



Star Petroleum Refining Public Company Limited



# Human Performance

**2017**  
ANNUAL REPORT



Star Petroleum Refining Public Company Limited



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# Our Vision

One Family...

Fueling the Future of Thailand

# Our Mission

“We are a highly engaged Family, dedicated to providing sustained superior returns to our shareholders through industry leading safe and reliable operations, producing quality products that exceed customer expectations, in harmony with our communities and the environment.”





# Core Values

**S***tar* Leader / Outstanding / Role model

**P***rofessional* Integrity / Professionalism / Performance driven

**R***eliable* Accountable / Ready / Trustworthy

**C***aring* Responsible citizen / Compassion / Sincere



# MESSAGE FROM THE CHAIRMAN



**Mr. Andrew Benjamin Walz**  
Chairman of the Board

## SPRC – Another Successful Year

The Board of Directors would like to thank all of SPRC's shareholders and the SPRC Family for their support and contributions to make 2017 a success. SPRC's strategy is to "Set the Standard" in all aspects of the business. SPRC's three key strategic intents are to "Set the Standard as Employer of Choice", "Set the Standard in Operational Excellence", and "Set the Standard in Shareholder Return". In addition, the Board of Directors, SPRC management and the SPRC Family are committed to the highest standards of business conduct, ethics, transparency and corporate governance.

During 2017, SPRC's Family had some setbacks to meeting their strategy to Set the Standard in Operational Excellence with 2 unplanned unit shutdowns. The Board of Directors was proud to see how the SPRC Family met these challenges, learned from them, and got the refinery back to steady operations with minimal impacts to our stakeholders.

Despite the unplanned shutdowns, SPRC had a very good year, and captured a Gross Refining Margin of US\$7.34/barrel, higher than 2016. Net earnings were US\$261 million for the year and earnings per share of US\$0.06 (Baht 2.05/share), higher than 2016. SPRC paid dividends to our shareholders in May and September this year of Baht 0.6446/share and Baht 0.4621/share, respectively.

The Board of Directors is confident that SPRC will continue to execute our "Formula For Success", to ensure outstanding performance in Operational Excellence and financial returns. SPRC has not had a Days Away from Work injury since 2013, more than 4.5 years and close to 16 million man-hours. Although reliability and utilization were below our targets due to the unplanned shutdowns, SPRC was able to utilize its Bottom Line Improvement Program (BLIP) to boost financial returns, through feedstock, process and product optimizations, as well as driving operational cost efficiency.

The Board of Directors was also proud that SPRC received certification by the Thailand Private Sector Collective Action Coalition Against Corruption (CAC) in recognition of strong Corporate Governance (CG) program, as well as recognition by the Thai Institute of Directors Association (IOD) with an "Excellent" CG Award. These certifications and awards provide confirmation to the Board that SPRC's Family culture and Core Values build strong corporate governance, and create a reputation of transparency, honesty and fairness with all of our stakeholders.

The Board believes that SPRC's continued excellent performance places SPRC in the very top tier of Asia Pacific refineries. Consistent with SPRC's strategy to "Set the Standard", management, staff and contractors continue to drive work process improvements and initiatives to further improve performance in Operational Excellence and financial returns.

On behalf of the SPRC Board of Directors, executives and employees, I would like to thank SPRC's investors for their belief in our company. I would also like to thank all of SPRC's Family, business partners and other stakeholders for helping to achieve another successful year. I believe this continued performance is a strong indicator of SPRC's ability to continue to "Set the Standard" in the refining industry and to achieve the Vision of "One Family... Fueling the Future of Thailand" for many years to come.



Mr. Andrew Benjamin Walz  
Chairman of the Board





# Message from the Chief Executive Officer

Mr. William Lewis Stone

Director and Chief Executive Officer



## On behalf of the SPRC Family, I would like to thank all of our shareholders for their continued support for SPRC.

SPRC's objectives for 2017 were three-fold: continue our exceptional operational and financial performance, continue to build relationships with the investment community, and start our preparations for the upcoming Event in 2019. SPRC's third Annual Report provides details on our progress including our operational and financial performance, corporate governance and investor relations.

SPRC's strong **"ONE FAMILY"** culture continues to be a source of differentiation and creates the foundation for exceptional performance. We care for the safety, well-being, and success of our entire Family, just as we care for our own children, spouses, and parents at home. Our continued success is dependent on, and a result of, the relationships our Family members develop, working together to achieve performance excellence.

In 2017, SPRC continued to use our "Formula for Success" It starts with a strong foundation in personal safety, which is leveraged into exceptional process safety and reliability, which allows us to maximize utilization of our facilities. Exceptional reliability and utilization provides the opportunity for our SPRC Family to focus on driving optimization and cost efficiency and thereby maximizing capture of Gross Refining Margin. The formula is simple in concept, but requires commitment, discipline and attention to every detail in implementation. SPRC's ability to successfully implement the "formula" is the "secret" behind our continued exceptional operational and financial performance.



SPRC's operational results in 2017 did not meet our aggressive goals and expectations. Operational performance required the unplanned shutdown of our Crude Distillation Unit (CDU) in June and Resid Fluidized Catalytic Cracking Unit (RFCCU) in October. During these events, SPRC's Family culture enabled our employees and contractors to work harmoniously together to meet the challenges and minimize the impacts to our operations, customers and other stakeholders. SPRC has determined the causes of the operational challenges and have made the appropriate changes to prevent reoccurrence. As a result, SPRC operations finished the year strongly, with all units operating well.

Another point of differentiation is SPRC's philosophy for Turnaround and Inspection (T&I) of our facility. We plan and execute a complete refinery T&I every 5 to 6 years with no planned shutdown between major T&I's. We also plan and execute capital projects that will enhance our performance during these T&I's. SPRC refers to the combination of the T&I activities and project work as the "Event". The next Event is scheduled for November 2019. To ensure an efficient, well run Event, SPRC started preparations in 2017, developing and setting the inspection and maintenance scope, as well as developing projects for implementation during the shutdown. The key project under development is a Capacity Increase Project that will increase capacity of the refinery from 165,000 to 175,000 barrels/day.

Looking forward, the SPRC Family continues to strive to meet our strategic intents:

- **Set the Standard in Asia Pacific for Shareholder Return,**
- **Set the Standard Globally for Operation Excellence, and**
- **Set the Standard in Thailand as Employer of Choice.**

The foundation for achieving these strategic intents is our passionate commitment to personal safety such that everyone in our "One Family" goes home safely each day, and stays safe at home as well. In 2017, the SPRC Family had no days away from work injuries, completing over 15.7 million man-hours without an injury. Despite the operational incidents, SPRC was able to optimize our facility to capture a gross refining margin of US\$7.34/barrel, better than in 2016.

Our commitment to the SPRC vision of **One Family... Fueling the Future of Thailand** requires that we must continuously focus on employee development and processes to develop our Family into world-class leaders. Today's excellent performance will be sustained and improved upon by these future leaders. Consistent development of these leaders will ensure that SPRC is in a position to provide the fuels that power the financial growth engine of Thailand for many years to come.

In addition to financial success, we recognize that to achieve a truly sustainable business, we must have balance between financial performance, stewardship of the environment, and social responsibility. Consistent with our commitment to a long-term balance of these objectives, we have incorporated Sustainable Development concepts into all of our business plans, work practices, procedures and decision making.

At SPRC, strong corporate governance is an element of our SPRC Core Values (Professionalism), and as such, is deeply embedded in our One Family culture. We recognize that a key element of our success with our stakeholders is our reputation for transparency, honesty and fair dealing. This value is firmly rooted in the integrity and behavior of our management and staff. We are proud to have received certification by the Thailand Private Sector Collective Action Coalition Against Corruption (CAC) in recognition of strong corporate governance program.

I am confident that the power of our highly engaged SPRC Family will continue to drive SPRC's success and allow us to "Set the Standard" for the refining business, and achieve our vision of:

**"One Family...  
Fueling the Future of Thailand"**



**Mr. William Lewis Stone**

**Director and Chief Executive Officer**

# Performance Review



SPRC's goal is to finish every day incident and injury free. Our incident and injury free culture is the basis for our target of everyone going home safely every day and our extended target of ensuring our SPRC Family and their families stay safe at home as well. Incident and injury free is focused on both process and personal safety and reliability. Success at incident and injury free is the first component of our Formula for Success – safe and reliable operations, allowing high process facility utilization, opportunity to optimize our operations and drive sustainable operational and financial performance. This winning Formula meets the expectations of our many stakeholders, through safety for our Family, environmental performance ensuring minimal impact on our communities, and top financial performance for our shareholders.

The SPRC family continues to look for ways to enhance our incident and injury free performance, including through new initiatives such as Human Performance, expanding our Verification and Validation process, and continuous improvement of our EH&S and Asset Management Systems.

At the end of 2017, we recorded 15.7 million man-hours and 4.5 years since our last “days away from work” case (DAFW) and 2.2 million man-hours since our last recordable injury.

In 2017, SPRC had unplanned maintenance activities in the CDU and RFCCU which impacted our reliability, utilization, and financial performance. As we do for all incidents, both small and large, SPRC has determined the causes of these unplanned activities and made changes to our facilities



and operational plans to ensure they do not repeat. SPRC finished the year full utilization of our facilities and we expect continuous operations until our planned major maintenance activities in the end of 2019. Despite these incidents, our financial returns for the year exceeded the previous 2 years.

SPRC has the flexibility to run a wide range of crudes, and we constantly review and manage our crude selection to find the highest value crudes to produce high value products and maximize our margin. In 2017, we processed 37 crude types including 3 new crudes from new production oil fields. We processed 152 thousand barrels per day of crude oil, or 92% of our crude capacity. In 2017, we produced and sold 64 million barrels of petroleum products.

SPRC's Bottom Line Improvement Program (BLIP) identifies and implements initiatives to improve our margins. We use Advance Optimization Studies and Innovation Quests to identify opportunities in crude selection, product and process optimizations, slop management, oil loss and energy efficiency improvement. Over the years, BLIP has contributed margin improvement of US\$2.59/bbl, improving our marketing gross refining margin to achieve US\$7.34/bbl in 2017.

SPRC utilizes Lean Sigma and continuous improvement methodology to identify initiatives through our People Efficiency and Waste Elimination (PEWE), which achieved cash operating cost reductions of US\$3 million in 2017.





# Achievements & Awards

## Environment and Safety



**"Green Star - White Flag" Awards** for 10 consecutive years for the Environment and Safety Good Governance by IEAT for sustained excellent environmental, safety management systems and compliance as well as active corporate social responsibility programs since 2008-2017, and

**"Gold Star - White Flag" Awards** for 5 consecutive years as extra recognition of companies which have received the Green Star - White Flag for 6 consecutive years (2008-2013, 2009-2014, 2010-2015, 2011-2016 and 2012-2017).

## Environment and Safety



## Environment and Safety



**CSR-DIW Continuous Award 2017**, granted by the Department of Industrial Works (DIW) , Ministry of Industry, in recognition of SPRC who has shown continuous commitment to corporate social responsibility (CSR) continuous development.

## Environment and Safety



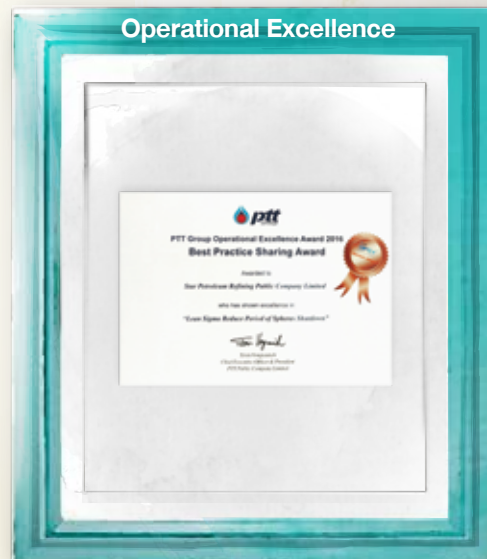
**Green Industry Level 3:** Green System Awards from 2016-2019 granted by Ministry of Industry for systematic environmental management including follow-up, assessment and revision aimed to continuous development.

**ESG 100 (Environmental, Social and Governance)**, SPRC was selected among 621 SET-listed companies that are most outstanding in terms of environmental, social and governance performance by Thaipat Institute.





**"Zero Unplanned Shutdown" Awards**, presented by the PTT Operational Excellence Committee.



**Best Practice Sharing Awards**, presented by the PTT Operational Excellence committee in 2012-2013 and 2016.



**CG Award "Excellent" scoring**, granted by Thai Institute of Directors Association (IOD) , in collaboration with the Stock Exchange of Thailand (SET), to evaluate the good governance of Thai Listed Companies on: Rights of Shareholders, Equitable Treatment of Shareholders, Role of Stakeholders, Disclosure and Transparency, and The Board Responsibilities.



The Company was approved by the Thailand Private Sector Collective Action Coalition Against Corruption (CAC) to be the Certified Company.



**ISO 9001:2015**  
(Quality Management)

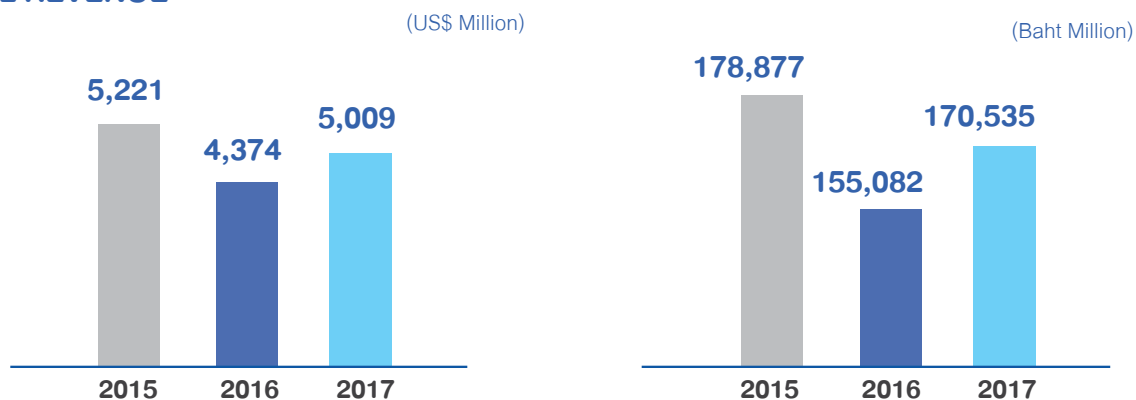
**OHSAS 18001:2007**  
(Occupational Health and Safety)

**ISO 14001:2015**  
(Environmental Management)

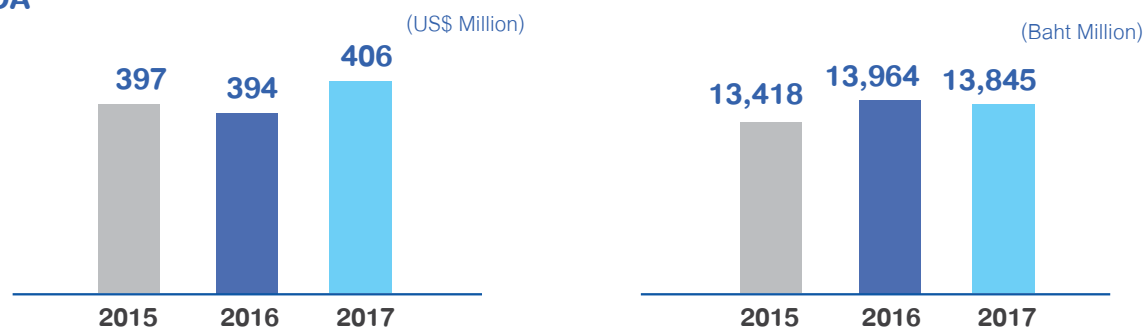
**ISO/IEC 17025:2005**  
(Competence of Testing and Calibration Laboratory)

# FINANCIAL HIGHLIGHTS

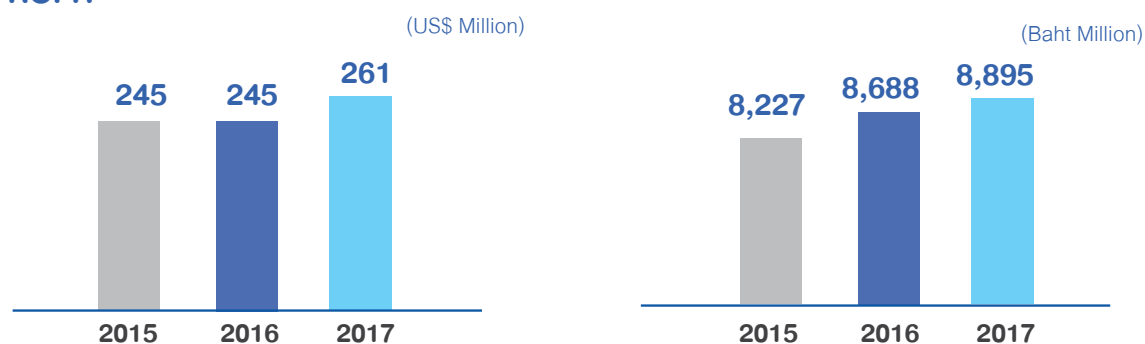
## TOTAL REVENUE



## EBITDA<sup>(1)</sup>



## NET PROFIT



<sup>(1)</sup> EBITDA is Earnings before Interest, Taxes, Depreciation and Amortization.



Statement of Financial Position (US\$ Million)	2015	2016	2017
<b>Total Assets</b>	<b>1,686</b>	<b>1,672</b>	<b>1,821</b>
Cash and cash equivalents	109	6	66
Current assets	495	652	810
Property, plant and equipment, net	1,076	1,005	937
Non-current assets	6	9	7
<b>Total Liabilities</b>	<b>673</b>	<b>513</b>	<b>539</b>
Current liabilities	552	397	513
Non-current liabilities	121	116	26
<b>Total Shareholders' Equity</b>	<b>1,013</b>	<b>1,159</b>	<b>1,282</b>

Statement of Financial Position (Baht Million)	2015	2016	2017
<b>Total Assets</b>	<b>61,122</b>	<b>60,188</b>	<b>59,797</b>
Cash and cash equivalents	3,949	233	2,171
Current assets	17,933	23,474	26,593
Property, plant and equipment, net	39,005	36,170	30,791
Non-current assets	235	311	241
<b>Total Liabilities</b>	<b>24,397</b>	<b>18,469</b>	<b>17,696</b>
Current liabilities	20,021	14,291	16,848
Non-current liabilities	4,376	4,178	848
<b>Total Shareholders' Equity</b>	<b>36,725</b>	<b>41,719</b>	<b>42,101</b>

Key Financial Ratio	2015	2016	2017
Current ratio (time)	1.1	1.7	1.7
Net profit margin (%)	4.7	5.6	5.2
Return on assets (%)	13.0	14.6	15.0
Return on equity (%)	20.7	22.6	21.4
Net debt to equity (time)	0.7	0.4	0.4
Interest coverage (time)	4,165.5	108.5	133.2
Dividend payout (%)	183.1	110.1	53.0

# Overview of Business, Vision, Mission, and Strategy

SPRC, a reliable and efficient refinery, located in Map Ta Phut Rayong. Our complex refinery has a capacity of 165,000 barrels per day of crude oil which providing about 13% of the combined refining capacity in Thailand. SPRC products include transportation fuels, other petroleum products and Petrochemical feedstock. We produce liquefied petroleum gas ("LPG"), polymer grade propylene ("PGP"), chemical grade naphtha, premium and regular grades of gasoline, jet fuel, diesel, fuel oil, and asphalt. With our focus on the high value in domestic market, we place our petroleum products primarily in Thai domestic market, mostly through Chevron and PTT.

## SPRC's Vision is:

**"One Family...**

**Fueling the Future of Thailand"**

## To achieve our Vision, the Mission is set as follows:

"We are a highly engaged Family, dedicated to providing sustained superior returns to our shareholders through industry leading safe and reliable operations, producing quality products that exceed customer expectations, in harmony with our communities and the environment"

## Strategy

SPRC intends to accomplish the Mission through the focus in 3 key result areas which are People, Operational Excellence and Stakeholders. The strategic objectives of each key result areas are defined as follows:

### 1. People: Set the Standard in Thailand as the Employer of Choice

SPRC focus on developping world class leaders and continue strengthen our learning organization through Knowledge Management. We continue to drive our success by creating a highly engaged and high performance family aiming to achieve the Best Employer Award among Thai companies.

### 2. Operational Excellence: Set the Global Standard for Operational Excellence

SPRC has a strong incident and injury free family culture. We have commitment on personal safety and process safety. We continue to improve our performances to sustain our industry leading safety and reliability performances as compared to peers through a refining business benchmarking service.

### 3. Stakeholders: Set the Standard in Asia Pacific for Shareholder Return

SPRC focus on margin improvement, driving optimization and cost efficiencies. We continue improve financial performance and capture increased margin through our Bottom Line Improvement Program (BLIP) which aid and allow us to generate high returns to shareholders. We sustain our domestic sale through being a Supplier of Choice. The Sustainable Development program has also been integrated to meet our environmental expectations, social development, financial performance expectations, shareholder and communities expectation.



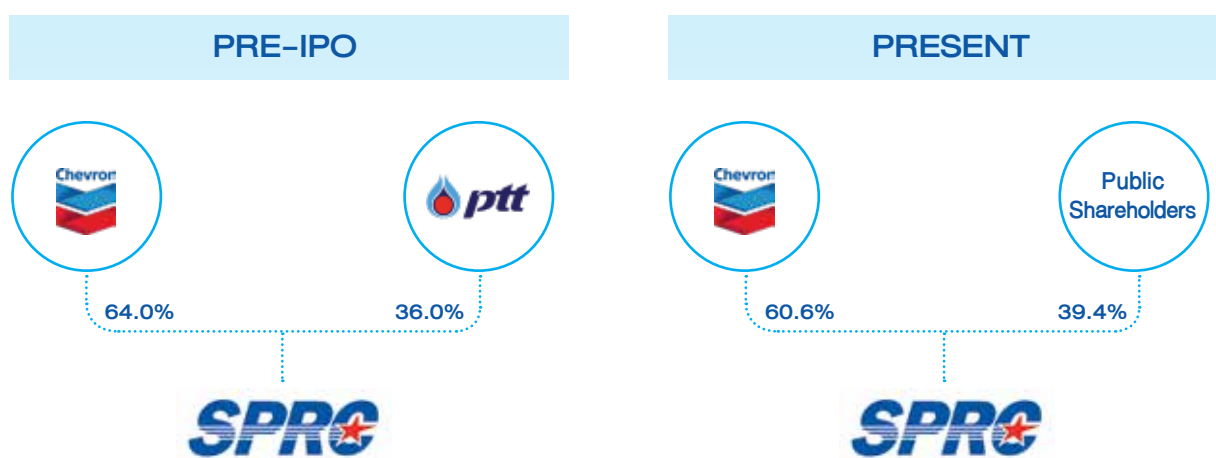
## Key Accomplishments in 2017

Our key accomplishment in 2017 are:

- Achieved 15.69 million man-hours without days away from work injury.
- Increased gasoline production capability by 5% to serve domestic demand.
- Continued crude optimization, 37 types of crude processed during the year including 3 new crudes.
- Stayed competitive through Bottom Line Improvement Program (BLIP), margin captured US\$2.59/bbl.
- Executed injury free product pier project within budget and schedule which improved jetty reliability and provided more flexibility for product loading.
- Achieved highest Dividend Payout among Thai refineries.
- Sustained top performer on Dividend Yield among Thai refineries.

## Shareholding Structure

The shareholding structure had been changed following the completion of our IPO on December 8, 2015. The updated shareholding structure is as shown below.



Chevron, our major shareholder, remains 60.6% of shareholder in SPRC and continue to provide benefit to SPRC through access to Chevron's global procurement services for crude oil and feedstocks, a global refined petroleum products sales network, advanced technological, operational, engineering and other technical support services, and Chevron's master supply agreements for materials and services.

## Human Performance

Human Performance (HP) is one of the key focus areas that will help SPRC continually improve on our Incident and Injury Free journey. The HP program is primarily designed around the process of helping people become aware of the potential to make errors and then understanding what changes can be made to reduce the chance of those errors occurring.

The HP program was started in Operations areas and has now been extended to the Administration areas in year 2017. Key activities in year 2017 were focusing on moving from “I think” to “I know” to “We know” through an effort to move from “knowledge-based mode” in the job to either “skill mode” or “I think” “procedure mode”.

The HP program looked at the following:

- Increasing the overall staff awareness of what HP is about and how it can impact their personal performance
- The upgrading our critical work procedures through their review and conversion to the Smart Procedure format
- The review of job competency profiles and the associated training programs with a more rigorous Verify and Validate (V&V) on the training effectiveness
- The incorporation of the Shift Turnover with Excellence program (STWE)
- The improving of the incident investigation process to better understand the HP factors that may have contributed to each incident

The HP program is a journey along with Incident and Injury Free to continually improve our performance through both individual and company wide improvements to reduce the chance of incidents or injury in the workplace.



# Nature of Business

SPRC is one of the leading petroleum product producers in Thailand and among the most efficient refineries in the Asia Pacific region. We own and operate a complex refinery with a capacity of 165,000 barrels per day of crude oil, which represents 13% of the refining capacity in Thailand.

## Crude and Product

Our refinery is capable of processing a wide range of crude oil, which we typically source from the Middle East and the Far East. Our choice of feedstocks and product slate at any time depends on relative prices and yields. We decide on our product slate with input from our offtakers, based on our

assessment of demand and projected prices for the various products that we can produce, typically around three months in advance of expected orders.

Our primary petroleum products from the distillation and conversion of crude oil are hydrocarbon fuels, which include LPG, premium and regular grades of gasoline, jet fuel, diesel, fuel oil and asphalt, as well as petrochemical feedstocks used in the petrochemical industry, which include PGP, LPG, chemical grade naphtha, mixed C4, reformat and sulfur.

Sale Revenue	Year Ended December 31,					
	2015		2016		2017	
	Volume (thousand barrels)	US\$/bbl <sup>(2)</sup>	Volume (thousand barrels)	US\$/bbl <sup>(2)</sup>	Volume (thousand barrels)	US\$/bbl <sup>(2)</sup>
PGP	1,834	71.64	1,620	60.81	1,414	70.21
LPG	3,223	45.42	2,931	36.81	2,703	47.63
Light Naphtha	2,867	51.53	2,607	41.78	2,487	52.91
Gasoline	15,797	100.42	16,336	86.92	15,382	101.16
Jet Fuel	4,752	64.48	4,537	51.59	4,131	69.30
Diesel	23,663	87.64	23,386	77.73	22,148	92.69
Fuel Oil	6,404	42.66	7,761	32.67	7,221	48.38
Asphalt	1,455	58.73	1,244	27.05	1,232	45.07
Mix C4	2,607	50.44	2,146	42.68	2,533	45.64
Crude	65	61.13	652	38.48	16	54.45
Other <sup>(1)</sup>	5,671	59.00	3,767	48.43	4,226	55.06
<b>Total Revenue</b>	<b>68,338</b>	<b>76.40</b>	<b>66,987</b>	<b>65.29</b>	<b>63,492</b>	<b>78.89</b>

<sup>(1)</sup> Includes sulfur, reformat and products sold pursuant to our cracker feed exchange with PTT Global Chemical

<sup>(2)</sup> Includes excise tax, energy conservation promotion fund, oil fuel fund and local taxes

Sale Revenue (in millions of US\$)	Year Ended December 31,					
	2015		2016		2017	
	Sales Revenue	% of Total Revenue	Sales Revenue	% of Total Revenue	Sales Revenue	% of Total Revenue
Polymer Grade Propylene	131.4	2.5%	98.5	2.3%	99.2	2.0%
Liquefied Petroleum Gas <sup>(1)</sup>	146.4	2.8%	107.9	2.5%	128.7	2.6%
Light Naphtha	147.7	2.8%	108.9	2.5%	131.6	2.6%
Gasoline	1,586.4	30.4%	1,420.0	32.5%	1,556.1	31.1%
Jet Fuel	306.4	5.9%	234.1	5.3%	286.3	5.7%
Diesel	2,073.8	39.7%	1,817.8	41.5%	2,053.0	41.0%
Fuel Oil	273.2	5.2%	253.5	5.8%	349.4	7.0%
Asphalt	85.5	1.6%	33.7	0.8%	55.5	1.1%
Mix C4	131.5	2.5%	91.6	2.1%	115.6	2.3%
Crude	4.0	0.1%	25.1	0.6%	0.9	0.0%
Other <sup>(2)</sup>	334.5	6.4%	182.4	4.2%	232.6	4.6%
<b>Total Revenue</b>	<b>5,220.8</b>	<b>100.0%</b>	<b>4,373.5</b>	<b>100.0%</b>	<b>5,008.9</b>	<b>100.0%</b>

<sup>(1)</sup> Includes Government fuel subsidies

<sup>(2)</sup> Includes sulfur, reformat and products sold pursuant to our cracker feed exchange with PTT Global Chemical

We sell a significant portion of our petroleum products primarily through the Offtake Agreement that we have entered into with Chevron and PTT and we sell our products both domestically and for export. From time to time, we also enter into a variety of short-term product sales agreements on a spot or term basis for the remaining petroleum products that are produced in our refinery.

Our top two customers are Chevron and PTT. The following table sets forth the percentage of total revenue accounted for by Chevron and PTT, respectively, for the periods indicated.

	Year Ended December 31,		
	2015	2016	2017
	% of Total Revenue		
Chevron	50.5	55.8	57.5
PTT	34.8	32.5	31.3
Others	14.7	11.7	11.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>



## Product Pricing

Most of the products sold through the offtake Agreement are benchmarked off the Mean of Platts Singapore, or MOPS. Thai domestic prices are adjusted from MOPS pricing with certain transportation, production, product quality, and market adjustments as appropriate.

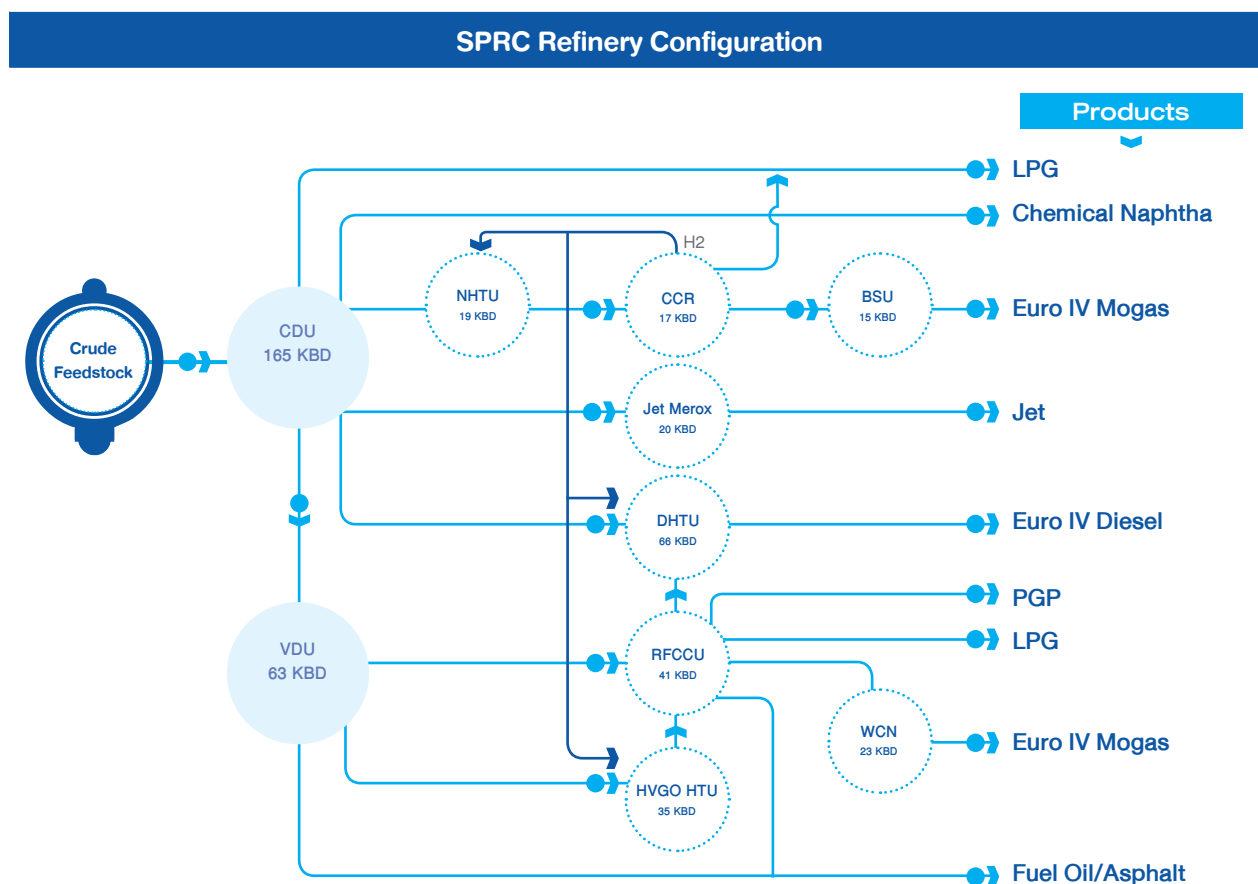
Domestic sale prices of petroleum products sold outside of the Offtake Agreement are also market driven and are generally based on the monthly average of regional benchmark prices with certain adjustment for the applicable product in the month that they are sold. Our exports for petroleum products are also generally based on benchmark pricing, such as the price for the relevant product quoted on MOPS, plus or

minus a premium or discount based on market conditions and negotiations with potential purchasers as well as differences in product quality and location.

