

## 7. Securities and Shareholders

### 7.1 Capital Structure

As of December 31, 2015, PTTEP's capital structure consisted of USD 3,005 million interest-bearing debt and USD 11,328 million shareholders' equities. The interest-bearing debt to shareholders' equities ratio were 0.27 times. Details of the capital structure are as follows:

#### 7.1.1 Securities

##### Capital Stock

As of December 31, 2015, the PTTEP's registered and paid-up capital was at THB 3,969,985,400 consisting of 3,969,985,400 ordinary shares at the par value of THB 1 per share.

##### Debentures

PTTEP is rated as investment grade (Baa1, BBB+, A-) by international credit rating agencies, namely, Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services ("Standard & Poor's") and Japan Credit Rating Agency ("JCR") respectively. Moreover, PTTEP is also rated by TRIS Rating Co., Ltd. ("TRIS"), a domestic credit rating agency at AAA, which is the highest credit rating.

During year 2015, PTTEP has not issued any domestic and international debentures. However, on July 19, 2015 and August 4, 2015, PTTEP Australia International Finance Pty Ltd (PTTEP AIF) has redeemed unsecured and unsubordinated debentures on the maturity date as amount of USD 500 million and USD 200 million respectively.

As of December 31, 2015, the details of outstanding debentures of PTTEP are as follows;

1) Details of THB debentures (total outstanding THB 27,100 million) are as follows:

Debt Security	Issued Date	Maturity Date	Tenor	Outstanding (Unit : THB Million)	Rate per annum	Credit Rating <sup>1</sup>
						TRIS
THB debentures, unsecured, unsubordinated	March 27, 2003	March 27, 2018	15 years	2,500 <sup>2</sup>	Fixed 4.625%, coupon payment: semi-annually	AAA
	May 29, 2009	May 29, 2019	10 years	5,000 <sup>3</sup>	Fixed 4.80%, coupon payment: semi-annually	AAA
	June 6, 2014	June 6, 2019	5 years	8,200 <sup>4</sup>	Fixed 3.91%, coupon payment: semi-annually	AAA
	June 6, 2014	June 6, 2029	15 years	11,400 <sup>5</sup>	Fixed 4.82%, coupon payment: semi-annually	AAA

<sup>1</sup> The debentures were latest rated by TRIS on March 20, 2015.

<sup>2</sup> In 2005, PTTEP entered into a Cross Currency Swap agreement with a bank to swap THB for USD 60.82 million. Under this agreement, interest was charged at the rate of 3.85% per annum. In 2007, PTTEP swapped the USD with the same bank for THB 2,500 million (Unwound Swap Transaction). Under this agreement, the interest rate was charged at the rate of 3.30% per annum. In 2011, PTTEP swapped THB 2,500 million for USD 82.92 million. Under this agreement, interest rate was charged at the rate of 3.30% per annum.

<sup>3</sup> In 2011, PTTEP entered into a Cross Currency Swap agreement with a bank to swap THB for USD 161.81 million. Under this agreement, the average interest rate was charged at the rate of 4.93% per annum.

<sup>4</sup> In 2014, PTTEP entered into a Cross Currency Swap agreement with a bank to swap THB for USD 251.07 million. Under this agreement, the interest rate was charged at the rate of 3.013% per annum.

<sup>5</sup> In 2014, PTTEP entered into a Cross Currency Swap agreement with a bank to swap THB for USD 349.05 million. Under this agreement, the interest rate was charged at the rate of 4.989% per annum.

2) Details of USD debentures (total outstanding USD 1,690million) are as follows:

Debt Security	Issued Date	Maturity Date	Tenor	Outstanding (Unit : USD Million)	Rate per annum	Credit Rating	
						Moody's	Standard & Poor's
USD debentures, unsecured, unsubordinated	April 5, 2011	April 5, 2021	10 years	700 <sup>1</sup>	Fixed 5.692%, coupon payment: semi-annually	Baa1	BBB+
	June 12, 2012	June 12, 2042	30 years	490 <sup>2</sup>	Fixed 6.35%, coupon payment: semi-annually	Baa1	BBB+
	September 16, 2013	September 16, 2018	5 years	500 <sup>3</sup>	Fixed 3.707%, coupon payment: semi-annually	Baa1	BBB+

<sup>1</sup> PTTEP CIF was the issuer, fully guaranteed by PTTEP, the debentures were latest rated by Moody's on December 16, 2015 and Standard & Poor's on April 30, 2015.

<sup>2</sup> PTTEP CIF was the issuer, fully guaranteed by PTTEP, the debentures were latest rated by Moody's on December 16, 2015 and Standard & Poor's on April 30, 2015.

<sup>3</sup> PTTEP was the issuer, the debentures were latest rated by Moody's on December 16, 2015 and Standard & Poor's on April 30, 2015.

3) Details of THB Hybrid Bonds (total outstanding THB 5,000 million) are as follows:

Debt Security	Issued Date	Maturity Date	Tenor	Outstanding (Unit : THB Million)	Rate per annum	Credit Rating <sup>1</sup>
						TRIS
THB Hybrid Bonds, unsecured, unconvertible, callable, subordinated debentures with single redemption upon liquidation, PTTEP can defer the distribution at its sole discretion <sup>2</sup>	June 15, 2011	No maturity date <ul style="list-style-type: none"> <li>▪ payment upon liquidation or</li> <li>▪ early redemption subject to terms &amp; conditions</li> </ul>	Perpetual	5,000	Year 1-10: 5.85% Year 11- 30: 6.10% Year 31- 60: 6.85% Year 61 onward: 7.85%, coupon payment: quarterly	AA

<sup>1</sup> The bonds were latest rated by TRIS on March 20, 2015.

<sup>2</sup> In accounting, Hybrid Bonds are recorded in Shareholders' equity.

4) Details of USD Hybrid Bonds (total outstanding USD 1,000 million) are as follows:

Debt Security	Issued Date	Maturity Date	Tenor	Outstanding (Unit : USD Million)	Rate per annum	Credit Rating <sup>1</sup>	
						Moody's	Standard & Poor's
USD Hybrid Bonds, subordinated perpetual capital securities with the issuer's right to defer the distribution at its sole discretion <sup>2</sup>	June 18, 2014	No maturity date <ul style="list-style-type: none"> <li>▪ payment upon liquidation or</li> <li>▪ early redemption subject to terms &amp; conditions</li> </ul>	Perpetual	1,000	Year 1-5 : 4.875% Year 6-10: 5 Years UST + 3.177% Year 11- 25: 6M LIBOR + 3.351% Year 26 onward: 6M LIBOR+ 4.101%, coupon payment: semi-annually	Baa3	BBB-

<sup>1</sup> The bonds were latest rated by Moody's on December 16, 2015 and Standard & Poor's on April 30, 2015.

<sup>2</sup> In accounting, Hybrid Bonds are recorded in Shareholders' equity.

### 7.1.2 Number of shares and shareholders voting rights will be affected by NVDR issuance

An NVDR or Non-Voting Depository Receipt is a trading instrument issued by the Thai NVDR Company Limited, a wholly owned subsidiary of the Stock Exchange of Thailand (SET). NVDRs are automatically regarded as listed securities in the SET. The objective of issuing NVDRs is to stimulate trading activities in the Thai stock market, such as the foreign investment limits and the impediments faced by institutional investors who previously could not trade in the existing Thai Trust Fund. Investors will receive all financial benefits; i.e., dividends, right issues or warrants, just as if they had invested in the Company's common shares. The only difference between investing in an NVDR and the Company's shares is the voting right. Additionally, although the NVDR is designed mainly to ease foreign investment barriers, the SET does not prohibit Thai investors from investing this instrument.

As at February 12, 2016, as publicized on the website of the Stock Exchange of Thailand, PTTEP's ordinary shares at NVDR were 173,185,605 shares, which represent 4.36 percent of the total issued and paid-up capital of PTTEP (3,969,985,400 Shares). The NVDR holders will not participate and vote in shareholder's meeting, except in the case where a listed company wishes to delist its shares from the SET.

## 7.2 Shareholders

### 7.2.1 Top 10 shareholders

As of February 12, 2016, the top 10 shareholders of PTTEP were as follows:

Rank	List of Top 10 Shareholders	Number of Shares	% of Total Number of Shares
1.	PTT PUBLIC COMPANY LIMITED	2,591,860,489	65.29
2.	THAI NVDR COMPANY LIMITED	173,185,605	4.36
3.	CHASE NOMINEES LIMITED	129,219,234	3.26
4.	STATE STREET BANK EUROPE LIMITED	94,693,469	2.39
5.	THE BANK OF NEW YORK MELLON	51,316,033	1.29
6.	SOCIAL SECURITY OFFICE	37,516,877	0.95
7.	STATE STREET BANK AND TRUST COMPANY	36,067,018	0.91
8.	THE BANK OF NEW YORK (NOMINEES) LIMITED	28,450,921	0.72
9.	HSBC BANK PLC-CLIENTS GENERAL A/C	27,180,921	0.69
10.	PEOPLE'S BANK OF CHINA	24,161,900	0.61
	<b>Total number of shares held by top 10 shareholders</b>	<b>3,193,652,467</b>	<b>80.47</b>
	<b>Total fully-paid capitals as of February 12, 2016</b>	<b>3,969,985,400</b>	<b>100</b>

### 7.2.2 NVDR holder who owns more than 0.50% of the paid-up PTTEP shares\*

Rank	NVDR holder (as of February 12, 2016)	Number of NVDR issues	% of total outstanding shares in underlying stock
1.	CHASE NOMINEES LIMITED	32,580,355	0.82
2.	STATE STREET BANK AND TRUST COMPANY	31,054,614	0.78
	<b>Total shares</b>	<b>63,634,969</b>	<b>1.60</b>

Source: <http://www.set.or.th/set/companyholder.do?symbol=PTTEP-R>

### 7.2.3 Major shareholder with controlling influence over PTTEP's policy or operation

PTT, a major shareholder of PTTEP, takes part in determining PTTEP's policy and our operations under the Board's approval. As of December 31, 2015, there were 4 out of 15 directors who were a director or an executive of PTT.

### 7.3 Dividend Payment Policy

Under normal circumstances, it is a policy of PTTEP's Board of Directors to generally recommend to the shareholders an annual dividend payout of no less than 30% of net income after tax. The Board of Directors, if appropriate, may also decide to pay the interim dividends and subsequently inform the shareholders in the next shareholders' meeting. For PTTEP's subsidiaries, dividend policy is subject to cash flow, future investment plans, and other factors necessary for continuity of their operations, and must be in compliance with related laws and regulations.

Meanwhile, under terms and conditions of PTTEP Subordinated Perpetual Capital Debentures No. 1/2555 THB 5,000 million issued in June 2012 and PTTEP Subordinated Perpetual Capital Debentures USD 1,000 million issued in June 2014, if PTTEP defers the interest payment on these debentures; the Company shall not declare or make any dividend payments.

Five-year dividend payment history of PTTEP is as follows:

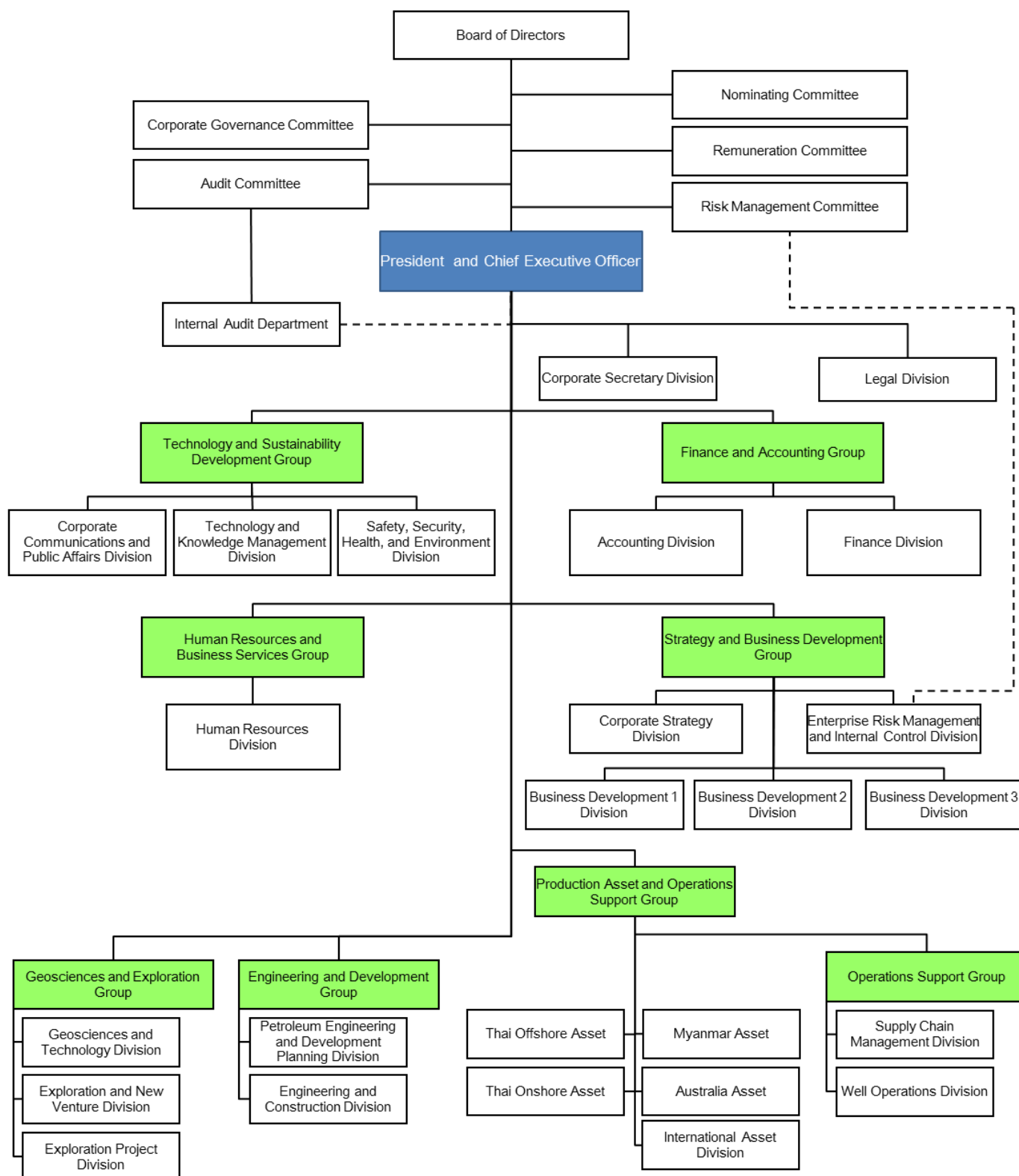
Year	2011	2012	2013	2014	2015
Earnings per Share	13.48	17.08	14.07	5.19	-7.96
Dividend per Share	5.40	5.80	6.00	4.50	3.00
Dividend Payout Ratio	40%	38%	40%	82%	N/A**

\* Since January 18, 2010, Thai NVDR Co., Ltd. has changed its rule to disclose the names of NVDR holders having over 0.50% of paid-up capital of the underlying securities.

