal information in accordance with the Personal Data Protection Law.
 - GC has formed team of analysts call “GC EYE” with their expertise in business, the economy, and market outlook, GC EYE provides updated analysis on external factors and collaborates closely with various department to report potential business impact to executives. GC EYE’s news and analysis are communicated to executives and relevant parties through mobile

- application platform. In 2020, GC organized the “GC EYE Day” forum to exchange views on the global economy related to petrochemical industry and market in the New Normal to all executives and employees so that they comprehend the current business situations and trends.
- GC communicates relevant information to the Board of Directors, Executives, employees, and stakeholders to support efficient operations and internal controls.
 - The Board of Directors meeting’s documents are delivered to directors before Board meetings to allow sufficient time for them to study and review in order to make decisions. When necessary, the Board of Directors may request additional information from specific departments or employees. Furthermore, to easily and swiftly dispatch information and meeting documents, GC has developed and utilized the application called “Digital Join”, in which all directors have access to the electronic documents, protected by data encryption, on their devices.
 - GC creates multi-channels communication within organization. These include the organization’s intranet, email, feed important information through online orientation and Town Hall activities for facilitating communication from top management to employee. In 2020, town hall was held through Microsoft Team Live Streaming to comply with the New Normal and enable all employee’s accessibility in this activity. Moreover, the Company launched CEO podcast following new lifestyle to communicate and share various issues and topics in relation to our business.
 - GC communicates with external stakeholders, through the Company’s website, Facebook, and Twitter. In addition, designated departments are responsible for disclosing important information to all stakeholders regularly. A Customer Solutions Center (CSC) was established as a one-stop service center to provide information relating to GC products and services to customers and interested parties. In 2020, GC expanded communication channels with external stakeholders through “LINE GC Official” to communicate important information.
 - GC allows shareholders to propose agenda for the Annual General Meeting of Shareholders (AGM) and names of qualified candidates to be nominated for election as company directors to enhance good corporate governance regarding the rights and equitable treatment of shareholders. GC arranged the Annual General Meeting of Shareholders for the year 2020 following the preventive measures according to the Center for COVID-19 Situation Administration (CCSA) and the Bangkok Metropolitan Administration. The meeting was also organized in Web-live Broadcast via the Company’s website for shareholders who give proxies and do not attend the meeting. In addition, GC modified the Analyst meeting to announce the Company’s performance via Microsoft Teams and Facebook Live. The new application and technology allow the Company to adapt and well respond to the New Normal.
 - GC establishes an open communication channel for whistleblowers. This allows employees and external individuals to be confident that any complaints will be handled with transparency, straightforwardness, confidentiality, and in a timely manner.

5. Monitoring Activities

GC continually monitors and evaluates the adequacy of its internal controls. Development and improvement plans are also in place to ensure efficient and effective internal controls as shown below.

- GC evaluates the adequacy of corporate internal controls system annually for both organization and process level, in which the process owners conduct Control Self-Assessment (CSA). The adequacy and appropriateness of assessment results are verified by the Internal Control System Division and GRC personnel who also provide recommendations for correcting any internal control deficiencies. Reporting and monitoring procedures are also in place to report deficiencies to executives and track remediation progress to ensure that problems are addressed in a timely manner. In 2020, the Internal Control Self-Assessment assessment was transformed to the online system “CSA Connect system”, which integrated database and systematically stores assessed data. Users are able to use the data for further analysis to develop and improve the performance of internal control to be more efficient and effective.
- Internal Audit, an independent unit reporting directly to the Audit Committee, examines and evaluates the effectiveness and operation of internal control activities according to the audit plan approved by the Audit Committee and provides suggestions and supports. This audit plan is aligned with GC’s strategy and its associated risks. Deficiencies and recommendations are communicated by executives to those responsible. The audit reports and findings are presented to the Audit Committee regularly. Internal controls for financial reporting are reviewed by external auditors who report to the Audit Committee quarterly and yearly.

- GC continually follow up within GC group for compliance monitoring and reporting through compliance checklist to ensure that all activities comply to policy, rules, laws and regulation.
- GC was certified as a member of the Thai Private Sector Collective Action Against Corruption (CAC) for the first time on July 4, 2014. The Company sets up the anti-corruption working group to annually conduct the anti-Corruption self-assessment. Every 3 years, this assessment is reviewed by the Audit Committee and signed by the Chairman of the Audit Committee and the CEO in order to re-certify membership status. In 2020, the Company was re-certified the 3rd time to renew membership status on June 30, 2020. It was confirmed that the Company has a policy, practice guideline and measures to prevent corruption as well as operates in the principles of good corporate governance.

**GC HAS ESTABLISHED
AN INTERNAL CONTROL SYSTEM
IN COMPLIANCE WITH THE COSO
FRAMEWORK TO ASSURE EVERYONE
AT GC THAT ITS OPERATIONS
ARE EFFECTIVE AND EFFICIENT
AND WILL ENABLE THE COMPANY
TO ACHIEVE ITS CORPORATE OBJECTIVES.**