## Production Facilities and Processes

Our production facilities are located in Rayong province, approximately 200 kilometers to the southeast of Bangkok. Our refinery is a cracking refinery as compared to a hydroskimming refinery. Hydroskimming refineries are relatively low complexity refineries that have a significant amount of fuel oil yield. Cracking refineries are able to upgrade a significant portion of fuel oil into higher value transportation fuels such as gasoline, jet and diesel, providing a much higher margin than hydroskimming refineries.

The following diagram illustrates our refinery's configuration:



## Feedstocks

We are capable of processing a wide range of crude oil, including crude oil from the Middle East, Far East and other regions. We use Chevron's global crude and feedstock procurement network, crude characterizations and proprietary linear program to optimize the quantity and type of crude oil and other feedstocks, to enhance our gross refining margins while meeting customer demand. We source and purchase crude oil primarily through Chevron and PTT and their affiliates on credit terms that are in line with market practice. We also purchase long residues and other feedstocks for processing in our refinery, primarily from Chevron under feedstock supply agreements.

We have a cracker feed exchange with PTTGC where we supply heavy vacuum gas oil as supplemental feed to PTTGC's hydrocracker, and PTTGC supplies us with hydrocracker bottoms as a supplemental feed to the RFCCU, to increase yields of higher value products at both our RFCCU and PTTGC's hydrocracker.

We primarily receive crude oil shipments through a single point mooring system and are also able to receive crude oil in smaller shipments through a pier in our marine terminal. This crude is delivered to storage tanks at the refinery through pipelines that connect directly to our refinery.

## Strategic Location

The strategic location of our refinery provides proximity to key transportation options including a multi-product pipeline, trucks, coastal vessels, and a single point mooring; and major demand centers, which lowers transportation costs and provides several supply and distribution advantages. Many of our petrochemical feedstock customers are also located in the Map Ta Phut Industrial Estate, providing us with effective methods for managing costs associated with delivery of products to these customers.

We have a marine terminal with two piers to distribute products throughout Thailand and export markets. We also operate a truck loading terminal for our offtakers to facilitate the distribution of our petroleum products to the southeast and northeast of Thailand, within Rayong province and to

the Indo-China export market, including Laos, Cambodia and Myanmar. Our refinery has a total of 71 storage tanks and facilities to enable us to store feedstocks after delivery and before processing, products before delivery, and certain intermediate processing streams. We have nominal crude oil storage capacity of approximately 4.9 million barrels, representing up to 29 days' supply of crude oil.

## Competition

The refining industry in Thailand is highly competitive. As of 31 December 2017, there were 7 refineries in Thailand, with a combined refining capacity of 1,235 kbpd. We principally compete with five other domestic petroleum refineries in Thailand with a combined capacity of 1,097 kbpd, which are Thai Oil, Esso, Bangchak Petroleum, PTTGC, and IRPC. PTT, which is Thailand's largest oil and gas company, holds significant interests in three of our principal competitors: Thai Oil, PTTGC and IRPC.

## The Oil Refining Industry

### Current Oil Price Environment

In 2017, crude prices were volatile with Dubai crude price moving between US\$43.50/bbl and US\$64.36/bbl, with an average of US\$53.16/bbl, which was higher than 2016 average of US\$41.32/bbl. Average Dubai price for Q3/17 was US\$50.45/bbl, increased from US\$49.78/bbl in Q2/17 as a result from decline of U.S. crude inventories due to Hurricane Harvey and lower Libyan oil production cause the shutdown of El Sharara oilfield. In the fourth quarter 2017, Dubai price increase to US\$59.30/bbl because of a result of extends agreement of reduced supply from OPEC and non OPEC producers to the end of 2018, lower export from northern Iraq due to conflict between Kurdish and Iraqi militaries and shutdown of the Keystone pipeline connecting Canada and the United States due to oil spill. The U.S. crude oil stocks have reached low record stock levels at 425 million barrels at the end of December. U.S. oil rig count rose continuously to 744 and increased U.S. production to 10 MBPD.



## Oil Industry Outlook

The International Monetary Fund (IMF) has projected world economic growth to expand by 3.7% in 2018. The advanced economies forecast for 2018 is 2.0% which unchanged from 2017 as lower projected U.S. growth offsetting higher projected growth in the Euro area. World liquids demand growth is expected to remain strong at 1.9 MBPD higher than 1.8 MBPD in 2017 support by strong non-OECD (the Organization for Economic Co-operation and Development) Asia refined product. The World Bank projects Thai economic growth of 3.3% in 2018.

The OPEC expects weak world supply in 2018 of 39.5 MBPD, which is less than 40.1 MBPD in 2017. Oil prices are expected to increase as extends agreement of reduced production from OPEC and non OPEC producers to the end of 2018 and balance in global liquid oil. Most analysts estimate that Jet, Diesel and Naphtha demand growth will remain relatively strong as a result of preparation for the IMO bunker fuel specification change and petrochemical feedstock. In 2018, Gasoline is expected to remain strong demand growth in Asia and the Middle East constituting about 30% of regional demand growth amid growing vehicle ownership. Gasoline crack in West is expected at moderate amid ample supply availability and demand decline in U.S. and Europe. Fuel oil demand growth is expected to remain relatively flat due to declines in North America and Europe.

Moreover, U.S. liquids supply growth is expected to pick up in 2018 due to rebound of U.S. rig count and increasing of shale oil production to 10 MBPD which put downside pressure on price and supply market.

## Environmental Matters

Our operations are subject to various environmental laws and regulations. We have complied with the latest regulations for both The Ministerial Regulation Control of Contamination in Soil and Underground Water inside Factory Area B.E. 2559 and The Ministry of Industry announcement of the Effluent Standards from Factory B.E. 2560.

We have implemented various pollution control and other environmental impact mitigation measures. We conduct regular reviews aimed at achieving compliance with our environmental policies. We believe we are in compliance in all material respects with environmental laws and regulations applicable to us.

SPRC believes in maintaining a good balance between environmental stewardship, financial performance, and social development. We have incorporated this fundamental Sustainable Development belief into the way we do business. Several key Focus Areas for us to continuously improve our performance include Green House Gases Emissions, Air Emissions, Oil Spill Prevention and Response, Water Management and Waste Management.

# Risk Management and Risk Factors

To achieve SPRC business objectives, SPRC has a robust Risk Management Policy in place to understand internal and external risk factors that could impact our goals. Our first step in risk management is to identify potential risks to our business and operations and assess that risk for likelihood and potential impact on SPRC using a Risk Matrix. This assessment is updated at least annually based on changes in our business, changes in local, regional and global conditions, or if our mitigation plans have reduced the risk.

SPRC conducts risk management throughout all areas of our business, including strategic risk, business risk, operational risk, financial risk, project risk, trading risk, and compliance risk. Understanding these risks, we also use risk-based decision making to ensure SPRC achieves successful operational results and financial returns.

Once the risks have been identified and analyzed, SPRC develops mitigation plans for each risk to minimize the chance of the risk happening, or the impact if it does occur. These mitigation plans are monitored to ensure they are completed on time and successfully reduce the risk. Risk management assessments and status of mitigation plans are reviewed and approved by the Risk Management Committee (RMC), which consists of the Chief Executive Officer, the Deputy Chief Executive Officer - Operations, the Supply and Planning Manager, and the Chief Financial Officer. These results are also reported to the Audit Committee on a quarterly basis.



## Strategic Risk

### 1. Market and Commercial Risk

SPRC's overall refining margins are driven in large part by global crude and product pricing trends, which strongly influence global refining margins. Although global refining margins can be volatile in the short term, over the longer term they tend to be relatively steady to support sustainable refinery operations. SPRC's goal is to maximize our profitability by getting the most out of margins through a focus on safety and reliability which allows maximum utilization rates and maximum margin capture. Since 2009, SPRC uses its Bottom Line Margin Improvement Program (BLIP) in order to continuously find ways to increase our margins over benchmark margins. BLIP looks at product optimization, process optimization, crude optimization, oil loss reduction, energy efficiency and people efficiency and waste elimination as ways to improve margin. An important part of BLIP is maximizing product placement in the higher value Thailand domestic market. Over the years, SPRC has continuously identified and implemented initiatives that have provided increasing differentiation over benchmark margins, which enhances our margin capture during strong markets and minimizes impact on margin during weak markets.

SPRC is a member of the Federation of Thai Industrial (FTI), where we work together with companies in the refinery and petrochemical cluster group to advocate government policy and regulations which may create a business impact. The advocacy program supports knowledge sharing, provides relevant information, and provides suggestions during drafting and public hearings before the enactment of regulations. SPRC maintains good relations and cooperation with related Government Authorities, such as Ministry of Energy, Department of Energy Business.

## 2. Laws and regulations relating to the environment or product specification requirements

SPRC has a strong Sustainable Development and corporate social responsibility program. We meet or exceed all regulations related to environmental standards and product specifications. To ensure sustainable business operations for SPRC, we have developed roadmaps and implemented actions to improve the environment in the areas of emissions of sulfur dioxide, nitrogen oxides particulates, energy usage and water usage.

We committed capital expenditures to meet and exceed requirements of environmental laws and regulations. In 2012 we completed our Clean Fuels Project to produce Euro IV gasoline and diesel. In 2014 we finished the Air Preheater Project which reduced refinery green- house gas emissions by 2% and reduced NOx emissions. The 2014 FCC Reliability Improvement Project reduced particulate emissions from the FCC by 63%. In 2017, we implemented projects to minimize water consumption by recovering Low Grade Condensate at the Sulfur Plant.

For product specification requirements, SPRC always targets internal product specifications that exceed government specifications and to meet or exceed our customer requirements.

We have a Legal Compliance Process to ensure we understand any change in laws and regulations, and develop implementation plans to ensure compliance. SPRC also has an active advocacy program to work with industry, NGO's and the government as new laws and regulations are developed.



## 3. Refinery Competitive Position

The refinery business is a highly competitive market as more new technologies are implemented to minimize costs and to increase high value product yields. SPRC improves our competitive position both through implementation of our Bottom Line Margin Improvement Program (BLIP) and Investor relations strategy.

BLIP focuses on improving refinery optimization through implementation of new initiatives, many of which are identified via AOS (Advance Optimization Studies) and IQ (Innovation Quests). SPRC is also developing ways to improve its competitive position by leveraging and investing in the future trends of digital technology.

As part of our investor relation strategy, SPRC reviews our competitiveness in the market through benchmarking of shareholder returns with other refineries in Thailand and Asia Pacific as well as monitoring our stock price performance against peers, and an internal assessment of its fair value.

SPRC's strategic objective in its Key Result Areas (KRA's) is to Set the Standard in Operation Excellence, Shareholder Returns and the Employer of Choice. SPRC's Family Culture supports these objectives, with responsibilities for activities cascaded throughout the organization, and with successes celebrated through employees' team reward and recognition schemes.



One aspect of Setting the Standard in Operational Excellence is SPRC's goal to run its refinery for over 5 years without unplanned shutdowns, which also supports margin maximization, financial returns and competitive position. During the next turnaround scheduled in late 2019, SPRC will implement several projects, which will increase capacity of crude distillation unit (CDU) and downstream units, improve safety and reliability, and improve energy efficiency. These projects will enhance competitive position by increasing product throughput and yields, minimize production costs and also enhance our crude processing flexibility which is one key factor to support refinery margin.



## Financial Risk

A substantial portion of our revenues, costs and expenses are in U.S. dollar currency. As a result, SPRC uses the U.S. dollar as our functional currency, reducing our exposure to foreign exchange fluctuations. Interest rates are another potential financial risk during fluctuations of interest rates. This risk is not significant to SPRC due to our low debt to equity ratio.

## Operational Risk

### A significant interruption in the operations

To meet our strategic goal to "Set the Standard" globally in Operational Excellence, SPRC uses our strong "one family culture" to support and build an incident and injury free culture which delivers exceptional safety, reliability, utilization and environmental performance.



Our Board of Directors and top executives provide a strong top down commitment to our safety, reliability and Operational Excellence programs, communicating it throughout the workforce. SPRC has a robust Refinery Management System, incorporating Sustainability concepts throughout, including Asset Management System, Environmental, Health and Safety Management System and Hydrocarbon Management System, which provide a structured set of policies, procedures and work instructions to ensure that operational risks are identified, addressed and mitigated in a systematic way. These management systems include a robust risk-based inspection program and an incident investigation system to help drive our superior safety and reliability performance.

## Compliance Risk

SPRC is committed to conducting its business ethically and in compliance with all applicable laws and regulations. SPRC conducts our business with fairness and transparency with zero tolerance of corruption. This year SPRC received the certification of membership from Thailand's Private Sector Collective Action Coalition against Corruption or CAC which is evidence of our commitment to a corruption free organization.

# INFORMATION ON SECURITIES AND SHAREHOLDERS

## Our registered capital and paid-up capital

As of 31 December 2017, our registered and paid-up capital totaled Baht 30,004,442,705.00 consists of 4,335,902,125 ordinary shares with a par value of Baht 6.92 each.

## Shareholders

List of the top 10 major shareholders as of 31 October 2017

No.	List of the top 10 major shareholders	Number of shares	Shareholding percentage
1	CHEVRON SOUTH ASIA HOLDINGS PTE. LIMITED <sup>(1)</sup>	2,625,888,656	60.56%
2	THAI NVDR CO., LTD.	527,847,555	12.17%
3	PTT PUBLIC COMPANY LIMITED <sup>(2)</sup>	234,562,369	5.41%
4	NORTRUST NOMINEES LIMITED-NT0 SEC LENDING THAILAND CL AC	71,294,500	1.64%
5	CHASE NOMINEES LIMITED	49,663,700	1.15%
6	SE ASIA (TYPE B) NOMINEES LLC	33,988,870	0.78%
7	NORBAX, INC.	31,717,800	0.73%
8	THE BANK OF NEW YORK (NOMINEES) LIMITED	27,746,142	0.64%
9	HSBC (SINGAPORE) NOMINEES PTE LTD	26,995,100	0.62%
10	STATE STREET BANK EUROPE LIMITED	17,981,876	0.41%

<sup>(1)</sup> Chevron South Asia Holdings Pte. Limited operates its business by holding shares in other petroleum refinery companies, i.e. investing in its subsidiaries and associated companies. As of the effective date hereof, Chevron Corporation, through its subsidiaries, holds 100 percent of shares in Chevron South Asia Holdings Pte. Limited

<sup>(2)</sup> Refer to the announcement of PTT Public Company Limited, PTT Public Company Limited disposed of all ordinary shares of SPRC held by it, amounting to 234,562,369 shares or equivalent to 5.41 percent of the total issued shares of SPRC on 16 November 2017

## Share transfer restrictions

Our shares can be transferred without any restriction.

## Dividend policy

The dividend payment policy of SPRC is to pay twice per year of at least 50 percent of net profits after legal reserve requirements. The payment is subject to actual and future cash flows, market conditions, capital requirements and other considerations as our board of directors may deem relevant.

The dividend declaration shall be made in US Dollar and converted to Thai Baht by using the average selling exchange rate of The Bank of Thailand for 7 Banking days before the notification date of the Board of Directors for consideration on the dividend payment.

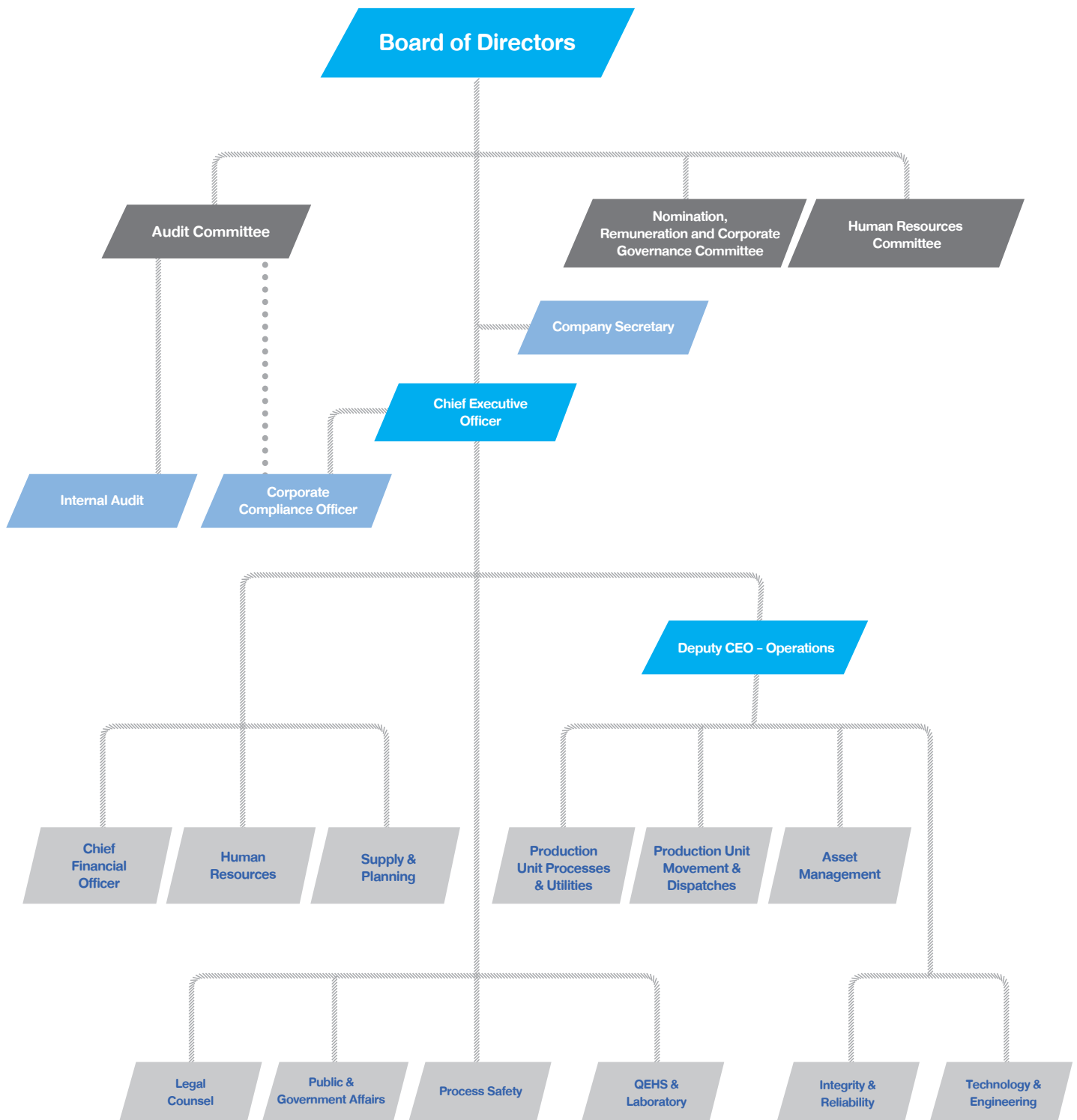
Our board of directors may recommend an annual dividend payment, subject to the approval of our shareholders at the shareholders' meeting. Our board of directors may also, by its resolution, decide to pay an interim dividend to our shareholders if the directors determine that it is justified by our profits. It is the policy of our board of directors to consider an interim dividend payment to shareholders every year.

## Historical dividend payment information

Year	2014	2015	2016	First six months of 2017
Net earnings per share (US\$)	(0.05)	0.06	0.06	0.02
Dividend per share (US\$)	-	0.05735268	0.0335	0.0137
Dividend payout ratio same period (%)	-	95.00	60.00	60.00

Year	2014	2015	2016	First six months of 2017
Net earnings per share (Baht)	(1.55)	1.99	2.00	0.81
Dividend per share (Baht)	-	1.97376772	1.1824	0.4621
Dividend payout ratio same period (%)	-	99.18	59.12	57.05

# MANAGEMENT STRUCTURE





# BOARD OF DIRECTORS

(as of 31 December 2017)



**1 Mr. Andrew Benjamin Walz**

Chairman of the Board of Directors

**2 Ms. Kheng Ling Lok**

Director /  
Human Resources Committee

**3 Mr. Manoon Siriwan**

Independent Director /  
Audit Committee /  
Nomination, Remuneration and Corporate Governance Committee

**4 Mr. Nicolas Michel Bossut**

Director /  
Nomination, Remuneration and Corporate Governance Committee



**5 Mr. Pliu Mangkornkanok**

Independent Director /  
Vice-Chairman of the Board of Directors /  
Chairman of Audit Committee /  
Human Resources Committee



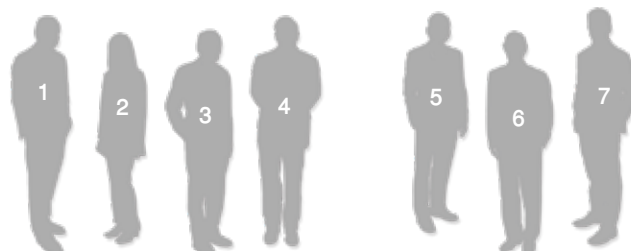
**6 Mr. Robert Stair Guthrie**

Independent Director /  
Chairman of Nomination, Remuneration and Corporate  
Governance Committee /  
Audit Committee



**7 Mr. William Lewis Stone**

Director /  
Chairman of Human Resources Committee /  
Nomination, Remuneration and Corporate Governance Committee /  
Chief Executive Officer



## Board of Directors

As of 31 December 2017, the Board of Directors comprises of 7 directors;

- 6 Non-executive directors (85.71% of total members), which 3 out of 6 Non-executive directors are independent directors (42.86% of total members)
- 1 Executive director, who is the CEO (14.29% of total members)

The election of directors followed the resolutions of the annual shareholders meetings, resolutions of the Board of Directors meetings, the laws and regulations, as well as the Company's Articles of Association. The number of directors is appropriate for the Company's business operations.

The Board shall have diversity of perspectives and talents to ensure that an appropriate mix of skills, experience and expertise is maintained on the Board, such as the knowledge and understanding on refinery business and operation, petroleum business, related technology and engineering, strategy, marketing, finance, corporate governance etc.

The Company has a policy of non-discrimination. Therefore, there is no discrimination against the directors based on gender, age or race. The directors shall possess qualifications according to the Public Limited Company Act, the Securities and Exchange Act, regulations of the Securities and Exchange Commission, regulations of the Capital Market Supervisory Board and the Company's Articles of Association. The directors shall have knowledge, skills, and expertises in fields related to the Company's business, or have experiences that are beneficial to the Company's business operations, are trustworthy, have leadership skills, vision, ethics, integrity and be able to perform director's duties with care and diligence. Additionally, the directors must not serve as a director of more than 3 listed companies in the Stock Exchange of Thailand.

A new director will receive an introduction to gain background on the Company's business, operation, culture, governance and corporate structure. Additionally, all directors are encouraged to attend director training and professional development courses.

## Board Committees

The Board of Directors has established 3 committees; Audit Committee; Nomination, Remuneration and Corporate Governance Committee; and Human Resources Committee in order to support and provide recommendations to the Board of Directors in each aspect for effective operations of the Company's business.

### Member of each committee as of 31 December 2017

Name		Audit Committee	Nomination, Remuneration and Corporate Governance Committee	Human Resources
		(3 persons)	(4 persons)	(3 persons)
1	Mr. Andrew Benjamin Walz	-	-	-
2	Mr. Pliu Mangkornkanok <sup>1</sup>	Chairman	-	Member
3	Mr. Manoon Siriwan <sup>1</sup>	Member	Member	-
4	Mr. Robert Stair Guthrie <sup>1</sup>	Member	Chairman	-
5	Mr. Nicolas Michel Bossut	-	Member	-
6	Ms. Kheng Ling Lok	-	-	Member
7	Mr. William Lewis Stone	-	Member	Chairman

<sup>1</sup> Mr. Pliu Mangkornkanok, Mr. Manoon Siriwan and Mr. Robert Stair Guthrie are independent directors who are qualified and have qualifications in accordance to the requirements of the Securities and Exchange Commission, the Capital Market Supervisory Board and the Board of Directors' charter.

## Audit Committee

- |                             |          |
|-----------------------------|----------|
| 1. Mr. Pliu Mangkornkanok   | Chairman |
| 2. Mr. Manoon Siriwan       | Member   |
| 3. Mr. Robert Stair Guthrie | Member   |

Mr. Pliu has knowledge and experience to review the financial statements.



## Nomination, Remuneration and Corporate Governance Committee



- |                              |          |
|------------------------------|----------|
| 1. Mr. Robert Stair Guthrie  | Chairman |
| 2. Mr. Manoon Siriwan        | Member   |
| 3. Mr. Nicolas Michel Bossut | Member   |
| 4. Mr. William Lewis Stone   | Member   |

## Human Resources Committee

- |                            |          |
|----------------------------|----------|
| 1. Mr. William Lewis Stone | Chairman |
| 2. Mr. Pliu Mangkornkanok  | Member   |
| 3. Ms. Kheng Ling Lok      | Member   |





## Mr. Andrew Benjamin Walz

Chairman of the Board of Directors

**Age** 50 Years

**Appointment date** 13 August 2015  
5 April 2017 (re-elected)

### Education

Bachelor Degree Civil Engineering  
Colorado State University, USA

### Working experience in past 5 years

2016 - Present	President - International Products, Chevron International Pte. Ltd., Singapore
2015 - Present	Chairman of the Board of Directors Star Petroleum Refining Public Company Limited
2015 - Present	Director Chevron Trading Pte. Ltd., Singapore
2015 - Present	Director GS Caltex Corporation, South Korea
2015 - 2016	Vice President - Joint Ventures & Affiliates, International Products Chevron International Pte. Ltd., Singapore
2015 - 2016	Vice Chairman of the Board of Directors Singapore Refining Company Pte. Ltd., Singapore
2013 - 2015	Vice President - Product Supply & Trading Chevron USA, Inc., USA
2008 - 2013	Marketing General Manager Caltex Australia Limited, Australia

**Current director position in other**

**Thai listed company(s)** : none

### Other current positions

- President of International Products,  
Chevron International Pte. Ltd., Singapore
- Director of Chevron Trading Pte. Ltd., Singapore
- Director of GS Caltex Corporation, South Korea

**Number of Shares held in the Company** : none

**Relationship to other Directors or  
executives in the Company** : none





## Ms. Kheng Ling Lok

Director  
Member of the Human  
Resources Committee

**Age** 54 Years

**Appointment date** 10 November 2016

### Education

Bachelor Degree Chemical Engineering  
National University of Singapore, Singapore

### Working experience in past 5 years

2016 - Present Director  
Star Petroleum Refining Public Company Limited

2016 - Present General Manager, Crude Supply & Trading  
Chevron USA, Inc. (Singapore Branch),  
Singapore

2008 - 2016 General Manager, Product Supply & Trading  
Chevron USA, Inc. (Singapore Branch),  
Singapore

### Training records with IOD

- Director Certificate Program (DCP 232/2016)

### Other training

- Directors' Obligations and Duties, Jones Day, Singapore (2016)

### Current director position in other

**Thai listed company(s)** : none

### Other current positions

- General Manager, Crude Supply & Trading, Chevron USA, Inc. (Singapore Branch), Singapore
- Director of the Centre of Excellence International Trading, Nanyang Technological University, Singapore

**Number of Shares held in the Company** : none

**Relationship to other Directors or executives in the Company** : none



## Mr. Manoon Siriwan

Independent Director  
Member of the Audit Committee  
Member of the Nomination, Remuneration  
and Corporate Governance Committee

**Age** 71 Years

**Appointment date** 28 May 2012,  
28 April 2015 (re-elected)

### Education

Master Degree Political Science  
Chulalongkorn University

Bachelor Degree Political Science  
Chulalongkorn University

### Working experience in past 5 years

2017-Present A member of the National Energy Reform  
Committee  
under the National Reform Plans  
and Procedures Act B.E. 2560

2014 - 2015 Deputy Chairman of the Energy Reform  
Committee  
National Reform Council of Thailand

2012 - Present Independent Director  
Star Petroleum Refining Public Company Limited

2007 - 2015 President  
Business Management Company Limited

### Training records with IOD

- Director Accreditation Program (DAP 97/2012)
- Audit Committee Program (ACP 41/2012)
- Director Certification Program (DCP 219/2016)

### Current director position in other

**Thai listed company(s)** : none

### Other current positions

- Advisor of the Energy Fund Administration Committee, Institute of the Energy Fund Administration

**Number of Shares held in the Company** : none

**Relationship to other Directors or executives in the Company** : none



**Mr. Nicolas Michel Bossut**

Director  
Member of the Nomination,  
Remuneration and  
Corporate Governance  
Committee

**Age 43 Years**

**Appointment date** 11 August 2016  
5 April 2017 (re-elected)

#### Education

Master Degree M.B.A. (Finance)  
University of California, Berkeley,  
Haas School of Business, USA  
Bachelor Degree Political Science  
University of California, Berkeley, USA

#### Working experience in past 5 years

2016 - Present Director  
Star Petroleum Refining Public Company Limited  
2016 - Present Manager Opco Financing, Asia Pacific  
Chevron International Pte. Ltd., Singapore  
2014 - 2016 General Manager, Finance and Planning,  
Technology Projects and Services  
Chevron USA, Inc., USA  
2013 Finance Sponsor, Chevron USA, Inc., USA  
2010 - 2012 Administration and Finance Manager,  
Petroindependencia JV  
Chevron Venezuela, Venezuela

#### Training records with IOD

- Director Accredited Program (DAP 135/2017)

#### Current director position in other

**Thai listed company(s) :** none

#### Other current positions

- Manager Opco Financing, Asia Pacific,  
Chevron International Pte. Ltd., Singapore
- Assistant Treasurer,  
Chevron Asia Pacific Holdings Limited and  
other Chevron subsidiaries in the Asia Pacific region

**Number of Shares held in the Company :** none

**Relationship to other Directors or  
executives in the Company :** none



**Mr. Pliu Mangkornkanok**

Independent Director  
Vice-Chairman of the Board of Directors  
Chairman of the Audit Committee  
Member of the Human Resources Committee

**Age 69 Years**

**Appointment date** 28 May 2012,  
25 April 2013 (re-elected)  
26 April 2016 (re-elected)

#### Education

Master Degree Industrial Engineering  
Stanford University, USA  
Master Degree M.B.A. (Finance)  
University of California at Los Angeles, USA  
Bachelor Degree Industrial Engineering  
Chulalongkorn University

#### Working experience in past 5 years

2012 - Present Independent Director  
Star Petroleum Refining Public Company Limited  
2011 - Present Director  
Chuchawal Royal-Haskoning Limited  
2010 - Present Chairman of the Board of Directors  
TISCO Financial Group Public Company Limited  
2009 - Present Chairman of the Board of Directors  
TISCO Bank Public Company Limited  
2010 - Present Director,  
Design 103 International Limited

#### Training records with IOD

- Director Certification Program (DCP 11/2001)
- The Role of Chairman 2000 Program (RCP 3/2001)
- Audit Committee Program (ACP 43/2012)
- Anti-Corruption for Executive Program (ACEP 2/2012)
- Strategic Board Master (SBM 1/2017)

#### Other Training

- Capital Market Academy (Batch 10)
- Thailand Energy Academy (Batch 5)

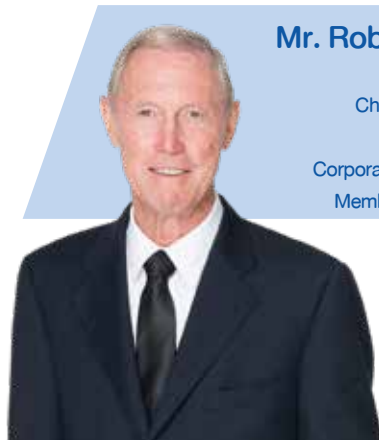
#### Current director position in other

#### Thai listed company(s)

- Chairman of the Board of Directors,  
TISCO Financial Group Public Company Limited
- Chairman of the Board of Directors,  
TISCO Bank Public Company Limited

#### Other current positions

- Director of Chuchawal-Royal Haskoning Limited
  - Director of Design 103 International Limited
  - Advisor of Thai Institute of Directors Association
  - Director of Sem Pringpuangkeo Foundation
  - Councilor of Thailand Management Association
- Number of Shares held in the Company :** none  
**Relationship to other Directors or  
executives in the Company :** none



## Mr. Robert Stair Guthrie

Independent Director  
Chairman of the Nomination,  
Remuneration and  
Corporate Governance Committee  
Member of the Audit Committee

**Age** 71 Years

**Appointment date** 28 May 2012,  
28 April 2015 (re-elected)

### Education

Bachelor Degree Civil Engineering  
University of Cape Town, South Africa

### Working experience in past 5 years

2012 - Present Independent Director  
Star Petroleum Refining Public Company Limited  
2002 - 2012 Managing Director  
Lanta Land Development Co., Ltd.