\*\* Dividend Payout Ratio 2015 is not available, due to net loss.

## 8. Management Structure

As of January 1, 2016





## 8.1 The Board of Directors

### 8.1.1 The Board's Structure

PTTEP's Board of Directors (Board) consists of qualified directors who possess a versatility of expertise with a skill mix in the fields of industry knowledge, accounting and finance, business judgment, management skill, international marketing, business strategy, crisis management, corporate governance, and legal. The Company meanwhile does not have any policies which discriminate against the directors based on their gender and race. The directors however must not be over 70 years old and shall possess qualifications according to the Good Corporate Governance and Business Ethics of PTTEP Group (CG&BE), laws relevant to Public Limited Companies and Securities and Exchange, as well as rules and regulations of the Securities Exchange Commission (SEC), the Capital Market Supervisory Board (CMSB), the Stock Exchange of Thailand (SET), and relevant resolutions of the Cabinet. The directors shall also be highly committed and dedicated their time to fully perform the duties and responsibilities. The directors, for example, would be regarded as unqualified if absent from the Board's meeting for more than three consecutive times without a reasonable justification.

The Board structure consists of 15 skillful directors, and this is considered appropriate for the Company's operational size. The Board is divided into two categories, non-executive and executive directors. In addition, the Board shall not comprise independent directors of less than half of the incumbent members. As of December 31, 2015, the Board consisted of 15 directors.

- 14 non-executive directors (93.34% of total members)
- 1 executive director: President and Chief Executive Officer
- 8 independent directors (53.34% of total members, a ratio which was more than half of the incumbent members)

PTT is the only major shareholder of PTTEP, while the minor shareholders are dispersed. Therefore, the aforementioned Board's component and proportion are considered appropriate to maintain the balance within the Board for the best interests of all the shareholders.

Names, biography, qualification, experience and shareholding percentage of non-executive directors, executive directors, independent directors, and directors from the private sector, including directors from PTT, are disclosed in the "Information of the Board of Directors, Management, Controlling Persons and Corporate Secretary" section as well as in PTTEP's annual report and website.

### 8.1.2 Authorities and Responsibilities of the Board

Based on the principles of accountability, duty of care and duty of loyalty, the Board has clearly defined their roles and responsibilities and effectively carried them out strictly in line with those stipulated by the laws, objectives, Articles of Association of PTTEP, and resolutions of the shareholders' and Board's meetings. The scope of the authority and responsibilities of the Board are as follows:

- (1) To govern PTTEP's operations to be in compliance with CG&BE as well as to be a leader and role model in adopting, advising, communicating, and educating CG&BE for the PTTEP Group's employees and other organizations
- (2) To consider and approve of the statement of vision, mission, and corporate values of PTTEP Group to ensure that they are effectively applicable and practical
- (3) To consider and approve of the PTTEP Group's strategic plan, business direction, targets, workforce structure, and other significant operations, including regularly monitoring and reviewing operation results to ensure they are in line with the Company's strategy, operational direction, targets, and policies as planned with emphasizes on mobility and applicability in order to allow the management to effectively and efficiently manage the business
- (4) To establish efficient and adequate internal control systems by having a clear set of regulations and work processes as well as having a standardized and reliable accounting system and financial reporting, appropriate and adequate risk management, effective compliance program, and a regular monitoring system
- (5) To consider and approve significant matters as prescribed by the laws or in the Company's affidavits, policies or regulations, as well as matters that may result in corporate obligations
- (6) To consider the cases which are related to conflicts of interest in a prudent and transparent manner as well as to report to the Company of vested interests of oneself and/or of related persons, including prevention of misuse of the Company's properties and execution of transactions with the Company's connected persons in an inappropriate way
- (7) To ensure that the Company has clear and proper regulations, a standardized and reliable financial reporting, an efficient internal control system, and a proper risk management
- (8) To govern the Company to engage with both the internal and external auditors to ensure that they perform their duties effectively
- (9) To govern the Company to communicate and disclose information to the Company's stakeholders in an accurate, complete, appropriate, and timely manner
- (10) To govern the Company to treat the stakeholders with a fair and equal treatment

(11) To consider, approve and appoint specialists from different professional fields to provide the Company with insight information as well as to act on our behalf on significant matters which can significantly affect the financial standing and reputation of PTTEP Group

(12) To consider and approve the Board Performance Target as well as to evaluate performance of the Board, Chairman of the Board, and sub-committees

(13) To consider and approve the Performance Agreement of the President and Chief Executive Officer (CEO) as well as to evaluate performance and determine remuneration of CEO to align with the performance results. The Board is also responsible for governing that PTTEP has an effective performance evaluation process of our executives.

(14) To consider and delegate appropriate authority to CEO to manage PTTEP's operations according to the Company's strategic plan, business direction, targets and policies of the organization, as well as to govern the Company to implement appropriate and effective evaluation tools for the performance of CEO

The Board is permitted to make requests for information and seek advices and services regarding the business operation from the management. In addition, if deemed necessary and appropriate, the directors may seek advices from external and independent advisors at the Company's expense.

### **8.1.3 Sub-Committees**

#### **8.1.3.1 The Corporate Governance Committee**

PTTEP's Corporate Governance Committee has the duties and responsibilities according to its charter as follows:

(1) To establish the Good Corporate Governance and Business Ethics of PTTEP Group (CG&BE) for the Board's approval for implementations throughout the organization

(2) To promote CG&BE to the Board, management, and employees to ensure that it is complied with in all areas of the Company's business operations

(3) To review Business Ethics of the Company as well as practices regarding the Company's Good Corporate Governance to ensure that they are in line with relevant laws as well as practices of and recommendations from leading international organizations before proposing them to the Board for approval and corresponding them with the shareholders

(4) To govern PTTEP to carry out an assessment on our compliance with CG&BE

(5) To disclose information, with prior approval of the Board, regarding the Company's Good Corporate Governance to our stakeholders in the Company's annual report

(6) To oversee and provide recommendations on the Corporate Social Responsibility (CSR) activities

- (7) To regularly review and update its own charter to ensure appropriateness
- (8) To disclose the performance of the Corporate Governance Committee in the Company's annual report
- (9) To perform other duties relevant to the Good Corporate Governance of PTTEP Group as assigned by the Board

The Corporate Governance Committee consists of at least three directors, all of whom must be an independent director. As of December 31, 2015, the Committee comprised three members as follows:

Admiral Tanarat Ubol	Chairman of the Committee and Independent Director
Mr. Songsak Saicheua	Member and Independent Director
Mr. Piti Tantakasem	Member and Independent Director

Mr. Songsak Saicheua was appointed on April 30, 2015 in replacement of Mr. Nuttavudh Photisaro.

According to its charter, the Committee must hold the meeting at least four times a year. In 2015, the Committee held six meetings, while all incumbent directors as well as the Company's Corporate Secretary, acting as the Committee's secretary, attended all the meetings. The Committee has disclosed its annual performance in the Corporate Governance Committee Report for 2015.

#### 8.1.3.2 The Audit Committee

PTTEP's Audit Committee has the duties and responsibilities according to its charter as follows:

- (1) To review the Company's financial reports with the external auditor on a quarterly basis to ensure accuracy and adequacy
- (2) To review the Company's performance in compliance with the securities and exchange laws, SET's regulations, and other laws related to the business
- (3) To review connected transactions or transactions that may lead to conflicts of interest to ensure that these transactions comply with the laws and SET's regulations and that they are reasonable as well as in the best interests of the Company

(4) To ensure that the Company has efficient and appropriate internal control and internal audit systems, including the audit reports and approaches taken, as well as to assess our audit results in various activities according to the procedures and acceptable standards in coordination with the external auditor

(5) To consider, select, and propose appointment of the external auditor, to consider proposal of the audit fees, and to attend the non-executive meetings with the external auditor at least once a year

(6) To determine the independence of the Company's Internal Audit Department, as well as to endorse appointments, transfers, and review of merits or punishments of the Head of the Internal Audit Department. If the Head of the Internal Audit Department is the subject of a report, the Audit Committee will appoint an Investigation Committee to assume the role.

(7) To approve the audit plan of the Internal Audit Department

(8) To endorse budget and workforce requirements of the Internal Audit Department for the management to propose to the Board

(9) To approve charter of the Internal Audit Department

(10) To approve the Conflict of Interest Form required for the Head of the Internal Audit Department in case he or she must personally conduct the auditing

(11) To endorse auditing results in the annual audit plan as well as additional auditing results as requested

(12) To attend the shareholders' meeting to answer questions regarding the Committee's performance or appointment of the external auditor

(13) To annually review and update its own charter to ensure its appropriateness

(14) To perform other duties as assigned by the Board

(15) To prepare and disclose the Audit Committee Report in the Company's annual report

The Audit Committee consists of at least three directors, all of whom must be an independent director with knowledge, expertise, and experience in auditing financial statements. As of December 31, 2015, the Committee comprised three members as follows:

Director Name	Position	Financial Statements Audit Experience
Mr. Ampon Kittiampon	Chairman for two terms <ul style="list-style-type: none"> <li>1st term: April 25, 2011 – March 30, 2013</li> <li>2nd term: April 25, 2013 – Present</li> </ul>	<ul style="list-style-type: none"> <li>December 2005 – April 2007: Member of the Audit Committee, Rayong Refinery Plc.</li> <li>May – December 2007: Chairman of the Audit Committee, Rayong Refinery Plc.</li> <li>April 2010 – April 2011: Chairman of the Audit Committee, PTT Plc.</li> </ul>
Mr. Achporn Charuchinda	Member October 31, 2013 – Present	<ul style="list-style-type: none"> <li>2007 – 2013: Chairman of the Audit Committee, Bank of Thailand's Financial Institutions Development Funds</li> <li>October 2013 – Present: Member of the Audit Committee, Metropolitan Waterworks Authority</li> </ul>
Mr. Sethaput Suthiwart-Narueput	Member September 25, 2014 – Present	<ul style="list-style-type: none"> <li>2011 – 2012: Director and Chairman of the Audit Committee, TMB Bank Plc.</li> <li>Experiences in Financial Statements Analysis: <ul style="list-style-type: none"> <li>2008 – 2009: President, SCB Asset Management</li> <li>2007 – 2008: Managing Director and Head of Research, SCB Securities</li> </ul> </li> </ul>

According to its charter, the Committee must hold the meeting on a quarterly basis. In 2015, the Committee held 11 meetings, and 66 agenda items were considered. The majority of incumbent directors and the Committee's secretary, who was the Vice President of the Internal Audit Department, attended all the meetings. The Committee has disclosed its annual performance in the Audit Committee Report for 2015.

### 8.1.3.3 The Nominating Committee

PTTEP's Nominating Committee has the duties and responsibilities according to its charter as follows:

- (1) To select and nominate individuals who are qualified to be directors or President and Chief Executive Officer (CEO) to the Board for their consideration as well as to the Annual Shareholder's General Meeting for the shareholders' approval when there is a vacancy or a need to replace those whose term has expired by taking into consideration the Board composition, their knowledge and capability, experience proven useful to PTTEP, the number of companies in which they had served as a director, and their conflict of interest
- (2) To prepare a list of possible candidates for the Company's new directors or CEO in advance and/or when there is a vacancy
- (3) To accept opinions or suggestions from the Board and/or CEO of PTT (if any) to supplement the nomination selection decision before submitting it to the Board for consideration and to the AGM (as the case may be)
- (4) To consider the annual Board Performance Target and the Performance Agreement of the Board and CEO and propose them to the Board for approval as well as to set the Performance Evaluation Form of the Chairman, directors, sub-committees, and President and Chief Executive Officer
- (5) To consider and propose qualified directors to be a member of the Board or the chairman of the sub-committees when there is a vacancy as well as to propose restructuring of the sub-committees as deemed appropriate
- (6) To regularly review and update its own charter in order to ensure its appropriateness
- (7) To disclose performance of the Committee in the Company's annual report
- (8) To perform other duties relevant to the nomination of directors or the Chief Executive Officer, as assigned by the Board

The Nominating Committee consists of at least three directors, in which the Chairman and the majority of the members must be an independent director. As of December 31, 2015, the Committee comprised three members, two of which were independent directors as follows:

Mr. Ampon Kittiampon	Chairman and Independent Director
Mr. Manas Jamveha	Member
Colonel Nimit Suwannarat	Member and Independent Director

Mr. Ampon Kittiampon assumed the chairmanship from January 29, 2015 in replacement of Mr. Nuttavudh Photisaro.

According to its charter, the Committee must hold the meeting at least two times a year. In 2015, the Committee held seven meetings, and the majority of incumbent directors as well as the Company's Corporate Secretary, acting as the Committee's secretary, attended all the meetings. The Committee has disclosed its annual performance in the Nominating Committee Report for 2015.

#### 8.1.3.4 The Remuneration Committee

PTTEP's Remuneration Committee has the duties and responsibilities according to its charter as follows:

(1) To consider remuneration of the Board and sub-committees before proposing at the Annual General Shareholders' Meeting for approval, using the fair and reasonable criteria or principles, while also ensuring that the remunerations are according to the individual's performance results, the Company's performance, the industry practices, as well as the scope of the duties and responsibilities

(2) To consider the remunerations of the President and Chief Executive Officer (CEO), and the salary structure of the Company's executives with the fair and reasonable criteria or principles before proposing them to the Board for approval.

The remuneration of CEO must be in line with the duties and responsibilities as well as his or her performance results

(3) To evaluate performance of the Remuneration Committee and report to the Board for an annual disclosure to the shareholders

(4) To regularly review and update the Remuneration Committee Charter to ensure its appropriateness

(5) To perform other duties as assigned by the Board

The Remuneration Committee consists of at least three directors, in which the Chairman and the majority of the members must be an independent director. As of December 31, 2015, the Committee comprised three members, two of which were independent directors as follows:

Mr. Achporn Charuchinda	Chairman and Independent Director
Admiral Tanarat Ubol	Member and Independent Director
Mr. Chakkrit Parapuntakul	Member



Mr. Chakkrit Parapuntakul was appointed as a member of the Committee in replacement of Mr. Pailin Chuchottaworn on April 30, 2015.

According to its charter, the Committee must hold the meeting at least two times a year. In 2015, the Committee held two meetings, and all incumbent directors as well as the Company's Corporate Secretary, acting as the Committee's secretary, attended all the meetings. The Committee has disclosed its annual performance in the Remuneration Committee Report for 2015.

#### 8.1.3.5 The Risk Management Committee

PTTEP's Risk Management Committee has the duties and responsibilities according to its charter as follows:

- (1) To define the policy framework and process for risk management, including recommendation on corporate risk management to the Board and management
- (2) To promote and implement the risk strategy and policy by enhancing the level of risk awareness within the Company, through the development of appropriate procedures and commitment of resources
- (3) To maintain an enterprise-wide view of risks which are related to corporate direction and E&P value chain such as exploration risk, development risk, SSHE risk, investment and geopolitical risk, financial risk, organizational capability risk, and law and regulatory risk, as well as to recommend mitigation strategy to manage the risks to keep them within the acceptable level according to clause (1) and to continuously monitor, assess and improve the mitigation strategy in responding to changing of the business environment
- (4) To support risk management function in assessing key risk factors and provide advices on other potential risks which may impact the Company for a continuous and efficient risk management comparable to other leading companies, as well as to assign certain tasks related to PTTEP's risk management to the risk management function to perform
- (5) To support the monitoring of risks across PTTEP and regularly report to the Board
- (6) To disclose the Committee's performance in the Company's annual report
- (7) To regularly review and update its own charter to ensure its appropriateness
- (8) To perform other duties relating to the Company's risk management as assigned by the Board

The Risk Management Committee consists of at least three directors, while at least one member must be an independent director. As of December 31, 2015, the Committee comprised six members, three of which were independent directors as follows:

Mr. Sethaput Suthiwart-Narueput	Chairman and Independent Director
Colonel Nimit Suwannarat	Member and Independent Director
Mr. Piti Tantakasem	Member and Independent Director
Mr. Pitipan Teparatimargorn	Member
Mr. Wirat Uanarumit	Member
Mr. Twarath Sutabutr	Member

On November 1, 2015, Mr. Sethaput Suthiwart-Narueput assumed the chairmanship in replacement of Mr. Nuttachat Charuchinda, who resigned from the Committee, while Mr. Pitipan Teparatimargorn, Mr. Wirat Uanarumit, and Mr. Twarath Sutabutr were appointed as members of the Risk Management Committee.

According to its charter, the Committee must hold the meeting at least four times a year. In 2015, the Committee held 11 meetings and two informal meetings without any remuneration, while the majority of incumbent directors attended all the meetings. The Committee's secretary, who was the Executive Vice President of the Strategy and Business Development Group, also attended the meetings. The Committee has disclosed its annual performance in the Risk Management Committee Report for 2015.

#### 8.1.3.6 Independent Directors Committee

PTTEP's Independent Directors Committee has the duties and responsibilities according to its charter as follows:

- (1) To propose to the Board and/or President and Chief Executive Officer (as the case may be) on significant matters that are beneficial to the Company as well as major and minor shareholders
- (2) To advise the Board and independent directors on their roles and responsibilities for the benefits of the Company as well as major and minor shareholders
- (3) To review the Company's operations to ensure that they comply with the laws relevant to independent directors, as well as to review the definition of independent directors to be lawfully appropriate and complete
- (4) To perform other duties as assigned by the Board, provided that such duties do not affect the Committee's independence
- (5) To regularly review and update the Independent Directors Committee Charter to ensure its appropriateness

The directors who meet all of the qualifications of an independent director according to CG&BE are considered as an independent director without requiring appointment from the Nominating Committee. As of December 31, 2015, the Committee comprised eight members as follows:

Mr. Prajya Phinyawat	Chairman
Admiral Tanarat Ubol	Vice Chairman
Mr. Ampon Kittiampon	Member
Mr. Achporn Charuchinda	Member
Colonel Nimit Suwannarat	Member
Mr. Sethaput Suthiwart-Narueput	Member
Mr. Piti Tantakasem	Member
Mr. Songsak Saicheua	Member

According to its charter, the Committee must hold the meeting at least four times a year. In 2015, the Committee held four meetings, and the majority of incumbent directors as well as the Company's Corporate Secretary, acting as the Committee's secretary, attended all the meetings. There was no compensation paid to the members of the Committee for their meeting attendance. The Committee has disclosed its annual performance in the Independent Directors Committee Report for 2015.

#### **PTTEP's Definition of Independent Directors**

The Good Corporate Governance of PTTEP has defined the qualification of the Company's independent directors stricter than those defined by the Capital Market Supervisory Board, specifically in the area of shareholding as clarified in no. (1) below. Our definitions of an independent director, whose qualification is annually reviewed, are as follows:

(1) Holding shares not exceeding 0.5 percent of the total number of shares with voting rights of PTTEP, our parent company, subsidiary company, associated company, major shareholder or controlling person, including shares held by related persons of such independent director

(2) Neither being nor used to be an executive director, employee, staff, or advisor who receives salary, or a controlling person of PTTEP, our parent company, subsidiary companies, associated companies, same-level subsidiary companies, major shareholder or controlling person, unless the foregoing status has ended for not less than two years prior to his or her appointment as the Company's independent director. Such prohibited characteristic shall not include the case where the independent director used to be a government official or advisor of a government unit, which is a major shareholder, or a controlling person of the Company.

(3) Not being a person related by blood or legal registration as a father, mother, spouse, sibling, and child, including spouse of a child of the Company's director, executive, major shareholder, controlling person, or person to be nominated as a director, executive, or controlling person of PTTEP or one of our subsidiary companies

(4) Neither having nor used to have a business relationship with PTTEP, our parent company, subsidiary company, associated company, major shareholder, or controlling person, in the manner which may interfere with his or her independent judgment, and neither being nor used to be a significant shareholder or controlling person of anyone having a business relationship with the Company, our parent company, subsidiary company, associated company, major shareholder or controlling person, unless the foregoing relationship has ended for not less than two years.

The term 'business relationship' under the first paragraph shall include normal business transactions, rental or lease of immovable property, transactions relating to assets or services or granting or receiving of financial assistance. For example, these include receiving or extending of loans, guarantee, providing assets as collateral, and other similar actions which can potentially result in PTTEP or his counterparty being subject to indebtedness payable to the other party in the amount of three percent or more of the net tangible assets of PTTEP or twenty million baht or more, whichever is lower. The amount of such indebtedness shall be calculated according to the method for calculation of the value of connected transactions under the notification of the Capital Market Supervisory Board's governing rules on connected transactions mutatis mutandis. The consideration of such indebtedness shall include indebtedness occurred during the period of one year prior to the date on which the business relationship with the person commences.

(5) Neither being nor used to be an auditor of PTTEP, our parent company, subsidiary company, associated company, major shareholder, or controlling person, and not being a significant shareholder, controlling person, or partner of an audit firm which employs auditors of the Company, our parent company, subsidiary company, associated company, major shareholder or controlling person, unless the foregoing relationship has ended for not less than two years

(6) Neither being nor used to be a provider of any professional services, including those as a legal advisor or financial advisor who receives service fees exceeding two million baht per year from PTTEP, our parent company, subsidiary company, associated company, major shareholder or controlling person, and not being a significant shareholder, controlling person or partner of the provider of the professional services, unless the foregoing relationship has ended for not less than two years

(7) Not undertaking any businesses in the same nature and in competition to the business of PTTEP or our subsidiary company, or not being a significant partner in a partnership or being an executive director, employee, staff, advisor who receives salary or holds shares exceeding one percent of the total number of shares with voting rights of a company which undertakes its business in the same nature and in competition to that of the Company or our subsidiary

(8) Not being a director appointed as representative of directors of PTTEP, the major shareholder or any shareholders who are related to the major shareholder

(9) Not having any other characteristics which cause an inability to express independent opinions regarding PTTEP's business operations

After being appointed as an independent director with the qualifications under No. (1) to (9), the independent director may be assigned by the Board to take part in the business decision of PTTEP, our parent company, subsidiary company, associated company, same-level subsidiary company, major shareholder or controlling person, provided that such decision shall be in the form of a collective decision.

The definition of each of the specific words mentioned is subjected to the Notification of the Capital Market Supervisory Board's RE: Determination of Definitions relating to Issuance and Offer for Sale of Securities.

#### **Business Relationship or Professional Services of Independent Directors for the Company during the Past Fiscal Year**

– None –

#### **8.1.4 Performance Appraisal of the Board**

The Good Corporate Governance and Business Ethics of PTTEP Group (CG&BE) stipulates that there should be an annual performance appraisal for the Board. In 2015, the appraisal of the Board derived from the score from Board Performance Target, while the Chairman's and sub-committees' would be evaluated by the Board using the corresponding appraisal forms. This allows the Company's directors to review their performance, key issues, and obstacles with which they had faced during the past year as well as to enhance their directorship efficiencies. The Nominating Committee determines the appraisal forms and considers the Board Performance Target prior to proposing to the Board for consideration and approval. The Board's performance appraisal comprises the followings:

1) Individual self-appraisal and individual cross-appraisal by the other directors, including four evaluation topics, namely, (1) Qualifications, (2) Independence, (3) Roles and Responsibilities, and (4) Training and Self-Development

2) Appraisal of the entire Board, including six evaluation topics, namely, (1) Corporate Policies and Strategic Planning, (2) Board Performance, (3) Management Governance, (4) Board Meetings, (5) Board Structure and Qualifications, and (6) Training and Development

3) Appraisal of the sub-committees which includes questions on each of the sub-committee's performance efficiency according to the roles and responsibilities stated in their individual charter

4) Appraisal of the Chairman which includes questions on the Chairman's performance efficiency according to the roles and responsibilities of the Chairman as stated in CG&BE under Section 6.3: Roles of the Board of Directors and Management. This includes topics such as acting as the Chairman of the Board meetings and the Annual General Shareholders' Meeting, setting agendas for the Board meetings, and performing the others of the Board's meeting-related roles.

Unchanged from 2014, the 2015 appraisal set a weight for each of the topics with a scoring system of 1 to 5; 1 = urgent improvement needed, 2 = improvement needed, 3 = fair, 4 = good, 5 = very good. The 2015 annual results were as follows:

The appraisal of the Board consisted of two parts, in which each weighs 50 % , i.e., score from the self-appraisal of the Board and score from the Board Performance Target. Details can be summarized as follows:

(1) The self-appraisal score averaged at 4.85 which was within the highest range, while it was 4.71 in 2014. The individual cross-appraisal by other directors' score averaged at 4.87.

(2) The appraisal score of the Board derived from two parts, namely,

(2.1) Score from the Board Performance Target was 3.44, where the score was 3.54 in 2014.

(2.2) Score from the self-appraisal of the Board averaged at 4.92, while it was 4.80 in 2014.

The overall appraisal score of the Board for 2015 therefore averaged at 4.18, while it was 4.17 in 2014.

(3) The appraisal scores of the five sub-committees were within the highest range as follows:

(3.1) The appraisal score of the Audit Committee was 4.97, while it was 4.91 in 2014.

(3.2) The appraisal score of the Remuneration Committee was 4.97, while it was 4.84 in 2014.

(3.3) The appraisal score of the Nominating Committee was 4.91, while it was 4.79 in 2014.

(3.4) The appraisal score of the Corporate Governance Committee was 4.87, while it was 4.80 in 2014.

(3.5) The appraisal score of the Risk Management Committee was 4.96, while it was 4.83 in 2014.

(4) The appraisal of the Chairman by the Board was 4.95, while it was 4.96 in 2014.

PTTEP reports the score results to the Board for acknowledgement before disclosing them in the annual report. Recommendations from the Board's appraisal will then be used for efficiency improvement of the Board, sub-committees, Chairman, and management in the future. To exemplify, the Board shall allocate much more timing to discuss, review, and consider important matters such as policy setting, long-term strategic and investment planning, human resource management especially on the succession plan development for critical roles, and establishment of a more apparent Corporate Social Responsibility (CSR) plan. In addition, the directors will put more emphasis toward self-development by attending trainings relative to the Board performance efficiency and fully support the initiatives which would enhance the Company's medium-term and long-term strategic planning.

#### **8.1.5 Performance Appraisal of the President and Chief Executive Officer**

The Board assigns the Remuneration Committee to conduct a performance appraisal of the President and Chief Executive Officer (CEO). The appraisal form is determined

by the Nominating Committee and based on the Performance Agreement for CEO, in which the result will be measured by the Company's KPI in that year. The appraisal result must also be approved by the Board to ensure check and balance system as well as to allow the Company to monitor the performance of CEO in comparison to his or her preset short- and long-term targets. The appraisal result essentially provides the transparency and justification in consideration of CEO's remuneration, in addition to promoting the Company's Good Corporate Governance and a greater operational efficiency in the future.

#### 8.1.6 The Board's Meeting

The Board's monthly meetings and agendas are scheduled and predetermined in advance each year by the Board itself, while there are normally 12 meetings being held annually on the last Thursday of every month. The Board members have been informed of 2016 meeting schedule since September 2015. Meetings related to the Company's strategic planning, in which the Board has greatly committed its time and priority, are commonly held as an off-site meeting. Additional meetings will be held when deemed appropriate. In 2015, there were 15 of the Board's meetings. The Board usually receives meeting invitations from the Corporate Secretary, along with agendas and important documents related to the meetings, to consider at least 7 working days prior to the meeting date, except in those urgent cases. In addition, the agenda documents are delivered through Application Software to facilitate the convenience and timeliness for the directors as well as to promote a paperless process.