### Training records with IOD

- Audit Committee Program (ACP 43/2013)
- Director Accreditation Program (DAP 101/2013)
- Director Certification Program (DCP 182/2013)
- Strategic Board Master (SBM 1/2017)

### Other training

- Executive Management Program, The Aspen Institute, USA

### Current director position in other

**Thai listed company(s)** : none

**Other current positions** : none

**Number of Shares held in the Company** : none

**Relationship to other Directors or executives in the Company** : none



## Mr. William Lewis Stone

Director  
Chairman of the Human Resources Committee  
Member of the Nomination, Remuneration and  
Corporate Governance Committee  
Chief Executive Officer

**Age** 59 Years

**Appointment date** 25 April 2008,  
25 April 2013 (re-elected)  
26 April 2016 (re-elected)

### Education

Bachelor Degree Chemical Engineering  
University of California, Santa Barbara, USA

### Working experience in past 5 years

2014 - Present Director  
GS Caltex Corporation, South Korea  
2008 - Present Director and Chief Executive Officer  
Star Petroleum Refining Public Company Limited

### Training records with IOD

- Directors Accreditation Program (DAP 72/2008)
- Director Certificate Program (DCP 123/2009)
- Financial Statement for Director (FSD 2/2010)

### Current director position in other

**Thai listed company(s)** : none

### Other current positions

- Director of GS Caltex Corporation, South Korea

### Number of Shares held in the Company

- 0.002% (80,000 shares)

**Relationship to other Directors or executives in the Company** : none

**Report of the Company's securities held by directors in 2017 (including spouse and minor children)**  
**As of 31 December 2017**

Name	Number of Shares		Changing Number of Shares Increase (Decrease)
	As of 31 December 2016	As of 31 December 2017	
1 Mr. Andrew Benjamin Walz Spouse and minor children	3 -	0 -	(3) -
2 Mr. Pliu Mangkornkanok Spouse and minor children	- -	- -	- -
3 Mr. Manoon Siriwan Spouse and minor children	- -	- -	- -
4 Mr. Robert Stair Guthrie Spouse and minor children	- -	- -	- -
5 Mr. Nicolas Michel Bossut Spouse and minor children	- -	- -	- -
6 Ms. Kheng Ling Lok Spouse and minor children	- -	- -	- -
7 Mr. William Lewis Stone Spouse and minor children	80,000 -	80,000 -	- -

## Director's Remuneration

Under the Company's Articles of Association, the director's remuneration will be considered and approved by the Shareholders at the Annual General Meeting of Shareholders. The directors are entitled to remuneration from the Company in form of monthly fees, meeting allowances, rewards, bonuses or any other benefits in accordance with the Articles of Association, or as approved by a meeting of shareholders, which may be a fixed sum or subject to any conditions applicable from time to time.

The Annual General Meeting of Shareholders in 2017 approved the director's remuneration for monthly fees and meeting allowances for Board of Directors meetings and committee meetings, without bonus. The compensation was appropriately determined by considering roles and responsibilities, economic environment, and benchmarking with peers in the same industries and size of the company.

Compensation for the Board of Directors for 2017		
Position	Monthly Fee (Baht/Month)	Meeting Allowance of Board of Directors Meeting (Only attending directors) (Baht/Meeting)
Chairman of the Board of Directors	150,000	25,000
Vice-Chairman	140,000	20,000
Directors	120,000	20,000

Compensation for the Audit Committee for 2017	
Position	Meeting Allowance of Committee Meeting (Only attending members) (Baht/Meeting)
Chairman of the committee	40,000
Member of the committee	30,000

Compensation for the Nomination, Remuneration and Corporate Governance Committee for 2017	
Position	Meeting Allowance of Committee Meeting (Only attending members) (Baht/Meeting)
Chairman of the committee	40,000
Member of the committee	30,000

Compensation for the Human Resources Committee for 2017	
Position	Meeting Allowance of Committee Meeting (Only attending members) (Baht/Meeting)
Chairman of the committee	40,000
Member of the committee	30,000

This total compensation was paid to the 7 directors who held directorship positions in 2017 and was made in accordance with the resolution of the 2017 Annual General Meeting of Shareholders. Total director compensation in 2017 was 12,835,000 baht, comprising of monthly fees in total of 10,680,000 baht and the meeting allowances for the Board of Directors meetings and sub-committee meetings in total of 2,155,000 baht. There were no bonuses, rewards, nor other benefits such as position cars or club memberships provided to directors. However, the directors can be reimbursed from the Company on the actual expenses for attending of the Company's meetings with original receipt incurred and in accordance with the reimbursement scheme as applied for all Company's staff.



The compensation that each director received in 2017						
Name	Monthly fee for total 12 months	Total Meeting Allowances received in 2017				Grand total compensation each director received in 2017
		Board of Directors Meetings	Audit Committee Meetings	Nomination, Remuneration and Corporate Governance Committee Meetings	Human Resources Committee Meetings	
1. Mr. Andrew Benjamin Walz	1,800,000	125,000	-	-	-	1,925,000
2. Mr. Pliu Mangkornkanok	1,680,000	100,000	200,000	-	180,000	2,160,000
3. Mr. Manoon Siriwan	1,440,000	100,000	150,000	90,000	-	1,780,000
4. Mr. Robert Stair Guthrie	1,440,000	80,000	150,000	120,000	-	1,790,000
5. Mr. Nicolas Michel Bossut	1,440,000	80,000	-	90,000	-	1,610,000
6. Ms. Kheng Ling Lok	1,440,000	80,000	-	-	180,000	1,700,000
7. Mr. William Lewis Stone	1,440,000	100,000	-	90,000	240,000	1,870,000

Mr. Andrew Benjamin Walz, Mr. Nicolas Michel Bossut, Ms. Kheng Ling Lok and Mr. William Lewis Stone are directors nominated by Chevron. They have declined to receive director compensation, both monthly fees and meeting allowance fees. Total declined fees were 7,105,000 baht, comprising of the monthly fee of 6,120,000 baht and the meeting allowance fee of 985,000 baht. This director compensation is not covered under the Personnel Secondment Agreement made between the Company and Chevron.

## Company Secretary

The Board of Directors has authorization and is responsible for appointment of the Company Secretary. At the Board of Directors meeting No. 4/2013, on 27 November 2013, the Board of Directors reviewed the qualifications of, and appointed, Ms. Nattawan Khumwiwat, who has skills, knowledge, experiences, and graduated in law, to act in the position of Company Secretary.

The Company Secretary has roles and responsibilities to ensure compliance with, and advise the Board of Directors and management on, relevant laws and regulations, and guidelines to practice for good corporate governance. The Company Secretary is responsible for organizing meetings of the Board of Directors and meetings of the shareholders, as well as following and monitoring the Company's actions and implementation in compliance with resolutions made at the meetings. The Company Secretary shall be responsible and manage the registration and record of Company's directors, notice of the Board and shareholders meetings, minutes of the Board and shareholders meetings, safely store the company's material documents, and retain the conflict of interest declaration forms made by directors and management. The Company Secretary shall also perform other general company secretary's works and have other roles and responsibilities as provided by the Capital Market Supervisory Board.

The Company Secretary additionally takes responsibilities on the secretarial tasks of the Audit Committee and the Nomination, Remuneration and Corporate Governance Committee.

## Corporate Compliance Officer

The Board of Directors established the Business Conduct Policy in 2010 and appoints the Corporate Compliance Officer to have primary oversight responsibility to ensure the Company operates the business in accordance with guidelines and policies provided in the Business Conduct Policy. Ms. Nattawan Khumwiwat has been appointed to take the role of the Corporate Compliance Officer since 1 July 2015.

The Corporate Compliance Officer is responsible for implementation and monitoring the compliance program consistent with the Business Conduct Policy, communication policies and practices, reporting to the Board of Directors and Audit Committee on related matters, handling investigations on reports of suspected conduct violating the policy, and recommend disciplinary action(s) against personnel whose conduct is not in line with the principles provided in the Business Conduct Policy. All reports of suspected violations of policy, and sources of those reports, are treated confidentially.

The Corporate Compliance Officer reports quarterly to the Audit Committee on the implementation and compliance to the Business Conduct policy.



**Ms. Nattawan Khumwiwat**  
Corporate Legal Counsel,  
Company Secretary and Corporate  
Compliance Officer

#### Age 37 years

#### Education

Master Degree	LL.M., International Business Law, American University, Washington College of Law, USA
Master Degree	LL.M., Business Law (English Program), Chulalongkorn University
Bachelor Degree	Laws, Thammasart University
Barrister at Law	The Thai Bar Association

#### Working experience in past 5 years

2015 - Present	Corporate Compliance Officer
2013 - Present	Corporate Legal Counsel and Company Secretary
2009 - 2013	Legal Counsel

#### Training Course on Company Secretary and Compliance :

- Company Secretary Program (CSP 39/2011)
- Board Reporting Program (BRP 5/2011)
- Effective Minute Taking (EMT 22/2012)
- Anti-Corruption: The Practice Guide (ACPG 28/2016)

## Internal Auditor

The Audit Committee has authorization and is responsible for appointment of the Internal Auditor. At the Audit Committee meeting no. 4/2012, on 20 June 2012, the Audit Committee reviewed the qualifications of, and appointed, Ms. Sukhumal Tonpitak as the Company's Internal Auditor.

The roles and responsibilities of Internal Auditor are to provide a wide range of quality internal audit services to Company. The mission of the Internal Auditor is to perform independent assessments of controls for adequacy, effectiveness, and efficiency, guided by professional standards and using innovative approaches. The internal auditor's roles and responsibilities include the review and ensure compliance with the Core Indicators and Business Principles of the Collective Action Coalition Against Corruption. At the Audit Committee meeting no. 4/2017 on 2 November 2017, the Audit Committee reviewed the Charter of the Internal Auditor and no change was required from the review.



**Ms. Sukhumal Tonpitak**  
Internal Auditor

#### Age 48 years

#### Education

Master Degree	MBA, Maryville University of St. Louis, Missouri, USA.
Bachelor Degree	Accounting, Assumption University

#### Working experience in past 5 years

2009- Present	Internal Auditor
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#### Training Course on Internal Auditor for year 2017

- Quality Assurance of Internal Audit work
- IT Audit for Non IT Auditor

## Leadership Team

There are a total of 14 executives in the SPRC Leadership Team. The Chief Executive Officer (CEO) is the highest executive. The CEO must not hold this position in any other company and is elected by the Board of Directors.

### Chief Executive Officer

The Board of Directors has authorization and is responsible for appointment or removal of the Company's Chief Executive Officer. The Chief Executive Officer is responsible for managing the Company's business as assigned by the Board of Directors. Mr. William Lewis Stone was first appointed by the Board of Directors to be the Company's Chief Executive Officer in 2008. With the Company's conversion to be a public company in 2012, he was re-appointed to be the Company's Chief Executive Officer by the Board of Directors Meeting No. 2A/2012 held on 20 June 2012.

The Chief Executive Officer is authorized to oversee the Company's day-to-day business and operation, take any actions and make any decisions under the scope of his or her authority, including execution of agreements and obligations that are necessary or beneficial to the Company.

The Chief Executive Officer has the authority to execute transactions in the name of the Company, with a limit not exceeding Baht 200 million. Transactions with a value greater than Baht 200 million are subject to the Board's approval.

However, due to the nature of Company's business and normal Company's business transaction, the Chief Executive Officer has the authority to execute transactions and

obligations exceeding Baht 200 million with a term not exceeding 12 months that are related to the current and future purchase, sale, and exchange of crude oil, raw materials, intermediate products, and finished products.

For related party transactions, the Chief Executive Officer has the authority to execute related party transactions in the name of the Company, with a limit not exceeding Baht 10 million. The related party transactions with a value greater than Baht 10 million are subject to the Audit Committee's review and the Board's approval. For the related party transactions with regard to the current and future purchase, sale, and exchange of crude oil, raw materials, intermediate products, and finished products, the Chief Executive Officer has the authority to execute such related party transactions if the term does not exceed 12 months.

Additionally, the Chief Executive Officer has the authority to approve overruns of approved Company's operating expense and capital expenditure budgets, which the overrun shall not exceed 10 percent of the Board approved budget.

## Leadership Team

There are 14 executives on the SPRC Leadership Team. The Leadership Team is responsible for executing the strategies, objectives and business plans approved by the Board of Directors, and managing the day to day activities at SPRC. Members of the Leadership Team all bring significant industry and company specific experience and knowledge to SPRC providing the required skills and competencies to lead SPRC to "Set the Standard" in the refining industry.

Leadership Team members as of 31 December 2017 are:

Name	Position
1. Mr. William Lewis Stone	Director and Chief Executive Officer
2. Mr. Steven Lewis Gibson	Deputy Chief Executive Officer - Operations
3. Mr. Wichai Chunhasomboon	Chief Financial Officer
4. Mr. Sakchai Thamsuruk	Manager of Supply & Planning
5. Mr. Chirasak Mhasuconda	Manager of Human Resources
6. Mr. Pongkorn Chochuwong	Manager of Asset Management
7. Mr. Narong Triyotee	Manager of Production Unit-Processes & Utilities
8. Mr. Paul Andrew Rushworth	Manager of Production Unit-Movement & Dispatches
9. Mr. Roger Albert Frederick Bartlett	Manager of Integrity & Reliability
10. Mr. Akasit Rumpagaporn	Manager of Technology & Engineering
11. Ms. Nattawan Khumwiwat	Corporate Legal Counsel, Company Secretary and Corporate Compliance Officer
12. Mrs. Pornthip Viraphand	Manager of Public & Government Affairs
13. Mr. Krisda Chaikul	Manager of Process Safety
14. Mrs. Angkana Panyaopart	Manager of QEHS & Laboratory



**Mr. William Lewis Stone**

**Age 59 years**

**Current Position in SPRC :**

- Director
- Chairman of the Human Resources Committee
- Member of the Nomination, Remuneration and Corporate Governance Committee
- Chief Executive Officer

**Appointment date :**

25 April 2008

**Education**

- Bachelor of engineering in Chemical Engineering  
University of California, Santa Barbara, USA

**Working experience in past 5 years**

- 2008 - Present Director and Chief Executive Officer  
Star Petroleum Refining Public Company Limited
- 2014 - Present Director  
GS Caltex Corporation, South Korea

**Shareholdings as of 31 December 2017 :** 0.002%

**Relationship to other Directors or executives**

**in the Company :** none



**Mr. Steven Lewis Gibson**

**Age 54 years**

**Current Position in SPRC :**

- Deputy Chief Executive Officer - Operations

**Appointment date :**

17 June 2013

**Education**

- Bachelor of engineering in Chemical Engineering  
University of Sydney, Australia

**Working experience in past 5 years**

- 2013 - Present Deputy Chief Executive Officer -  
Operations  
Star Petroleum Refining Public Company Limited
- 2009 - 2013 Manager of Asset Management  
Star Petroleum Refining Public Company Limited

**Shareholdings as of 31 December 2017 :** 0.001 %

**Relationship to other Directors or executives**

**in the Company :** none





**Mr. Wichai Chunhasomboon**

**Age 60 years**

**Current Position in SPRC :**

- Chief Financial Officer

**Appointment date :**

21 April 2009

**Education**

- Master of Business Administration in Accounting  
Thammasat University
- Bachelor of Business Administration in Accounting  
Bangkok University

**Working experience in past 5 years**

- 2009 - Present Chief Financial Officer  
Star Petroleum Refining Public Company  
Limited

**Shareholdings as of 31 December 2017 :** none

**Relationship to other Directors or executives**

**in the Company :** none



**Mr. Sakchai Thamsuruk**

**Age 50 years**

**Current Position in SPRC :**

- Manager of Supply & Planning

**Appointment date :**

1 March 2009

**Education**

- Bachelor of Science in Chemistry  
King Mongkut's University of Technology Thonburi

**Working experience in past 5 years**

- 2009 - Present Manager of Supply & Planning  
Star Petroleum Refining Public Company  
Limited

**Shareholdings as of 31 December 2017 :** 0.008%

**Relationship to other Directors or executives**

**in the Company :** none



**Mr. Chirasak Mhasuconda**

**Age 55 years**

**Current Position in SPRC :**

- Manager of Human Resources

**Appointment date :**

15 March 2011

**Education**

- Master of Public Administration  
National Institute of Development Administration (NIDA)
- Bachelor of Law  
Ramkhamhaeng University

**Working experience in past 5 years**

- 2011 - Present    Manager of Human Resources  
Star Petroleum Refining Public Company  
Limited

**Shareholdings as of 31 December 2017 :** 0.006%

**Relationship to other Directors or executives  
in the Company :** none



**Mr. Pongkorn Chochuwong**

**Age 48 years**

**Current Position in SPRC :**

- Manager of Asset Management

**Appointment date :**

1 June 2014

**Education**

- Bachelor of Science in Chemistry  
Chiang Mai University

**Working experience in past 5 years**

- 2014 - Present    Manager of Asset Management  
Star Petroleum Refining Public Company  
Limited
- 2009 - 2014    Manager of Production Unit-Processes  
Star Petroleum Refining Public Company  
Limited

**Shareholdings as of 31 December 2017 :** 0.008%

**Relationship to other Directors or executives  
in the Company :** none



**Mr. Narong Triyotee**

**Age 47 years**

**Current Position in SPRC :**

- Manager of Production Unit-Processes & Utilities

**Appointment date :**

1 June 2014

**Education**

- Bachelor of Engineering Degree in Chemical Engineering  
Curtin University of Technology, Perth, Australia

**Working experience in past 5 years**

- 2014 - Present    Manager of Production Unit-Processes  
   & Utilities  
   Star Petroleum Refining Public Company  
   Limited
- 2009 - 2014    Manager of Production Unit-Movement  
   & Dispatches  
   Star Petroleum Refining Public Company  
   Limited

**Shareholdings as of 31 December 2017 :** 0.012%

**Relationship to other Directors or executives**

**in the Company :** none



**Mr. Paul Andrew  
Rushworth**

**Age 48 years**

**Current Position in SPRC :**

- Manager of Production Unit-Movement & Dispatches

**Appointment date :**

1 June 2014

**Education**

- Master of Business Administration Degree in Technology  
Management Jointly the Association of Professional  
Engineers Scientists and Managers Australia (APESMA)  
and Deakin University, Australia
- Master of Engineering Degree in Engineering Design  
Loughborough University of Technology, UK
- Bachelor of Engineering Degree in Mechanical Engineering  
Manchester Polytechnic, UK

**Working experience in past 5 years**

- 2014 - Present    Manager of Production Unit-Movement  
   & Dispatches  
   Star Petroleum Refining Public Company  
   Limited
- 2012 - 2014    Event Project Manager  
   Star Petroleum Refining Public Company  
   Limited
- 2008 - 2012    Maintenance Manager  
   Star Petroleum Refining Public Company  
   Limited

**Shareholdings as of 31 December 2017 :** 0.006%

**Relationship to other Directors or executives**

**in the Company :** none



**Mr. Roger Albert  
Frederick Bartlett**

**Age 69 years**

**Current Position in SPRC :**

- Manager of Integrity & Reliability

**Appointment date :**

1 February 2009

**Education**

- Doctorate in environmental fracture of steels  
Manchester Institute of Science and Technology, UK
- Master of Science in Metallurgy  
Manchester Institute of Science and Technology, UK
- Bachelor of Science in Metallurgy  
Manchester Institute of Science and Technology, UK

**Working experience in past 5 years**

- 2009 - Present    Manager of Integrity & Reliability  
Star Petroleum Refining Public Company  
Limited

**Shareholdings as of 31 December 2017 :** 0.006%

**Relationship to other Directors or executives  
in the Company :** none



**Mr. Akasit Rumpagaporn**

**Age 48 years**

**Current Position in SPRC :**

- Manager of Technology & Engineering

**Appointment date :**

1 May 2015

**Education**

- Master of Science in Computer Engineering Management  
Assumption University
- Bachelor of Science in Chemical Engineering  
Chulalongkorn University

**Working experience in past 5 years**

- 2015 - Present    Manager of Technology & Engineering  
Star Petroleum Refining Public Company  
Limited
- 2011 - 2015       Planning Manager, SPRC  
Star Petroleum Refining Public Company  
Limited

**Shareholdings as of 31 December 2017 :** 0.005%

**Relationship to other Directors or executives  
in the Company :** none



**Ms. Nattawan Khumwiwat**

**Age 37 years**

**Current Position in SPRC :**

- Corporate Legal Counsel, Company Secretary and Corporate Compliance Officer

**Appointment date :**

27 November 2013

**Education**

- Master of Law International Business Law  
American University, Washington College of Law, USA
- Master of Law Business Law (English Program)  
Chulalongkorn University
- Bachelor of Laws  
Thammasart University
- Barrister at Law  
The Thai Bar Association

**Working experience in past 5 years**

- 2015 - Present Corporate Compliance Officer  
Star Petroleum Refining Public Company Limited
- 2013 - Present Corporate Legal Counsel and Company Secretary  
Star Petroleum Refining Public Company Limited
- 2009 - 2013 Legal Counsel  
Star Petroleum Refining Public Company Limited

**Shareholdings as of 31 December 2017 :** 0.005%

**Relationship to other Directors or executives**

**in the Company :** none



**Ms. Pornthip Viraphand**

**Age 52 years**

**Current Position in SPRC :**

- Manager of Public & Government Affairs

**Appointment date :**

1 June 2014

**Education**

- Master of Public Administration  
Burapha University
- Bachelor of Business Administration  
Rajamangala University of Technology Krungthep

**Working experience in past 5 years**

- 2014 - Present Manager of Public & Government Affairs  
Star Petroleum Refining Public Company Limited
- 2009 - 2014 Manager of Procurement and Logistics  
Star Petroleum Refining Public Company Limited

**Shareholdings as of 31 December 2017 :** 0.004%

**Relationship to other Directors or executives**

**in the Company :** none





**Mr. Krisda Chaikul**

**Age 56 years**

**Current Position in SPRC :**

- Manager of Process Safety

**Appointment date :**

1 July 2014

**Education**

- Master of Science, Industry and Technology with Specialization in Safety College of Engineering and Engineering Technology Northern Illinois University, USA
- Bachelor of Science in Occupational Health and Safety Mahidol University

**Working experience in past 5 years**

- 2014 - Present Manager of Process Safety  
Star Petroleum Refining Public Company Limited
- 2009 - 2014 Manager of QEHS & Laboratory  
Star Petroleum Refining Public Company Limited

**Shareholdings as of 31 December 2017 :** 0.005%

**Relationship to other Directors or executives**

**in the Company :** none



**Ms. Angkana Panyaopart**

**Age 48 years**

**Current Position in SPRC :**

- Manager of QEHS & Laboratory

**Appointment date :**

1 July 2014

**Education**

- Master of Engineering (Industrial Management Engineering) King Mongkut's University of Technology North Bangkok
- Bachelor of Science in Computer Science Ramkhamhaeng University

**Working experience in past 5 years**

- 2014 - Present Manager of QEHS & Laboratory  
Star Petroleum Refining Public Company Limited
- 2012 - 2014 Event Project Business Manager  
Star Petroleum Refining Public Company Limited
- 2009 - 2012 Lead Reliability and Asset Management  
Star Petroleum Refining Public Company Limited

**Shareholdings as of 31 December 2017 :** 0.005%

**Relationship to other Directors or executives**

**in the Company :** none

Report of the Company's securities held by Executives (including spouse and minor children)				
Name		Number of Shares		Increase (decrease) number of shares
		As of 31 December 2016	As of 31 December 2017	
1	Mr. William Lewis Stone	80,000	80,000	-
	Spouse and minor children	-	-	-
2	Mr. Steven Lewis Gibson	-	35,000	35,000
	Spouse and minor children	-	-	-
3	Mr. Wichai Chunhasomboon	-	-	-
	Spouse and minor children	-	-	-
4	Ms. Sakchai Thamsuruk	267,100	267,100	-
	Spouse and minor children	78,500	78,500	-
5	Mr. Chirasak Mhasuconda	267,100	267,100	-
	Spouse and minor children	-	-	-
6	Mr. Pongkorn Chochuwong	347,300	347,300	-
	Spouse and minor children	-	-	-
7	Mr. Narong Triyotee	347,300	347,300	-
	Spouse and minor children	167,600	167,600	-
8	Mr. Paul Andrew Rushworth	267,100	267,100	-
	Spouse and minor children	-	-	-
9	Mr. Roger Albert Frederick Bartlett	267,100	267,100	-
	Spouse and minor children	-	-	-
10	Mr. Akasit Rumpagaporn	205,500	205,500	-
	Spouse and minor children	-	-	-
11	Ms. Nattawan Khumwiwat	205,500	205,500	-
	Spouse and minor children	-	-	-
12	Mrs. Pornthip Viraphand	167,600	167,600	-
	Spouse and minor children	-	-	-
13	Mr. Krisda Chaikul	205,500	205,500	-
	Spouse and minor children	-	-	-
14	Mrs. Angkana Panyaopart	225,500	225,500	-
	Spouse and minor children	-	-	-

## Human Resources

SPRC has a strategic objective to Set the Standard as Employer of Choice in Thailand, which is a key in allowing us to meet our other strategic objectives in Operational Excellence and Shareholder Return. Our visions are happy and healthy employees, with positions that fit their skills and competencies as part of a high performance organization as well as continually develop employee competency to prepare for career growth with organization, they are proud of their contributions to our success, and to be part of our One Family.

Our Human Resources Management System, strategy and action plans are all directed at achieving this vision, to attract, motivate, engage and retain employees in a happy working environment. In 2017, SPRC has the People strategy as the below key activities:-

- Achieve the Best Employer Award among Thai companies by 2020
- Strengthen learning organization throughout knowledge management
- Develop World-Class leaders
- Strengthen SPRC pride and image through sustain CSR & Sports events

We provide training and development opportunities with challenging assignments to allow our employees to achieve their career goals. Our salary, incentive, and benefits program is designed to provide a fair and competitive compensation package to attract and retain talent.

We are confident that our strategies, management systems, action plans, training and development and compensation packages, along with our One Family Culture and Core Values attract, motivate and retain employees to achieve our strategies and the long term sustainable success of SPRC.

## Number of Employees

The company has 472 total employees as of 31 December 2017. The number of employees includes direct hires and secondees from Chevron.

	Number of Employees
Production Unit - Process and Utilities	128
Production Unit - Movement and Dispatches	88
Asset Management	53
Technology and Engineering	42
QEHS & Laboratory	37
Corporate Service	24
Integrity & Reliability	24
Others	76
<b>Total</b>	<b>472</b>

## Executive and Employee Compensation

SPRC recognizes that our employees and management are the most important resource for achieving the strategic goals of the company. Our Company's One Family culture cares for and respects all of our employees and management. It is the Company's policy to attract, retain high performance employees and encourage them to excel in the organization through attractive remuneration and benefits that fairly and equitably reward our employees for their contributions to SPRC's sustainable success, and that are competitive with other companies in Thailand's refinery and petrochemical industry.

## Executive Compensation

Total remuneration for executives includes basic salary, bonus, provident fund, welfare and benefit. In 2017, total remuneration for executives was Baht 175.8 million. These totals include management manpower costs paid to Chevron under the Personnel Secondment Agreement. Executives also receive other benefits and compensation as described below for all employees.

## Employee Compensation

### Compensation Paid to the Employees

In 2017, total compensation, including salary, bonus, overtime pay, provident fund, welfare and benefit paid to the employees and executives was Baht 1,199.1 million. Annual merit increase for each employee is determined based on the individual's annual performance result and market competitiveness.

### Other compensation

The Company provides for employees' retirement package which complies with Thai Labor Law. The Company also recognizes employees with "Top Up with Gold" at their retirement. The Company has recorded retirement benefits of Baht 31.2 million in the year 2017.

The Company also provides other benefits to the employees including Housing Allowance, Housing and Automobile Subsidy, Annual Holidays, Maternity Leave, Paternity Leave, Compassionate Leave, Life Insurance and Disability, Medical Coverage and Flexible Benefit program that allows individual employee selected their choices of flexible benefit to fit with their and family's needs

### Provident Fund

The Company provides a provident fund, registered as a juristic person under the Provident Fund Act, B.E. 2530 (1987) for the Company's employees. Participating employees pay a contribution of 3 to 15 percent of the monthly wage to the fund according to individual desire and the Company contributes 3 to 15 percent of the employee's wage, depending on the employee's years of service. Provident Fund contributions by the Company were Baht 56.9 million for the year 2017.

### Employee Stock Ownership Plan

As the Company executed an Employee Stock Ownership Plan (ESOP) with the approval by the Board of Director for the management (not including certain management secondees) in 2015 and employee to purchase ordinary shares totally of 35,728,800 shares through the ESOP program with the Company provided support as company expense in 2015. This is promoted management and employee's ownership and the encourage employee pride as well as engagement in SPRC.

After the first day of trading the Company's share on the Stock Exchange of Thailand on 8<sup>th</sup> December 2015, the management and employee are allowed to sell up to 50% of their shares after 24 months which is on the 8th December 2017.

## Training & Development

At SPRC, we believe that the efficiency, effectiveness and success of our organization depend largely on the skills, abilities and commitment of our people. We, therefore, place a lot of emphasis on the training and development of our people. Training at SPRC is carried out with both short term and long term objectives, and that's why we offer a range of training and development activities. Depending on roles and responsibilities, employees are provided:

- On-the-job learning including overseas assignment
- Training for recognized professional qualifications
  - either through external organizations or through SPRC's own training services and facilities
- Leadership Development Programs
- Individual Competency Development Programs
- Knowledge Management
- Business Conduct Training
- Mentoring and regular appraisals with line managers
- Special project assignments
- Joint Venture Chevron Technical University (JV CTU):  
A set of engineering and technical courses provided to young engineers of joint venture Chevron refineries by experienced Chevron engineers from around the world

# CORPORATE GOVERNANCE



The Board of Directors has established the Company's Business Conduct Policy as the guideline on how to conduct our business. The Business Conduct Policy provides guidelines for the operation of SPRC's business, recognizing the importance of honest, fair, and transparent business operations, as well as ensuring operations are in compliance with all applicable laws, rules, and regulations.

The Business Conduct Policy is regularly reviewed by Management and the Board of Directors. The Board of Directors, Management, and all staff are required to comply with the Business Conduct Policy at all times. All new staff are trained on the Business Conduct Policy when they start working at the Company. The Company conducted 10 sessions throughout the year to introduce the Business Conduct Policy to all 20 new staffs who joined the Company in 2017. (See detail of Business Conduct Policy at [www.sprc.co.th](http://www.sprc.co.th))

The Board of Directors has also established the Corporate Governance Policy, which sets out policies and guidelines that are consistent with the corporate governance principles prescribed by the Stock Exchange of Thailand (SET) and the Securities and Exchange Commission (SEC). The Corporate Governance Policy is set out to ensure the Company conducts business ethically and treats all stakeholders responsibly, equitably, and with transparency for the goal of long term

sustainability. The Corporate Governance Policy applies to the Board of Directors, Management, and all staff.

The Corporate Governance Policy is composed of:

- The rights of the shareholders
- Equitable treatment for shareholders
- Roles of stakeholders
- Disclosure and transparency
- Responsibilities of the Board of Directors

## The Rights of the Shareholders

The Company recognizes the rights of all shareholders, which include the right to independently buy, sell, or transfer shares, and the right to attend and vote in shareholders meetings. All shareholders meetings of the Company are conducted in consideration for the rights of shareholders. In 2017, the Company had one shareholders meeting. The Company held the 2017 Annual General Meeting of Shareholders (AGM) on 5 April 2017, during which the shareholders voted on the appointment of directors, remuneration of directors, appointment and remuneration for auditors, and declaration of dividend payment.



The Company arranged the Annual General Meeting of Shareholders in accordance with the requirements in the Company's Articles of Association, the applicable laws concerning shareholder meetings, and the best practices according to the corporate governance guidelines.

To allow shareholders to vote knowledgeably and effectively, the Company sent the notices of shareholders meetings and supporting information to the shareholders a reasonable time in advance. With the notice, the Company additionally provided proxy form, proxy's required document, Proxy's process and meeting venue's location and map. The Company prepared the notice of shareholders meetings in both Thai and English languages.

The Company posted the notice of shareholders meetings and all information on Company's website since 3 March 2017 and sent to all shareholders via registered mail on 15 March 2017. Additionally, the Company published the notice of shareholders meetings in both Thai and English language newspapers for 3 consecutive days at least 3 days prior to the meeting.

The Company also provided a channel for shareholders to send questions regarding agenda items at the meetings to the Company via e-mail ([CompanySecretary@sprc.co.th](mailto:CompanySecretary@sprc.co.th)) prior to the meetings.

The notice of shareholders meetings contains details on;

- Date, time, venue and map of the meeting
  - » To encourage the shareholders to attend the shareholders meetings, the Company selected appropriate dates, time and convenient venues for the meetings. It is the Company's policy to organize the shareholders meeting at a venue which meets our high safety standards, has multiple transportation options, e.g. close to BTS or MRT station and available parking areas, and a proper sized meeting room.
- the meeting procedure specifying details on required documents to verify the shareholders and proxies, independent directors who the shareholder can proxy to, vote requirements and counting procedures:
  - » If a shareholder cannot attend the meeting, the Company allows the shareholder to appoint an independent director or any person as a proxy to attend the meeting on their behalf, by submitting a proxy Form B sent with the notice to the shareholders meeting by the Company.

- » To ensure the shareholders are able to prepare all required documents for the proxy, the Company explains the process and required document for the proxy in the notice. The Company does not require unnecessary documents nor provide complicated process for the proxy. There is no requirement for government officials to certify documents.

- » The shareholders can register to attend the meeting 2 hours before the meeting. The Company uses a barcode system for convenience and to speed up the registration process.