Generally, the Company's Chairman, the President and Chief Executive Officer (CEO), and the Corporate Secretary will consider the agendas which will be proposed in the Board's meetings, but, in practice, the Company's directors also have the eligibility to propose the agendas as well.

The Board's meeting agendas are clearly classified, namely, the agendas for approval, agendas for acknowledgement, and the monthly agenda of Performance Review as well as Budget Execution. In 2015, there were 66 and 146 agendas proposed for approval and acknowledgement, respectively, while the important standing agendas are as follows:

Month	Standing Agendas
January	- Annual General Shareholders' Meeting Documents Preparation, including: (1) Unaudited Annual Financial Statements (2) Dividend Payment (3) Auditor Appointment and Auditor's Fees Consideration



Month	Standing Agendas
	(4) Board of Directors' and Sub-committees' Remuneration (5) Appointment of New Directors in Replacement of those who are due to Retire by Rotation
February	<ul style="list-style-type: none"> <li>- Annual Registration Statement and Annual Report</li> <li>- PTTEP's Board Performance Agreement</li> </ul>
March	<ul style="list-style-type: none"> <li>- Annual Strategic Direction and Planning</li> <li>- Annual General Shareholders' Meeting Preparation</li> </ul>
April	<ul style="list-style-type: none"> <li>- Election of the Chairman, Appointment of Sub-committee Members and Authorized Directors who may Sign to Bind the Company</li> </ul>
July	<ul style="list-style-type: none"> <li>- Policy Setting and Strategic Direction; Annual Manpower Structure</li> <li>- Interim Dividend Payment (If any)</li> </ul>
September	<ul style="list-style-type: none"> <li>- Board Meeting Schedule</li> </ul>
November	<ul style="list-style-type: none"> <li>- Business Plan, 5-Year Investment Plan, and Annual Expenditure Budgeting</li> <li>- Annual Procurement Plan</li> </ul>
December	<ul style="list-style-type: none"> <li>- Annual Performance Appraisal of PTTEP's Board of Directors, Sub-committees, and the Chairman</li> <li>- PTTEP Corporate Key Performance Indicator (KPI) and Employees' Merit Increase and Annual Special Payment</li> <li>- President and Chief Executive Officer's Key Performance Indicator (KPI) and Performance Agreement</li> </ul>

There were also agendas for consideration corresponding to the business impacts from the continuous decline in oil price. These included risk management, cost reduction, business plan and budget adjustments, project investment plans, appointment of President and Chief Executive Officer, PTTEP Reorganization for long-term growth, and Company's Charters amendment such as the Procurement for Exploration and Production Business Charter and the Procurement Charter B.E. 2558.

During each of the meetings, which usually lasted approximately three hours, the Chairman would allocate an adequate period of time for each agenda to provide the opportunity for the directors to express their opinions independently. The Company's executives were also invited to attend the meetings to provide the necessary information as well as to

acknowledge the policies and issues being raised to accommodate the implementation. The Corporate Secretary, who is also appointed as the Board's Secretary, had attended every meeting to administer and provide advice to the Board on related rules and regulations for proper practices, took minutes of the meetings, and kept a complete filing of all the necessary meeting information and documents.

The Board's resolution is based on the majority vote, whereas one director is eligible for one vote. Shall a director have a stake in one of the issues, he or she will not be allowed to attend the meeting and/or to exercise a vote in the particular issue. In the circumstance where the voting is tied, the Chairman of the meeting is entitled to the one additional and final vote.

The issues which are required to receive an approval of more than three-fourth of the total number of the Company's eligible shareholders attending the meeting are as follows:

- (1) Selling or transferring, in whole or a significant part, of the Company's business
- (2) Purchasing or accepting of transfer of business of other companies or private companies by PTTEP
- (3) Making, amending or terminating of contracts related to hiring of the Company's business, in whole or a significant part, including entrustment of the management to or consolidation of the business with other entities with the purpose of profit and loss sharing
- (4) Amending of the Company's Memorandum of Association or the Articles of Association
- (5) Increasing and decreasing of the Company's capital, issuing of debentures, merger and acquisition, and business dissolution
- (6) In case where the Company or one of our subsidiaries agrees to enter connected transactions or sales or acquisition of the Company or the subsidiaries assets, as determined by the Stock Exchange of Thailand's announcement on connected transactions of listed companies (as the case may be)

Minutes of the Board meetings cover all significant matters in completion. For the issues seeking approval, the resolutions are unanimous. Name of the persons attending or absented from the meetings, name of meetings' attendants, and name and content of those who state his or her opinions, questions, answers, or clarifications are recorded in details, while the

reports of the minutes are systematically filed and kept in safety. All directors of the Board usually attend all of the meetings unless an absence deemed necessary. In which case, the director must provide the Boards' Chairman with an absent letter which is subsequently recorded in the report of individual directors' meeting attendance.

In 2015, the non-executive meetings were held two times, in July and December, which were without presence of the management and were held prior to the ordinary Board Meeting. The purpose of the meetings was to discuss and clarify some ongoing issues which were of interest, while the results were summarized and acknowledged to CEO for further evaluation.

### 8.1.7 Meeting Attendance of PTTEP Directors in 2015

Director's Name		Board	Independent Directors Committee	Non-Executive Director Committee	Corporate Governance Committee	Audit Committee	Remuneration Committee	Nominating Committee	Risk Management Committee	Annual General Shareholders' Meeting 2015
		Total number of meetings: 15 times	Total number of meetings: 4 times	Total number of meetings: 2 times	Total number of meetings: 6 times	Total number of meetings: 11 times	Total number of meetings: 2 time	Total number of meetings: 7 times	Total number of meetings: 11 times	Total number of meetings: 1 time
1. Mr. Prajya	Phinyawat <sup>1</sup>	15/15	4/4	2/2	-	-	-	-	-	1/1
2. Mr. Chakkrit	Parapuntakul <sup>1</sup>	13/15	-	1/2	-	-	2/2	-	-	1/1
3. Mr. Ampon	Kittiampon <sup>2</sup>	15/15	4/4	2/2	-	11/11	-	7/7	-	1/1
4. Mr. Tevin	Vongvanich	15/15	-	1/1	-	-	-	-	-	1/1
5. Mr. Manas	Jamveha	15/15	-	2/2	-	-	-	7/7	-	1/1
6. Mr. Achporn	Charuchinda <sup>3</sup>	13/15	4/4	2/2	3/3	11/11	2/2	-	-	1/1
7. Admiral Tanarat	Ubol <sup>1</sup>	14/15	4/4	2/2	6/6	-	2/2	-	-	1/1

<sup>1</sup> From April 30, 2015, there were appointments of directors as follows:

- Mr. Prajya Phinyawat was elected to serve as Chairman of the Board of Directors.
- Mr. Chakkrit Parapuntakul assumed directorship of the Remuneration Committee.
- Admiral Tanarat Ubol assumed chairmanship of the Corporate Governance Committee and directorship of the Remuneration Committee.
- Mr. Piti Tantakasem assumed directorship of the Risk Management Committee.
- Mr. Songsak Saicheua assumed directorship of the Corporate Governance Committee.

<sup>2</sup> Mr. Ampon Kittiampon assumed directorship and chairmanship of the Nominating Committee from January 29, 2015.

<sup>3</sup> Mr. Achporn Charuchinda ended directorship of the Corporate Governance Committee from May 1, 2015.

Director's Name		Board	Independent Directors Committee	Non-Executive Director Committee	Corporate Governance Committee	Audit Committee	Remuneration Committee	Nominating Committee	Risk Management Committee	Annual General Shareholders' Meeting 2015
		Total number of meetings: 15 times	Total number of meetings: 4 times	Total number of meetings: 2 times	Total number of meetings: 6 times	Total number of meetings: 11 times	Total number of meetings: 2 time	Total number of meetings: 7 times	Total number of meetings: 11 times	Total number of meetings: 1 time
8. Colonel Nimit	Suwannarat	13/15	4/4	2/2	-	-	-	5/7	5/11	1/1
9. Mr. Sethaput	Suthiwart-Narueput <sup>4</sup>	14/15	4/4	2/2	-	10/11	-	-	11/11	1/1
10. Mr. Piti	Tantakasem <sup>1</sup>	15/15	4/4	2/2	6/6	-	-	-	7/7	1/1
11. Mr. Wirat	Uanarumit <sup>5,6</sup>	11/13	-	2/2	-	-	-	-	1/2	1/1
12. Mr. Songsak	Saicheua <sup>1,7</sup>	11/11	3/3	2/2	3/3	-	-	-	-	-
13. Mr. Twarath	Sutabutr <sup>6,8</sup>	3/4	-	1/1	-	-	-	-	2/2	-
14. Mr. Pitipan	Tepartimargorn <sup>6</sup>	2/2	-	1/1	-	-	-	-	2/2	-
15. Mr. Somporn	Vongvuthipornchai <sup>9</sup>	3/3	-	-	-	-	-	-	-	-

<sup>4</sup> Mr. Sethaput Suthiwart-Narueput assumed chairmanship of the Risk Management Committee on November 1, 2015.

<sup>5</sup> Mr. Wirat Uanarumit was elected as the director on February 23, 2015.

<sup>6</sup> From November 1, 2015, there were election and appointments of directors as follows:

- Mr. Pitipan Tepartimargorn was elected as the director.
- Mr. Wirat Uanarumit, Mr. Twarath Sutabutr, and Mr. Pitipan Tepartimargorn assumed directorship of the Risk Management Committee.

<sup>7</sup> Mr. Songsak Saicheua was elected as the director in the 2015 Annual General Shareholders' Meeting on March 26, 2015.

<sup>8</sup> Mr. Twarath Sutabutr was elected as the director on October 1, 2015.

<sup>9</sup> Mr. Somporn Vongvuthipornchai was elected as the director on October 22, 2015.

Members		Board	Independent Directors Committee	Non-Executive Director Committee	Corporate Governance Committee	Audit Committee	Remuneration Committee	Nominating Committee	Risk Management Committee	Annual General Shareholders Meeting 2015
		Total number of meetings: 15 times	Total number of meetings: 4 times	Total number of meetings: 2 times	Total number of meetings: 6 times	Total number of meetings: 11 times	Total number of meetings: 2 time	Total number of meetings: 7 times	Total number of meetings: 11 times	Total number of meetings: 1 times
Former directors resigning during 2015 <sup>10</sup>										
1. Mr. Chavalit	Pichalai <sup>11</sup>	9/9	-	1/1	-	-	-	-	5/6	1/1
2. Mr. Pailin	Chuchottaworn <sup>12</sup>	9/10	-	1/1	-	-	-	-	-	1/1
3. Mr. Nuttachat	Charuchinda <sup>13</sup>	12/13	-	1/1	-	-	-	-	8/9	1/1

<sup>10</sup> Mr. Nuttavudh Photisaro resigned from directorship, chairmanship of the Nominating Committee, and directorship of the Corporate Governance Committee on January 1, 2015.

<sup>11</sup> Mr. Chavalit Pichalai resigned from directorship and directorship of the Risk Management Committee on August 1, 2015.

<sup>12</sup> Mr. Pailin Chuchottaworn resigned from directorship on September 10, 2015.

<sup>13</sup> Mr. Nuttachat Charuchinda resigned from directorship and chairmanship of the Risk Management Committee on November 1, 2015.

### 8.1.8 Number of PTTEP Shares Held by the Directors

Director Name	Number of Shares		
	As of January 1, 2015	Changes in 2015	As of December 31, 2015
1. Mr. Prajya Phinyawat <sup>\$. #, \$#, %</sup>	15,000	Acquisition -	15,000
		Disposition -	
		Acquisition -	
		Disposition -	
		Acquisition -	
		Disposition -	
2. Mr. Chakkrit Parapuntakul <sup>%</sup>	-	Acquisition -	-
		Disposition -	
		Acquisition -	
		Disposition -	
		Acquisition -	
		Disposition -	
3. Mr. Ampon Kittiampon <sup>\$. %</sup>	-	Acquisition -	-
		Disposition -	
		Acquisition -	
		Disposition -	
		Acquisition -	
		Disposition -	
4. Mr. Tevin Vongvanich <sup>%</sup>	118,977	Acquisition 27,566	146,543
		Disposition -	
		Acquisition -	
		Disposition -	
		Acquisition -	
		Disposition -	
5. Mr. Manas Jamveha <sup>%</sup>	-	Acquisition -	-
		Disposition -	
		Acquisition -	
		Disposition -	
		Acquisition -	
		Disposition -	
6. Mr. Achporn Charuchinda <sup>\$. %</sup>	-	Acquisition -	-
		Disposition -	
		Acquisition -	
		Disposition -	
		Acquisition -	
		Disposition -	

Director Name	Number of Shares		
	As of January 1, 2015	Changes in 2015	As of December 31, 2015
7. Admiral Tanarat Ubol <sup>%, %</sup>	-	Acquisition -	-
		Disposition -	
	-	Acquisition -	-
		Disposition -	
	-	Acquisition -	-
		Disposition -	
8. Colonel Nimit Suwannarat <sup>%, %</sup>	-	Acquisition -	-
		Disposition -	
	-	Acquisition -	-
		Disposition -	
	-	Acquisition -	-
		Disposition -	
9. Mr. Sethaput Suthiwart-Narueput <sup>%, %</sup>	-	Acquisition -	-
		Disposition -	
	-	Acquisition -	-
		Disposition -	
	-	Acquisition -	-
		Disposition -	
10. Mr. Piti Tantakasem <sup>%, %</sup>	-	Acquisition -	-
		Disposition -	
	-	Acquisition -	-
		Disposition -	
	-	Acquisition -	-
		Disposition -	
11. Mr. Wirat Uanarumit <sup>%, @</sup>	-	Acquisition -	-
		Disposition -	
	-	Acquisition -	-
		Disposition -	
	-	Acquisition -	-
		Disposition -	
12. Mr. Songsak Saicheua <sup>%, %, @@</sup>	-	Acquisition -	-
		Disposition -	
	-	Acquisition -	-
		Disposition -	
	-	Acquisition -	-
		Disposition -	



Director Name	Number of Shares		
	As of January 1, 2015	Changes in 2015	As of December 31, 2015
13. Mr. Twarath Sutabutr <sup>%, @@@</sup>		Acquisition -	
		Disposition -	
Spouse		Acquisition -	
		Disposition -	
Minor child		Acquisition -	
		Disposition -	
14. Mr. Pitipan Tepartimargom <sup>%, @@@@</sup>		Acquisition -	
		Disposition -	
Spouse		Acquisition -	
		Disposition -	
Minor child		Acquisition -	
		Disposition -	
15. Mr. Somporn Vongvuthipornchai <sup>%%, @@@@@</sup>	187,039	Acquisition 19,888	206,927
		Disposition -	
Spouse	3,500	Acquisition -	3,500
		Disposition -	
Minor child		Acquisition -	
		Disposition -	
Former directors resigning during 2015*			
1. Mr. Chavalit Pichalai**		Acquisition -	
		Disposition -	
Spouse		Acquisition -	
		Disposition -	
Minor child		Acquisition -	
		Disposition -	
2. Mr. Pailin Chuchottaworn***		Acquisition -	
		Disposition -	
Spouse		Acquisition -	
		Disposition -	
Minor child		Acquisition -	
		Disposition -	
3. Mr. Nuttachat Charuchinda****		Acquisition -	
		Disposition -	
Spouse		Acquisition -	
		Disposition -	
Minor child		Acquisition -	
		Disposition -	

<sup>\$</sup> Independent Director

<sup>\$#</sup> Chairman of the Independent Directors Committee

<sup>%%</sup> President and Chief Executive Officer

<sup>@@</sup> Assumed position on March 26, 2015

<sup>@@@@</sup> Assumed Position on October 22, 2015

<sup>\*</sup> Mr. Nuttavudh Photisaro resigned from the directorship, chairmanship of the Nominating Committee, and directorship of the Corporate Governance Committee on January 1, 2015.