- agenda items to be considered by the shareholders, with an explanation and reason for each agenda item or each resolution sought, as well as the opinion of the Board of Directors, including:

- » with respect to the appointment of directors, nomination procedure, type of proposed director, background and suitability of the nominated persons, including education, experience, other titles held, attendance record for Board meetings (in case of reappointment of an existing director) and conflict of interests, if any;

- » with respect to the consideration of remuneration for directors, components and amount of remuneration proposed to be approved by the shareholders;

- » with respect to appointment of the auditor and determination of their remuneration, name and auditing office of the proposed auditor, the proposed remuneration, the years for which the auditor has performed their duty for the Company in the event of reappointment of an existing auditor, and independency of the auditor; and

- » with respect to the payment of dividend, the Company's dividend policy, Company's performance, proposed dividend amount, and an explanation to support the decision regarding the proposed dividend.

At the shareholder meetings, the Company had a legal advisor from Baker & McKenzie Ltd. to monitor the registration and the vote counting. The Chairman asked 2 volunteers from shareholders to witness the vote counting. The Chairman assigned the Company Secretary to inform the voting and counting procedure to the shareholders prior to considering each item. The Company used a ballot system for the voting.

For election of directors, the Company requires a ballot for each individual on an individual basis. The voting result was announced for each individual director.

The Chairman provided opportunities for all shareholders to ask questions, and give opinions and suggestions. The Board of Directors, the CEO and senior leadership attended the meetings to answer questions and listen to the opinions and suggestions of shareholders. When the meetings ended, the Company prepared accurate and complete minutes of the meetings, including questions and responses during the meetings.

The Company published the voting results with scores of approve, disapprove and abstain of all resolutions on the Company's website on the same day, after finish the meeting, and published the meeting minutes within 14 days from the date of the meeting.

For preparation of the 2018 AGM, the Company has provided the opportunity to the shareholders to propose qualified candidates for election as directors and suggest items for consideration at the shareholder meeting. The Company has notified and posted the details on timeline and criteria on its corporate website since 1 September 2017.

## Equitable Treatment for Shareholders

The Board of Directors has set a policy that the Company must conduct business with transparency. The Company shall treat all shareholders fairly and equally. The Company respects minority shareholders' rights and provides equal opportunity to all shareholders, such as equal rights on voting, the opportunity to propose agenda items for consideration at shareholders meeting, opportunity to propose qualified candidates for director election, and the opportunity to access company information or receive communication from the company.

Since 1 September 2017, the Board of Directors has announced criteria for shareholders to propose agenda items for discussion and to nominate qualified director candidates for election at the annual general meeting of shareholders in 2018. Shareholders who wish to propose an agenda item and/or nominate director candidates must possess qualifications according to the criteria as follows:

- Be a shareholder or a group of shareholders of the Company;
- Hold minimum shares of not less than 1 percent of the total paid up shares of the Company (or not less than 43,359,022 shares); and
- Hold those shares continuously for at least one year prior to the date of proposing agenda items or nominating director candidates.

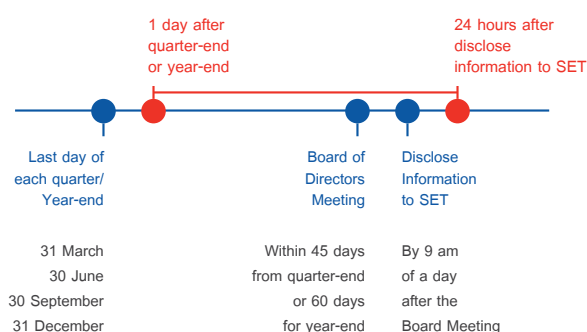
The shareholders must submit documents to the Company with required information according to the details posted on the Company's website.

To ensure equal access to Company's information, the Board of Director has established a Public Disclosure Policy to ensure communications to all shareholders are accurate, adequate, timely and equally accessible in accordance with the principles of good corporate governance as well as regulations of the SET and SEC.

- The Board of Directors appointed the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) as authorized persons to disclose SPRC's material information to the SET and to the public, and be authorized spokespersons to provide SPRC's information to the media, analysts and investors.
- The CEO may delegate other management to disclose or speak on his/her behalf, but any comments must be limited to that delegate's area of expertise.
- The Company should not publicly disclose material information until it has notified the SET and received an acknowledgment that the information has been released to the SET.
- After disclosure to the SET, the information disclosed should be promptly posted on the Company's website ([www.sprc.co.th](http://www.sprc.co.th)) as a public forum for presenting information in compliance with this policy.

The Board of Directors has established an Insider Trading Policy to prevent improper use of material non-public information by directors, executives, and employees who have access to such material non-public information through their duties and roles within the Company. Improper use includes insider trading whether for their own or others' benefit. The practice regarding material non-public information is as follows:

- Directors, executives, employees, auditors, contractors or consultants of the Company who are aware of SPRC's material and non-public information, directly or indirectly shall not:
  - » engage in transactions of any kind of SPRC's securities whether for their own account or for the account of another;
  - » recommend that another person engage in transaction of SPRC's securities (known as "tipping");
  - » assist anyone in engaging in transactions of SPRC's securities; or
  - » disclose material and non-public information to anyone who does not have a legitimate business reason for receiving such information.
- All directors, executives, and employees who have access and are involved with financial reporting, as well as spouses and minor children of such persons, are prohibited from trading the Company's securities for a period starting one day after the quarter-end or year-end and ending one day (24 hours) after disclosure or publication of the quarterly or annual financial statements to the SET.



- If any director, executive or employee, or their spouse or minor children gain access to any undisclosed information that may affect the price of securities of the Company, those persons shall not trade the securities until a period of 24 hours following disclosure of such information to the public.
- Directors and executives shall notify the Chairman of the Board of Directors, or the Company Secretary, at least one day in advance before trading the Company's securities.
- If the company's directors and executives elect to trade in the Company's securities, the Company encourages

them to make long-term investments. Directors and executives shall not engage in speculative or short-term trading of the Company's securities.

- Upon first being appointed as directors or executives of the Company, the directors and top-level executives shall report the holding of the Company's securities by them to the Office of the SEC (form 59-1) within 30 days from the date they first take office, and report any changes upon buying, selling, transferring, or accepting the Company's securities (form 59-2) within 3 business days from the date of any such change.
- The Audit Committee shall monitor the compliance with such measures, ensuring that any changes in securities holding are reported at the meeting of the Audit Committee each time any such changes occur.
- The number of shares held directly or indirectly at the beginning of the year (1 January), at the end of the year (31 December), and any trading during the year by the directors and executives shall be disclosed in the annual report.

In addition, the Business Conduct Policy requires that the Company's directors, executives, and employees refrain from having any conflict, potential conflict or perceived conflict, between personal interest and the interest of the Company, or the duties of the directors, executives, and employees toward the Company. Conflicts of interest may arise when such persons take any action or have any personal interest that adversely affects the Company's interest, reputation, good relations with others, as well as actions that affect their decisions when performing their respective duties. The practice regarding conflicts of interest is as follows:

- Directors, executives, and employees of the Company have duties in reporting their interests upon being appointed or joining the Company, and shall report on any changes to those interests.
- The Company discloses a clear shareholding structure to ensure confidence of the shareholders in the Company's shareholding structure.
- In meetings of the Board of Directors, if any director has a conflict of interest in the matter being considered, that director shall not take part in the consideration and decision regarding that matter, by refraining from participating in that portion of the meeting and voting, in order to ensure fairness and transparency in the

decision of the Board of Directors and to protect the best interests of all shareholders.

- For consideration on related party transactions (RPT), the Audit Committee will review the transaction to ensure that it is executed on the arm's length basis and for the best benefits of the Company. Additionally, the Internal Auditor and the External Auditor will review the RPT executed in each quarter and report to the Audit Committee at the Audit Committee meeting on the quarterly basis.

## Roles of Stakeholders

The Company takes into account the benefits of all stakeholders. The Company's Corporate Governance Policy provides that the Company shall value the rights of stakeholders, build relationships and promote cooperation between the Company and all stakeholders in order to balance benefits and create sustainability of our business.



The Company's stakeholders include shareholders, investors, analysts, employees, customers, business partners, contractors, creditors, business competitors, communities and government agencies. The Company has put in place policies and practice guidelines with respect to the treatment of stakeholders, as follows:

### Shareholders, Investors and Analysts

The Company regards shareholders as the owners of the Company. Directors, executives, and employees, therefore, have the duty to operate its business in accordance with good corporate governance principles for the best and sustainable interest of all shareholders.

The Company respects the rights of shareholders and treats shareholders on the basis of fairness and equality, e.g. right to attend the shareholders meeting, right to propose agenda items and director candidates, right to ask questions regarding agenda items both prior to the meeting and during the meeting, arranging the meeting at a place convenient for transportation, disclosure of the Company's information with equal opportunity to access, and establish the Insider Trading Policy to prevent the improper use of non-disclosure information for personal benefit.







In addition, the Company arranged various activities to build good relationships with shareholders, investors and analysts, e.g. company visits, roadshows, analyst meetings, Opportunity Days and SET in the City.

## Employees

The Company believes that its employees are its most important resource and key for the Company's success. The Company commits to take care, develop and create the best quality of life for our employees.

The Company respects human rights and values diversity. The Company treats all employees equally according to international standards of the United Nations Universal Declaration of Human Rights, and does not discriminate based on race, religion, color, origin, age, gender, disability, soldier status or political beliefs.

The Company promotes development of personnel through training, first-hand experience and on the job training that matches each of the employee's needs in order to improve work efficiency and the opportunity to progress in

one's career. The Company additionally supports various programs and activities that support employees to have happier lives both at home and at the workplace.

- **Corporate Culture:** The Company cultivates "One Family" to continuously improve our working environment. All staff work together, and support and care for each other like family members. We have a Recognition Program to encourage appreciation of employees' contributions to the Company's business and culture, which improves employees' and contractors' pride, improves morale, and encourages continued good contributions and performance.
- **Safety:** The safety of all employees, contractors, business partners, and other stakeholders is always Company's top value. The Company expects everyone to "Go Home Safely Every Day". New employees and contractors receive full day safety training on their first day starting work at the Company. We have "Safety Moments" that we share and discuss on safety awareness before starting all meetings. Everyone working at the Company, including contractors has "Stop Work Authority", where they can stop doing any activity that they are involved with, or request that others stop any activity if it looks unsafe. The Company has set up working teams with responsibility to implement various programs and activities to encourage safety awareness of all stakeholders both during work and at home. The new employee and contractors who work with the Company less than 6 months (Short Service Employee program) can be recognized by the red hard hat, which ensures that other, more experienced workers will take good care of them to ensure they work safely.





- **Remuneration and Benefits:** The Company has put in place appropriate remuneration policies for employees at all levels. In the short term, the remuneration package, including bonuses are made in according to the Company's financial and non-financial performance as well as taking into account remuneration packages of other Thai companies in the same business. For the Long term, the Company has a target to ensure competitive remuneration by assessing remuneration surveys and benchmarking with other lead petrochemical and refinery companies in Thailand who participate in the survey. Performance charters are developed and actual performance reviewed with all employees on a continuing basis. Training plans, career goals, and potential career opportunities are developed as well to ensure continued career growth for all employees.

The Company has developed a Flexible Benefits program that allows the employees to match their benefits package with their individual needs, such as medical and dental expense for himself/herself and for his/her family members, child's tuition fee, insurance premiums, etc. Additionally, the Company provides a provident fund, registered as a juristic person under the Provident Fund Act, B.E. 2530 (1987) for the Company's employees. Participating employees pay a contribution of 3 to 15 percent of the monthly wage to the fund, and the Company contributes 3 to 15 percent of the employee's wage, depending on the employee's years of service.

- **Knowledge and Competency Development:** The Company fully encourages and supports employees to improve their skill, knowledge and competency. The Company supports internal and external training, including overseas, in both functional skills and general soft skills, together with on the job training and coaching program by the supervisor or experienced colleague.



In 2017, the Company provided 187 functional courses and 68 courses in general skill. Employees received training averaging about 6 days per person or 2.4% of working hours. The expenses regarding to the trainings was approximate 11.3 million baht.



- **Health:** The Company has a medical clinic with a doctor and nurses on duty every day. The Company provides an annual Health check program to all employees. Additionally, there were many activities implemented in 2017 to encourage staff to take care of their health, e.g. Fit Fun Firm, Healthy Pantry, etc.

The Company has Mindful Club, Star Volunteer Club, Music Club and 16 sport clubs that management, employees and contractors can join, supporting a healthy life style, and building relationships through club activities that meet their interests. The Company supports the Company's sportsmen joining Refinery Games and Complex Games annually.



Additionally, the Company provides Employee Assistance Program that employees can consult any issue with a psychologist from outsource.

The Company promotes happiness in life and work through Happy Workplace Program. The working team is comprised of staff from every department. They had initiated activities to meet employee's expectation, to boost up the employees' happiness and to create happy working environment. In 2017, the team implemented Happy Money Happy Retirement to encourage the employee to have saving plan for their retirements.

- **Environment and Employee's CSR participation:** The Company is committed to operate its business in compliance with the environmental standard ISO 14001. All employees were communicated to, and understand the Company's Environment, Health and Safety Policy. The Company engages employees to participate voluntarily in the various Corporate Social Responsibility (CSR) activities. CSR activities related to the environment include tree planting, mangrove forest planting, coral planting, aquatic release, building check dams, beach cleaning, waste bank, etc. (See detail in "Sustainability Report")



- **Energy:** The Company established the Energy Management Team to be responsible for implementation of energy management according to the Energy Conservation Policy, develop and coordinate energy efficiency improvements, monitor performance of energy management systems and report to top management. The Energy Management Working group is comprised of staff from every department to coordinate and conduct the proper energy conservation activities and training for each department. Management routinely reviews the action and implementation plan to ensure achievement of the Energy roadmap. The Company develops an annual energy report, which is inspected and certified by the authorized person and submits the report to the Director-General according the criteria and procedures announced in the Government Gazette by the Minister of the Ministry of Energy.



## Customers

It is the Company's policy to build and maintain our customer base by developing, producing, and selling quality products through a safe, efficient and reliable production and distribution process, and to meet or exceed customers' expectations. The Company continuously improves its safety and reliability practices in operations and all business processes to ensure the Company always has available quality products for customers as commitment.

- **Crude to Customer Project:** The cross functional working team jointly sets the target and manages the whole supply chain, starting from crude selection and ending with products distribution and sale to our customers, to ensure the products meet supply commitments of product quality and on-time delivery.
- **Product Pier Improvement Project:** To improve safety and reliability at the Company's marine terminal, where about 53% of our products are distributed in 2017, the Company constructed the new product pipelines and relocated the pipe racks from underneath the pier to above the pier. This project improves safety and reliability, and also increases the flexibility of dispatching the products to vessels and significantly reduces the risk of accidents which may impact to the environment. This project was completed in December 2017.
- **Marine Terminal Dredging Project:** In order to improve safety and flexibility for vessels loading products at the Company's marine terminal, the Company dredged a deeper water channel at the Company's marine terminal area. This project also supports the amendment of Marine Department's safety regulation regarding to the under keel clearance. This project was completed in December 2017.

The Company has a Customer Index as one of the Company's KPI's. The Company conducts customer satisfaction surveys on a quarterly basis. The Crude to Customer Committee and working team is responsible to evaluate survey results and customers' feedback, set up the

action plans and monitor plan execution to ensure customer satisfaction by meeting or exceeding their expectations. The Company reports the customer satisfaction survey results, customers' feedback and action plans to the Board of Directors on a quarterly basis.



## Business Partners and Contractors

It is the Company's policy to treat all our business partners fairly and transparently. The Company conducts business by entering into contracts and agreements that are fair to all parties, complies to the terms and conditions of the agreements, refrains from demanding from or accepting improper benefits, and maintains confidentiality of our business partners' confidential information.



The Company does not do business with any company that violates labor laws, environmental laws, human rights, intellectual property laws, or trade restriction laws.

The Company has put in place a transparent procurement process with clear segregation of duty and authorization to prevent conflict of interests. Our business partners must be qualified to be on our Approved Vendor List (AVL) to ensure reliable and high quality provision of services and supplies. To qualify for the AVL, the vendors and suppliers must meet the following criteria;

- To ensure they have good safety management, they must demonstrate a successful safety performance, and have policies on safety, safety training, and safe workplace environment.
- To ensure they can supply materials and provide services that meet the Company's requirements, they must have skill, capability, knowledge, resources, experience, and a good reputation.
- To ensure they can be our sustained business partner, they must demonstrate a good financial status, such as good cash flow, reasonable debt, etc.

The Company builds relationships with our business partners that benefit all involved which we believe creates the best performance for both the Company and its partners. The Company extends our safety culture and encourages our business partner to have safety awareness and apply best practices, e.g.

- Organizing the Safety 24 Hours workshops to exchange knowledge and experiences about safety both at working and at home.
- Organizing Tool Box Talks every Tuesday morning for the Company's Management and supervisors to meet and discuss with the contractors about a safe workplace.
- Organizing the Truck Owners Workshop to build relationships and communicate the Company's policy on safety, zero alcohol and anti-corruption.

The Company communicated the Company's Anti-Corruption Policy to all business partners. The Company organized a Mini-Marathon for Anti-Corruption on 30 July 2017 and invited all business partners and contractors to join the activity. There were total approximate 2,000 participants and 250 participants from business partners. The Company

implemented and communicated a "No Gift" Policy to all business partners and received good cooperation.

The Company established the whistle blowing channel (See detail in item "Whistle Blowing Channel") for business partners and contractors who suspect violations of the law and Company Policies, non-transparent behaviors, or unfair treatment at or by the Company.

## Creditors

The Company strictly adheres and complies with the contractual and financial obligations as provided in credit agreements. The Company maintains good financial discipline and management to ensure repayment will be made on time. In the event that one of the terms cannot be fulfilled, the Company works with integrity and transparently with its creditors to resolve any issues that may come up.

## Business Competitors

The Company has a policy to treat business competitors ethically and fairly, not violate competition law, not fraudulently infringe on their business, or improperly seek confidential information of any business competitors, and not discredit business competitors' image and reputation.

The Company cooperates with other refineries and industry groups and exchanges information appropriately, such as sharing best practice on safety operation and technology, building safety culture, cooperation on emergency response, and liaise with the government sectors to ensure compliance with related regulations.

## Communities

The Company has in place safety standards and production process controls, as well as operational best practices and advanced technologies to ensure the safety of all our stakeholders, that we meet or exceed all safety and environmental regulations, and to ensure reliable and safe operations to have minimal impact on the environment and community around us.

As part of our commitment to Sustainable Development, the Company supports the communities' better quality of life. To show our responsibility and caring to the communities, the Company's management and staff jointly organize various activities in 4 key areas; education and youth, quality of life, environment, and community relationship. The Company

additionally engages communities to provide recommendation and feedback with regard to the impact from the Company's operation in order for the Company to improve for sustainable development. (See detail in "Sustainability Report")

## Government Agencies

The Company conducts business with strict compliance with all related laws and regulations. The Company regularly assesses compliance, including monitoring and updating changes in related laws and regulations. All staff have the responsibility to understand governing law related to their duties. During the execution of their work activities, all staff must comply with all related laws and regulations.

The Company maintains transparent relations with government agencies. To build relationships, the Company cooperates and supports government activities and projects, as long as such support is appropriate and does not conflict with the Company's Anti-Corruption Policy. (See detail in item "Anti-Corruption Policy")

## Anti-Corruption

As provided in the Company's Business Conduct Policy, the Company is committed to conducting its business ethically and in compliance with all applicable laws and regulations, including the U.S. Foreign Corrupt Practices Act (FCPA) and other laws that prohibit corruption to obtain an improper business advantage.

## Anti-Corruption Policy

The Board of Directors has established an Anti-Corruption Policy to ensure that the directors, management and all staff will conduct business transparently to prevent and act against corruption. The Anti-Corruption Policy applies to all Company personnel, including directors, management, employees, as well as the Company's representatives, agents, contractors and other intermediates or associates, who act on behalf of the Company. They are prohibited from engaging in acts of corruption such as paying bribes, accepting bribes, or other forms of undue or improper influence from all sectors, both government and private, where the Company does business. (Please find details in [www.sprc.co.th](http://www.sprc.co.th))

Furthermore, the Company encourages all of our business partners, vendors, suppliers and contractors to implement anti-corruption policies and practices in line with our

Anti-Corruption Policy and conduct the business ethically and in a manner that counters corruption.

## Roles and Responsibilities

- The Board of Directors has delegated responsibility to the Audit Committee for overseeing and monitoring SPRC's internal controls and practices to ensure the effectiveness of this Anti-Corruption Policy.
- All management are responsible for assessing corruption risk exposure in their responsible areas, reviewing mitigation measures and ensuring adequacy of internal control processes to prevent corruption.
- All supervisors are responsible for monitoring and ensuring their staff are aware of and understand this policy, and follow the policies, procedures and internal controls to ensure SPRC maintains a corruption free business.
- The Corporate Compliance Officer (CCO) is responsible to implement adequate training and compliance programs for anti-corruption, handling any queries regarding this Policy and maintaining the records of sensitive transactions as required by applicable law and the US Foreign Corrupt Practice Act (FCPA).
- The Internal Auditor is responsible to review internal controls to ensure they are effective in countering corruption.

## Procedure

The Company's Business Conduct Policy and Anti-Corruption Policy are introduced to all new employees at orientation sessions. The Company always communicates its policies to all staff to ensure they realize the Company has zero tolerance for corruption. The Company is committed to implementing and enforcing effective systems to counter corruption as well as to cultivate and promote ethical and responsible business values in our organizational culture.

All expenditures related to all Government Officials are considered as "sensitive transactions". All sensitive transactions must obtain advance approval from the CCO and must be supported by appropriate documents and receipts. No accounts may be recorded or not recorded to conceal improper payments. False, misleading, incomplete, inaccurate, or artificial entries in the Company's books, records or accounts are prohibited.

The Company provides guideline on expenditures regarding to gifts, meals, travel, lodging or entertainment for any government official as follows;

1. No expenditure of gifts, meals, travel, lodging or entertainment for any Government Official may be made for the purpose of improperly influencing any official action or to procure any improper advantage.
2. Upon advance approval from the CCO, SPRC may make payments on gifts, meals, travel, lodging or entertainment for any Government Official to secure performance of routine government actions by a Government Official (e.g. documents or administrative process), provided that such payment
  - a) is confirmed to be legal under all applicable laws,
  - b) is not made to a Government Official who holds decision making capability for approval, and
  - c) neither influences nor impacts the decision making that will be made by the Government Official.
3. Payments on gifts, meals, travel, lodging or entertainment for any Government Official may be made based on following justification;
  - a) Meals & Entertainment that
    - Conform to normal amenities
    - Are not Extravagant
    - Conform to customary practices, and
    - Are not improper or inappropriate entertainment e.g. adult entertainment at massage parlor, karaoke with hostess
  - b) Gifts or anything of value that
    - Conforms to normal amenities
    - No cash or other monetary instruments
    - Modest value
    - Be given publicly whenever possible
  - c) Transportation & travelling expenses, that are
    - Actual and reasonable travel expenses
    - No per-diem allowance
    - No unusual travel related activities e.g. recreational side trip

- Not extended to relatives, friends or associates of officer

d) Hotel & Accommodations that are

- Limited to reasonable business necessity
- Not extended to relatives, friends or associates of officer

4. The following types of payments shall NOT be made:

- a) Expenditures for family members or guests accompanying the Government Official.
- b) Expenditures for additional days of travel to tourist destinations or visits to family or friends.

Furthermore, to maintain the highest ethical integrity, the Company's personnel are prohibited to request, and not allowed to accept, gifts and entertainment from our business partners, vendors, suppliers, contractors, and agents which may interfere or appear to interfere with personnel's ability to perform their duties and responsibilities in an ethical manner. However, only for special occasions and through approval of the supervisor, the Company's personnel may accept gifts and entertainment of modest value. Cash or any other monetary gifts are strictly prohibited.

In addition to internal communications, the Company has communicated its Anti-Corruption Policy to the Company's business partners, not only to declare the Company's commitment to conduct the business transparency without corruption, but also to encourage and support our business partners to do business without corruption. The Company uses this collaboration to build a corruption free business community.

- Communication on the Company's Anti-Corruption Policy to the Truck Owners who received the products at the Company. There were approximate 50 participants.





- The Company arranged Mini Marathon for Anti-Corruption with approximately 2,000 participants from directors, management, staff, business partners, contractors, governments, local communities and the public.



- The Company's management and staff joined the International Anti-Corruption Day on 9 December 2017 organized by the National Anti-Corruption Commission in Rayong.



- For 2018 New Year greeting season, the Company communicated to all staff, vendors, contractors, and customers for guidelines on New Year Gifts, that stated:
  - » SPRC expressed a desire not to request and accept gifts or any favors of any value from our Business Partners;
  - » Business Entertainment is considered inappropriate unless SPRC shares in the cost of these events;
  - » Any form of cash or cash equivalence is strictly prohibited;
  - » In case any gifts cannot be refused or are unable to be returned, the gifts will be donated.



In 2017, the Company donated all received New Year gifts to Teacher Boonchoo Home Foundation for Special Children at Plutaluang, Sattahip District, Chonburi Province.



## Protection of Employees who act in good faith

The Company undertakes that the Company will protect our employees who refuse to pay bribes or other forms of undue or improper influence in good faith. The Company will ensure they are not liable to any penalty or other adverse consequence, even if such refusal may result in the Company losing business.

## Whistle-Blowing

The Company has set up multiple whistle-blowing communication channels for anyone to report if they discover or suspect bribes or violation of the Anti-Corruption Policy or Business Conduct Policy by others. They can report to the Board of Directors, the Audit Committee or the Corporate Compliance Officer:

a) By E-Mail

- To the Board of Directors at:  
CompanySecretary@sprc.co.th, or
- To the Audit Committee at:  
AuditCommittee@sprc.co.th, or
- To the CCO at:  
CorporateCompliance@sprc.co.th

b) By sending the letter to the following address:

Attention to:  
Corporate Compliance Officer  
Star Petroleum Refining Public Company Limited  
No. 1 I-3B Road, Map Ta Phut,  
Amphur Muang Rayong, Rayong Province, 21150

The whistleblower is not required to disclose their name. If the whistleblower provides their name, SPRC undertakes

that SPRC shall not disclose the whistleblower's name or any information that can be used to identify the whistleblower and shall keep such information as confidential. All reports will be taken seriously and no one will be discriminated against in any form as a result of reporting a violation or potential violation in good faith.

The Corporate Compliance Officer is responsible to ensure a proper investigation is held on any complaints and report any findings, and report results and corrective actions to the Audit Committee and the Board of Directors. If the whistleblower discloses his or her name, the Company will also respond on the investigation result to the whistleblower.

In 2017, the Company did not receive any complaints of corruption related to the Company's business.

## Certified company by the Thailand Private Sector Collective Action Coalition Against Corruption (CAC)

To reinforce the Company's commitment to conduct business with transparency, the Company has joined the CAC since April 2016. In order to comply with the CAC's self-assessment, the Company has set up a team to be responsible on implementation and report the progress to the Audit Committee on quarterly basis. After completion of the self-assessment, the Internal Auditor reviews to ensure the Company's policy and implementation are in compliance with CAC's requirements and reviewed with the Audit Committee for their approval. The CAC Council reviewed and approved the Company as a certified member in November 2017. This certification recognizes that the Company has policies and practices against corruption conforming with the CAC's principles.





## Disclosure and transparency

The Board of Directors makes sure that both financial and non-financial information is disclosed in an accurate, complete, adequate and timely manner to reflect the Company's operational and financial performance while strictly complying with the laws, rules and regulations relating to information disclosure of both the SEC and the SET.

The Company also communicates with shareholders and investors through various channels. The Investor Relations Division has developed and established yearly investor relations plan and also ensures efficient communication process and channels to communicate information including the Company's vision, mission statements, strategies, financial and operational performance to shareholders, investors, analysts, fund manager and other persons who might seek information both domestically and abroad by ensuring that those information complying with SEC and SET regulations. This is for the benefit of all investors, while the Public Affairs Department disseminates corporate information to media through local and international press releases when there were an important business activities.

In 2017, the Company disclosed the Company's information through various channels including quarterly presentations, local and international roadshows, news releases, conference calls, IR website, annual reports and other channels including announcements through the SET and the SEC.

The Company ensures analysts, fund managers, bankers, investors and employees received information through organizing analyst meetings on quaterly basis, roadshows and conference calls. The Company also participated in activities

organized by SET such as Thailand Focus and SET in the City. Aside from those mentionned, interested investors can arrange company visits to meet with Company's management to obtain the Company's information and understand the Company's operations.

In 2017, the Company conducted information disclosure to international and local investors, institutional investors, small investors, analysts, fund managers and press as follows:

Activity	Number (times)
International Roadshow	4
Local Roadshow	2
Analyst Meetings	4
Opportunity Day (organized by the SET)	4
Company Visit	6
International Conference Call	10
Answering Inquiries by E-mail/telephone	Approx. 2-5 times/day
Shareholders' Company Site Visit	2
Presentation of information to investors	8
Press Release on the Company's performance	4
Joint Activities with SET	2

The Company also disclosed information through its website at [www.sprc.co.th](http://www.sprc.co.th) so that other stakeholders could equally access the information. Investors and related parties can make queries or ask for the Company's information at Investor relations division at Tel. +66 (0) 38 699 887 or Fax. +66 (0) 38 699 999 ext. 7887 or send email to [ir@sprc.co.th](mailto:ir@sprc.co.th)

In addition, the Company provides a central point of investor contact as follow:-

Mr. Wichai Chunhasomboon, Chief Financial Officer

Mrs. Suttanuch Kittipongvises, Investor Relations Manager



## Responsibilities of the Board of Directors

The Company's Board of Directors consists of directors who possess knowledge, ability, and experience in a variety of fields; can leverage their experience, knowledge, and ability to effectively develop and determine the direction, policy, and strategy of the Company with honesty, transparency, and care for the best interests of the Company and its shareholders; and monitor to ensure the Management operates business in accordance with the strategic plan and budget determined, and rules and regulations of the relevant authority and government agencies, as well as the resolutions of the shareholders meeting. The Board of Directors has also put in place an internal control process that is appropriate and consistent with good corporate governance principles.

## Composition of the Board of Directors

Pursuant to the Company's Articles of Association, the Board of Directors shall consist of at least five directors. The Board of Directors shall elect one director as the chairman, and may elect another director as the vice chairman or other positions as deemed appropriate. No less than one-half of the number of directors shall reside in Thailand.

The Charter of the Board of Directors, approved by the shareholders, requires that the Board of Directors consist of seven to nine directors who possess knowledge and experience in a variety of fields. At least three of the Company's Board of Directors shall be independent directors. The directors shall possess qualifications, and shall not possess any prohibited characteristics, as specified by law.

The Board of Directors shall evaluate the composition of the board every year to determine whether the board consists of directors with knowledge and experience in different fields, to ensure that the board members can suitably work together to determine the Company's vision, mission, strategy and policies as well as monitor the Company's business and operations.

## Appointment and removal of directors

Appointment, removal, or termination from office of the directors shall be in accordance with the Company's Articles of Association, as follows:

1. The shareholders meeting shall elect the Company's directors in accordance with the following rules and methods:
  - a shareholder shall be entitled to one vote per share held by them;
  - each shareholder may cast votes to elect one or more directors, but the votes are indivisible; and
  - the person who receives the highest vote, and other persons with the next highest number of votes, shall be elected as directors in accordance with the number of directors required, and if more than one person receives equal votes, the chairman of the shareholders meeting shall have the casting vote.
2. At each annual general meeting, one-third of the directors, or, if their number is not a multiple of three, then the number nearest to one-third, must retire from office. The directors to retire during the first and second years following the registration of the Company shall be drawn by lots. In every subsequent year, the directors who have been in office the longest shall retire. A retiring director is eligible for re-election
  - Directors who retired at the annual general meeting 2017 are:
    - » Mr. Andrew Benjamin Walz; and
    - » Mr. Nicolas Michel Bossut ;Both were re-elected at the annual general meeting 2017.
  - Directors who will retire at the annual general meeting 2018 are:
    - » Mr. Manoon Siriwan;
    - » Ms. Kheng Ling Lok ; and
    - » Mr. Robert Stair Guthrie
  - Directors who will retire at the annual general meeting 2019 are:
    - » Mr. Pliu Mangkornkanok; and
    - » Mr. William Lewis Stone;
3. A director may resign from office by submitting a letter of resignation to the Company, effective from the date on which the Company receives the letter or any date specified in the resignation letter. The Board of Directors

may appoint a new director to replace a resigning director, but any person so appointed shall retain office only for as long as the resigning director was entitled to retain the same.

4. A shareholders meeting may remove any director before the expiration of his or her period of office, upon a resolution of the meeting passed by not less than three-fourths of the shareholders attending the meeting and eligible to vote, holding not less than 50 percent of the total shares held by the shareholders attending the meeting and eligible to vote.

## Nomination of directors

The Board of Directors has established procedures for nomination of directors by the Nomination, Remuneration and Corporate Governance Committee to ensure compliance with good corporate governance guidelines of the SET for listed companies. The Nomination, Remuneration and Corporate Governance Committee has the duty to review policies and the process for nominating new directors, and determine necessary and desirable qualifications of new directors. Additionally, the Company looks for qualified candidates from the list of Chartered Directors of the Thai Institute of Directors (IOD).