<sup>\*\*\*</sup> Resigned from directorship on September 10, 2015

Members of the Corporate Governance Committee are directors 7, 10, and 12

Members of the Nominating Committee are directors 3, 5, and 8

Members of the Risk Management Committee are directors 8, 9, 10, 11, 13, and 14

<sup>#</sup> Chairman of the Board

<sup>%</sup> Non-Executive Director

<sup>@</sup> Assumed position on February 23, 2015

<sup>@@@</sup> Assumed position on October 1, 2015

<sup>@@@@@</sup> Assumed Position on November 1, 2015

<sup>\*\*</sup> Resigned from directorship and directorship of the Risk Management Committee on August 1, 2015

<sup>\*\*\*\*</sup> Resigned from directorship and chairmanship of the Risk Management Committee on November 1, 2015

Members of the Audit Committee are directors 3, 6, and 9

Members of the Remuneration Committee are directors 2, 6, and 7

## 8.2 The Management

As of January 1, 2016, PTTEP's management, according to the definition of management as defined by the Capital Market Supervisory Board (CMSB), consists of 16 members. Details of their biography, qualification, and past experience are disclosed in the "Information of the Board of Directors, Management, Controlling Persons and Corporate Secretary" section.

### List of Management Names and Number of Shares Held by Management\*, Their Spouse and Minor Child

Name	Position of Management	Number of Shares			
		As of January 1, 2015	Changes in 2015		As of December 31, 2015
1. Mr. Somporn Vongvuthipornchai <sup>1</sup>	President and Chief Executive Officer	187,039	Acquisition	Others -	206,927
				EJIP 19,888	
			Disposition	Others -	
				EJIP -	
Spouse		3,500	Acquisition	-	3,500
			Disposition	-	
Minor child		-	Acquisition	-	-
			Disposition	-	
2. Mr. Thavisin <sup>2</sup> Phongsthorn	Chief Operating Officer, Production Asset and Operations Support Group	16,902	Acquisition	Others -	34,362
				EJIP 17,460	
			Disposition	Others -	
				EJIP -	
Spouse		-	Acquisition	-	-
			Disposition	-	
Minor child		-	Acquisition	-	-
			Disposition	-	

\*The number of shares held by the management may also include shares purchased under the Employee Joint Investment Program (EJIP) which commences from 2013 to 2018 to build a motivation among the staff to work efficiently and effectively, create alignment between the employees, management and shareholders, as well as to establish long-term loyalty and a sense of ownership to PTTEP. More details are disclosed in the "Corporate Governance" section under "Policy on Treatment to Stakeholders - Employee" part.

<sup>1</sup> Appointed as the President and Chief Executive Officer on October 22, 2015

<sup>2</sup> Appointed as Chief Operating Officer, Production Asset and Operations Support Group (position equivalent to Executive Vice President) on January 1, 2016

Name	Position of Management	Number of Shares			
		As of January 1, 2015	Changes in 2015		As of December 31, 2015
3. Mr. Thiti Mekavichai	Executive Vice President, Human Resources and Business Services Group	27,796	Acquisition	Others	47,914
				EJIP 20,118	
			Disposition	Others	
				EJIP	
Spouse		-	Acquisition		-
			Disposition		
Minor child		-	Acquisition		-
			Disposition		
4. Mr. Kanit Sangwongwanich	Executive Vice President, Engineering and Development Group	79,752	Acquisition	Others	97,247
				EJIP 17,495	
			Disposition	Others	
				EJIP	
Spouse		-	Acquisition		-
			Disposition		
Minor child		-	Acquisition		-
			Disposition		

Name	Position of Management	Number of Shares			
		As of January 1, 2015	Changes in 2015		As of December 31, 2015
5. Mr. Kitisak Nualchanchai <sup>3</sup>	Executive Vice President, Technology and Sustainability Development Group, and Acting Executive Vice President, Operations Support Group	37,277	Acquisition	Others	54,992
				EJIP 17,715	
			Disposition	Others	
				EJIP	
Spouse		-	Acquisition	-	-
			Disposition	-	
Minor child		-	Acquisition	-	-
			Disposition	-	
6. Mr. Prapat Soponpongpiat <sup>4</sup>	Executive Vice President, Geosciences and Exploration Group	N/A	Acquisition	Others N/A	30,049
				EJIP N/A	
			Disposition	Others N/A	
				EJIP N/A	
Spouse		N/A	Acquisition	N/A	-
			Disposition	N/A	
Minor child		N/A	Acquisition	N/A	-
			Disposition	N/A	

<sup>3</sup> Appointed as Executive Vice President, Technology and Sustainability Development Group and Acting Executive Vice President, Operations Support Group on January 1, 2016

<sup>4</sup> Appointed as Executive Vice President, Geosciences and Exploration Group on January 1, 2016

Name	Position of Management	Number of Shares			
		As of January 1, 2015	Changes in 2015		As of December 31, 2015
7. Mrs. Suchitra Suwansinpan <sup>5</sup>	Executive Vice President, Strategy and Business Development Group	N/A	Acquisition	Others 56,400	76,054
				EJIP 14,746	
			Disposition	Others 8,000	
				EJIP -	
Spouse		N/A	Acquisition	10,600	8,000
			Disposition	2,600	
Minor child		N/A	Acquisition	-	-
			Disposition	-	
8. Ms. Pannalin Mahawongtikul <sup>6</sup>	Executive Vice President, Finance and Accounting Group	N/A	Acquisition	Others N/A	4,783
				EJIP N/A	
			Disposition	Others N/A	
				EJIP N/A	
Spouse		N/A	Acquisition	N/A	-
			Disposition	N/A	
Minor child		N/A	Acquisition	N/A	-
			Disposition	N/A	
9. Mr. Chatchawal Eimsiri <sup>7</sup>	Executive Vice President, attached to President and Chief Executive Officer	17,484	Acquisition	Others -	35,415
				EJIP 17,931	
			Disposition	Others -	
				EJIP -	
Spouse		-	Acquisition	-	-
			Disposition	-	
Minor child		-	Acquisition	-	-
			Disposition	-	

<sup>5</sup> Appointed as Executive Vice President, Strategy and Business Development Group on December 1, 2015

<sup>6</sup> Appointed as Executive Vice President, Finance and Accounting Group on January 1, 2016

<sup>7</sup> Authorized a management secondment as Executive Vice President, PTT Public Company Limited (PTT) on November 1, 2015

Name	Position of Management	Number of Shares			
		As of January 1, 2015	Changes in 2015		As of December 31, 2015
10. Mr. Yongyos Krongphanich	Senior Vice President, Finance Division	66,049	Acquisition	Others -	80,831
				EJIP 14,782	
			Disposition	Others -	
				EJIP -	
Spouse		-	Acquisition	-	-
			Disposition	-	
Minor child		-	Acquisition	-	-
			Disposition	-	
11. Ms. Jaroonsri Wankertphon <sup>8</sup>	Vice President, Accounting Policy and Solution Department, and Acting Senior Vice President, Accounting Division	43,662	Acquisition	Others -	53,171
				EJIP 9,509	
			Disposition	Others -	
				EJIP -	
Spouse		-	Acquisition	-	-
			Disposition	-	
Minor child		-	Acquisition	-	-
			Disposition	-	
12. Mrs. Sasnanand Chanamas	Vice President, Capital and Investor Relations Department	17,572	Acquisition	Others -	25,564
				EJIP 7,992	
			Disposition	Others -	
				EJIP -	
Spouse		-	Acquisition	-	-
			Disposition	-	
Minor child		-	Acquisition	-	-
			Disposition	-	

<sup>8</sup> Also appointed as Acting Senior Vice President, Accounting Division, Finance and Accounting Group during 2015

Name	Position of Management	Number of Shares			
		As of January 1, 2015	Changes in 2015		As of December 31, 2015
13. Ms. Porntip Jansuksri	Vice President, Treasury Department	8,712	Acquisition	Others -	17,317
				EJIP 8,605	
			Disposition	Others -	
				EJIP -	
Spouse		-	Acquisition	-	-
			Disposition	-	
Minor child		-	Acquisition	-	-
			Disposition	-	
14. Mrs. Sirirat Sararattanakul	Vice President, Financial Accounting Department	191,555	Acquisition	Others 1,000	200,887
				EJIP 8,332	
			Disposition	Others -	
				EJIP -	
Spouse		-	Acquisition	-	-
			Disposition	-	
Minor child		-	Acquisition	-	-
			Disposition	-	
15. Ms. Panananda <sup>9</sup> Kanchanan	Vice President, Managerial Accounting Department	N/A	Acquisition	Others -	43,007
				EJIP -	
			Disposition	Others -	
				EJIP -	
Spouse		N/A	Acquisition	-	-
			Disposition	-	
Minor child		N/A	Acquisition	-	-
			Disposition	-	

<sup>9</sup> Appointed as Vice President, Managerial Accounting Department, Accounting Division, Finance and Accounting Group on April 1, 2015



Name	Position of Management	Number of Shares				
		As of January 1, 2015	Changes in 2015		As of December 31, 2015	
16. Mrs. Srisukhumbowornchai <sup>10</sup> Maneeya	Vice President, Tax Department	N/A	Acquisition	Others	-	-
				EJIP	-	
			Disposition	Others	-	
				EJIP	-	
Spouse		N/A	Acquisition	-	-	
			Disposition	-		
Minor child		N/A	Acquisition	-	-	
			Disposition	-		
Management Who Retired or Resigned During 2015						
1. Mr. Tevin Vongvanich <sup>11</sup>	President and Chief Executive Officer	118,977	Acquisition	Others	10,000	146,543
				EJIP	17,566	
			Disposition	Others	-	
				EJIP	-	
Spouse		-	Acquisition	-	-	
			Disposition	-		
Minor child		-	Acquisition	-	-	
			Disposition	-		
2. Ms. Penchun Jarikasem <sup>12</sup>	Executive Vice President, Finance and Accounting Group	23,076	Acquisition	Others	-	35,988
				EJIP	12,912	
			Disposition	Others	-	
				EJIP	-	
Spouse		-	Acquisition	-	-	
			Disposition	-		
Minor child		-	Acquisition	-	-	
			Disposition	-		

<sup>10</sup> Appointed as Vice President, Tax Department, Accounting Division, Finance and Accounting Group on May 1, 2015

<sup>11</sup> Position as President and Chief Executive Officer of PTTEP ended due to his appointment as President and Chief Executive Officer of PTT Public Company Limited (PTT) effective from September 10, 2015

<sup>12</sup> Retired on January 1, 2016

Name	Position of Management	Number of Shares			
		As of January 1, 2015	Changes in 2015		As of December 31, 2015
3. Mr. Pairoj Rangponsumrit <sup>12</sup>	Executive Vice President, Production Group	126,721	Acquisition	Others 17,000	163,442
				EJIP 19,721	
			Disposition	Others -	
				EJIP -	
Spouse		3,500	Acquisition	-	3,500
			Disposition	-	
Minor child		-	Acquisition	-	-
			Disposition	-	
4. Mr. Nawee Anantraksakul <sup>12</sup>	Executive Vice President, Geosciences and Exploration Group	16,877	Acquisition	Others -	33,072
				EJIP 16,195	
			Disposition	Others -	
				EJIP -	
Spouse		-	Acquisition	-	-
			Disposition	-	
Minor child		-	Acquisition	-	-
				-	

### 8.3 Corporate Secretary

The Corporate Secretary plays a major role in effectively coordinating internally among the Company's Chairman, and President and Chief Executive Officer, and management, and externally among companies, our shareholders, and regulators. Currently, Mrs. Pranot Tirasai, who possesses knowledge, ability, experience and is a law graduate, is the Corporate Secretary as appointed by the Board. Mrs. Tirasai also holds a position of the Company's Board's Secretary. More details are disclosed in the "Information of the Board of Directors, Management, Controlling Persons and Corporate Secretary" section.

## 8.4 Remuneration of Directors and Executives

### 8.4.1 Remuneration of the Board and Members of the Sub-Committees

PTTEP has a sound and transparent policy regarding remuneration of the Company's directors of the Board and sub-committees. The Remuneration Committee, who is responsible for the policy, reviews the remuneration with prudence by taking into consideration remuneration of listed and comparable companies in the industry, performance of PTTEP, duties and responsibilities of the directors, the overall economic situation, and the shareholders' opinions. The 2015 Annual General Shareholders' Meeting (AGM) approved the following remunerations for members of the Board and sub-committees, as proposed by the Remuneration Committee.