Persons nominated as directors shall possess the following qualifications:

1. Be fully qualified and not be prohibited from being a director according to:
  - The Public Limited Company Act
  - The Securities and Exchange Act
  - Regulations of the Securities and Exchange Commission
  - Regulations of the Capital Market Supervisory Board
  - The Company's Articles of Association
2. Have knowledge, skills, and expertise in fields related to the Company's business or have experiences that are beneficial to the Company's business operations.
3. Be trustworthy, have leadership skills, vision, ethics, integrity and be able to perform director's duties with care and diligence.
4. Not serve as a director of more than 3 listed companies in the Stock Exchange of Thailand.

## Nomination of independent directors

Persons nominated as independent directors shall possess the following qualifications:

1. The independent director should not hold more than 3 consecutive terms directorship. (3 years for each term)
2. An independent director must not hold shares exceeding 1 percent of the total shares with voting rights of the Company, the parent company, the subsidiaries, the associate companies, major shareholders, or controlling persons of the Company. That percentage shall include shares held by related persons of the independent director.
3. An independent director shall not be, or have been, an executive director, employee, staff member, or consultant who receives a regular salary, or a controlling person of the Company, the parent company, the subsidiaries, the associate companies, the same-level subsidiaries, major shareholders, or controlling persons of the Company, unless the director has not held such a position for at least two years before the date of submission of the application to the Office of the SEC. Such a prohibition does not include cases of an independent director holding a position as a government officer or consultant of a government agency that is a major shareholder or controlling person of the Company.
4. An independent director shall not be related by blood or legal registration as father, mother, spouse, sibling, or child, including spouse of a child of another director, executive, major shareholder, controlling person to be nominated as an executive director, or controlling person of the Company or the subsidiaries.
5. An independent director shall not have, or have had, a business relationship with the Company, the parent company, the subsidiaries, the associate companies, major shareholders, or controlling persons of the Company in a manner that may prevent free judgment, and shall not be, or have been, a significant shareholder or controlling person of a person related to the business of the Company, the parent company, the subsidiaries, the associate companies, major shareholders, or controlling persons of the Company, unless that relationship ended at least two years before the date of submission of the application to the Office of the SEC. The above business relationship includes execution of trade transactions in the ordinary course of the business;

leasing or letting immovable property; transactions related to assets or service, or provision or acceptance of financial assistance by way of borrowing or lending, guarantee, charges, and security assets, and other similar circumstances causing indebtedness of the Company or a party to the other party of 3 percent of the net tangible assets of the Company, or Baht 20 million and above, whichever is lower. Calculation of such indebtedness shall be in accordance with the method for calculating related-party transactions under the notification of the Capital Market Supervisory Board concerning rules for related-party transactions, mutatis mutandis. However, such indebtedness shall include the indebtedness arising during the period of one year before the relationship with that person was established.

6. An independent director shall not be, or have been, an auditor of the Company, the parent company, the subsidiaries, the associate companies, major shareholders, or controlling persons of the Company, and shall not be a significant shareholder, controlling person of, or a partner in, the auditing office in which the auditor of the Company, the parent company, the subsidiaries, the associate companies, major shareholders, or controlling persons of the Company works, unless the director has not held such a position for at least two years before the date of submission of the application to the Office of the SEC.
7. An independent director shall not be, or have been, a provider of any professional service, including legal advisory or financial advisory service, receiving more than Baht 2 million of service charges per year from the Company, the parent company, the subsidiaries, the associate companies, major shareholders, or controlling persons of the Company, and shall not be a significant shareholder, controlling person, or a partner of the service provider, unless the director has not held such a position for at least two years before the date of submission of the application to the Office of the SEC.
8. An independent director shall not be a director appointed as the agent of the directors of the Company, major shareholders, or shareholders related to a major shareholder.
9. An independent director shall not operate a business of the same nature, with and in competition with the business of the Company, or the subsidiaries, and shall not be a significant partner in a partnership, or be an

executive director, employee, staff member, or consultant who receives a regular salary, or hold shares exceeding 1 percent of the total shares with voting rights, of another company operating a business of the same nature, with and in competition with the business of the Company or the subsidiaries.

10. An independent director shall not possess any other characteristics that prevents him or her from freely giving an opinion regarding the Company's operation.

## **Scope of authority, duties, and responsibilities of the Company's Board of Directors**

The Company's Board of Directors has a number of duties and responsibilities toward the shareholders, as set out in the Public Limited Company Act, Securities and Exchange Act, rules and guidelines of the SET, the Company's Articles of Association, and the Charter of the Board of Directors.

It is the primary responsibility of the Board of Directors to manage the Company's business within the scope of the law, the Company's objectives, Articles of Association, and resolutions of the shareholders meeting. The Board of Directors shall perform its duty using its best efforts to add value to the business in the long run, and manage the business carefully and prudently with transparency, and prevent any occurrence of conflict of interest. The Board of Directors shall determine the standard practice for the operation of the Company's business and ensure the adequacy of the Company's internal control and risk management systems.

The Charter of the Board of Directors sets out the authority and duties of the Board of Directors, and clearly separates the authority and duties of the directors, independent directors, and chairman. The key responsibilities of the Board include:

- Establishing, approving and modeling vision, mission, culture, core values and commitment to maximize financial, operational, health, safety and environmental performance;
- Reviewing, evaluating and approving the business plan and budget each year;
- Reviewing, evaluating and approving strategies with guidance to implement objectives and goals of the Company;
- Monitoring business performance and reviewing the implementation of strategies;



- Enhancing and protecting the Company's reputation and corporate integrity;
- Reviewing, evaluating, and approving the policies, standards of corporate governance and legal and regulatory compliance; such as the Business Conduct Policy, Corporate Governance Policy, Anti-Corruption Policy, Insider Trading Policy, Risk Management Policy and Dividend Policy; as well as follow up and monitor the internal control and practice to be compliance with such policies;
- Reviewing, evaluating and approving overall direction and financial, operational, health, safety and environmental objectives and goals each year;
- Reviewing and approving full year and interim financial reports;
- Reviewing and approving the payment of any interim dividends;
- Reviewing, evaluating and approving the charters of the Board's committees;
- Reviewing, evaluating and approving terms of appointment, including the remuneration package of the CEO, based on the recommendation of the Human Resources Committee;
- Reviewing, evaluating and approving the termination of the CEO's appointment;
- Providing input to the CEO's annual performance review with the Chairman;
- Monitoring the progress of major capital projects and business acquisitions or divestitures, and reviewing returns from these investments;
- The Board of Directors has authorization on capital expenditure up to Baht 1.5 billion. Any capital expenditure that exceeds Baht 1.5 billion shall be proposed for shareholders' approval.
- Reviewing and approving such authority to execute transactions or obligations which do not fall within the scope of authorities delegated to the CEO;
  - » The CEO has the authority to execute transactions in the name of the Company, with a limit of not exceeding Baht 200 million. Transactions with a value greater than Baht 200 million are subject to the Board's approval.

- » However, due to the nature of Company's business and normal Company's business transaction, the CEO has the authority to execute transactions and obligations with a term not exceeding 12 months (regardless of the amount of these transactions) that are related to the current and future purchase, sale, and exchange of crude oil, raw materials, intermediate products, and finished products.
- » For related party transactions, the CEO has the authority to execute related party transactions in the name of the Company, with a limit of not exceeding Baht 10 million. Related party transactions with a value greater than Baht 10 million are subject to the Audit Committee's review and the Board's approval. For related party transactions with regard to the current and future purchase, sale, and exchange of crude oil, raw materials, intermediate products, and finished products, the CEO has the authority to execute such related party transactions with a term not exceeding 12 months (regardless the amount of those transactions).

## Authorized Directors

The authorized directors of the Company are any two of Mr. Andrew Benjamin Walz, Mr. Nicolas Michel Bossut, Mr. William Lewis Stone, and Ms. Kheng Ling Lok, to jointly sign and affix the Company's seal.

## Board of Directors meetings

The Company's Articles of Association require that the Board of Directors holds at least one meeting every three months, and may hold additional meetings to consider urgent matters.

The directors shall regularly attend the Board of Directors meetings to acknowledge and take part in the decisions regarding the operation of the Company's business. The Company Secretary has the duty to determine in advance the meeting schedule every year, and notify each director of the meeting schedule for the following year, before the end of the year, so that each director is aware of the meeting schedule in advance, and is able to attend the meeting. Each meeting takes approximately four hours.

The Chairman, the Chief Executive Officer, and the Company Secretary together consider and approve the meeting agenda. At each meeting, a clear agenda is set, and sufficient supporting documents sent to the directors, both in hard copy and electronic form, approximately 8 - 10 days in advance, to allow sufficient time for the Board of Directors to study the matters before the meeting.

To consider each matter, the Chairman of the Board of Directors, who acts as the chairman of the meeting, allocates sufficient time for each agenda item, and allows directors to ask questions and express opinions freely. Resolutions of the Board of Directors require a majority vote of the directors. Each director has one vote. In the event of equal votes, the Chairman of the meeting has the casting vote.

If any director has a conflict of interest in the matter being considered, the interested person shall not take part in the consideration and decision on that matter, for transparency and the best interest of the Company.

The Vice Chairman has responsibility to support the Board Chairman and fulfill the Chairman's responsibilities in case

of the absence of the Chairman or the Chairman is unable to play the chairman role during a meeting of the Board or a meeting of shareholders.

The Company's executives attend the Board of Directors meeting in order to directly provide beneficial information and acknowledge policies from the Board of Directors, to ensure efficient implementation. The executives report implementation results in the following Board of Directors meeting.

Upon conclusion of the meeting, the Company Secretary prepares the minutes of the meeting, containing important matters considered, resolution, as well as the opinions expressed in the meeting, proposes the draft minutes to the directors for their preliminary review, proposes the minutes in the next Board of Directors meeting for Board's approval, and certification by the Chairman of the Board of Directors. Minutes approved by the meeting and certified by the Chairman of the Board of Directors are systematically kept, with the documents supporting each agenda item in the meeting, both in hard copy and electronic form, for convenience of retrieval and reference.

## Attendance of the Board of Directors Meetings and Committee Meetings in 2017

Director's Name		Board of Directors	Audit Committee	Nomination, Remuneration and Corporate Governance Committee	Human Resources Committee
		Total Meetings in 2017			
		5 Meeting	5 Meetings	3 Meetings	6 Meetings
1	Mr. Andrew Benjamin Walz	5/5	-	-	-
2	Mr. Pliu Mangkornkanok	5/5	5/5	-	6/6
3	Mr. Manoon Siriwan	5/5	5/5	3/3	-
4	Mr. Robert Stair Guthrie	4/5	5/5	3/3	-
5	Mr. Nicolas Michel Bossut	4/5	-	3/3	-
6	Ms. Kheng Ling Lok	4/5	-	-	6/6
7	Mr. William Lewis Stone	5/5	-	3/3	6/6

The Company Secretary is responsible to develop meeting schedule and inform the directors of the meeting schedule for the whole year in advance.

In 2017, meetings of the Board of Directors were held five times, including four regular quarterly meetings, and one special meeting. For the scheduled quarterly meetings, all directors fully attended the Board of directors meetings. For the special Board of directors meeting on 11 December 2017, three directors were unable to be present at the meeting, but joined the meeting via teleconference. They shared their opinions on considered items, but were not counted towards the quorum nor voted on resolutions.

## Attendance of the Board of Directors Meetings and Committee Meetings in 2017

	Name of Directors	No.1 (15 Feb)	No.2 (4 May)	No.3 (11 Aug)	No.4 (3 Nov)	No.5 (11 Dec)	Total	Percentage
1	Mr. Andrew Benjamin Walz	✓	✓	✓	✓	✓	5/5	100%
2	Mr. Pliu Mangkornkanok	✓	✓	✓	✓	✓	5/5	100%
3	Mr. Manoon Siriwan	✓	✓	✓	✓	✓	5/5	100%
4	Mr. Robert Stair Guthrie	✓	✓	✓	✓	o	4/5	80%
5	Mr. Nicolas Michel Bossut	✓	✓	✓	✓	o	4/5	80%
6	Ms. Kheng Ling Lok	✓	✓	✓	✓	o	4/5	80%
7	Mr. William Lewis Stone	✓	✓	✓	✓	✓	5/5	100%
The attendance of all directors								91.4%

## Audit Committee

Scope of authority, duties, and responsibilities of the Audit Committee

- To ensure that the Company's financial statements are accurate and adequately disclosed.
- To ensure that the Company implements internal controls and internal audit systems that are appropriate and effective, and to consider the independence of the internal audit unit and give consent regarding the appointment, transfer, and termination of employment of the internal auditor.
- To ensure that the Company complies with the law governing securities and exchange, regulations of the SET, and the laws applicable to the Company's business.
- To consider selecting, nominating, and appointing an independent person to act as an auditor of the Company, and propose the remuneration of the auditor, and attend meetings with the auditor and internal auditor without the management's presence at least once a quarter.
- To consider related-party transactions or transactions with likely conflict of interest, and ensure that they are in accordance with the laws and regulations of the SET, in order to ensure that such transactions are reasonable and in the best interest of the Company. The opinions of the Audit Committee will be proposed to the Board of Directors or the shareholders, as the case may be, to ensure that the proposed transactions are executed on a commercial arm's length basis and always take into consideration, on balance, the best interest of Company.
- To prepare the report of the Audit Committee and disclose the same in the Company's annual report. The report is certified by the Chairman of the Audit Committee, and contains at least the following:
  - » opinion regarding the accuracy, completeness, and reliability of the Company's financial report;
  - » opinion regarding the adequacy of the Company's internal control system;

- » opinion regarding compliance with the law governing securities and exchange, regulations of the SET, and the laws applicable to the Company's business;
- » opinion regarding the suitability of the auditor;
- » opinion regarding transactions with likely conflict of interest;
- » number of Audit Committee meetings held and attended by each audit committee member;
- » overall opinion or observation of the Audit Committee from compliance with the charter; and
- » other details to be noted by shareholders and general investors as deemed appropriate by the Audit Committee in accordance with the scope of duty and responsibility assigned by the Board of Directors.
- To take any other actions as assigned by the Board of Directors, subject to the consent of the Audit Committee.

## Nomination of the Audit Committee

The Audit Committee members must be the Company's independent directors, with all qualifications required under the law governing securities and exchange, the notifications of the Capital Market Supervisory Board, and the notifications, regulations, and rules of the SET. The rules under the

notifications of the Capital Market Supervisory Board and the SET require that the Audit Committee consist of at least three members, who possess sufficient knowledge and experience to act as audit committee members. At least one audit committee member possesses sufficient knowledge and experience in accounting to be able to inspect the credibility of the Company's financial statements. Each member of the Audit Committee maintains his or her qualifications as an audit committee member and title as director, which can be summarized as follows:

1. The member must be an independent director of the Company.
2. The member must be nominated by the Board of Directors.
3. The member must possess the qualifications specified in the notification of the Stock Exchange of Thailand concerning qualifications and scope of work of audit committees.
4. The member must not be a director assigned by the Board of Directors to make decisions on the operation of the business of the Company, the parent company, the subsidiaries, the associate companies, major shareholders, or controlling persons of the Company.
5. The member is not a director of the parent company, the subsidiaries, and the same-level subsidiaries that are listed companies

## Attendance of the Audit Committee Meetings in 2017

	Name of Directors	No.1 (14 Feb)	No.2 (15 Feb)	No.3 (3 May)	No.4 (10 Aug)	No.5 (2 Nov)	Total
1	Mr. Pliu Mangkornkanok	✓	✓	✓	✓	✓	5/5
2	Mr. Manoon Siriwan	✓	✓	✓	✓	✓	5/5
3	Mr. Robert Stair Guthrie	✓	✓	✓	✓	✓	5/5

## Nomination, Remuneration and Corporate Governance Committee

Scope of authority, duties, and responsibilities of the Nomination, Remuneration and Corporate Governance Committee

- Assisting the Board of Directors with respect to the structure of the Board of Directors; the nomination, election, and re-election of directors; consideration for performance of the Board of Directors and each director; as well as the succession plan for the Board of Directors.
- Assisting the Board of Directors with respect to the nomination process for directors, determining the terms of appointment.
- Providing consultancy service to assist the Board of Directors in evaluating the performance and nomination of directors.
- The Nomination, Remuneration and Corporate Governance Committee shall ensure that the Board of Directors possesses the appropriate mix of skills, experience, expertise, and variety, and shall implement an appropriate process with respect to succession, appointment, performance, and other matters related to the Board of Directors.
- Reviewing and overseeing the process for evaluation of the performance of the Board, its standing committees and individual directors.
- Assisting the Board of Directors to consider a fair and reasonable remuneration structure for the Board of Directors and other committees.
- Reviewing the adequacy of the Company's practices with respect to corporate governance, and provide advice and recommendations to the Board to ensure the Company's policies, practices, and standards of corporate governance are consistent with SET's best practice guidelines for listed companies, international best practices and recommendations made by related institutions.
- Monitoring and overseeing the performance of the Board and Management to ensure their compliance with the Company's Corporate Governance policy.

## Attendance of the Nomination, Remuneration and Corporate Governance Committee Meetings in 2017

Name of Directors		No.1 (15 Feb)	No.2 (11 Aug)	No.3 (29 Nov)	Total
1	Mr. Robert Stair Guthrie	✓	✓	✓	3/3
2	Mr. Manoon Siriwan	✓	✓	✓	3/3
3	Mr. William Lewis Stone	✓	✓	✓	3/3
4	Mr. Nicolas Michel Bossut	✓	✓	✓	3/3

## Human Resources Committee

Scope of authority, duties, and responsibilities of the Human Resources Committee

- The primary role of the Human Resources Committee is to provide the Board of Directors with assistance regarding the strategic plan for management and development of the Company's human resources, and the Company's remuneration system for staff.
- The Human Resources Committee has the duties assigned by the Board of Directors, including approving the plan on payment of annual remuneration and incentives.
- The Human Resources Committee considers ways to develop human resources management and
- personnel development strategies, in order to enhance the operation of the Company's business, and improve operations, as well as to increase shareholder value in the long run.
- The Human Resources Committee ensures that the remuneration system is appropriately managed, and a clear and reasonable process is in place, in order to enhance the Company's human resources management strategy.
- The Human Resources Committee is responsible to provide the advice on the appointment of senior leaders, and review a succession planning of the CEO and senior leadership team.

## Attendance of the Human Resources Committee Meetings in 2017

	Name of Directors	No.1 (15 Feb)	No.2 (4 Mar)	No.3 (4 May)	No.4 (10 Aug)	No.5 (3 Nov)	No.6 (8 Dec)	Total
1	Mr. William Lewis Stone	✓	✓	✓	✓	✓	✓	6/6
2	Mr. Pliu Mangkornkanok	✓	✓	✓	✓	✓	✓	6/6
3	Ms. Kheng Ling Lok	✓	✓	✓	✓	✓	✓	6/6

## Training for directors

No new directors joined the Company in 2017. However, when the Company has new directors, the Company normally provides the new directors an introduction and overview of the Company's structure and business, the Company's performance in operation, supply and financial including performance benchmarking with the peers in Thailand and international industry, Company's culture, Business Conduct Policy, and policies regarding to the good governance.

Additionally, the Company encourages the directors to improve themselves in the area of director roles and corporate governance by attending a training or seminar regarding to the roles and responsibilities of directors organized by the Thai Institution of Directors (IOD). The Nomination, Remuneration and Corporate Governance Committee is responsible to monitor and ensure the directors attend the training.

## Board of Directors Self-Assessment

### Criteria

The Board of Directors assessed its 2017 performance. The self-assessment form consists of 50 questions covering 6 areas:

- Board structure and qualifications: to evaluate the appropriate composition of the board on diversity of skills and experiences as well as diversity to effectively support the Board's activities and Company's business
- Roles, duties and responsibilities of the board: to evaluate the effectiveness and contribution of the Board of Directors to achieve the goals of the Company
- Duties of directors: to evaluate the neutrality and independence of directors performing their roles



- The board meeting: to evaluate the effectiveness and environment of the meetings, and the quality of information provided for board consideration at the meetings
- Relationship with management: to evaluate the trust relationship between directors and management, including working to support each other on their roles
- Director's self-improvement and training: to evaluate the Directors' understanding of their roles, and responsibilities, and the company's nature of business.

## Process

- The Company Secretary is responsible to review the self-assessment form and apply it to be consistent with the roles and responsibilities of the Board of Directors as provided in the Charter of the Board of Directors.
- All directors shall complete the self-assessment and send to the Company Secretary to consolidate the result.
- The Company Secretary shares the Board of Directors' assessment result with the Nomination, Remuneration and Corporate Governance Committee to review and discuss.
- The Chairman of the Nomination, Remuneration and Corporate Governance Committee shares the Board of Directors' assessment result with the Board of Directors and provides recommendations for effective performance and compliance with corporate governance.

## Assessment Result

All 7 directors completed the self-assessment for the Board of Directors. The overall result of the 2017 Board of Directors' self-assessment indicates 96.33%.

## Audit Committee Self-Assessment

### Criteria

The Audit Committee assessed its 2017 performance. The self-assessment form consists of 30 questions covering 3 areas:

- Committee structure and qualifications: to evaluate the appropriate composition of the committee on diversity of skills and experiences to support committee to perform its roles, as well as the demonstration on integrity, credibility and trustworthiness
- Committee meeting: to evaluate the effectiveness and environment of the meetings, and the quality of information provided for committee consideration at the meetings
- Roles, duties and responsibilities of the Committee: to evaluate the effectiveness and contribution of the committee members to carry out all responsibilities as outlined in the Audit Committee Charter in the following areas;
  - » Financial Reports
  - » Internal Control and legal compliance
  - » Risk Management
  - » External Audit
  - » Internal Audit

## Process

- The Committee Secretary is responsible to review the self-assessment form and apply it to be consistent with the roles and responsibilities of the Audit Committee as provided in the Charter of the Audit Committee.
- All committee members shall complete the self-assessment and send to the Committee Secretary to consolidate the result.
- The Committee Secretary shares the Audit Committee's assessment result with the Audit Committee to review and discuss for effectiveness improvement.

## Assessment Result

All 3 members of the Audit Committee completed the self-assessment for the Audit Committee. The overall result of the 2017 Audit Committee self-assessment indicates 99.72%.

# Nomination, Remuneration and Corporate Governance, Committee Self-Assessment

## Criteria

The Nomination, Remuneration and Corporate Governance (NRCG) Committee has assessed its 2017 performance. The self-assessment form consists of 20 questions covering 3 areas:

- Committee structure and qualifications: to evaluate the appropriate composition of the committee on diversity of skills and experiences to support committee to perform its roles
- Committee meeting: to evaluate the effectiveness and environment of the meetings, and the quality of information provided for committee consideration at the meetings
- Roles, duties and responsibilities of the Committee: to evaluate the effectiveness and contribution of the committee members to carry out all responsibilities as outlined in the NRCG Charter in the following areas;
  - » Review the Board's composition and Board's performance
  - » Review the director candidate's qualification
  - » Review the director remuneration
  - » Monitor and ensure the company's practices are compliance with the good corporate governance

## Process

- The Committee Secretary is responsible to review the self-assessment form and apply it to be consistent with the roles and responsibilities of the NRCG Committee as provided in the Charter of the NRCG Committee.
- All committee members shall complete the self-assessment and send to the Committee Secretary to consolidate the result.
- The Committee Secretary shares the NRCG Committee's assessment result with the NRCG Committee to review and discuss for effectiveness improvement.

## Assessment Result

All 4 members of the NRCG Committee completed the self-assessment for the NRCG Committee. The overall result of the 2017 NRCG Committee self-assessment indicates 97.81%.

# Human Resources Committee Self Assessment

## Criteria

The Human Resources Committee assessed its 2017 performance. The self-assessment form consists of 13 questions covering 3 areas:

- Committee structure and qualifications: to evaluate the appropriate composition of the committee on diversity of skills and experiences to support committee to perform its roles
- Committee meeting: to evaluate the effectiveness and environment of the meetings, and the quality of information provided for committee consideration at the meetings
- Roles, duties and responsibilities of the Committee: to evaluate the effectiveness and contribution of the committee members to carry out all responsibilities as outlined in the Human Resources Committee Charter in the following areas;
  - » Review the qualifications and appointments of senior executives
  - » Review the human resources plan
  - » Review the remuneration system for employees

## Process

- The Committee Secretary is responsible to review the self-assessment form and apply it to be consistent with the roles and responsibilities of the Human Resources Committee as provided in the Charter of the Human Resources Committee.
- All committee members shall complete the self-assessment and send to the Committee Secretary to consolidate the result.

- The Committee Secretary shares the Human Resources Committee's assessment result with the Human Resources Committee to review and discuss for effectiveness improvement.

## Assessment Result

All 3 members of the Human Resources Committee completed the self-assessment for the Human Resources Committee. The overall result of the 2017 Human Resources Committee self-assessment indicates 89.10%.

## Individual Director Self-Assessment

### Criteria

Each director assessed himself/herself as a director for his/her 2017 performance. The individual director self-assessment form consists of 30 questions on 3 areas:

- understanding on the Board's role and constructively performing his director role
- understanding on the Company's business, strategy and policy
- independence and relationship with other directors and management

## Process

- The Company Secretary is responsible to review the self-assessment form and apply it to be consistent with the roles and responsibilities of the Board of Directors as provided in the Charter of the Board of Directors.
- All directors shall complete the self-assessment and send to the Company Secretary to consolidate the result.
- The Company Secretary shares the individual director assessment result with the Nomination, Remuneration and Corporate Governance Committee to review and discuss.
- The Chairman of the Nomination, Remuneration and Corporate Governance Committee shares the individual director assessment result with the Board of Directors and provides recommendation for effective performance and compliance with corporate governance.

## Assessment Result

All 7 directors completed the individual director self-assessment. The overall result of the 2017 individual director self-assessment indicates 94.52%.



## CEO Assessment

### Criteria

The Chairman of the Board of Director and the directors assessed and discussed the CEO's achievement of business results and strategies, as well as evaluated the CEO's performance through the assessment, consisting of 50 questions in 8 areas:

- Leadership
- Strategy and Execution
- Financial Planning and Performance
- Relationship with the Board
- External Relations
- Human Resources and Management relationship
- Succession
- Skills and Attitudes

### Process

- The Company Secretary is responsible to review the assessment form and apply it to be consistent with the roles and responsibilities of the CEO as delegated by the Board of Directors.
- All directors (except the director who holds the CEO position) shall complete the assessment and send back to the Company Secretary to consolidate the result.
- The Company Secretary shares the CEO assessment result with the Chairman of the Board of Directors for consideration.
- The Chairman of the Board of Directors discuss the evaluation and assessment with the Board of Directors.

### Assessment Result

6 directors completed the CEO assessment. The results of the assessment were shared with the CEO and are confidential.



In summary, in 2017 the Company performed all practices in compliance with the good corporate governance as recommended by the Security Exchange of Thailand, except;

- Arrange the Board of Directors meeting more than 6 times a year
  - » With the type and size of Company's business, the Board considers Board meetings once a quarter as appropriate. However, if there is an urgent matter, the Board can be called for a special meeting.
- The quorum of the Board of Directors for the voting at the Board of Directors meeting shall be the presence in person of at least two-thirds of all directors on the board.
  - » The Company's Article of Association provides that the quorum of the Board meeting requires the presence in person of at least one-half of all directors on the board. With the Board's size, the Board of Directors considered the current practice is appropriate.
- Chairman of the Board is an independent director.
  - » The Chairman of the Board is elected by the Board of Directors.
- The Nomination and Remuneration Committee shall comprise of independent directors more than 50%.
  - » There are 4 members in the Company's Nomination, Remuneration and Corporate Governance Committee and 2 out of 4 directors are independent directors.
- The Board of Directors shall comprise of independent directors more than 50%.
  - » There are 7 directors in the Board and 3 out of 7 directors are independent directors.

# AUDIT COMMITTEE REPORT

## To Our Shareholders

As Chairman of SPRC's Audit Committee, I am pleased to present the report of the Audit Committee for the year ended 31 December 2017.

The Audit Committee is comprised of independent directors with a requirement of three members. Mr. Pliu Mangkornkanok is a chairman of the committee. Mr. Manoon Siriwan and Mr. Robert Stair Guthrie are committee members. The Audit Committee has an excellent mix of skills, knowledge and expertise to properly discharge their duties as required by the Office of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET).

The roles and responsibilities of the Audit Committee are set out in full in written Audit Committee Charter, which are reviewed and approved annually by the Board of Directors. The Committee's responsibilities include, but not limited to, the following matters: oversight of the integrity of financial statement, review of quarterly and annual financial statements, oversight of risk management and internal control arrangements, oversight of compliance with legal and regulatory requirement, review the performance of the internal audit function and oversight of the external auditor's performance, objectivity, qualifications and independence.

The Audit Committee met five times during the year 2017, four regular quarterly meetings, and one special meeting. All the quarterly Audit Committee meetings were attended by Audit Committee, SPRC's management, Internal Auditor and its External Auditor, PricewaterhouseCoopers ABAS Ltd. (PwC).

During the year, the Committee's principal activities were as follows:

- 1. Review the Company's Financial Reports:** The Audit Committee reviewed the quarterly and year ended 2017 financial statements with the discussion to SPRC's management and external auditor, PwC prior to approval by the Board and publication. This included a review of the accounting policies and practices, key audit matters, and compliance with legal and regulatory requirements. The Audit Committee was satisfied that the Financial Reports are fair, balanced, understandable and comply with

Thai Financial Reporting Standards (TFRS) and the financial reporting requirement of the SEC. The Audit Committee recommended the audited 2017 financial statements be endorsed by the Board of Directors for further approved at the Annual General Meeting.

- 2. Review the Company's Internal Control:** The Audit Committee reviewed and endorsed an annual assessment on the sufficiency of internal control system by using the evaluation form developed by the SEC. The assessment was conducted based on the COSO's (The Committee of Sponsoring Organization of the Treadway Commission) framework, contained of 5 categories and 17 principles. The detail of the assessment is described in the Internal Control Section. The Audit Committee fully satisfied a comprehensive internal control system which led to standard of company's performance.
- 3. Review the Company's Corporate Governance:** The Corporate Compliance Officer is responsible to develop and promote corporate compliance program. The Audit Committee received the report on the successful of the compliance program from the Corporate Compliance Officer on quarterly basis. In year 2017, the Audit Committee reviewed and approved the self-evaluation form supplement documents and Company's implementation on Anti-Corruption program submitted to Thailand's Private Sector Collective Action Coalition against Corruption (CAC) and the Company was approved to be a certified member.
- 4. Review the Company's Risk Management:** The Risk Management Committee was set up in management level to oversee the risk management process. Risk Management procedure was developed to ensure that risks were identified, analyzed and managed so that they were mitigated to an acceptable level. The review of risk management included strategic risk, business



risk, operational risk, financial risk, trading risk and corruption risk. On quarterly basis, the Audit Committee met with the management to review SPRC's overall approach to risk management, its process and outcomes and was fully satisfied with the key mitigated actions taken.

**5. Review the Company's Related Party Transactions:**

The related party transactions included the purchase of feedstock, product sales and service transactions between SPRC and related parties. In year 2017, the Audit Committee endorsed and monitored the related party transactions on quarterly basis. The Audit Committee concluded that all related party transactions were a normal feature of business and commerce. The revenue received and payments made to related parties complied with the terms and conditions in the agreements, and were on the arm's length basis or on terms that would have been similar to the transactions entered into with other non-related parties.

**6. Review of Internal Audit Function:** The roles and responsibilities of internal audit function are described in the Internal Audit Charter which is reviewed and approved annually by the Audit Committee. The Audit Committee approved the annual internal audit plan and Key Performance Indicator for the year. The Audit Committee received regular audit summary report from the Internal Auditor. In year 2017, the Internal Auditor performed the review of nine processes and noted no any significant control issues related to internal controls, compliance and fraudulent activities. Apart from the audit engagement, Internal Auditor performed a role of consultation and knowledge sharing on internal control, risk management and fraudulent to the concerned parties. The Audit Committee met independently with the Internal Auditor on a quarterly basis without the presence of management. The Audit Committee carried out an evaluation of the performance and was satisfied with the internal audit function.

**7. Review of External Auditor performance:** The Audit Committee reviewed the reports from PwC and noted that they performed their roles with professional and complied with regulatory requirements and best practice designed to ensure their independence.

In year 2017, there were no non-audit services provided by PwC. The Audit Committee held private meetings with external auditor without management on quarterly basis to discuss the independence and cooperation from the Company's management.

**8. Appointment of the External Auditor of 2017:**

The Audit Committee considered the quality and efficiency of the services provided by PwC. The Audit Committee reviewed PwC's objectivity and independence such as audit partner rotation and the restriction on non-audit services. Based on the evaluation, the Audit Committee proposed to re-appointment of PwC and the audit fees at the AGM in April 2017. Shareholders approved appointment of PwC as the company's external auditor for 2017.

**9. Audit Committee Self-Assessment:** The Audit Committee carried out an assessment of its own performance in 2017 on the areas of a) committee structure and qualification, b) committee meeting and c) roles and responsibilities on financial report, internal control, risk management, governance, internal audit and external audit. The self-assessment result was 99.72%. Whilst overall the Audit Committee members concluded that the Committee performed effectively and fulfilling the Audit Committee's roles and responsibilities as provided in the Audit Committee Charter.

In reliance on the work done referred to above, the Audit Committee completely performed their tasks as defined in the Audit Committee Charter with skill, competent and due professional care. The Audit Committee has seen and accepted that the Company had performed with good corporate governance, effective internal control and risk management. The financial statements of year 2017 were accurately prepared and complied with the accounting standard.

On behalf of the Audit Committee



**Mr. Pliu Mangkornkanok**  
Chairman of the Audit Committee

# NOMINATION, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE REPORT

## To Our Shareholders

The Nomination, Remuneration and Corporate Governance (NRCG) Committee comprises of four directors: Mr. Robert Stair Guthrie (independent director) as the Chairman, Mr. Manoon Siriwan (independent director), Mr. Nicolas Michel Bossut (non-executive director) and Mr. William Lewis Stone (executive director and CEO). The Committee has performed its duties as assigned by the Board of Directors with prudence and independence.

In 2017, the NRCG Committee held 3 meetings on various matters in accordance with the duties mandated by the Board of Directors specified in the NRCG Committee Charter. Below is a summary of key activities undertaken in 2017:

1. Reviewed the director candidates' qualification and nominated candidates for director positions to fill vacancies resulting from those that had completed their terms or have resigned. Such nominations were proposed to the Board of Directors for consideration and the Board proposed to a shareholder's meeting. The NRCG Committee (excluding members with conflict of interests) diligently reviewed the candidates by considering their qualifications, expertise and experience that are suitable for the Company's business.

Mr. Andrew Benjamin Walz and Mr. Nicolas Michel Bossut completed their directorship term in 2017. The NRCG Committee reviewed and recommended re-election of Mr. Andrew Benjamin Walz and Mr. Nicolas Michel Bossut. They were re-elected to be the Company's directors at the 2017 Annual General Meeting of Shareholders.

In addition, in December 2017, Mr. William Lewis Stone submitted his resignation letter to resign from the Company's director and the Chief Executive Officer with effect on 6 April 2018. The NRCG Committee reviewed and recommended to elect Mr. Timothy Alan Potter to be the Company's director filling the vacant position. Respectively, the Board of Directors No. 4A/2017 held on 11 December 2017 passed the resolution to elect Mr. Timothy Alan Potter to be the Company's director with effect on 6 April 2018.

2. Assessed the Board composition and opined that the Board has an appropriate mix of skills, experience, expertise such as the knowledge and understanding on refinery business and operation, petroleum business, related technology and engineering, strategy, marketing, finance, corporate governance, etc. The Board has one female director, which is good from a diversity standpoint.
3. Reviewed and recommended remuneration packages and compensation structures for the Board of Directors and its committees to the Board of Directors for review and to propose to the Shareholders' meeting. The NRCG Committee reviewed the responsibilities and liabilities of the directors of the listed company, reviewed the director remuneration survey result of Thai listed companies and considered the Company's director remuneration package by benchmarking with other Thai listed companies and companies in the same industry.

The NRCG Committee considered that the remuneration for directors should be competitive and attractive to future candidates in making a decision on joining the board of the Company. The director compensation for 2017 was proposed at the same rates as 2016. The Director remuneration consists of a monthly fee, meeting allowances and no bonuses. Although many companies set out bonus for the directors, the NRCG Committee considered that the directors should not get the bonus relative to the company's performance. Moreover, the director remuneration survey result of Thai listed companies shown that the trend of the director remuneration has changed to minimize the package on providing bonuses.

The NRCG Committee has disclosed the compensation that each director received in 2017 in this annual report for transparency.

4. For good governance, the Company provides opportunity to minority shareholders to propose director candidates and agenda items for consideration at the Annual General Meeting of Shareholders. The NRCG Committee reviewed the criteria and process for proposed director candidates and agenda items, and disclosed same in the Company's website.
5. Monitored and encouraged directors to participate in trainings and seminars related to director's roles and good corporate governance, to develop knowledge and ability in performing their duties as directors.

6. Reviewed the performance of the Board of Directors, individual director and NRCG Committee through self-assessments.
7. Reviewed the Corporate Governance assessment result which ranked the Company with Excellent (5 stars). The NRCG Committee reviewed and identified opportunities for improvement to meet the best practice.

In the discharge of duties and responsibilities specified in the NRCG Committee Charter, the NRCG Committee is confident that it has performed duties with prudence, transparency, and for the best benefit of the Company and shareholders.

On behalf of the Nomination, Remuneration and Corporate Governance Committee



**Mr. Robert Stair Guthrie**

**Chairman of the Nomination, Remuneration  
and Corporate Governance Committee**

# HUMAN RESOURCES COMMITTEE REPORT

## To the Shareholders,

The Board of Directors of Star Petroleum Refining Public Company Limited (SPRC) has appointed the Human Resources Committee, which is comprised of two non-executive Directors and the CEO, who are appointed by the Board of directors. The SPRC Human Resources Manager has been appointed to be the Committee Secretary.

For 2017, the committee members were: Mr. William Lewis Stone, CEO, as the Chairman, Ms. Kheng Ling Lok (non-executive director), and Mr. Pliu Mangkornkanok (independent director). The Committee will meet as required but will typically meet at least four times a year.

The committee assists the Board of directors in relation to SPRC's human resources strategy, workforce development, and salary & bonus program including reviewing SPRC's annual remuneration program and aspects of its incentive programs to support SPRC's business objectives of superior performance and long term growth in shareholder value. Also, the committee reviews the appointment of SPRC's senior leadership positions, succession planning for the senior leadership team, and the SPRC Human Resources Master Plan.

In 2017, the Committee held six meetings on various matters in accordance with their duties. Below is a summary of key activities undertaken in 2017:

- 1. Remuneration program:** The committee reviewed the management and performance of the Total Remuneration program and annual merit increase. The program is benchmarked against leading Oil & Gas companies in Thailand and other selected markets to ensure that we maintain a competitive remuneration package, to be seen as a leader in Map Ta Phut, and that will attract, retain and motivate a talented workforce. The committee approved a special bonus for our staff to recognize the significant achievements and excellent business performance of SPRC, which were made possible by SPRC family members for 2016.
- 2. Human Resources Strategy:** The Committee reviewed the 2016 lookback on People Strategy and action plans and endorsed the Master Plan of 2017 People Strategy to Set the standard in Thailand as the Employer of Choice by 2020 to drive and enhance SPRC pride, Highly-Engaged family, and to be the best place to work.

The 2017 specific strategic objective were:

- Achieve the Best Employer Award among Thai companies by 2020
- Strengthen learning organization throughout knowledge management
- Develop World-Class leaders
- Strengthen SPRC pride and image through sustain CSR & Sports events

**3. Succession Planning and talent management**

**program:** The Committee has reviewed the succession planning for senior leadership team members, and an assignment abroad in Chevron refinery for leadership development opportunities. The Committee also reviewed and endorsed the appointment of a Senior Leadership Position to enhance leadership capabilities and to support continual business growth.

- 4. Effective Organization:** The committee reviewed and endorsed the action plan that was set to continue to enhance the high engagement of the SPRC family and endorsed participation in the best employer award 2017 survey, so that SPRC can utilize the results to develop further improvement plans. The committee reviewed and endorsed the Happy Work

Place program, SPRC Happy Index and Core Values Index that will also enhance SPRC's culture to be the Best Place to work and be the Employer of Choice.

For the year 2017, the Human Resources Committee was confident that SPRC's strong Culture and Core Values and Human Resources management program will continue to support SPRC's pursuit of Operational Excellence and future growth of SPRC. Our goal is to be the Best Place to work and the Employer of Choice, all of which provides the best benefits for our shareholders.

On behalf of the Human Resources Committee



**Mr. William Lewis Stone**

Chairman of the Human Resources Committee



# Sustainable Development and Corporate Social Responsibility



SPRC has been operating its business on good corporate governance, and corporate social and environmental responsibility to have a good balance between financial performance, stewardship of the environment, and social development. We have well established our sustainability development program that its principles have been embedded in our business processes. We have robust corporate governance and business conduct policies to ensure that we interact fairly and transparently with all of our stakeholders, manage our business ethically and without corruption, and have respect for human right. We strongly believe that our collaborative and conscientious approach to run the business with consideration to and concern for the environment, economy and society will move SPRC steadily forward on the path of sustainable growth alongside our society

## Corporate Social Responsibility (CSR)

Realizing that business is part of society and SPRC has always striven to drive sustainable business growth in parallel with environmental care and concern for community



and society impact. SPRC is committed to participating in the development of society and sustainably elevating people's quality of life. We also embedded the Sufficiency Economy in our business aspect as well as in encouraging self-sustaining communities and societies. SPRC therefore implements its corporate social responsibility under four key areas; education and youth, quality of life, environment, and relationships. Our staff also initiates and participates in CSR theme "Do Good Look Great with Nong Star". In 2017, SPRC continued to carry out a wide variety of socially-responsible activities dedicated to improve the quality of life of community and society.



Please see the details in the Sustainability Report 2017, in accordance with Global Reporting Initiative (GRI).



# INTERNAL CONTROL

Internal control is at the core of any effective management control system. It aims to identify reasonable assurance on strategic and operational objectives, as well as enhance the control we have over our day-to-day operation.

SPRC management and internal auditor conducted the self-assessment by using the Evaluation Form for Adequacy of Internal Control System developed by the Securities and Exchange Commission ("SEC") as guidance in assessing the adequacy of internal control systems. At the Board of Directors Meeting no. 4/2017, held on November 3<sup>rd</sup>, 2017, the directors including the independent members reviewed the Assessment form and acknowledged that effective control mechanisms have been established, assured that assets were safeguarded and protected and reliable accounting records were available for use.

The COSO (The Committee of Sponsoring Organizations of the Treadway Commission) Framework of our Internal Controls is described as follows:

**1. Control Environment:** The Board of Directors has established a written Board's charter that clarifies the Board of Directors responsibilities. The Board of Directors consists of independent directors who are knowledgeable, capable and are independent to carrying out their duties. The Board of Directors has delegated authority to the Audit Committee to assist it in fulfilling its responsibilities in relation to internal control. The Board of Directors delegated in general the management of the day-to-day business based on principle of good governance. The Board of Directors has approved the Business Conduct Policy, Corporate Governance Policy and Anti-Corruption Policy as the practice guidelines for all Directors, Management and Employees to conduct the business. The Chief Compliance Officer (CCO) is responsible to create the program for business conduct and timely conducted the investigation on non-compliance issues.

The Board of Directors approved the yearly business plan and company Key Performance Indicators (KPIs) with clear and measurable as a guide for management and employees to carry out their work.

SPRC has appropriate policies and practices for recruiting, developing and retaining competent employees. On yearly basis, all employees are required to prepare the Individual Competency Development Plan (ICDP) to develop their functional and leadership capabilities. Additionally, the Talent Management Program has been implemented for manpower planning.

**2. Risk Assessment:** The Board of Directors approved the Risk Management Policy. The Risk Management Committee had been set up and the procedure on risk management process has been documented. The company identifies all types of risks which may affect the business entity.

The key risk elements included strategic risk, business risk, operational risk, financial risk, project risk, trading risk and compliance risk. SPRC identified key risks that may affect to the achievement of its objectives across the organization. SPRC considered the possibility of fraud risk and corruption risk and provided the relevant preventive actions.

SPRC has assessed the risk by considering the possibility of an event occurring and the resulting impact and determined the actions plan to manage risks. Risk management was reviewed, monitored and reported to Audit Committee on quarterly basis.

**3. Control Activities:** The internal control and financial accounting system are an essential component of corporate governance and good business practice. The financial control and internal control policy was established. Control activities are applied all in the business processes. The processes include controls regarding the initiation, approval, recording and accounting for financial transactions. The internal control system was set to cover both manual and automated transactions. The user access review (UAR) and segregation of duties (SOD) were reviewed semi-annually to ensure that effective control was performed.

As required by US laws on the compliance with Sarbanes Oxley Act (SOX) of 2002. The internal control was tested twice a year to ensure the adequacy of internal control.

The internal control of Information Technology (IT) framework (including security access, control of changes system operation, continuity and segregation of function) was set up to ensure the effectiveness on technology system.

SPRC defined the control activities for considering approval of Related Party Transaction. The monitoring of related party transactions was conducted and reported to Audit Committee quarterly.

- 4. Information and Communication:** The Communication policy was established as a guideline framework to ensure the effectiveness on communication. SPRC provides sufficient material information to support the consideration of the Board of Directors. SPRC sent the invitation letters, the meeting agenda and meeting documents to the Board of Directors not less than 7 days prior to the meeting.

SPRC provides various channels for internal communication such as e-mail, bulletin board and quarterly staff presentation which staff has an opportunity to ask questions to the management.

SPRC also sets up several external communication channels for stakeholders such as SPRC website, e-mail, site visit and communities visit participated by management and employees.

SPRC clearly states in the Business Conduct that employees and external parties are advised of the various avenues available to them for reporting suspected violation of Business Conduct such as verbal, mail, fax or email to [CorporateCompliance@sprc.co.th](mailto:CorporateCompliance@sprc.co.th).

- 5. Monitoring Activities:** Monitoring of internal control is performed through the self-assessment and/or independent internal auditor and/or external auditors. The Audit plan have been reviewed by management and approved by Audit Committee. The audit was performed by internal auditor who directly report to the Audit Committee. The internal audit was performed by follow the International Professional Practices Framework of The Institute of Internal Auditors. These monitorings ascertain whether the internal controls continue to function as designed and intended to achieve company objective.

The internal audit reviewed and examined the effectiveness of nine systems according to the audit plan approved by the Audit Committee of year 2017. The recommendations were communicated to appropriate responsible personnel for taking actions. The audit reports and outstanding agreed action items were reported to the Audit Committee on quarterly basis. There were no significant findings in the internal controls or any issues related to conflict of interest or fraudulent activities.



# Related Party Transactions

Main related parties transaction of SPRC is Chevron and its affiliates (as a major shareholder). Related party transactions primarily comprise of purchases of crude and feedstock, sale of products, and services contracts for technological and operational expertise.

Due to the nature of our business, SPRC has worked with its shareholders to both buy feedstocks and to sell products. SPRC has been able to leverage off of the global capability and expertise of Chevron for sourcing our feedstock, primarily crude oil, to ensure that we have access to a wide variety of crudes at competitive prices. Chevron is one of the major oil marketing in Thailand, providing significant benefit to SPRC to place its products in the higher value domestic market. SPRC also enter into the technical service agreement with Chevron to gain their knowledge and expertise.

## Justification for Related Party Transaction

The Internal Auditor and the External Auditor reviews the RPT executed and report to the Audit Committee at the Audit Committee meeting on quarterly basis. For consideration on related party transactions (RPT), the Audit Committee will review the transaction to ensure that the revenue received and payments made to related parties comply with the terms and conditions in the agreements, and on the arm's length basis or on terms that would have been similar to the transactions entered into with other non-related parties and the best benefits of the Company.

## Approval for Future Related Party Transactions

For related party transactions, the Board of Directors are responsible to review and approve such authority to execute transactions or obligation which do not fall within the scope of authorities delegated to the Chief Executive Officer (CEO).

The CEO has the authority to execute related party transactions in the name of the Company, with a limit of not exceeding Baht 10 million. Related party transactions with a value greater than Baht 10 million are subject to the Audit Committee's review and the Board's approval. For related party transactions with regard to the current and future purchase, sale, and exchange of crude oil, raw materials, intermediate products, and finished products, the CEO has the authority to execute such related party transactions with a term not exceeding 12 months (regardless the amount of those transactions).

In a meeting of the Board of Directors, if any director has a conflict of interest in the matter being considered, that director shall not take part in the consideration and decision regarding that matter, by refraining from participating in that portion of the meeting and voting, in order to ensure fairness and transparency in the decision of the Board of Directors and to protect the best interests of all shareholders.



The figure listed below cover transactions with Chevron and its affiliates for year end December 31, 2017:

Connected Party/Relationship	Natural of Transactions	Amount of Y2017 (US\$ Million)
<b>Chevron Thailand Limited (CTL):</b> Affiliate of Chevron which directly or indirectly hold 100% of shares  (Mr. Andrew Benjamin Walz is an executive of CTL. As the President of International Products, Asia Pacific, Chevron International Pte., Ltd., he has management oversight of CTL.)	Sales of Product (Purchase and Sale Agreement)	2,691.7
	Purchase, Sale and Storage Products Agreement (Fixed Reserve)	<0.1
	Purchase of Lube Oil	0.1
	Account Receivable	181.2
<b>Chevron U.S.A. Inc. (Singapore Branch):</b> Affiliate of Chevron which directly or indirectly hold 100% of shares  (Ms. Kheng Ling Lok is an executive of Chevron U.S.A.Inc. (Singapore Branch) As the General Manager, Crude Supply and Trading, Asia Pacific, Chevron U.S.A. Inc. (Singapore Branch), she has management oversight of Chevron U.S.A. Inc. (Singapore Branch)	Sales of Product (Purchase and Sale Agreement)	106.3
	Purchase of Crude and Feedstock (Feedstock Supply Agreement)	2,234.5
	Purchase of High Speed Diesel Fuel	19.3
	Purchase of Mogas Base Fuel 95	28.3
	Account Receivable	11.9
	Account Payable	159.1
<b>Chevron Singapore Pte Ltd.:</b> Affiliate of Chevron which directly or indirectly hold 100% of shares	Sales of Product (Purchase and Sale Agreement)	80.9
	Purchase of LSWR	55.0
	Account Receivable	6.6
	Account Payable	0.3
<b>Chevron Block B8/32 (Thailand) Ltd.:</b> Affiliate of Chevron which directly or indirectly hold 100% of shares	Purchase of Crude and Feedstock (Feedstock Supply Agreement)	10.4
	Account Payable	0.9
<b>Chevron Offshore (Thailand) Ltd.:</b> Affiliate of Chevron which directly or indirectly hold 100% of shares	Purchase of Crude and Feedstock (Feedstock Supply Agreement)	88.2
	Account Payable	7.2
<b>Chevron (Thailand) Exploration and Production Ltd.:</b> Affiliate of Chevron which directly or indirectly hold 100% of shares	Purchase of Crude and Feedstock (Feedstock Supply Agreement)	216.5
	Account Payable	28.1



Connected Party/Relationship	Natural of Transactions	Amount of Y2017 (US\$ Million)
Chevron Asia Pacific Shipping Pte: Affiliate of Chevron which directly or indirectly hold 100% of shares	Purchase of Crude and Feedstock (Feedstock Supply Agreement)	18.6
	Marine Services Transportation Agreement	0.7
	Account Payable	1.1
Chevron Pattani Ltd.: Affiliate of Chevron which directly or indirectly hold 100% of shares	Purchase of Crude and Feedstock (Feedstock Supply Agreement)	13.1
	Account Payable	1.5
Chevron Oversea Services Corporation (COSC): Affiliate of Chevron which directly or indirectly hold 100% of shares	Technical Service Agreement	1.1
	Technical Service License Agreement	1.6
	Account Payable	0.8
Chevron Oversea Services Corporation (COSC) Chevron Thailand Limited Chevron International Services Chevron Richmond Refinery, USA: Affiliate of Chevron which directly or indirectly hold 100% of shares	Personnel Secondment Agreement	1.4
Chevron Research and Technology Company: Affiliate of Chevron which directly or indirectly hold 100% of shares	HVGO License Agreement	-
Chevron Lummus Global LLC: Affiliate of Chevron which directly or indirectly hold 50% of shares	DHTU License Agreement	-
Caltex Service Corporation: Affiliate of Chevron which directly or indirectly hold 100% of shares	VDU License Agreement	-
Chevron South Asia Holding Pte Ltd.: Affiliate of Chevron which directly or indirectly hold 100% of shares	Support Agreement	-

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## Results

	(US\$ Million)			(Baht Million)		
	2017	2016	+/(−)	2017	2016	+/(−)
Total Revenue	5,009	4,374	635	170,535	155,082	15,454
EBITDA	406	394	13	13,845	13,964	(119)
EBIT	324	312	12	11,017	11,044	(27)
Exchange gain	44	16	28	1509	548	960
Net income	261	245	16	8,895	8,688	207
Earnings per share (US\$/Baht)	0.06	0.06	-	2.05	2.00	0.05
Accounting refining margin (US\$ per barrel) <sup>(1)</sup>	8.52	7.93	0.59	8.52	7.93	0.59
Market gross refining margin (US\$ per barrel) <sup>(2)</sup>	7.34	6.68	0.66	7.34	6.68	0.66

<sup>(1)</sup> margin includes inventory gain/loss based on weighted average inventory

<sup>(2)</sup> margin is calculated based on current replacement cost

In 2017 crude intake was 152.4 thousand barrels per day or 92.4% of the refining capacity, decreased 10.0 thousand barrels per day from 2016, resulted from the maintenance activity of CDU in Jun 17 and RFCCU in Oct 17. Total sale revenue increased from US\$4,374 million (Baht 155,082 million) in 2016 to US\$5,009 million (Baht 170,535 million) in 2017 as a result of higher product price but partly offset by lower sale volume. Despite the impact from maintenance activity, market gross refining margin for SPRC in 2017 was US\$7.34/bbl which was better than 2016 due to strong global product demand and the supply shortage resulting from the tropical storm in US during Q3/17. As a result of higher accounting and market refining margin in 2017, net income was higher than 2016. Higher gain on exchange rate due to Baht appreciation also contributed to higher net income.

Crude prices in 2017 increased with Dubai crude price moving between US\$43.5/bbl and US\$64.4/bbl, with an average of US\$53.2/bbl, which was higher than 2016 average of US\$41.3/bbl. Crude price were gain supported from decline of U.S. crude inventories due to Hurricane Harvey, OPEC and Russia to extend agreement of production cut to the end of 2018, lower Libyan oil production cause from shutdown of El Sharara oilfield in Q3/17 and unrest situation impacts Venezuela production.

Petroleum product prices also moved, following crude prices. Naphtha crack over Dubai overall decreased from 2016, impacted by attractiveness of LPG cracking economics and arbitrage inflows from the West. In Q3/17, gasoline crack hit highest record in 2017 of US\$16.1/bbl supported by decline in the U.S. gasoline inventory, U.S. supply shortage due to refinery shutdowns from Tropical Storm Harvey, and healthy demand from Asia. Jet/kerosene cracks were supported by increased demand of aviation fuel. International Air Transport Association (IATA) estimated global passenger traffic increasing by 8.0% in 2017 compared to 2016. Diesel cracks in 2017 was also higher than 2016, reflecting strong global demand from economic recovery and tightened supply from U.S. demand caused from refineries across the U.S. Gulf Coast shutdown from Tropical storm in Q3/17. Middle distillates inventories in Singapore rose to 13.4 million barrel in November as more export from China and India, supported diesel crack rebound to US\$12.33/bbl. Fuel oil spread against Dubai averaged minus US\$2.33/bbl, better than 2016 average minus US\$4.95/bbl.

## Analysis of financial position

	(US\$ Million)			(Baht Million)		
	2017	2016	+/(−)	2017	2016	+/(−)
Total Assets	1,821	1,672	149	59,797	60,188	(391)
Total Liabilities	539	513	26	17,696	18,469	(773)
Total Shareholders' Equity	1,282	1,159	123	42,101	41,719	382

## Assets

Total assets as of 31 Dec 2017 increased by US\$149 million (but decrease Baht 391 million due to exchange rate impact from Baht appreciation) from 31 Dec 2016, mainly from an increase in current assets but partially offset by a decrease in non-current assets.

Current assets increased from an increase in cash & cash equivalent of US\$60 million (Baht 1,938 million), an increase in trade and other account receivable of US\$50 million (Baht 606 million) from higher average selling prices (which include excise tax) in Dec 2017 comparing to average selling price in Dec 2016, and an increase in inventory of US\$108 million (Baht 2,468 million) from higher inventory price reflecting from the increase in oil price and higher inventory volume comparing to Dec 2016.

Non-current assets was lower year-over-year mainly from a decrease in property, plant and equipment of US\$67 million (Baht 5,379 million) as depreciation expenses for 2017 more than offset the additional capital investment in refinery reliability and efficiency projects.

## Liabilities

Total liabilities as of 31 Dec 2017 increased US\$26 million (but decreased Baht 773 million due to exchange rate impact from Baht appreciation) from 31 Dec 2016. The increases in total liabilities are mainly from an increase in trade and other account payables of US\$77 million (Baht 1,792 million) from higher purchase price of crude oil, an increase in other current liabilities of US\$65 million (Baht 2,037 million) primarily from higher excise tax payable resulting from new 2017 Excise Acts which the payment date of excise tax & fund has been changed.

The increase was partially offset by a decrease in net long term borrowing of US\$107 million (Baht 4,066 million) for loan repayment and a decrease in deferred tax liabilities of US\$20 million (Baht 780 million) resulted from the exchange rate impact on temporary difference between accounting and tax book.

## Shareholders' Equity

Shareholders' equity as of 31 Dec 2017 increased US\$123 million (Baht 382 million) from 31 Dec 2016 resulted from the net profit in 2017 minus dividend payment for 2H/2016 profit and 1H/2017 profit.

## Cash flow Statement

	(US\$ Million)		(Baht Million)	
	2017	2016	2017	2016
Net cash generated from operating activities	321	215	10,860	7,637
Net cash used in investing activities	(15)	(15)	(503)	(537)
Net cash used in financing activities	(245)	(302)	(8,413)	(10,654)
Net (decrease) / increase in cash and cash equivalents	61	(102)	1,944	(3,554)
Cash and cash equivalents at the beginning of the year	6	109	233	3,949
Adjustments from foreign exchange translation	(1)	(0)	(6)	(162)
Cash and cash equivalents at the end of the year	66	6	2,171	233

SPRC cash and cash equivalents at 31 Dec 2017 was US\$66 million (Baht 2,171 million), an increase of US\$60 million (Baht 1,938 million) from 31 Dec 2016.

Net cash generated from operating activities was US\$321 million (Baht 10,860 million) primarily due to 2017 net profit of US\$261 million (Baht 8,895 million) and added back non-cash items of US\$75 million (Baht 2,510 million) and cash generated from operating liabilities of US\$142 million (Baht 4,830 million), mainly from an increase in trade and other payables of US\$75 million (Baht 2,571 million) due to higher purchase price of crude oil and an increase in current liabilities of US\$66 million (Baht 2,259 million) mainly due to the new 2017 Excise Acts which impact to the payment date of excise tax & fund. This was partially offset by cash used in operating assets of US\$157 million (Baht 5,366 million), mainly from an increase in trade receivable of US\$50 million (Baht 1,700 million) due to higher selling price, and an increase in inventory of US\$108 million (Baht 3,666 million) due to the increase in both inventory price and volume in Dec 2017.

Net cash used in investing activities of US\$15 million (Baht 503 million), primarily on projects spending to increase refinery reliability and efficiency.

Net cash used in financing activities of US\$245 million (Baht 8,413 million) mainly from cash used for dividends paid of US\$138 million (Baht 4,799 million) for 2H/ 2016 and 1H/2017 net profit and repayment for long term borrowing of US\$107 million (Baht 3,614 million).

## Financial Ratios

		Year Ended December 31		
		2017	2016	2015
Current Ratio	(Time)	1.7	1.7	1.1
Net Profit Margin <sup>(1)</sup>	(%)	5.2	5.6	4.7
Return on Equity	(%)	21.4	22.6	20.7
Return on Total Assets	(%)	15.0	14.6	13.0
Net Debt to Equity ratio	(Time)	0.4	0.4	0.7
Interest Coverage ratio <sup>(2)</sup>	(Time)	133.2	108.5	4,165.5
Dividend Payout Ratio <sup>(3)</sup>	(%)	53.0	110.1	183.1

<sup>(1)</sup> Total revenue excluded gain from non-operating income such as gain from exchange rate

<sup>(2)</sup> Cash flow from operation after deduct interest income / expense and income tax paid

<sup>(3)</sup> Dividend equivalents to dividend paid to shareholders in the cash flow statement

## Analysis of Financial Ratios

### Liquidity Ratio

In the past 3 years, the average current ratio was over one as a result of current assets being higher than current liabilities. As of 31 December, 2017 current ratio equivalent with prior year due to an increase in current assets from cash & cash equivalent of US\$60 million (Baht 1,938 million), an increase in trade and other account receivable of US\$50 million (Baht 606 million) and inventory increased of US\$108 million (Baht 2,468 million) combine with an increase in current liabilities from an increase in trade and other account payables of US\$79 million (Baht 1,858 million), excise tax payable increased which the payment date of excise tax & fund has been changed of US\$63 million (Baht 1,971 million), partially offset by a decrease in net long term borrowing of US\$107 million (Baht 4,066 million).

### Profitability and Efficiency Ratio

Net profit margin and return on equity slightly decreased from 2016 to 2017 due to the maintenance activities of CDU in June 17 and RFCCU in October 17 that impacted to the domestic sale volume.

### Leverage Ratio

The debt to equity ratio decreased from 2015, mainly from a decreased of the capital reduction and dividend payable, and unappropriated retained earnings increased in 2016 that resulted to the decrease in debt to equity ratio from 0.7 to 0.4. In 2017, equivalent with prior year due to, an increase in trade and other account payables mainly from higher purchase price of crude oil and excise tax payable increased which the payment date of excise tax & fund has been changed, partially offset by a decrease in net long term borrowing.

In 2016, the interest coverage ratio decreased from 2015 mainly from a decrease of cash from operating activities and higher financing costs in 2016. In 2017, interest coverage ratio increased from 2016 driven from cash flow from operating activities was higher.



# REPORT OF THE BOARD OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTS

The Board of Directors of SPRC is responsible for the fair presentation and integrity of the financial statements which comprise the Statement of Financial Position as at 31 December 2017, and the related Statement of Comprehensive Income, Statements of Changes in Shareholders' Equity, and Statement of Cash Flows. The financial statements have been prepared in conformity with Thai generally accepted accounting principles under the Accounting Act B.E. 2543, being those Thai Financial Reporting Standards issued under the Accounting Profession Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission under the Security and Exchange Act B.E. 2535.

The Board has reviewed the effective internal control system over the accounts, financial statements and reports of SPRC and is of the opinion that the system has been designed to provide reasonable assurance that assets are safeguarded; transactions have been recorded fairly and

accurately in the accounting records in accordance with the established procedures and accounting policies; that fraud is prevented and would be detected. There is no other material gain or loss contingencies, claims or assessments, violation or possible violation of laws or regulations required to be accrued or disclosed.

The Company's external auditor has audited and provided an opinion on the Company's financial statements. Their audit was made in accordance with Thai Financial Reporting Standards.

The Audit Committee of the Board of Directors meets quarterly with the internal and external auditors to discuss the Company's internal controls, auditing and financial reporting matters. The Board has been provided reasonable assurance that the financial statements of SPRC have been prepared in accordance with the generally accepted accounting principles.



**Mr. Andrew Benjamin Walz**

**Chairman of the Board**  
**Star Petroleum Refining Public Company Limited**

# Independent Auditor's Report

To the Shareholders and Board of Directors of Star Petroleum Refining Public Company Limited

## My opinion

In my opinion, the financial statements of Star Petroleum Refining Public Company Limited ("the Company") present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

## What I have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

## Basis for opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Company in accordance with the Federation of Accounting Professions under the Royal Patronage of his Majesty the King's Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## My audit approach – overview



### Materiality

Overall materiality: USD 16.0 million which represents 5% of Company's profit before tax.

The overall materiality is determined from profit before tax in USD which is the Company's functional currency as described in the accounting policy in Note 2.3 (a).

### Audit scope

I conduct full scope audit work of the Company which engages the operation of a petroleum refinery in Thailand.

### Key audit matters

I identified the following key audit matters:

- Revenue recognition
- Related party transactions

## Materiality

The scope of my audit was influenced by my application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on my professional judgement, I determined certain quantitative thresholds for overall materiality for the financial statements as set out in the table below. These, together with qualitative considerations, helped me to determine the scope of my audit and the nature, timing and extent of my audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<b>Overall materiality</b>	USD 16.0 million (2016: USD 15.4 million)
<b>How I determined it</b>	5% of profit before tax
<b>Rationale for the materiality benchmark applied</b>	I chose profit before tax as the critical measure because, in my view, it is the measure against which the performance of the Company is most commonly assessed. The 5% benchmark is a generally accepted auditing practice and there were no significant unusual elements that merited adjustments to this benchmark.

I agreed with the audit committee that I would report to them misstatements identified during my audit.