#### Remuneration Rates for Members of the Board

- (1) Monthly allowance of THB 40,000 per person per month in a full-month payment
- (2) Meeting allowance of THB 40,000 per person per a meeting attendance
- (3) Bonus for the Board if there is a dividend in that year, totaling 0.1 percent of the Company's consolidated net profit in that year, but no more than THB 60 million per year, and proportionally to the director's period in the position
- (4) 25 percent increase in all of the above for the Chairman

#### Remuneration Rates for Members of the Sub-Committees

This is in association to the Company's five standing sub-committees, namely, the Corporate Governance Committee, the Audit Committee, the Remuneration Committee, the Nominating Committee, and the Risk Management Committee.

- (1) Meeting allowance of THB 40,000 per person per a meeting attendance
- (2) 25 percent increase for the sub-committee's Chairman
- (3) No remuneration in a case of circulation
- (4) Excluding the sub-committees' members who are in the management from the top executive level down.

#### Other Remuneration for PTTEP Directors

- None -

## Remuneration of Members of the Board and Sub-Committees in 2015

Director Name		Remuneration							2015 Bonus Paid in 2016 <sup>\$</sup>	Total
		Board		Audit Committee	Corporate Governance Committee	Remuneration Committee	Nominating Committee	Risk Management Committee		
		Meeting Allowance	Monthly Allowance	Meeting Allowance	Meeting Allowance	Meeting Allowance	Meeting Allowance	Meeting Allowance		
1.	Mr. Prajya Phinyawat	750,000	600,000	0	0	0	0	0	0	1,350,000
2.	Mr. Chakkrit Parapuntakul	520,000	480,000	0	0	80,000	0	0	0	1,080,000
3.	Mr. Ampon Kittiampon	600,000	480,000	550,000	0	0	350,000	0	0	1,980,000
4.	Mr. Tevin Vongvanich <sup>\$\$</sup>	600,000	480,000	0	0	0	0	0	0	1,080,000
5.	Mr. Manas Jamveha	600,000	480,000	0	0	0	280,000	0	0	1,360,000
6.	Mr. Achporn Charuchinda	520,000	480,000	440,000	120,000	100,000	0	0	0	1,660,000
7.	Admiral Tanarat Ubol	560,000	480,000	0	300,000	80,000	0	0	0	1,420,000
8.	Colonel Nimit Suwannarat	520,000	480,000	0	0	0	200,000	200,000	0	1,400,000
9.	Mr. Sethaput Suthiwart-Narueput	560,000	480,000	400,000	0	0	0	460,000	0	1,900,000
10.	Mr. Piti Tantakasem	600,000	480,000	0	240,000	0	0	280,000	0	1,600,000

<sup>\$</sup> The 2015 Annual General Shareholders' Meeting (AGM) approved bonus for the Board if there is a dividend in that year, totaling 0.1 percent of the Company's consolidated net profit in that year. However, in 2015, the Company has no net profit; therefore there is no bonus payment for the Board.

<sup>\$\$</sup> Mr. Tevin Vongvanich has returned his directorship remuneration during September – December 2015 to PTT Public Company Limited (PTT) according to PTT's President and Chief Executive Officer management contract.

Note: PTTEP provides the Chairman with a corporate car to carry out corporate-related purposes while in the chairmanship.

Director Name	Remuneration							2015 Bonus Paid in 2016 <sup>\$</sup>	Total
	Board		Audit Committee	Corporate Governance Committee	Remuneration Committee	Nominating Committee	Risk Management Committee		
	Meeting Allowance	Monthly Allowance	Meeting Allowance	Meeting Allowance	Meeting Allowance	Meeting Allowance	Meeting Allowance		
11. Mr. Wirat Uanarumit	440,000	440,000	0	0	0	0	40,000	0	920,000
12. Mr. Songsak Saicheua	440,000	400,000	0	120,000	0	0	0	0	960,000
13. Mr. Twarath Sutabutr	120,000	120,000	0	0	0	0	80,000	0	320,000
14. Mr. Pitipan Teparimargorn	80,000	80,000	0	0	0	0	80,000	0	240,000
15. Mr. Somporn Vongvuthipornchai	120,000	120,000	0	0	0	0	0	0	240,000
<b>Former Directors Resigning in 2015*</b>									
1. Mr. Chavalit Pichalai	360,000	280,000	0	0	0	0	200,000	0	840,000
2. Mr. Pailin Chuchottaworn	360,000	360,000	0	0	0	0	0	0	720,000
3. Mr. Nuttachat Charuchinda	480,000	400,000	0	0	0	0	400,000	0	1,280,000
<b>Total</b>	<b>8,230,000</b>	<b>7,120,000</b>	<b>1,390,000</b>	<b>780,000</b>	<b>260,000</b>	<b>830,000</b>	<b>1,740,000</b>	<b>0</b>	<b>20,350,000</b>

\* Mr. Nuttavudh Photisaro resigned from directorship, chairmanship of the Nominating Committee, and directorship of the Corporate Governance Committee on January 1, 2015.

#### 8.4.2 Remuneration of the Directors of Subsidiaries and Associated Companies

PTTEP's subsidiaries and associated companies are functional units of the Company in carrying out E&P and related businesses in order to optimize the Company's benefits, taking into account of the business and investment conditions. PTTEP assigns the Company's executives to hold a directorship position in our subsidiaries and/or associated companies in order to ensure that they are managed in compliance with the business direction and strategy of PTTEP.

The Company's executives who are assigned to be directors of the subsidiaries and associated companies either in the E&P business or related business such as PTTEP Services Co., Ltd., and B8/32 Partners Co., Ltd. do not receive any additional remunerations since it is considered as a part of their duties and responsibilities on behalf of the Company. However, the executives who are assigned to be directors of subsidiaries or associated companies engaging in other business, for example, PTT ICT Solutions Co., Ltd., and Energy Complex Co., Ltd. however are entitled to an additional remuneration since it is considered as an additional assignment in accordance with the Good Corporate Governance and Business Ethics of PTTEP Group.

#### 8.4.3 Remuneration of the President and Chief Executive Officer

Remuneration of the President and Chief Executive Officer is defined under the principles which are unbiased, reasonable, justifiable, and transparent. PTTEP's Remuneration Committee is responsible for reviewing remuneration of the President and Chief Executive Officer prior to proposing for the Board's approval. The approval from the Board is based on his or her performance, duties and responsibilities, the Company's performance, remuneration of listed companies comparably in size and industry, and the overall economic situation. The President and Chief Executive Officer's remuneration consists of both short- and long-term arrangements such as salary and bonus payment as well as eligibility in the Employee Joint Investment Program (EJIP), respectively.

Remuneration of the President and Chief Executive Officer is determined using fair and appropriate procedures, relating to his or her annual performance, and duties and responsibilities.

The ratio of annual compensation of the President and Chief Executive Officer, and the average annual compensation of the executives is approximately 1.5 : 1 whereas the ratio of annual compensation of the President and Chief Executive Officer, and the average annual compensation of all employees is approximately 8.9 : 1

#### 8.4.4 Remuneration of the Executives

PTTEP's Remuneration Committee is responsible for the salary structure of the Company's executives. The key principles are to produce an unbiased and reasonable structure which reflects the Company's own business nature, performance, his or her performance, as well as some of the variables which can be compared to and justified by those of other leading companies in the industry. The Board must give an approval to the structure before the implementation.

Meanwhile, the President and Chief Executive Officer is responsible for reviewing appropriateness of the executives' remuneration as well as their annual salary increase, taking into consideration his or her overall performance, group-oriented and target-based performance, and the Company's performance.

To maintain the Company's remuneration competitiveness, PTTEP conducts an annual survey on remuneration of leading companies in the industry. The information gathered through the survey allows the Remuneration Committee to better understand the current market situation to further increase our competitiveness in the job market as well as to be able to provide the Board with thorough explanations particularly when the changes in the salary structure and payment method are drastic.

##### Remuneration of the Executives

	2014		2015	
	Number	Total Amount (THB)	Number	Total Amount (THB)
Salary	12 <sup>1</sup>	75,845,182	10 <sup>2</sup>	80,943,178
Bonus		35,826,916 <sup>3</sup>		15,142,138 <sup>4</sup>
Other compensation <sup>5</sup>		10,616,211		10,663,254
<b>Total</b>		<b>122,288,309</b>		<b>106,748,570</b>

In 2015, employee compensation such as salary, bonus, and contribution to the provident fund of PTTEP and the subsidiaries, PTTEP Services Limited and PTTEP Siam Limited, including wages of the seconded employees, totaled THB 7,088,575,523.

<sup>1</sup> Executives, 12 in total, consisted of the President and Chief Executive Office, Executive Vice Presidents, and PTT's executives who have been seconded to PTTEP.

<sup>2</sup> Executives, 10 in total, consisted of the President and Chief Executive Office, Executive Vice Presidents and equivalent, and PTT's executives who have been seconded to PTTEP.

<sup>3</sup> Bonuses for 2014, paid in January and February 2015

<sup>4</sup> Includes bonuses for 2015, paid in January and February 2016

<sup>5</sup> Provident Fund

## 8.5 Personnel

As of December 31, 2015, PTTEP and our subsidiaries had a total workforce of 4,297.

### Number of Employees

Employee Type	Total (Persons)
Permanent Employees	2,193
Thai Contracted Employees	1,392
Non-Thai Contracted Employees	120
Local Employees	577
Seconded Employees	15
<b>Total</b>	<b>4,297</b>

Remarks: - Based on the Company's SAP database as of December 31, 2015

- Seconded employees are employees from other companies in PTT Group who are assigned to work at PTTEP.

- Of the total number of permanent employees, 2,189 were of PTTEP, while 4 were of PTTEP Siam Limited. The number also excluded 11 employees who were on a long-term leave.

- Of the total number of national employees abroad, 369 were of permanent employees, while 208 were of contracted employees where 17 of which were foreigners.

- The total number of Thai contracted employees did not include 335 of outsourced staff such as maids and drivers.

### Number of Employees of Each Function Group

Function Group	Permanent Employee	Thai Contracted Employee	Non-Thai Contracted Employee	National Employee	Seconded Employee
President and Chief Executive Officer	62	14	-	-	-
Engineering and Development Group	351	185	39	54	-
Finance and Accounting Group	149	116	-	-	-
Geosciences and Exploration Group	166	47	24	15	-
Human Resources and Business Services Group	126	107	2	-	-
Operations Support Group	297	262	36	27	-
Production Asset Group	857	601	13	481	15
Strategy and Business Development Group	89	11	2	-	-



Function Group	Permanent Employee	Thai Contracted Employee	Non-Thai Contracted Employee	National Employee	Seconded Employee
Technology and Sustainability Development Group	96	49	4	-	-
<b>Total</b>	2,193	1,392	120	577	15

Remarks: - Based on the Company's SAP database as of December 31, 2015

- The function groups as shown in the table were as of December 31, 2015

### Employee Turnover

	Ins	Outs
Permanent Employees	80	84
Thai Contracted Employees	63	188
Non-Thai Contracted Employees	9	65
National Employees	70	74
Seconded Employees	1	5

Remarks: - Based on the Company's SAP database as of December 31, 2015

- Turnover number excluded outsourced staff such as maids and drivers. Outsourced staff resigned were 44, while 16 signed.

In 2015, the Company's total employee turnover rate was 6.3%, and the voluntary turnover rates in 2011 through 2015 were as shown below.

### Voluntary Turnover Rate\*

2011	2012	2013	2014	2015
6.6%	6.6%	7.9%	6.6%	6.3%

\* i.e., resignation, early retirement and participation in the "Mutual Separation Program 2015" Project

## **8.5.1 Human Resources Development Policy**

To improve the competency and accelerate the efficiency of our staff, both Thais and Non-Thais, as well as to strengthen our organizational capability for continuous expansion of the Company's business in Thailand and overseas, PTTEP has improved our development systems and processes by implementation of competency-based training and development. Based on this competency concept and development model by focusing on 70:20:10 between On the Job Training/Coaching and Mentoring/Formal

Training), the Company has provided the training and development programs throughout the past year through the following channels.

1) In-House and External Training

The Company provided in-house and external trainings, both locally and overseas, to our staff at all levels, including management. These trainings comprised a wide variety of courses, including technical and professional training, Safety, Security, Health and Environment (SSHE) training, IT training, foreign language training, organizational knowledge as well as business administration and leadership development.

In 2015, PTTEP conducted in-house trainings by using our own internal instructors, allowing the Company to save approximately 75% of the total training budget or THB 362,309,623.

2) Long-term Training and Development Programs

Long-term training and development programs prepare employees for roles and assignments in the Company's current and future projects. The programs are generally provided to selected staff based on their Individual Development Plan (IDP) in 1 – 3 years. By this approach, the staff are required to undertake on-the-job training with or be temporarily transferred to the Company's business partners as well as services companies, in Thailand and overseas, such as British Gas and GE Oil & Gas., etc.

In 2015, PTTEP invested in human capital development programs, costing the Company a total of THB 265,827,256 with an average of 41 training hours per person per year. The Company was able to develop our employee's capacity at an average of 5% which was higher than our target.

3) Master's Degree Scholarship Programs for Employees

The Company provided scholarships to employees to help them pursue master's degree studies in world-class universities in Thailand and overseas in the following fields.

- 1) Petroleum Geosciences
- 2) Petroleum Engineering
- 3) Engineering
- 4) Drilling and Well Engineering
- 5) Business Administration

The Company also provided master's degree scholarships for employees to study in Thailand's reputable institutes as follows:

- 1) Business Administration (Executive), SASIN Graduate Institute  
of Business Administration of Chulalongkorn University
- 2) Petroleum Geoscience (International Program), Chulalongkorn  
University
- 3) Petroleum Geophysics (International Program), Chiang Mai  
University

PTTEP calculated Human Capital Return on Investment (HCROI) in several dimensions, including man-hours and cost spent on development of the activities against the total revenue and production rate, as well as time to autonomy of young technical professionals and readiness of immediate successors for senior management positions. The results are subsequently used to evaluate and elevate the efficiency and effectiveness of the development activities for continuous improvement.