## How I tailored my audit scope

I tailored the scope of my audit in order to perform sufficient work to enable me to provide an opinion on the financial statements, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

## Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key audit matter	How my audit addressed the key audit matter
<p><b>Revenue recognition</b></p> <p>In 2017, the Company recognised USD 5,008.9 million in revenue under purchase and sale agreement as described in Note 25 and short-term product sale agreements, most was generated under the purchase and sale agreement with two customers.</p> <p>The revenue is determined based on the contractual price and volume of petroleum products delivered. The sale price is calculated based on market price with premium or discount adjusted by a number of factors following the individual agreement for each product. The volume sold is measured using the metre at the refinery when the petroleum products are delivered to customers via pipeline, truck, or vessel.</p> <p>I identified the accuracy of the revenue as an area of focus for my audit work because the amount is material, and due to various factors applied to the agreements. This required a detailed understanding of the contractual arrangements to ensure that the agreements were correctly applied to determine the amount of revenue, and the source data for the factors used in the price calculation and volumes measured were complete and accurate.</p>	<p>I tested the design and operating effectiveness of key controls for the recognition of revenue, particularly focussing on controls over the invoicing process. I determined that the testing of these controls provided me with audit evidence that revenue had been recorded appropriately and in the correct period, and the amounts billed to customers were accurate.</p> <p>I sample tested the revenue recognised against amounts invoiced to customers and the subsequent cash receipts from those customers. I obtained and read the purchase and sale agreement and checked it against customer invoices to ensure that the price and factors were applied in the invoices accurately and completely.</p> <p>I also selected a sample of shipment documents before and after year end to test to the revenue recorded to ensure that the revenue is recognised in the correct period.</p> <p>In addition, I sent debtor confirmations to the customers to confirm the amount due to the Company at the end of the year. I found no material issues arising from my work.</p>
<p><b>Related party transactions</b></p> <p>The Company has a number of contracts with related parties, the main ones being the purchase and sale agreement covered above and a feedstock supply agreement as described in Note 25.</p> <p>The purchase and sale agreement is with two customers, one related party and one third party. The feedstock supply agreement is with the related parties. The Company also has a feedstock supply agreement with a third party which gives the third party the right to supply crude oil to the Company under the agreement terms. Management has developed processes to evaluate and determine how to optimise crude oil and feedstock purchases.</p> <p>I focussed on this area because of the material amount of related party transactions. I have to ensure that the related party transactions are transparent and carried out in the normal course of business.</p>	<p>I performed the following procedures in order to obtain evidence for management's assessment of related party transactions and related disclosures:</p> <ul style="list-style-type: none"> <li>• obtained an understanding of the process established by management to identify the appropriate related party disclosure considerations. This process involves control procedures to support the assessments of related party transactions, including the approval process for significant related party transactions</li> <li>• selected sales and purchase transactions with both related and third parties and obtained sufficient evidence to assess whether the related party transactions were conducted at arm's length</li> <li>• made enquiries to management to identify whether related party transactions outside the normal course of business had taken place, and</li> <li>• verified that related party transactions disclosed in the financial statements were complete.</li> </ul> <p>I found no material issues arising from my work. The related party transactions were transparent and were carried out in the normal course of business.</p>

## Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to the audit committee.

## Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with TFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee assists the directors in discharging their responsibility for overseeing the Company's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

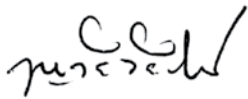


I communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the audit committee with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers ABAS Ltd.



**Chanchai Chaiprasit**

Certified Public Accountant (Thailand) No. 3760

Bangkok

13 February 2018

# Star Petroleum Refining Public Company Limited

## Statement of Financial Position

As at 31 December 2017

		Unit: US Dollar		Unit: Baht	
		31 December 2017	31 December 2016	31 December 2017	31 December 2016
	Notes				
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	66,105,024	6,469,214	2,171,364,539	232,907,490
Trade and other receivables	8	373,463,345	323,964,041	12,253,109,894	11,646,751,382
Inventories	9	433,657,194	327,101,282	14,244,424,607	11,776,463,891
Other current assets	10	2,922,937	1,405,200	95,857,171	50,409,484
<b>Total current assets</b>		<b>876,148,500</b>	<b>658,939,737</b>	<b>28,764,756,211</b>	<b>23,706,532,247</b>
<b>Non-current assets</b>					
Property, plant and equipment	11	937,410,515	1,004,668,806	30,791,310,647	36,170,588,688
Intangible assets	12	5,261,575	5,273,693	172,828,016	189,866,116
Other non-current assets		2,077,405	3,360,940	68,237,005	121,002,201
<b>Total non-current assets</b>		<b>944,749,495</b>	<b>1,013,303,439</b>	<b>31,032,375,668</b>	<b>36,481,457,005</b>
<b>Total assets</b>		<b>1,820,897,995</b>	<b>1,672,243,176</b>	<b>59,797,131,879</b>	<b>60,187,989,252</b>

The notes to the financial statements are an integral part of these financial statements.

# Star Petroleum Refining Public Company Limited

## Statement of Financial Position

As at 31 December 2017

	Notes	Unit: US Dollar		Unit: Baht	
		31 December	31 December	31 December	31 December
		2017	2016	2017	2016
Liabilities and equity					
Current liabilities					
Trade and other payables	13	305,211,946	228,677,034	10,024,800,658	8,232,359,619
Current portion of long-term borrowings	14	71,666,667	106,666,667	2,354,049,334	3,840,266,667
Value added tax payable		6,014,651	4,297,167	197,564,458	154,708,743
Current income tax payable		37,627,231	29,586,208	1,235,949,183	1,065,177,440
Other current liabilities	15	92,419,122	27,737,240	3,035,709,383	998,609,988
Total current liabilities		512,939,617	396,964,316	16,848,073,016	14,291,122,457
Non-current liabilities					
Long-term borrowings - financial institutions	14	-	71,666,667	-	2,580,179,166
Deferred tax liabilities	16	16,701,981	36,916,941	548,613,312	1,329,102,185
Employee benefit obligations	17	9,117,222	7,455,571	299,475,230	268,419,182
Total non-current liabilities		25,819,203	116,039,179	848,088,542	4,177,700,533
Total liabilities		538,758,820	513,003,495	17,696,161,558	18,468,822,990
Equity					
Share capital					
Authorised share capital	18				
Ordinary shares 4,335,902,125 shares at par value of Baht 6.92 each		864,713,808	864,713,808	30,004,442,705	30,004,442,705
Issued and paid-up share capital					
Ordinary shares 4,335,902,125 shares paid-up at Baht 6.92 each		864,713,808	864,713,808	30,004,442,705	30,004,442,705
Premium on share capital		31,917,416	31,917,416	977,711,111	977,711,111
Retained earnings					
Appropriated - legal reserve	19	87,865,911	87,865,911	3,000,444,271	3,000,444,271
Unappropriated		297,642,040	174,742,546	12,768,595,291	8,671,792,230
Other components of equity		-	-	(4,650,223,057)	(935,224,055)
Total equity		1,282,139,175	1,159,239,681	42,100,970,321	41,719,166,262
Total liabilities and equity		1,820,897,995	1,672,243,176	59,797,131,879	60,187,989,252

The notes to the financial statements are an integral part of these financial statements.

**Star Petroleum Refining Public Company Limited**  
**Statement of Comprehensive Income**  
For the year ended 31 December 2017

	Notes	Unit: US Dollar		Unit: Baht	
		31 December 2017	31 December 2016	31 December 2017	31 December 2016
Sales	6	4,982,207,389	4,369,901,530	169,620,144,334	154,953,513,955
Liquefied Petroleum Gas and fuel subsidies		26,673,359	3,610,006	915,251,109	128,294,044
<b>Total revenue</b>		<b>5,008,880,748</b>	<b>4,373,511,536</b>	<b>170,535,395,443</b>	<b>155,081,807,999</b>
Cost of sales	21	(4,702,879,084)	(4,052,949,447)	(160,130,678,732)	(143,714,886,714)
<b>Gross profit</b>		<b>306,001,664</b>	<b>320,562,089</b>	<b>10,404,716,711</b>	<b>11,366,921,285</b>
Other income	22	1,368,951	1,784,883	46,868,001	63,344,719
Gain on exchange rate		43,813,406	15,536,115	1,508,986,244	548,489,987
<b>Profit before expenses</b>		<b>351,184,021</b>	<b>337,883,087</b>	<b>11,960,570,956</b>	<b>11,978,755,991</b>
Administrative expenses	21	(27,647,959)	(25,763,654)	(942,690,824)	(914,123,117)
Other expenses		(25,522)	(597,269)	(880,984)	(21,064,119)
Finance costs		(2,698,581)	(2,667,165)	(92,314,630)	(94,428,023)
<b>Profit before income tax</b>		<b>320,811,959</b>	<b>308,854,999</b>	<b>10,924,684,518</b>	<b>10,949,140,732</b>
Income tax	23	(59,557,859)	(63,817,782)	(2,029,338,575)	(2,261,052,405)
<b>Profit for the year</b>		<b>261,254,100</b>	<b>245,037,217</b>	<b>8,895,345,943</b>	<b>8,688,088,327</b>
<b>Other comprehensive income:</b>					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Currency translation differences		-	-	(3,714,999,002)	(191,925,100)
Remeasurement of employee benefit obligations		-	(745,080)	-	(26,333,816)
Other comprehensive income for the year, net of tax		-	(745,080)	(3,714,999,002)	(218,258,916)
<b>Total comprehensive income for the year</b>		<b>261,254,100</b>	<b>244,292,137</b>	<b>5,180,346,941</b>	<b>8,469,829,411</b>
<b>Earnings per share</b>	24				
Basic earnings per share		0.06	0.06	2.05	2.00

The notes to the financial statements are an integral part of these financial statements.

Star Petroleum Refining Public Company Limited

## Statement of Changes in Equity

For the year ended 31 December 2017

	Notes	Unit: US Dollar				
		Issued and paid-up share capital	Premium on share capital	Retained earnings		Total equity
				Appropriated legal reserve	Unappropriated	
<b>Beginning balance 1 January 2016</b>		864,713,808	31,917,416	84,652,251	31,880,487	1,013,163,962
Legal reserve	19	-	-	3,213,660	(3,213,660)	-
Dividends	20	-	-	-	(98,216,418)	(98,216,418)
Total comprehensive income for the year		-	-	-	244,292,137	244,292,137
<b>Ending balance 31 December 2016</b>		864,713,808	31,917,416	87,865,911	174,742,546	1,159,239,681
<b>Beginning balance 1 January 2017</b>		864,713,808	31,917,416	87,865,911	174,742,546	1,159,239,681
Dividends	20	-	-	-	(138,354,606)	(138,354,606)
Total comprehensive income for the year		-	-	-	261,254,100	261,254,100
<b>Ending balance 31 December 2017</b>		864,713,808	31,917,416	87,865,911	297,642,040	1,282,139,175

The notes to the financial statements are an integral part of these financial statements.



# Star Petroleum Refining Public Company Limited

## Statement of Changes in Equity

For the year ended 31 December 2017

		Unit: Baht					
	Notes	Issued and paid-up share capital	Premium on share capital	Retained earnings		Other components of equity	Total equity
				Appropriated legal reserve	Unappropriated	Exchange differences on translation	
<b>Beginning balance 1 January 2016</b>		30,004,442,705	977,711,111	2,886,500,098	3,599,501,081	(743,298,955)	36,724,856,040
Legal reserve	19	-	-	113,944,173	(113,944,173)	-	-
Dividends	20	-	-	-	(3,475,519,189)	-	(3,475,519,189)
Total comprehensive income for the year		-	-	-	8,661,754,511	(191,925,100)	8,469,829,411
<b>Ending balance 31 December 2016</b>		30,004,442,705	977,711,111	3,000,444,271	8,671,792,230	(935,224,055)	41,719,166,262
<b>Beginning balance 1 January 2017</b>		30,004,442,705	977,711,111	3,000,444,271	8,671,792,230	(935,224,055)	41,719,166,262
Dividends	20	-	-	-	(4,798,542,882)	-	(4,798,542,882)
Total comprehensive income for the year		-	-	-	8,895,345,943	(3,714,999,002)	5,180,346,941
<b>Ending balance 31 December 2017</b>		30,004,442,705	977,711,111	3,000,444,271	12,768,595,291	(4,650,223,057)	42,100,970,321

The notes to the financial statements are an integral part of these financial statements.

# Star Petroleum Refining Public Company Limited

## Statement of Cash Flows

For the year ended 31 December 2017

	Notes	Unit: US Dollar		Unit: Baht	
		31 December	31 December	31 December	31 December
		2017	2016	2017	2016
Cash flows from operating activities					
Profit before income tax		320,811,959	308,854,999	10,924,684,518	10,949,140,732
Adjustments for:					
Finance income	22	(469,240)	(839,398)	(16,169,987)	(29,831,591)
Finance expense		2,698,581	2,667,165	92,314,630	94,428,023
Depreciation	11, 21	81,353,244	80,983,964	2,774,624,890	2,872,153,600
Amortisation		1,563,344	1,353,219	53,276,840	47,972,255
Loss from disposal of fixed assets		25,238	563,346	870,984	19,881,135
(Gain) Loss from foreign exchange rate		(15,378,362)	2,695,447	(524,414,457)	95,578,679
Loss on obsolete materials and supplies	9	953,153	664,935	32,109,627	23,528,087
Retirement benefit expenses		914,595	1,173,950	31,178,821	41,627,458
Change in operating assets and liabilities					
Trade and other receivables		(49,863,808)	(84,661,317)	(1,700,395,757)	(3,002,031,020)
Inventories		(107,509,066)	(78,605,009)	(3,666,145,153)	(2,787,278,603)
Other current assets and other assets		(246,436)	6,732,734	(8,403,650)	238,738,015
Trade and other payables		75,385,099	33,437,271	2,570,692,200	1,185,662,213
Retirement benefit paid	17	-	(87,809)	-	(3,153,100)
Other current liabilities and other liabilities		66,250,340	(5,666,427)	2,259,189,588	(200,927,528)
Cash generated from operations		376,488,641	269,267,070	12,823,413,094	9,545,488,355
Interest received		464,732	847,539	16,023,190	30,126,819
Interest paid		(2,829,921)	(2,490,180)	(97,514,956)	(88,082,205)
Income tax paid		(53,332,989)	(52,371,782)	(1,881,839,727)	(1,850,956,449)
Net cash generated from operating activities		320,790,463	215,252,647	10,860,081,601	7,636,576,520

The notes to the financial statements are an integral part of these financial statements.

# Star Petroleum Refining Public Company Limited

## Statement of Cash Flows

For the year ended 31 December 2017

	Note	Unit: US Dollar		Unit: Baht	
		31 December	31 December	31 December	31 December
		2017	2016	2017	2016
Cash flows from investing activities					
Purchases of equipment and intangible asset		(14,751,637)	(15,178,454)	(503,042,611)	(538,217,342)
Proceeds from disposal of equipment		284	33,923	10,000	1,182,984
Net cash used in investing activities		(14,751,353)	(15,144,531)	(503,032,611)	(537,034,358)
Cash flows from financing activities					
Proceeds from long-term borrowings		-	140,000,000	-	4,959,200,000
Repayment of long-term borrowings		(106,666,667)	(71,666,667)	(3,614,476,750)	(2,530,441,834)
Payment of capital reduction		-	(100,864,825)	-	(3,580,000,000)
Dividends paid to shareholders		(138,354,606)	(269,850,091)	(4,798,542,882)	(9,502,374,085)
Net cash used in financing activities		(245,021,273)	(302,381,583)	(8,413,019,632)	(10,653,615,919)
Net increase (decrease) in cash					
and cash equivalents		61,017,837	(102,273,467)	1,944,029,358	(3,554,073,757)
Cash and cash equivalents					
at the beginning of year		6,469,214	108,913,055	232,907,490	3,948,511,029
Adjustment from foreign exchange					
translation		(1,382,027)	(170,374)	(5,572,309)	(161,529,782)
Cash and cash equivalents					
at the ending of year	7	66,105,024	6,469,214	2,171,364,539	232,907,490
Non-cash item					
Acquisitions of equipment and intangible asset					
which have not been paid		1,373,660	579,693	45,120,888	20,870,383

The notes to the financial statements are an integral part of these financial statements.

# Star Petroleum Refining Public Company Limited

## Notes to the Financial Statements

For the year ended 31 December 2017

### 1 General information

Star Petroleum Refining Public Company Limited (“the Company”) is a public limited company which is listed on the Stock Exchange of Thailand and is incorporated and domiciled in Thailand. The address of the Company’s registered office is as follows:

No.1, I-3B Road, Tambol Map Ta Phut (Subdistrict), Amphur Muang Rayong (District), Rayong Province 21150.

The Company was registered on 20 November 1992 to engage in the construction and operation of a petroleum refinery in the Rayong Province of Thailand. On 7 June 2012, the Company registered as a public company with the Department of Business Development, Ministry of Commerce and has changed its name to Star Petroleum Refining Public Company Limited then onward.

The Company was listed on the Stock Exchange of Thailand on 8 December 2015.

These financial statements were authorised for issue by the Board of Directors on 13 February 2018.

### 2 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

#### 2.1 Basis of preparation of financial statements

These financial statements have been prepared in accordance with Thai generally accepted accounting principles under the Accounting Act B.E. 2543, being those Thai Financial Reporting Standards issued under the Accounting Profession Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act.

The financial statements have been prepared under the historical cost convention except for certain accounts as disclosed in the accounting policies below.

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Company financial statements are disclosed in Note 4.

An English version of the Company financial statements has been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

#### 2.2 Revised financial reporting standards and related interpretations

2.2.1 Revised financial reporting standards and interpretations (“the accounting standards”) are effective on 1 January 2017.

The Company adopted the accounting standards, which are effective on 1 January 2017. There is no significant impact to the financial statements being present from the adoption of those standards by the Company.

2.2.2 Revised financial reporting standards are effective for annual periods beginning on or after 1 January 2018 which are relevant to the Company. The Company has not yet adopted these revised standards.

TAS 7 (revised 2017)  
TAS 12 (revised 2017)

Statement of cash flows  
Income taxes

## 2 Accounting policies (Cont'd)

### 2.2 Revised financial reporting standards and related interpretations (Cont'd)

2.2.2 Revised financial reporting standards are effective for annual periods beginning on or after 1 January 2018 which are relevant to the Company. The Company has not yet adopted these revised standards. (Cont'd)

TAS 7 (revised 2017), the amendments require additional disclosure of changes in liabilities arising from financing activities. This includes changes arising from cash and non-cash.

TAS 12 (revised 2017), the amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profits.
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profits.

The Company's management has assessed and considered that the above revised standards will not have a material impact on the Company.

### 2.3 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's management has determined that US Dollar is the Company's functional currency. However, the Company is required to present its financial statements in Thai Baht ("the presentation currency") to comply with the regulation of the Department of Business Development, the Company financial statements are presented by translating from US Dollar to Thai Baht using the method described in Note 2.3 (c).

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in the other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit and loss, any exchange component of that gain or loss is recognised in the profit and loss.

#### (c) Translation to presentation currency

The results and financial position that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities in statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses in statement of comprehensive income are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity.



## 2 Accounting policies (Cont'd)

### 2.4 Cash and cash equivalents

In the Company statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and other short-term highly liquid investments with maturities of three months or less from the date of acquisition.

### 2.5 Trade receivables

Trade accounts receivable are recognised initially at original invoice amount and subsequently measured at the remaining amount less allowance for doubtful receivables based on a review of all outstanding amounts at the year end. The amount of the allowance is the difference between the carrying amount and the amount expected to be collectible. Bad debts are written-off during the year in which they are identified and recognised in profit or loss within administrative expenses.

### 2.6 Inventories

Inventories are stated at the lower of cost or net realisable value, cost being determined on the weighted average method. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charge, less all attributable discounts, allowances or rebates. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads, but exclude borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Allowance is made, where necessary, for obsolete, slow-moving and defective inventories.

### 2.7 Property, plant and equipment

Land is stated at cost. Plant and equipment are stated at cost less accumulated depreciation. Costs include directly attributable expenses in acquiring such asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation on plant and equipment is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

Buildings	20 - 50 years
Refinery plant and equipment	5 - 33 years
Furniture, fixtures and equipment	5 - 25 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within statement of comprehensive income.

## **2 Accounting policies (Cont'd)**

### **2.8 Intangible asset - Computer software**

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs those are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use or sell;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an intangible asset in a subsequent period.

Computer software development costs are recognised as assets and amortised over their estimated useful lives, which does not exceed 10 years.

### **2.9 Impairment of assets**

Property, plant and equipment and other non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### **2.10 Leases - where the Company is a lessee**

Leases of property, plant or equipment which substantially transfer all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated to the principal and to the finance charges so as to achieve a constant rate on the finance balance outstanding. The outstanding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to income statement over the lease period so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant or equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

## **2 Accounting policies (Cont'd)**

### **2.11 Borrowings**

Borrowings are recognised initially at the fair value, net of transaction costs incurred.

Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective yield method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting date.

#### **Borrowing Costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### **2.12 Current and deferred income taxes**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising from long-term debt acquisition cost, employee benefit obligation, allowance for stock obsolescence and accumulated depreciation, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## **2 Accounting policies (Cont'd)**

### **2.13 Accounting for employee benefit**

#### **2.13.1 Defined contribution plan - provident fund**

The Company operates a provident fund that is a defined contribution plan. The assets are held in a separate fund which is managed by an external fund manager in accordance with the Provident Fund Act B.E. 2530. The provident fund is funded by payments from employees and by the Company. Contributions to the provident fund are charged to the statement of comprehensive income in the year to which they relate.

#### **2.13.2 Defined benefit plan - retirement benefit**

The Company provides for post-employment benefits, payable to employees under the Thai Labour Law. The liability in respect of employee benefits is the present value of the defined benefit obligation which is calculated by an independent actuary using the projected unit credit cost method in accordance with the actuarial technique. The present value of the defined benefit obligation is determined by discounting estimated future cash flows using interest rates which have terms to maturity approximating the terms of related liability. The estimated future cash flows shall reflect employee salaries, turnover rate, mortality, length of service and others. Actuarial gains or losses will be recognised in the statement of comprehensive income in the period to which they are related. The costs associated with providing these benefits are charged to the statement of comprehensive income so as to spread the cost over the employment period during which the entitlement to benefits is earned.

### **2.14 Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### **2.15 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of petroleum products and service in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, return, rebates and discounts. Revenue from the sale of petroleum products is recognised when the significant risks and rewards of ownership have been transferred to the buyer, which is generally at the time of ship loading, truck loading, or on the products entering the pipeline (meter reading).

Other income and interest received are recognised as income on the accrual basis unless collectability is in doubt.

### **2.16 Government Grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to the compensation of costs are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate.

Government grant amount is separately presented from revenue from sales.

## **2 Accounting policies (Cont'd)**

### **2.17 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

### **2.18 Share Capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **2.19 Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders. The interim dividend is approved by the Company's Board of Directors.

## **3 Financial risk management**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

### **3.1 Financial risk factors**

#### **3.1.1 Foreign exchange risk**

The Company does not enter into any foreign currency forward contracts to cover the exchange risk because a substantial portion of our revenues, costs and expenses are directly linked to, or denominated in US dollars. The Company is exposed to fluctuations in the value of the Baht on account of employee-related and other costs denominated in Baht. An appreciation of the Baht against the US dollar causes, among other things, their Baht denominated costs to increase in US dollars, which has a negative effect on US dollar-denominated results of operations. Also, an increase in volatility in the value of the Baht against the US dollar may also increase the cost that the Company incurs in converting the Baht that the Company receives as proceeds from the sale of their petroleum products into US dollars required to pay for crude oil and imported feedstock.

#### **3.1.2 Interest rate risk**

The Company is exposed to interest rate risk in relation to its current borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. The Company does not enter into any financial instruments. However, the Company has insignificant impact from interest rate risk.



### **3 Financial risk management (Cont'd)**

#### **3.1 Financial risk factors (Cont'd)**

##### **3.1.3 Credit risk**

The Company has no significant credit risk because the Company sells majority of its total sales to its related companies who have reputable and strong financial position. Apart from sales of products to the related companies, sales are made to other customers with an appropriate credit history. Financial transactions are limited to high credit quality financial institutions.

##### **3.1.4 Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash, and the availability of funding through an adequate amount of committed credit facilities.

#### **3.2 Accounting for derivative financial instruments and hedging activities**

The Company has no derivative financial instruments.

### **4 Critical accounting estimates and assumptions**

The Company has not applied the significant accounting estimates and assumptions in preparation financial statements. Estimates, assumptions, and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### **5 Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders.

## 6 Segment information

The Company produces petroleum products in Thailand for both domestic and export markets, utilising the same assets. The Company has one reportable segment which is the refinery. The chief operating decision maker reviews the internal management report which reported the performance of the Company as a whole in order to assess performance and allocate resources. The chief operating decision maker assesses the performance of the reportable segment based on a measure of revenue, cost of goods sold, gross margin and earnings before interest income and expense, tax, depreciation and amortisation which are the same information as these financial statements.

The Company derived 57% of its revenue (2016: 56%) from sales to its related parties. Refer to Note 28 for the amount of revenue from each related party.

### Geographical information

Revenues are presented by the entity's country of domicile and foreign countries which the entity derives revenues as shown in table below.

	Unit: US Dollar		Unit: Baht	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Sales:				
- Local Sales	4,328,137,714	4,032,835,173	147,485,978,171	142,977,963,787
- Export Sales	654,069,675	337,066,357	22,134,166,163	11,975,550,168
Total Sales	<u>4,982,207,389</u>	<u>4,369,901,530</u>	<u>169,620,144,334</u>	<u>154,953,513,955</u>

The Company only operated in Thailand, therefore geographical information of non-current asset has not been presented.

## 7 Cash and cash equivalents

	Unit: US Dollar		Unit: Baht	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Cash on hands	1,522	1,389	50,000	50,000
Bank deposits and Bank of Thailand Bond with maturity of three months or less	<u>66,103,502</u>	<u>6,467,825</u>	<u>2,171,314,539</u>	<u>232,857,490</u>
	<u>66,105,024</u>	<u>6,469,214</u>	<u>2,171,364,539</u>	<u>232,907,490</u>

During 2017, the interest rates of cash at bank ranged between 0.25% and 1.41% per annum (2016: 0.25% and 1.46% per annum).

## 8 Trade and other receivables

	Unit: US Dollar		Unit: Baht	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Trade receivables				
- related parties	199,740,891	158,876,662	6,554,761,872	5,710,702,570
- third parties	163,178,612	157,976,139	5,352,025,306	5,680,722,939
	<u>362,919,503</u>	<u>316,852,801</u>	<u>11,906,787,178</u>	<u>11,391,425,509</u>
Other receivables				
- related parties	14,213	179,060	462,124	6,385,049
- Liquefied Petroleum Gas (LPG) Subsidy	9,019,924	434,245	296,279,266	15,633,917
- fuel subsidy	472,844	424,837	15,531,600	15,295,182
- third parties	1,036,861	6,073,098	34,049,726	218,011,725
	<u>10,543,842</u>	<u>7,111,240</u>	<u>346,322,716</u>	<u>255,325,873</u>
Trade and other receivables	<u>373,463,345</u>	<u>323,964,041</u>	<u>12,253,109,894</u>	<u>11,646,751,382</u>

Outstanding trade receivables can be analysed as follows:

	Unit: US Dollar		Unit: Baht	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Up to 3 months	362,919,503	316,852,801	11,906,787,178	11,391,425,509
3 - 6 months	-	-	-	-
6 - 12 months	-	-	-	-
Over 12 months	-	-	-	-
Total trade receivables	362,919,503	316,852,801	11,906,787,178	11,391,425,509
<u>Less</u> provision for impairment of trade receivables	-	-	-	-
	<u>362,919,503</u>	<u>316,852,801</u>	<u>11,906,787,178</u>	<u>11,391,425,509</u>

Liquefied Petroleum Gas (LPG) Subsidy and Fuel Subsidy are the liabilities of Thai government to the Company set by the Ministry of Energy through the Oil Fuel Fund.

As at 31 December 2017, the LPG subsidy was the outstanding subsidy that the Company was compensated for the difference between the Government's controlled price and the market reference price (2016: the difference between the Government's controlled price and a separate controlled wholesale price).

As at 31 December 2017 and 2016, fuel subsidy was the outstanding subsidy that the Company was compensated for the difference between the Government's controlled price and the market reference price.

## 9 Inventories

	Unit: US Dollar		Unit: Baht	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Crude oil	140,377,468	166,461,999	4,611,006,780	5,993,048,110
Petroleum products	116,956,559	81,350,346	3,841,695,486	2,928,815,842
Materials and supplies (net with allowance)	22,049,135	22,466,210	724,252,358	808,839,715
	279,383,162	270,278,555	9,176,954,624	9,730,703,667
Crude oil in transit	154,274,032	56,822,727	5,067,469,983	2,045,760,224
Inventories, net	433,657,194	327,101,282	14,244,424,607	11,776,463,891

According to the Ministry of Energy, the Company is required to maintain a minimum oil reserve of 6% of total finished products produced for domestic sales (2016: 6%) and maintain a minimum finished products reserve of 7% of total imported finished products (2016: nil). The reserve fluctuates upon production plan and volume produced. As at 31 December 2017, the above inventories include USD 164,829,074 or Baht 5,414,173,555 of crude oil and finished products set aside as minimum reserve (2016: USD 148,357,520 or Baht 5,341,241,629).

During 2017, USD 953,153 or Baht 32,109,627 was debited to the statement of comprehensive income with respect to loss on obsolete materials and supplies (2016: USD 664,935 or Baht 23,528,087).

## 10 Other current assets

	Unit: US Dollar		Unit: Baht	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Advance to suppliers	983,653	766,283	32,157,125	27,406,875
Others	1,939,284	638,917	63,700,046	23,002,609
Other current assets	2,922,937	1,405,200	95,857,171	50,409,484

	Unit: US Dollar				
	Land	Buildings	Refinery plant & machinery	Furniture, fixtures and equipment	Construction in progress
<b>At 1 January 2016</b>					
Cost	73,442,578	54,014,974	1,969,689,265	70,914,311	13,599,525
Less Accumulated depreciation	-	(21,203,265)	(1,022,343,149)	(62,212,714)	-
Net book amount	73,442,578	32,811,709	947,346,116	8,701,597	13,599,525
<b>Year ended 31 December 2016</b>					
Opening net book amount	73,442,578	32,811,709	947,346,116	8,701,597	13,599,525
Assets transferred from construction in progress	-	887,730	4,421,093	4,980,427	(10,289,250)
Additions	-	-	-	-	10,348,514
Disposals - Cost	-	(544,606)	(425,028)	(2,056,193)	-
Disposals - Depreciation	-	216,220	179,793	2,032,545	-
Depreciation charge	-	(1,468,914)	(78,028,303)	(1,486,747)	-
Closing net book amount	73,442,578	31,902,139	873,493,671	12,171,629	13,658,789
<b>At 31 December 2016</b>					
Cost	73,442,578	54,358,098	1,973,685,330	73,838,545	13,658,789
Less Accumulated depreciation	-	(22,455,959)	(1,100,191,659)	(61,666,916)	-
Net book amount	73,442,578	31,902,139	873,493,671	12,171,629	13,658,789
					1,004,668,806



	Unit: US Dollar				
	Land	Buildings	Refinery plant & machinery	Furniture, fixtures and equipment	Construction in progress
<b>At 1 January 2017</b>					
Cost	73,442,578	54,358,098	1,973,685,330	73,838,545	13,658,789
Less Accumulated depreciation	-	(22,455,959)	(1,100,191,659)	(61,666,916)	-
Net book amount	73,442,578	31,902,139	873,493,671	12,171,629	13,658,789
<b>Year ended 31 December 2017</b>					
Opening net book amount	73,442,578	31,902,139	873,493,671	12,171,629	13,658,789
Assets transferred from construction in progress	-	986,311	16,819,472	2,500,722	(20,306,505)
Additions	-	-	-	-	14,120,474
Disposals - Cost	-	(54,839)	(141,706)	(1,846,894)	-
Disposals - Depreciation	-	43,415	133,229	1,841,274	-
Depreciation charge	-	(1,442,665)	(78,223,198)	(1,687,381)	-
Closing net book amount	73,442,578	31,434,361	812,081,468	12,979,350	7,472,758
<b>At 31 December 2017</b>					
Cost	73,442,578	55,289,570	1,990,363,096	74,492,373	7,472,758
Less Accumulated depreciation	-	(23,855,209)	(1,178,281,628)	(61,513,023)	-
Net book amount	73,442,578	31,434,361	812,081,468	12,979,350	7,472,758

As at 31 December 2017, certain fully depreciated items of machinery and equipment are still in use, their original costs are approximately US Dollar 47.48 million (2016: US Dollar 44.46 million).

	Unit: Baht				
	Land	Buildings	Refinery plant & machinery	Furniture, fixtures and equipment	Construction in progress
<b>At 1 January 2016</b>					
Cost	2,662,572,527	1,958,248,061	71,408,720,686	2,570,913,229	493,034,399
Less Accumulated depreciation	-	(768,698,946)	(37,063,824,010)	(2,255,447,255)	-
Net book amount	<u>2,662,572,527</u>	<u>1,189,549,115</u>	<u>34,344,896,676</u>	<u>315,465,974</u>	<u>493,034,399</u>
<b>Year ended 31 December 2016</b>					
Opening net book amount	2,662,572,527	1,189,549,115	34,344,896,676	315,465,974	493,034,399
Assets transferred from construction in progress	-	31,496,400	157,869,424	175,578,170	(364,943,994)
Additions	-	-	-	-	366,951,076
Disposals - Cost	-	(19,341,399)	(15,069,269)	(72,596,939)	-
Disposals - Depreciation	-	7,677,942	6,374,495	71,755,848	-
Depreciation charge	-	(52,074,954)	(2,767,348,439)	(52,730,207)	-
Exchange differences on translation	(18,456,120)	(8,750,328)	(278,766,985)	736,241	(3,290,965)
Closing net book amount	<u>2,644,116,407</u>	<u>1,148,556,776</u>	<u>31,447,955,902</u>	<u>438,209,087</u>	<u>491,750,516</u>
<b>At 31 December 2016</b>					
Cost	2,644,116,407	1,957,027,440	71,057,606,077	2,658,372,189	491,750,516
Less Accumulated depreciation	-	(808,470,664)	(39,609,650,175)	(2,220,163,102)	-
Net book amount	<u>2,644,116,407</u>	<u>1,148,556,776</u>	<u>31,447,955,902</u>	<u>438,209,087</u>	<u>491,750,516</u>
					<u>36,170,588,688</u>

	Unit: Baht				
	Land	Buildings	Refinery plant & machinery	Furniture, fixtures and equipment	Construction in progress
<b>At 1 January 2017</b>					
Cost	2,644,116,407	1,957,027,440	71,057,606,077	2,658,372,189	491,750,516
Less Accumulated depreciation	-	(808,470,664)	(39,609,650,175)	(2,220,163,102)	-
Net book amount	2,644,116,407	1,148,556,776	31,447,955,902	438,209,087	491,750,516
<b>Year ended 31 December 2017</b>					
Opening net book amount	2,644,116,407	1,148,556,776	31,447,955,902	438,209,087	491,750,516
Assets transferred from construction in progress	-	32,657,949	563,210,277	83,082,435	(678,950,661)
Additions	-	-	-	-	481,519,507
Disposals - Cost	-	(1,934,764)	(4,990,751)	(61,685,090)	-
Disposals - Depreciation	-	1,531,688	4,698,689	61,499,020	-
Depreciation charge	-	(49,198,083)	(2,667,925,084)	(57,501,723)	-
Exchange differences on translation	(231,733,366)	(99,082,826)	(2,668,346,646)	(37,268,427)	(48,860,185)
Closing net book amount	2,412,383,041	1,032,530,740	26,674,602,387	426,335,302	245,459,177
<b>At 31 December 2017</b>					
Cost	2,412,383,041	1,816,107,531	65,377,854,713	2,446,865,907	245,459,177
Less Accumulated depreciation	-	(783,576,791)	(38,703,252,326)	(2,020,530,605)	-
Net book amount	2,412,383,041	1,032,530,740	26,674,602,387	426,335,302	245,459,177

As at 31 December 2017, certain fully depreciated items of machinery and equipment are still in use, their original costs are approximately Baht 1,559.60 million (2016: Baht 1,600.51 million).

## 12 Intangible asset

	Unit: US Dollar	Unit: Baht
<b>At 1 January 2016</b>		
Cost	6,860,067	248,703,485
<u>Less</u> Accumulated amortisation	(4,700,687)	(170,417,764)
Net book amount	<u>2,159,380</u>	<u>78,285,721</u>
<b>Year ended 31 December 2016</b>		
Opening net book amount	2,159,380	78,285,721
Additions	4,341,434	154,752,423
<u>Less</u> Amortisation charge	(1,227,121)	(43,500,082)
Exchange differences on translation	-	328,054
Closing net book amount	<u>5,273,693</u>	<u>189,866,116</u>
<b>At 1 January 2017</b>		
Cost	11,201,501	403,282,029
<u>Less</u> Accumulated amortisation	(5,927,808)	(213,415,913)
Net book amount	<u>5,273,693</u>	<u>189,866,116</u>
<b>Year ended 31 December 2017</b>		
Opening net book amount	5,273,693	189,866,116
Additions	1,425,128	47,292,022
<u>Less</u> Amortisation charge	(1,437,246)	(48,976,244)
Exchange differences on translation	-	(15,353,878)
Closing net book amount	<u>5,261,575</u>	<u>172,828,016</u>
<b>At 31 December 2017</b>		
Cost	12,626,629	414,749,423
<u>Less</u> Accumulated amortisation	(7,365,054)	(241,921,407)
Net book amount	<u>5,261,575</u>	<u>172,828,016</u>

## 13 Trade and other payables

	Unit: US Dollar		Unit: Baht	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Trade payables				
- related parties	198,037,471	147,145,470	6,504,976,408	5,297,604,795
- third parties	81,188,971	62,128,062	2,666,830,379	2,236,765,538
	<u>279,226,442</u>	<u>209,273,532</u>	<u>9,171,806,787</u>	<u>7,534,370,333</u>
Other payables				
- related parties	1,591,036	723,117	52,261,074	26,034,017
- third parties	24,394,468	18,680,385	800,732,797	671,955,269
	<u>25,985,504</u>	<u>19,403,502</u>	<u>852,993,871</u>	<u>697,989,286</u>
Trade and other payables	<u>305,211,946</u>	<u>228,677,034</u>	<u>10,024,800,658</u>	<u>8,232,359,619</u>

## 14 Borrowings

	Unit: US Dollar		Unit: Baht	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
<b>Current</b>				
Current portion of long-term borrowings				
Borrowings from financial institutions	71,666,667	106,666,667	2,354,049,334	3,840,266,667
<b>Non-Current</b>				
Borrowings from financial institutions	-	71,666,667	-	2,580,179,166
<b>Total borrowings</b>	<u>71,666,667</u>	<u>178,333,334</u>	<u>2,354,049,334</u>	<u>6,420,445,833</u>

The interest rate exposure on the borrowings of the Company is as follows:

	Unit: US Dollar		Unit: Baht	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Borrowings:				
at floating rate	<u>71,666,667</u>	<u>178,333,334</u>	<u>2,354,049,334</u>	<u>6,420,445,833</u>

The exposure of the Company's borrowings to interest rate changes and the contractual re-pricing dates at the statement of financial position dates are as follows:

	Unit: US Dollar				
	6 months or less	6-12 months	1-5 years	Over 5 years	Total
At 31 December 2017					
Total borrowings	<u>53,333,333</u>	<u>18,333,334</u>	<u>-</u>	<u>-</u>	<u>71,666,667</u>

	Unit: Baht				
	6 months or less	6-12 months	1-5 years	Over 5 years	Total
At 31 December 2017					
Total borrowings	<u>1,751,850,667</u>	<u>602,198,667</u>	<u>-</u>	<u>-</u>	<u>2,354,049,334</u>

Weighted average effective interest rates of long-term borrowings from financial institutions were stated from 1.64% to 1.75% per annum for loan issued in US Dollar.



#### 14 Borrowings (Cont'd)

Carrying value and fair value of long-term borrowings are as follows:

	Unit: US Dollar			
	Carrying amounts		Fair values	
	2017	2016	2017	2016
Long-term borrowings from financial institutions	-	71,666,667	-	71,608,757

	Unit: Baht			
	Carrying amounts		Fair values	
	2017	2016	2017	2016
Long-term borrowings from financial institutions	-	2,580,179,166	-	2,578,094,264

The fair value of current borrowings equal their carrying amount, as the impact of discounting is not significant.

In 2016, the fair values are based on discounted cash flows using a discount rate based upon the borrowing rate from 1.55% to 1.70% and are within level 2 of the fair value hierarchy.

Maturity of long-term borrowings:

	Unit: US Dollar		Unit: Baht	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Within 1 year	71,666,667	106,666,667	2,354,049,334	3,840,266,667
Over 1 year to 5 years	-	71,666,667	-	2,580,179,166
Over 5 years	-	-	-	-
Total long-term borrowings	71,666,667	178,333,334	2,354,049,334	6,420,445,833

#### 15 Other current liabilities

	Unit: US Dollar		Unit: Baht	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Accrued excise tax	91,952,129	27,244,763	3,020,369,990	980,879,593
Accrued withholding tax	317,477	211,621	10,428,221	7,618,897
Accrued interest	149,516	280,856	4,911,172	10,111,498
Other current liabilities	92,419,122	27,737,240	3,035,709,383	998,609,988

## 16 Deferred income taxes

The analysis of deferred tax assets (liabilities) is as follows:

	Unit: US Dollar		Unit: Baht	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
<b>Deferred tax assets:</b>				
Deferred tax assets to be recovered within 12 months	-	-	-	-
Deferred tax assets to be recovered after more than 12 months	3,010,036	2,487,074	98,871,257	89,540,923
Total deferred tax assets	3,010,036	2,487,074	98,871,257	89,540,923
<b>Deferred tax liabilities:</b>				
Deferred tax liabilities to be recovered within 12 months	(346,153)	(315,816)	(11,370,149)	(11,370,149)
Deferred tax liabilities to be recovered after more than 12 months	(19,365,864)	(39,088,199)	(636,114,420)	(1,407,272,959)
Total deferred tax liabilities	(19,712,017)	(39,404,015)	(647,484,569)	(1,418,643,108)
Deferred tax liabilities, net	(16,701,981)	(36,916,941)	(548,613,312)	(1,329,102,185)

The movement in the deferred tax assets (liabilities) account is as follows:

	Unit: US Dollar		Unit: Baht	
	2017	2016	2017	2016
At 1 January	(36,916,941)	(41,743,563)	(1,329,102,185)	(1,513,362,801)
Charged to profit or loss (Note 23)	926,205	588,220	31,027,990	20,835,713
Exchange differences on translation	19,288,755	4,238,402	749,460,883	163,424,903
At 31 December	(16,701,981)	(36,916,941)	(548,613,312)	(1,329,102,185)

## 16 Deferred income taxes (Cont'd)

The movement in deferred tax assets and liabilities during the year is as follows:

	Unit: US Dollar				
	Tax effect of currency translation on tax base	Long-term debt acquisition cost	Retirement benefit obligation	Loss on obsolete materials and supplies	Total
<b>Deferred tax assets</b>					
At 1 January 2016	(35,296)	116,840	1,123,536	862,974	2,068,054
Charged (credited) to profit or loss	35,296	(116,840)	367,577	132,987	419,020
At 31 December 2016	-	-	1,491,113	995,961	2,487,074
At 1 January 2017	-	-	1,491,113	995,961	2,487,074
Charged to profit or loss	-	-	332,331	190,631	522,962
At 31 December 2017	-	-	1,823,444	1,186,592	3,010,036

	Unit: Baht				
	Tax effect of currency translation on tax base	Long-term debt acquisition cost	Retirement benefit obligation	Loss on obsolete materials and supplies	Total
<b>Deferred tax assets</b>					
At 1 January 2016	(1,279,649)	4,235,875	40,732,488	31,286,091	74,974,805
Charged (credited) to profit or loss	1,279,649	(4,204,118)	12,976,101	4,705,617	14,757,249
Exchange differences on translation	-	(31,757)	(24,753)	(134,621)	(191,131)
At 31 December 2016	-	-	53,683,836	35,857,087	89,540,923
At 1 January 2017	-	-	53,683,836	35,857,087	89,540,923
Charged to profit or loss	-	-	11,367,826	6,421,925	17,789,751
Exchange differences on translation	-	-	(5,156,616)	(3,302,801)	(8,459,417)
At 31 December 2017	-	-	59,895,046	38,976,211	98,871,257

## 16 Deferred income taxes (Cont'd)

The movement in deferred tax assets and liabilities during the year is as follows: (Cont'd)

	Unit: US Dollar		
	Tax effect of currency translation on tax base	Depreciation	Total
<b>Deferred tax liabilities</b>			
At 1 January 2016	(42,868,261)	(943,356)	(43,811,617)
Charged to profit or loss	4,203,106	204,496	4,407,602
At 31 December 2016	(38,665,155)	(738,860)	(39,404,015)
At 1 January 2017	(38,665,155)	(738,860)	(39,404,015)
Charged to profit or loss	19,288,755	403,243	19,691,998
At 31 December 2017	(19,376,400)	(335,617)	(19,712,017)

	Unit: Baht		
	Tax effect of currency translation on tax base	Depreciation	Total
<b>Deferred tax liabilities</b>			
At 1 January 2016	(1,554,137,355)	(34,200,251)	(1,588,337,606)
Charged to profit or loss	162,095,126	7,358,113	169,453,239
Exchange differences on translation	-	241,259	241,259
At 31 December 2016	(1,392,042,229)	(26,600,879)	(1,418,643,108)
At 1 January 2017	(1,392,042,229)	(26,600,879)	(1,418,643,108)
Charged to profit or loss	755,581,751	13,238,239	768,819,990
Exchange differences on translation	-	2,338,549	2,338,549
At 31 December 2017	(636,460,478)	(11,024,091)	(647,484,569)

## 17 Employee benefit obligations

Net liabilities recognised in the statement of financial position are determined as follows:

	Unit: US Dollar		Unit: Baht	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Present value of unfunded obligation	9,117,222	7,455,571	299,475,230	268,419,182

The movement in the defined benefit obligation over the year is as follows:

	Unit: US Dollar		Unit: Baht	
	2017	2016	2017	2016
At 1 January	7,455,571	5,617,685	268,419,182	203,662,442
Current service cost	712,640	684,248	24,292,820	24,242,268
Interest cost	198,402	170,475	6,763,228	6,039,762
Past service cost	-	132,957	-	4,710,540
Loss from change in financial assumptions	-	931,350	-	32,917,270
	911,042	1,919,030	31,056,048	67,909,840
Effect from change of foreign exchange rate	750,609	6,665	-	-
Payment for plans: Benefit payment	-	(87,809)	-	(3,153,100)
At 31 December	9,117,222	7,455,571	299,475,230	268,419,182

### Major Actuarial Assumptions

#### The Company's financial assumptions

For the year ended 31 December:

	% per annum	
	2017	2016
Discount rate	2.5	2.5
Salary growth rate	5.0	5.0

## 17 Employee benefit obligations (Cont'd)

### Major Actuarial Assumptions (Cont'd)

#### The Company's demographic assumptions

- Mortality assumption: The mortality rate is from the Thailand Mortality Ordinary 2017 (TMO17) issued by the Office of the Insurance Commission. The TMO17 contains the results of the most recent mortality investigation of policy holders of life insurance companies in Thailand. It is reasonable to assume that these rates would reflect of the mortality rate of the population in Thailand.
- Turnover rate assumption

For the year ended 31 December:

Age	% per annum	
	2017	2016
Below 21	1.00	1.00
21 - 24	1.00	1.00
25 - 30	1.00	1.00
31 - 34	3.00	3.00
35 - 40	3.00	3.00
41 - 44	2.00	2.00
45 - 50	2.00	2.00
Above 50	0.00	0.00

The turnover rate above reflects the rate at which employees voluntarily resign from service. It does not include death, disability, and early retirement. The calculation for the employee benefits is based on these assumptions.

#### Sensitivity analysis for each significant assumption disclosed:

	Impact on defined benefit obligation					
	Change in assumption		Increase in assumption		Decrease in assumption	
	2017	2016	2017	2016	2017	2016
Discount rate	1.00%	1.00%	Decrease by 10.60%	Decrease by 11.38%	Increase by 12.40%	Increase by 13.37%
Salary growth rate	1.00%	1.00%	Increase by 10.91%	Increase by 11.72%	Decrease by 9.51%	Decrease by 10.16%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit cost method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The weighted average duration of the defined benefit obligation is 17 years. (2016: 18 years)



## 17 Employee benefit obligations (Cont'd)

Expected maturity analysis of undiscounted retirement benefits:

	Unit: US Dollar			
	Within 1 year	Over 1 year to 5 years	Over 5 years	Total
At 31 December 2017				
Retirement benefits	116,136	1,726,422	30,130,353	31,972,911

	Unit: Baht			
	Within 1 year	Over 1 year to 5 years	Over 5 years	Total
At 31 December 2017				
Retirement benefits	3,814,758	56,708,132	989,697,720	1,050,220,610

## 18 Share capital

	Number of shares	Ordinary shares US Dollar	Ordinary shares Baht
At 1 January 2016	4,335,902,125	864,713,808	30,004,442,705
Issue of shares	-	-	-
At 31 December 2016	4,335,902,125	864,713,808	30,004,442,705
Issue of shares	-	-	-
At 31 December 2017	4,335,902,125	864,713,808	30,004,442,705

The total number of authorised ordinary shares with a par value of Baht 6.92 per share (2016: Baht 6.92 per share) is 4,335,902,125 shares (2016: 4,335,902,125 shares). The number of issued and paid-up ordinary shares is 4,335,902,125 shares (2016: 4,335,902,125 shares).

## 19 Legal reserve

Under the Public Limited Company Act., B.E. 2535, the Company is required to set aside as a legal reserve at least 5% of its net profit after accumulated deficit brought forward (if any) until the reserve is not less than 10% of the registered capital. The legal reserve is non-distributable. At 31 December 2017, the Company has set aside legal reserved at 10% of registered capital.

	Unit: US Dollar		Unit: Baht	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Balance at the beginning of year	87,865,911	84,652,251	3,000,444,271	2,886,500,098
Appropriation during the year	-	3,213,660	-	113,944,173
Balance at the end of year	87,865,911	87,865,911	3,000,444,271	3,000,444,271

## 20 Dividend paid

At the Board of Director Meeting No. 3 held on 11 August 2017, the Board approved a resolution to declare interim dividend payment from the net profit of 1 January 2017 to 30 June 2017 in the amount of USD 59.60 million or an equivalent of Baht 0.4621 per share, totalling Baht 2,003.62 million. The dividend was paid on 8 September 2017.

At the Annual General Meeting of Shareholders for 2017 held on 5 April 2017, the shareholders made the resolution to approve dividend payment from unappropriated retained earnings after legal reserve allocation of the net profit of 1 January 2016 to 31 December 2016 in the amount of USD 145.09 million or Baht 5,126.77 million which is equivalent to Baht 1.1824 per share. After deduction of the interim dividend payment for the first half of 2016 performance at Baht 0.5378 per share paid on 9 September 2016, the remaining dividend to be paid is at Baht 0.6446 per share, totalling approximately USD 78.76 million or Baht 2,794.92 million. Such dividend was paid on 3 May 2017.

At the Board of Director Meeting No.3 held on 11 August 2016, the Board approved a resolution to declare interim dividend payment from unappropriated retained earnings after legal reserve allocation of the net profit of 1 January 2016 to 30 June 2016 in the amount of USD 66.34 million or an equivalent of Baht 0.5378 per share, totalling Baht 2,331.85 million. The dividend was paid on 9 September 2016.

At the Annual General Meeting of Shareholder held on 26 April 2016, the shareholders approved a resolution to declare dividend payment from unappropriated retained earnings after legal reserve allocation of the net profit of six months ended 31 December 2015 for USD 31.88 million which is equivalent of Baht 0.2638 per share, totalling Baht 1,143.67 million. The dividend was paid on 19 May 2016.

## 21 Expenses by nature

The following expenditure items, classified by nature, have been charged in arriving at profit for the year:

	Unit: US Dollar		Unit: Baht	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Changes in inventories of finished goods	(35,597,383)	(14,853,291)	(1,213,899,229)	(526,687,289)
Raw materials and consumables used	4,610,441,562	3,947,962,630	156,977,978,837	139,992,182,634
Staff costs	35,285,035	32,185,233	1,203,247,917	1,141,265,850
Repair and maintenance expenditure on property, plant and equipment	37,481,241	31,081,346	1,278,140,301	1,102,122,781
Depreciation on property, plant and equipment (Note 11)	81,353,244	80,983,964	2,774,624,890	2,872,153,600
Amortisation on intangible asset (Note 12)	1,437,246	1,227,121	48,976,244	43,500,082
Operating lease rental	126,098	126,098	4,300,596	4,472,173
Total cost of sales and administrative expenses	<u>4,730,527,043</u>	<u>4,078,713,101</u>	<u>161,073,369,556</u>	<u>144,629,009,831</u>

Depreciation, amortisation, and operating lease rental related to production assets:

	Unit: US Dollar		Unit: Baht	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Recognised as cost of sales	74,308,448	73,981,603	2,534,357,276	2,623,842,839
Recognised as administration expenses	8,608,140	8,355,580	293,544,454	296,283,016
	<u>82,916,588</u>	<u>82,337,183</u>	<u>2,827,901,730</u>	<u>2,920,125,855</u>

## 22 Other income

	Unit: US Dollar		Unit: Baht	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Finance income	469,240	839,398	16,169,987	29,831,591
Others	899,711	945,485	30,698,014	33,513,128
	<u>1,368,951</u>	<u>1,784,883</u>	<u>46,868,001</u>	<u>63,344,719</u>

## 23 Income tax expenses

	Unit: US Dollar		Unit: Baht	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Current tax	60,572,932	64,733,984	2,063,402,784	2,293,569,280
Deferred tax (Note 16)	(926,205)	(588,220)	(31,027,990)	(20,835,713)
Prior year tax adjustment	(88,868)	(327,982)	(3,036,219)	(11,681,162)
	<u>59,557,859</u>	<u>63,817,782</u>	<u>2,029,338,575</u>	<u>2,261,052,405</u>

	Unit: US Dollar		Unit: Baht	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Profit before tax	320,811,959	308,854,999	10,924,684,518	10,949,140,732
Tax calculated at a tax rate of 20% (2016: 20%)	64,162,392	61,771,000	2,188,545,257	2,190,378,526
Expenses more deductible for tax purposes	(402,787)	(349,830)	(13,735,344)	(12,404,724)
Expenses not deductible for tax purposes	18,736	47,362	638,904	1,679,412
Tax effect from translation of tax base	(4,131,614)	2,677,232	(140,891,350)	94,932,836
Prior year tax adjustment	(88,868)	(327,982)	(3,036,219)	(11,681,162)
Exchange differences on translation	-	-	(2,182,673)	(1,852,483)
Tax charge	<u>59,557,859</u>	<u>63,817,782</u>	<u>2,029,338,575</u>	<u>2,261,052,405</u>

## 24 Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	Unit: US Dollar		Unit: Baht	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Profit attributable to shareholders	261,254,100	245,037,217	8,895,345,943	8,688,088,327
Weighted average number of ordinary shares in issue (Shares)	4,335,902,125	4,335,902,125	4,335,902,125	4,335,902,125
Basic earnings per share	0.06	0.06	2.05	2.00

## 25 Significant contractual agreements

The significant contractual agreements can be summarised as follows:

### **Construction and Operation of the Petroleum Refinery Agreement**

On 22 November 1992, the Company accepted the transfer of all of the rights and obligations under the Agreement for the Construction and Operation of the Petroleum Refinery ("MOI Agreement") from Caltex Trading and Transport (Thailand) Limited ("CTTTL") in accordance with the MOI Agreement made between CTTTL and the Ministry of Industry ("MOI") dated 29 November 1991. According to the latest amendment in 2015, the Company shall proceed at least 30 percent of registered shares to be sold to the public and register the Company's securities for trading in the Stock Exchange of Thailand at the latest within 2015.

The Company has successfully listed to the Stock Exchange of Thailand and started first day of trading of the Company's shares on the Stock Exchange of Thailand on 8 December 2015.

### **Land Lease Agreement**

On 20 November 1992, the Company entered into a lease agreement for certain parcels of land with the IEAT. The agreement is for a period of thirty years beginning 20 November 1992. The Company's total fee, including interests from the date of the lease to the date of payment, was approximately Baht 302 million.

### **Joint Operation Agreement**

On 1 December 1993, the Company entered into a joint operation agreement with the IEAT whereby the Company is committed to pay an annual fee of approximately Baht 2.5 million in return for joint operation and maintenance of roads and utilities for the refinery.

### **Natural Gas Sales Contract - Cogeneration**

On 18 October 1996, the Company entered into a natural gas sales contract with PTT Public Company Limited ("PTT") whereby the Company is committed to purchase natural gas based on the term stipulated in the agreement to be supplied for an electricity generating system called "Cogeneration". The agreement expires twelve years from the date commercial use of gas commenced on 17 March 1997.

On 25 December 2002, the contract was amended to reflect the new pricing calculation by using Thailand Producer Price Index to replace Thailand Wholesales Price Index.

On 19 December 2008, the Company entered into a new natural gas contract with PTT with effective from 17 March 2009 and expires on 16 March 2019.

### **Natural Gas Sales Contract - Petroleum Product Manufacturing Process**

On 22 September 1999, the Company entered into a natural gas sales contract with PTT Public Company Limited ("PTT") whereby the Company is committed to purchase natural gas based on the terms stipulated in the agreement to be supplied for its Petroleum product manufacturing process. The agreement has been renewed after its expiration on 31 December 2003. The renewed agreement expires four years from the date commercial use of gas commenced on 1 January 2004.

On 19 December 2008, the Company entered into a new natural gas contract with PTT with effective from 1 January 2009 and expires on 31 December 2018.

### **Feedstock Supply Agreement**

On 5 June 2012, the Company entered into a new feedstock supply agreement with Chevron U.S.A. Inc. whereby the Company is committed to purchase feedstock from Chevron U.S.A. Inc. which is based on the term stipulated in the agreement effective upon the first day of trading of the Company shares on the SET which is on 8 December 2015.

## **25 Significant contractual agreements (Cont'd)**

The significant contractual agreements can be summarised as follows: (Cont'd)

### **Feedstock Supply Agreement (Cont'd)**

On 5 June 2012, the Company entered into a new feedstock supply agreement with PTT whereby PTT will be granted certain rights to offer a supply crude oil to the Company which is based on the term stipulated in the agreement effective upon the first day of trading of the Company shares on the SET which is on 8 December 2015.

### **Purchase and Sale Agreement**

On 10 August 1993, the Company entered into a purchase and sale agreement with PTT Public Company Limited ("PTT") and Chevron (Thailand) Limited ("CTL"). According to this agreement, the Company has committed to sell a portion of the refined petroleum products it produces to PTT and CTL starting on the date commercial operations commenced, 1 July 1996, based on the terms of the agreement.

On 5 June 2012, the agreement was amended which is effective upon the first day of trading of the Company shares on the SET which is on 8 December 2015.

On 15 March 2016, the agreement was amended on its duration, price and dispute mechanism.

On 29 December 2017, the agreement was amended on its duration, minimum offtake volumes, price and type and qualities of products which become effective on 1 January 2018.

## **26 Contingent liabilities and bank guarantees**

As at 31 December 2017 and 2016, the Company has bank guarantees issued on the Company's behalf relating to land use in Map Ta Phut Industrial Estate, electricity, value-added tax and others amounting to USD 3.11 million or Baht 102.09 million and USD 0.73 million or Baht 26.22 million, respectively.

## **27 Commitments**

As at 31 December 2017 and 2016, the Company had commitment as follows:

- a) Purchase of machinery, equipment and installations in progress of approximately USD 13.89 million or Baht 456.28 million (2016: USD 2.71 million or Baht 97.44 million)
- b) Purchase of raw materials and utilities which include crude oil, hydrogen, natural gas and back-up electricity of approximately USD 659.11 million or Baht 21,650.04 million (2016: USD 527.17 million or Baht 18,979.34 million)
- c) Operating land lease commitment of approximately USD 1.35 million or Baht 44.33 million (2016: USD 1.43 million or Baht 51.46 million)

## 28 Related party transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The major shareholder of the Company is Chevron South Asia Holding Pte., Ltd. registered in Singapore, which owns 60.56% of the Company's shares. The remaining 39.44% of the shares are widely held. The ultimate parent company is Chevron Corporation registered in the United States of America.

Related parties	Relationship	Main transactions relating to the Company
Chevron South Asia Holding Pte., Ltd.	Major shareholder	Holding the Company's shares
Fellow subsidiaries	Related parties of the ultimate parent company	Supplying of crude oil and raw materials to the Company; and purchasing of products from the Company

The following transactions were carried out with related parties:

### i) Sales of goods and services

	Unit: US Dollar		Unit: Baht	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Sales of goods with fellow subsidiaries:				
- Chevron (Thailand) Limited	2,691,653,184	2,361,647,019	91,713,907,471	83,697,540,601
- Other fellow subsidiaries	187,257,359	78,294,034	6,284,167,192	2,779,275,106
	<u>2,878,910,543</u>	<u>2,439,941,053</u>	<u>97,998,074,663</u>	<u>86,476,815,707</u>
Sales of services with fellow subsidiaries:	<u>28,400</u>	<u>68,695</u>	<u>1,001,948</u>	<u>2,441,770</u>

The above transactions were carried out on commercial terms and conditions which is reference from market prices.



## 28 Related party transactions (Cont'd)

The following transactions were carried out with related parties: (Cont'd)

### ii) Purchases of goods and services

	Unit: US Dollar		Unit: Baht	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Purchases of goods with fellow subsidiaries:	2,683,747,140	2,078,509,863	91,378,450,812	73,647,896,483
Purchases of services with fellow subsidiaries:	5,417,538	5,578,026	184,903,507	197,949,358

The above transactions were carried out on commercial terms and conditions which is reference from market prices.

### iii) Management remuneration

Key management includes directors (executives and non-executive). The compensations paid or payable to management for employment services are as follows:

	Unit: US Dollar		Unit: Baht	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
- Salaries and other short-term employee benefits	5,253,016	4,939,671	180,191,080	175,475,125
- Retirement benefits	39,770	59,208	1,355,158	2,098,414
	<u>5,292,786</u>	<u>4,998,879</u>	<u>181,546,238</u>	<u>177,573,539</u>

### iv) Other transaction

In March 2017, the Company collected money from Chevron (Thailand) Limited totalling US Dollar 55.4 million (Baht 1,946 million) for excise tax, local government tax, oil fuel fund and energy conservation fund which was remitted to the Excise Department for the shipment of products into the petroleum concession area over a distance of maritime boundary in the Gulf of Thailand as described in Note 29.

**29    The resolution of the customs formalities for the shipment of products into the petroleum concession area over a distance of maritime boundary in the Gulf of Thailand**

From 2012 to 2016, the Company sold petroleum products to a related party (“the Reseller”) who subsequently sold the products to companies under Chevron Group to use at the exploration and production platform located in the concession area. The Company and the Reseller followed the customs formalities from the consultation with the Customs Department and Excise Department where the shipments of oil were treated as export cargoes and excise tax, local government tax, oil fuel fund and energy conservation fund (“taxes and funds”) were exempted.

The Office of the Council of State subsequently provided the interpretation that the shipment of petroleum products into the concession area over a distance of twelve nautical miles should be treated as domestic cargo under the Petroleum Act. The Reseller received a letter from the Customs Department about this interpretation dated 30 January 2017. Consequently, in March 2017, the Company remitted taxes and funds related to the petroleum products sold from 2012 to 2016 of US Dollar 55.4 million (Baht 1,946 million) to the Excise Department. The Company charged the taxes and funds to the Reseller in accordance with the Letter of Indemnity between the Company and the Reseller.

The Company presented the taxes and funds net of the amount collected from the Reseller in the Statement of Comprehensive Income. As at 31 December 2017, the Company has successfully remitted the taxes and funds and been reimbursed for the total amount by the Reseller. Therefore, there is no remaining balance from this transaction.

# Auditor Fee

In 2017, the shareholders approved the appointment of PricewaterhouseCoopers ABAS Ltd. to serve as auditor for the Company.

The company made total audit payments of Baht 3,128,596 including out of pocket expenses as follows:

Description	Amount (Baht)
Audit fee	2,955,000
Out of pocket expenses	173,596
<b>Total</b>	<b>3,128,596</b>

# GENERAL INFORMATION

## Name

Star Petroleum Refining Public Company Limited

## Initial

SPRC

## Business

Founded in 1992, SPRC is one of the leading petroleum product producers and oil refiner in Thailand and the Asia Pacific region.

SPRC owns and operates a complex refinery with a capacity, as of 31 December 2017, of 165,000 barrels per day of crude oil, which represents 13.4% of the refining capacity in Thailand.

SPRC strategically located in Map Ta Phut, Thailand's premier petrochemicals hub and our key products consist of LPG, premium and regular grade of gasoline, jet fuel, diesel and fuel oil.

Our unique configuration and flexibility in production enables us to produce more gasoline compared to other Thai refineries.

## Registration number

0107555000155

## Address

No.1, I-3B Road, Map Ta Phut,  
Muang Rayong, Rayong 21150  
Tel: +66 (0) 38 699 000  
Fax: +66 (0) 38 699 999

## Website

[www.sprc.co.th](http://www.sprc.co.th)

## Listing Date

On 8 December 2015

## Capital As of 31 December 2017

### Registered Capital

Baht 30,004,442,705

Comprising 4,335,902,125 fully paid-up common shares of / Baht 6.92 per share

## Number of Employees

472 persons (as of 31 December 2017)

## Secondary Market

The Stock Exchange of Thailand (SET)

## Investor Relations

Telephone number: +66 (0) 38 699 887

Website: <http://investor.sprc.co.th>

Email: [ir@sprc.co.th](mailto:ir@sprc.co.th)

## Reference

### Securities Registrar

Thailand Securities Depository Co., Ltd.

93 Ratchadaphisek Road, Dindaeng, Bangkok 10400, Thailand

Tel: +66 (0) 2 009 9000,

+66 (0) 2 009 9999 (SET Contact Center)

Fax: +66 (0) 2 009 9991

Website: [www.set.or.th/tsd](http://www.set.or.th/tsd)

E-mail: [SETContactCenter@set.or.th](mailto:SETContactCenter@set.or.th)

### External Auditor

PricewaterhouseCoopers ABAS Ltd.

15<sup>th</sup> Floor Bangkok City Tower,

179/74-80 South Sathorn Road, Bangkok 10120, Thailand

Tel: +66 (0) 2 844 1000

Fax: +66 (0) 2 286 5050

## Other Services (Loss of Share Certificate, Change of Particulars in Securities Register, and Other Services)

### Counter Service

The Stock Exchange of Thailand Building, 1<sup>st</sup> Floor,

93 Ratchadapisek Road, Dindaeng, Bangkok 10400, Thailand

Tel : +66 (0) 2 009 9999 (SET Contact Center)

or

### Office of Registration Services Thailand Securities Depository Company Limited (TSD)

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Investors can obtain more information about the Company from the Company's Annual Registration Statement (Form 56-1) available at [www.sec.or.th](http://www.sec.or.th) or [www.sprc.co.th](http://www.sprc.co.th)



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