## 9. Corporate Governance

### 9.1 Good Corporate Governance Policy

PTTEP Board of Directors (Board) recognizes the significance of strictly operating businesses under the Good Corporate Governance and Business Ethics of PTTEP Group (CG&BE). The Board is confident that the strict adherence will successfully lead PTTEP to achieve the Company's goals of "Growth, Prosperity, Stability, Sustainability and Dignity" and provide a strong support to enhance the confidence of our shareholders and other stakeholders. In this regard, the Board has assigned the Corporate Governance Committee to govern, supervise and provide necessities to ensure that the Company's operations are in line with CG&BE and that the good corporate governance is maintained at the level comparable to that of international standards.

Consequently, in 2015, PTTEP earned various acceptances through numerous awards and recognitions for our good corporate governance, domestically and internationally. More details are disclosed in the "Awards and Recognitions for Good Corporate Governance" part. The Company also has dutifully continued to comply with the Corporate Governance Principles for Listed Companies of 2012 (CG 2012) established by the Stock Exchange of Thailand (SET), as well as practices comparable to those internationally accepted standards.

#### 9.1.1 Shareholders' Rights and Equal Treatments

PTTEP understands the importance of shareholders' rights and equal treatments; the Company's Good Corporate Governance therefore has included a number of guidelines to assure shareholders of their basic rights are protected which, among others, allow them to trade and transfer PTTEP shares, declare the share ownership, and attend the Company's shareholders' meetings in person or through their proxies. In addition, shareholders and their proxies are allowed to participate and vote in significant issues required an approval at a shareholders' meeting. These issues are, for example, election of new members of the Board in replacement of those retired by rotation, determination of the Board's remuneration of all forms, appointment and approval of the external auditor and remuneration, approval of connected transactions, acquisition or disposition of assets which, according to relevant laws, are sizeable, and other issues which are of significance to PTTEP. Shareholders are also entitled to profit sharing in a form of dividend and receive adequate and timely information from the

Company. The Company has only one class of shares, namely, ordinary shares, and one share equals one vote. Our efforts to ensure and enhance shareholders' rights are listed as follows:

1) PTTEP held the 2015 Annual General Meeting of Shareholders (AGM or the Meeting) on March 26, 2015 with a primary objective to maintain good relationship with our shareholders particularly over the matters related to their shareholding rights.

1.1) Shareholders were allowed to propose agenda item and nominate qualified candidates for the election of PTTEP directors prior to the AGM from September 8 to December 31, 2014. Shareholders' proposal and its criteria were announced publicly through SET portal and company's website in advance on September 8, 2014. Shareholders' proposals were then considered using PTTEP's relevant rules and regulations to ensure that the qualification of each candidate was in line with our business in order to truly be beneficial to the Company. The Nominating Committee was in charge of shortlisting candidates to the Board for approval. Consequently, the Board would inform our shareholders of the resolution together with rationale for each proposal at the AGM. None of such agenda or a candidate for the directors' nomination was proposed at the AGM however.

1.2) The Board determined the date which would be the AGM date on January 29, 2015, and PTTEP disclosed the AGM date to shareholders two months prior to the Meeting date to provide shareholders with adequate time to prepare themselves. On that same date, the Board also resolved to set the record date on which shareholders have the right to attend the Meeting and to receive dividend to be on February 12, 2015, subsequently resulting the share registration closing date to be on February 13, 2015.

1.3) The AGM invitation letter and supplementary documents, both in Thai and English, were distributed to shareholders 16 days prior to the Meeting. The invitation letter included details of each agenda, which clearly stated type of the agenda, be it for the acknowledgement or approval. The invitation letter meanwhile was completed with the Meeting's agenda items, supplementary documents, the Board's opinions on each agenda item as well as other rules and regulations related to the Meeting. A proxy form, which was stipulated by the Ministry of Commerce, was also included in the invitation letter. A comprehensive list of required documents that shareholders were required to bring to the Meeting, on the other hand, was provided to preserve their rights to attend, while other important attachments included were instructions of the Meeting, voting procedures, and a map of the venue. All of the aforementioned information was both in Thai and English and published on the Company's website ([www.pttep.com](http://www.pttep.com)) 30 days prior to the Meeting. The Company also notified shareholders about the publication of this information on our website.

1.4) PTTEP provided names of the three independent directors in the proxy form to provide shareholders with an option to appoint one of them as their proxy. The Company also informed shareholders about the stake of independent directors in each agenda item. In electing new directors in replacement of those retired by rotation, an independent director whose term was completed then re-nominated for another term, would be considered as having a conflict of interest (but not a special one). In the agenda to approve the remuneration of the Board, all directors would be however considered as having a special interest and therefore were abstained from the voting regardless of the amount of their shareholding percentage. The Company also provided shareholders with advices on how to use the proxy form which would properly represent their voting right to ensure that they could cast votes on their own.

1.5) At the Meeting, the barcode and electronics system were used for registration, vote counting, compilation, and display of each resolution in order to ensure that the Meeting was carried out with full efficiency and accuracy. To accelerate the registration process, the registration was opened to shareholders four hours prior to the Meeting, and the barcode system was used to confirm details of each legitimate shareholder by using the barcode appeared on the proxy form. The Company also provided a revenue stamp to shareholders who intended to vote through a proxy.

1.6) PTTEP provided a manual underlying the entire procedure of the Meeting to all participants to ensure a better understanding among shareholders. Examples of details included in the manual were voting procedure for shareholders and for the proxies whose voting rights could not be split (with exception of the C-type proxy), vote-tallying process, and procedures for making inquiries and voicing of one's opinion in the Meeting, etc.

1.7) Before the start of the Meeting, the Chairman assigned the PTTEP's Corporate Secretary to inform before the Meeting of the voting and vote-tallying procedures as specified in the Company's Articles of Association (AoA). Shareholders and proxies were required to use voting ballot for voting on each agenda item scheduled for the Meeting. For each agenda item, a barcode system was used to tally disagreed and abstained votes, and to deduct them from the total eligible voting rights to ensure accurate and effective vote-counting procedure. The voting procedure was in compliance with relevant laws and the AoA. Voting results for all agenda items were summarized and reported in the Meeting room. In addition, volunteers selected from the Meeting's participants and independent inspectors were appointed as witnesses of the Meeting. To protect rights of shareholders, each agenda item was treated and voted separately, whereas, for an agenda item regarding an election and appointment of directors, shareholders were allowed to cast their votes to appoint a director on an individual basis. Under the maximum number of director to be appointed at such AGM, candidates who received the most "Agree" votes were appointed as new directors.

Appointed candidates however must also receive the “Agree” votes more than half of the total voting right of shareholders who attended the Meeting and casted their vote.

1.8) External independent legal advisors, acting as inspectors as well as witnesses, were engaged to oversee the Meeting to ensure its transparency and that it was conducted lawfully and according to the AoA. Responsibilities of inspectors included examination of documents provided by shareholders or their proxies eligibility of quorum, as well as verification of potential conflict of interest as to whether he/she shall be abstained from voting on the given agenda item, voting procedure and voting count whether they are in line with AoA or as informed by Chairman of Meeting, and collect ballot from attended shareholders. In addition, volunteer, who represented shareholders at the Meeting, were appointed to act as witness for vote counting procedure for each agenda item.

1.9) The Meeting proceeded with all agenda items in the sequence stated in the invitation letter. There was also a policy of not allowing any new agenda item to be proposed at the Meeting without a prior notification to shareholders in order to provide them with an opportunity and adequate time to carefully consider the given agenda before making a decision.

1.10) The Chairman allocated sufficient time for the Meeting and conducted it with transparency and according to the agenda items specified in the invitation letter. During the Meeting, shareholders were allowed to share their views and make in-depth inquiries regarding subjects relating to PTTEP’s operations and the Meeting’s agenda, prior to the voting and the resolutions. The Company also permitted shareholders to submit questions to the Board prior to the Meeting regarding matters relating to the Meeting or other information relevant to the Company.

All information presented at the Meeting was available in both Thai and English, while a translator translating from Thai to English for foreign shareholders who attended the Meeting was also provided to ensure fairness and equality amongst all shareholders.

1.11) PTTEP encouraged shareholders to use voting ballot cards in all agenda items by issuing different ballot cards for each agenda. Shareholders therefore could cast their votes as they deemed appropriate. For the disagreed and abstained votes, shareholders’ ballots would be collected, combined, and counted together with those voted in the proxy form by the shareholders’ proxies. The resolution of each agenda item would then be reported at the Meeting. For a higher level of transparency, volunteers who were selected from shareholders and independent inspectors would be appointed to witness the vote-tallying and sign off on all ballot cards collected, counted and signed. These cards were for internal reviews after the Meeting adjourned.

1.12) PTTEP permitted shareholders who arrived at the Meeting after it was commenced to cast their votes in the agenda that was in the consideration process or had not been considered or voted at the time of their arrival.

1.13) All PTTEP directors attended the Meeting. In addition, members of the sub-committees, senior executives from the Finance and Accounting Group, and external auditors also participated in responding and providing clarifications to inquiries from shareholders.

1.14) Minutes of the Meeting, in both Thai and English, were accurately and completely recorded, and they covered explanations of the Meeting's voting and vote-tallying procedures, contents, questions and opinions related to PTTEP's business operations and the Meeting's agenda, as well as clarifications of each agenda item made by the Company's directors and top executives. In addition to the inclusion of directors who attended and who were absent from the Meeting, the Company also recorded the resolution of each agenda, categorized as agreed, disagreed, abstained, and voided (if any) as well as the name and position of the directors. If a director was absent, the Company also disclosed the reason of the absence in the minutes. Resolutions from each agenda item were immediately submitted to SET and disclosed in the Company's website after the Meeting. Meanwhile, within 14 days after the Meeting, the final version of the minutes of the Meeting would be delivered to the Ministry of Commerce, SET, Office of the Securities and Exchange Commission (SEC), and the Company's shareholders in order to provide evidence of the Meeting as well as to allow shareholders to make objections within the timeline enforced by relevant laws. In 2015, PTTEP however did not receive any objections or inquiries from shareholders regarding the Meeting. The approved minutes, video and audio clips of the Meeting were also published in Thai and English in the Company's website.

2) PTTEP regularly discloses information to shareholders through various channels such as SET, media or printed media, and our website to ensure understanding of the Company's business operations in order to develop a long-term engagement with shareholders. In May 2015, we organized the Corporate Social Responsibility (CSR)-related activities for shareholders by inviting them to join the forest plantation activity under the Forest Rehabilitation at Sri Nakhon Khuen Khan Park Project (under patronage of Her Royal Highness Princess Maha Chakri Sirindhorn) at Bang Kachao, Samutprakarn Province. In addition, in November 2015, we organized four trips for shareholders to visit our Sirikit Oil Field in Kam Paeng Petch Province. Meanwhile, we also publish the PTTEP quarterly newsletter to provide additional means of communication between the Company and our shareholders on a regular basis.

3) PTTEP provides a direct communication channel between our minor shareholders and independent directors through e-mails. Shareholders, for example, are able to attain more information from or make inquiries to independent directors regarding their activities,



Corporate Governance, and audit-related issues. In addition, shareholders are allowed to directly contact the Corporate Secretary or Investor Relations Unit of the Company for additional information.

4) PTTEP clearly discloses shareholding interests in our subsidiaries and associated companies, as well as controlling shareholder, PTT, to ensure shareholders that our organization structure is transparent, verifiable, and does not constitute any forms of cross- or pyramidal-shareholding structure.

5) PTTEP operates businesses with optimal efficiency, with a focus on sustainability of the organization, appropriate and consistent returns to shareholders, and long-term relationship with stakeholders. We ensure that all of which are managed and assessed by the use of modern and well-accepted management tools.

6) PTTEP strongly prevents misuse of the Company's internal information.

PTTEP puts a great emphasis on controlling the use of our internal information by including this matter in CG&BE. In addition to being in line with securities laws, policies relating to use of the internal information are regularly reviewed to preserve the integrity and equality among all stakeholders. Key approaches are as follows:

6.1) Directors, management, and employees are always informed of the PTTEP's regulations and policies regarding the use of the internal information to ensure that they are understood and strictly followed to prevent one from misusing the information directly or indirectly for his or her personal interests. Disciplinary actions are clearly specified, while the supervisors, who are appointed as the CG leaders, are responsible for advising and encouraging their subordinates to follow suit. During 2015, there was no report of any misuses of internal information.

6.2) Starting from the release of the 2011 financial statements, PTTEP requires a group of personnel to abstain from trading of PTTEP's securities during the silent periods which are announced in advance by the Corporate Secretary Unit. These personnel include all directors and senior executives, including all Executive Vice Presidents (EVPs) and Senior Vice Presidents (SVPs), as well as Vice Presidents (VPs) of the Finance and Accounting Group (FNA). This prohibition also applies to their spouses and minor children. In addition, the aforementioned individuals are refrained from directly and indirectly selling and/or buying of PTTEP's securities. For example, a trading through a nominee or a private fund is prohibited. The silent periods commonly take place prior to PTTEP's disclosure of important information which can potentially affect PTTEP share price. An example of a silent period is between one month prior to the release of the Company's financial statements or operating results and one day after such

information is submitted to SET and disclosed to the public. Violation of this prohibition is considered as a disciplinary offense.

6.3) PTTEP must disclose a complete information regarding securities held by the Company's directors and senior executives in the annual report as required by SEC. These executives include the position of EVPs and above as well as SVPs and VPs of FNA. While being monitored by the Board for their use of PTTEP's internal information, these individuals must also submit a report each time when there is a change to their shareholding interest in the Company to the Corporate Secretary Division which is responsible for submitting this report to the Board for acknowledgement. Meanwhile, it is also a duty of the Corporate Secretary Unit to oversee the Company's Business Ethics in respect to the use of the internal information.

7) PTTEP requires directors and senior executives, as mentioned in 6.3 above, to immediately report their conflicts of interest to the Company shall there be concerns, either by himself or herself or a related person. The Chairman of the Board and Chairman of the Audit Committee must then review the report within seven working days after receiving the report from the Corporate Secretary, as stipulated by the Board, the Securities and Exchange Act (Volume 4), B.E. 2551, and regulations of the Capital Market Supervisory Board.

8) PTTEP assembles a set of guidelines to handle conflicts of interest in CG&BE in order for directors, management, and employees to strictly follow. These guidelines require directors and senior executives mentioned in 6.2 above to report to the Company about the conflicts of interest of themselves and their related persons. Shall there be a conflict of interest, the individual must immediately report to the Company and be excluded from participation or abstained from voting in the issues involved.

#### **9.1.2 Roles of Stakeholders**

The Board has approved PTTEP mission which puts an emphasis on significance of the stakeholders' rights. PTTEP's mission is to operate globally to provide a reliable energy supply and sustainable value to all stakeholders, and we also have a vision to become a leading Asian E&P company driven by technology and green practices. The Company's stakeholders, whether they are internal or external parties, have always been taken into account when decisions are made. Major stakeholders of PTTEP are, including but not limited to, shareholders, customers, employees, governments, joint venture partners, communities and societies, environment, suppliers, creditors, competitors, customs and traditions, and human rights. The importance of the Company's stakeholders is clearly written in our CG&BE in which practical guidelines with respect to business ethics are established in an effort to maintain the balanced duties and responsibilities between PTTEP and our stakeholders. More details of CG&BE are disclosed in the Company's website.

### 9.1.2.1 Anti-Corruption

#### Importance

PTTEP's Board of Directors (Board) recognizes the importance of the corporate governance to be transparent, fair and free from all forms of direct and indirect corruption, with a mechanism to regulate every area in order to remain the consistency. On January 28, 2016, the Board held a meeting and approved amendments to the "Good Corporate Governance and Business Ethics of PTTEP Group" (CG&BE) which considered as the regulations of PTTEP Group. All people in the organization including directors, executives and employees at all levels are strictly requested to sign and complete the Commitment of Compliance with the highest standard. The revised version of CG&BE improves the alignment, completeness and clarity of our anti-corruption principles and practical guidelines within the areas of, for example, political neutrality, conflicts of interest, procurement and contracts, accepting and giving of gifts and hospitality or other benefits, and anti-money laundering. The Board also determines to apply CG&BE to all subsidiaries and juristic persons that PTTEP Group controls, while supporting other related parties such as agents, vendors and joint venture partners to uphold the best practices on this matter. The Board understands that effective anti-corruption measures require a good corporate governance with clear management and governance structures as well as adequate and appropriate risk management and internal control coupled by supervision for compliance, as well as independent audit and clear guideline in relevant issue as stipulated in CG&BE by having the Board of Directors and management as the exemplary role model and Corporate Governance Leader (CG Leaders), while the Corporate Governance Committee has a role in monitoring the compliance. CG&BE is written according to internal control principles and published for related stakeholders as well as on PTTEP Group's website ([www.pttep.com](http://www.pttep.com)). Those who are interested may download the full version for further study and information. PTTEP also displays strong commitment towards anti-corruption by setting "Integrity & Ethics" values as PTTEP values and instilling them into all employees across the organization to adhere to.

#### Scope of PTTEP Group's Anti-Corruption Policy

PTTEP's CG&BE is also treated as anti-corruption policy which includes all principles, practical guidelines and clear examples of the issues related to anti-corruption measures such as good corporate governance structure as stipulated in the Corporate Governance part, practical guidelines for conflicts of interest, procurement and contracts, anti-money laundering, political neutrality, the use and maintaining of data and assets as well as practical guidelines for anti-corruption especially in the part of Business Ethics. CG&BE has mandatory conditions on the directors, management and employees of all subsidiaries and juristic persons which PTTEP Group controls, as well as on PTTEP Group's vendors who are required to sign an agreement to conduct their business according to the CG&BE.

PTTEP defines corruption based on related principles and laws at both domestic and international levels where there are mandatory conditions with which the Group has to comply. The Company primarily considers that all actions must not inappropriately entail the use of individual authority or other persons for undeserved exploitation in order to gain benefits as such act is deemed a violation of the laws and/or PTTEP Group's regulations.

Anti-corruption policy covers all forms of corruption whether conducted as a giver, receiver, or through a designated representative or agent. PTTEP recognizes that certain activities such as political support, not-for-profit donations, sponsorship, or facilitation of payments may be determined risky as these can potentially be used as a channel for corruption. The definition of "corruption" therefore also extends to include such activities with mala in se to ensure that they are conducted with extra precautions.

### **Measures and Principles for Implementation**

The implementation of anti-corruption measures is related to the internal control systems, risk management, compliance and auditing channels, as well as cultural and ethics enhancement of the organization where each of the topics has its own designated unit to be responsible for. PTTEP utilizes internal control forms and risk management procedures according to the three following Lines of Defense:

1) First Line of Defense: The departments with knowledge and understanding of the laws related directly to their operation are to be compliant with applicable laws and regulations. Internal control and appropriate risk management are conducted by the person responsible for the First Line of Defense. The person is required to pass rigorous training in order to ensure that he or she has an adequate level of knowledge and is ready to operate their duties, being responsible for handling a variety of different situations effectively.

2) Second Line of Defense: The units which perform duties and/or are responsible for the general laws, regulations and policies of the organization. These are such as the Risk Management Unit, Internal Control Unit, Compliance Unit, Corporate Governance Unit who is responsible for the Company's CG&BE, Human Resources Unit who, for example, is responsible for corporate culture authorization. In 2015, the main sections who were responsible for the Second Line of Defense were the Corporate Governance Unit, Risk Management Unit, Internal Control Unit, and Compliance Unit. These units collaborated with each other to develop a GRC Management System (GRC MS) for integrated proactive management between related units in order to simplify the Company's operations to achieve the objectives under adequate and appropriate internal control procedures. The sections can be divided into seven major operations:

- Leadership and Commitment
- Strategic Objective and Policies

- Organization and Resources
- Communication and Training
- Assessment
- Monitoring and Enforcement
- Audit

3) Third Line of Defense: The Audit Unit works together with PTTEP's external auditors to perform auditing for the overall system in both the First and Second Line of Defense. In 2015, the units responsible for GRC conducted several risk assessment sessions on corruption by organizing a focus group with management from each of the nine function groups to access and compile activities with risks for corruption especially those related to government officials. The units also evaluated the adequacy of control measures assigned for each of the activities, as well as providing recommendations and advices regarding how to treat the risks. The Risk Register was also prepared according to the Guide for Anti-Corruption Risk Assessment of the United Nations Global Compact (UNGC) and the Committee of Sponsoring Organization of the Treadway Commission (COSO).

In addition, under the main operations of the Risk Management and the Internal Control units who are responsible for GRC, the Company also participates in internal assessment following the evaluation of the adequacy of the internal control system issued by the Office of the Securities and Exchange Commission (SEC). The assessment applies to all executives from manager level and above, especially on the topic of potentials for corruption. The definition of "corruption" has been clarified and described as a form of fraud which is differentiated from exploitation by the fraudulent use, embezzlement of assets or other benefits from the organization. The assessment is meant to develop a better understanding and reflection of truth among those involved. The assessment's results on all of the topics indicate that PTTEP has an adequate and appropriate level of internal control. Almost every section is in agreement that the risk of corruption is highly important, and there is a need to increase the awareness to ensure that PTTEP Group continues to have a very good internal control and risk management measures in place to respond to external changes and pressure regarding corruption.

After receiving the results from the risk assessment and evaluation of adequacy of the internal control system, the Company compiles the information and creates an improved development plan. The units responsible for the GRC are the key mechanism in creating an effective plan to monitor the progress of the implementation of the measures with the department responsible in addition to reviewing and highlighting the issues. The issues will subsequently processed and presented to the Audit Committee and/or Risk Management Committee depending on the case for further reviews at least once a year prior to submitting to the Board for further analysis.

PTTEP also has other tools to prevent corruptions including:

1) Creating Guideline on Third-Party Anti-Bribery and Corruption Due Diligence, which is formed by the Compliance Department. The main objectives are to use them as a tool to assess the risk of corruption before entering into an agreement or sharing an investment with a third party. This tool sets out the four following steps for implementation:

(1) Identify the status of the third party whether they are a joint venture, agency, consultant, contractor, or vendor as actions of these parties may affect PTTEP Group.

(2) Assess the risk through an initial set of questions which is designed specifically to determine severity level of the risk.

(3) Follow the instructions for each of the severity level. Low-risk parties may need only a slight background check and/or an affirmation document stating that the parties in question will not conduct or engage in any corruptions, while in some cases they might be required to put down some financial deposits. High-risk parties, on the other hand, will be required to go through the Company's additional measures as prescribed such as allowing us to assess and audit them. This, for example, includes the use of questionnaires which gather information for the purpose of risk assessment regarding to corruption risks. The result of the assessment will then be submitted to the Compliance Department in order to help establish further required measures of monitoring and control.

(4) Related departments are required to regularly monitor third parties to ensure that no corruption occurs as well as to support them with appropriate information and training tools.

2) PTTEP also reviews the Company's regulations and practical guidelines to maintain the effectiveness of the following anti-corruption measures:

(1) Improving CG&BE to reflect the Company's commitment to enhance the implementation and further reach to the related parties, and to describe specific details for clarity regarding anti-corruption measures such as principles of how to receive and give assets or any other benefits to others, and other forms of conflicts of interest.

(2) Improving the regulations of the Company's procurement to be in line with the existing frameworks and guidelines of the strategic principles of procurement. We consider the following two dimensions:

- Supply Positioning Model: Analysis of the costs and risks relating to goods and services toward the Company

- Supplier Perception Model: Analysis of the value and interests of the Company in the view of sellers

The improvements help to ensure that the procurement is based on the best interests of the organization with full transparency. This helps to reduce allegations of unfair behavior or conduct of corruption, while increasing the effectiveness of the procurement in response to fluctuation of the business environment.

(3) Improving the Company's Vendor Sustainable Code of Conduct to be in line with the policies of the various regulatory departments such as regulations from the Securities and Exchange Commission and Stock Exchange of Thailand (SEC), which emphasizes the importance of our extension of anti-corruption implementation towards vendors. The Company requires that all vendors acknowledge and abide by our CG&BE, while supporting and encouraging them to be our coalition to fight against the corruptions. This is to demonstrate the Company's commitment to support our vendors to implement appropriate anti-corruption policies and practical guidelines to build an ideal culture within the business group and the society in general.

(4) Improving the Delegation of Authority and Signatures (DAS) in every area to be synchronized under the same principles and standards especially the authorization related to hospitality and donations as well as to add detailed conditions on spending as evidence of disbursement.

(5) Improving standard of contracts used with vendors by adding clause which indicating that the contracted parties must acknowledge and abide by the laws and regulations of PTTEP and not be a part of any kinds of corruption, or else the Company has the right to terminate the contract.

#### **Continuing to Provide Communication, Knowledge and Training**

PTTEP has a clear plan to inculcate anti-corruption policies in everyone in the organization through continuous trainings and activities for all related parties in every dimension. The departments which represent the Second Line of Defense held several of these training activities in 2015 and implemented the following operations related to anti-corruption measures:

(1) Introduction the new Board members, new executives and new employees to the overall principles of CG&BE. This session was implemented during the initial period when joining the Company.

(2) Arrangement of a GRC Course for employees. This was a full-day course developed with a collaboration between GRC-responsible departments and the human resources unit for those who had passed the induction session. The course covered in principles the Company's tools for risk management and internal control, and our CG&BE, with a focus on anti-corruption and related issues.

(3) A CG&BE Workshop for both executives and employees from offshore operating sites and in Myanmar. The content and training methods were improved to meet the specific needs of the target group and encourage further CG&BE knowledge and understanding. Exchange of discussions, including support to work with *EP SPIRIT* in integrity and ethics, was encouraged to ensure effectiveness within and an increase of engagement toward the organization.

(4) Training courses for anti-corruption related laws, designed by the Compliance Department in an electronics learning form. The training course was provided for all interesting employees through the Company's intranet for self-studying.

(5) GRC Specific Communication, continued from E-Learning in 2014, to develop the Company's employees' knowledge in four topics:

- (1) Conflicts of Interest
- (2) Use of Internal Data
- (3) Procurement
- (4) Acceptance of Gifts, Hospitality or Other Benefits

These guidelines were developed to suit each group within the departments and employees who could self-learn through educational emails and self-test on the web-based application which can be accessed from computers, smartphones and tablets.

(6) Promotion of GRC to Board members and senior executives in order to acquaint them with useful knowledge that can benefit them in their duties on GRC-related matters at the Board and Management Committee meetings. In 2015, the Company gave a relatively more attention to promoting anti-corruption measures.

(7) Holding a Whistleblowing Roadshow for the executives and employees in order to create understanding and further publicizing the Company's Whistleblowing Regulation which are parts of our anti-corruption measures. The Whistleblowing Roadshow was held in conjunction with a CG&BE Workshop.

(8) Organizing other communication channels such as standee/notice board, newsletter, and posters to provide continuous knowledge for the Company's employees at the headquarters and all of our operating sites.

(9) Communication through various channels to allow our vendors to learn more of the Company's anti-corruption policies regarding gifts, hospitality or other benefits which cannot be accepted at any times. Vendors must acknowledge and strictly abide by the guidelines. In addition, the Company also provided a communication channel for the third parties to contact or make inquiries by emailing [CGPromotion@pttep.com](mailto:CGPromotion@pttep.com).



### PTTEP Group Reporting & Whistleblowing Regulation and Reporting System

At the Board Meeting on November 28, 2013, the Board approved the Reporting and Whistleblowing Regulation (B.E. 2556) to further ensure of the appropriateness, effectiveness, and flexibility comparable to that of the international standards. This is also meant to provide protection to the whistleblowers and those cooperating with the Company in good faith as well as protection from potential retaliations. The procedure is a key mechanism which allows an opportunity for both internal and external parties of the organization a channel to seek justice and reach a solution for illegal or fraudulent activities including those alleged to be made by the Board, management, employees or representatives of PTTEP Group. More details are disclosed in the “Whistleblowing Reporting and Protection Procedures” part.

The whistleblowers may report to a Board member, a supervisor at any level, or the Corporate Secretary. He or she may also choose to be anonymous if preferred. Revealing of the whistleblower’s however allows the Company to be able to provide appropriate protection such as ensuring that there will be no change in position, nature of work, work location, suspension from work, intimidation, operations disruption, termination or any other forms of unfair treatment.

The whistleblower may choose to report through letter, email or an electronic system on the website or intranet of the Company. This helps to provide a safe channel for following up on the progress of the reported complaint and requesting of further details and inquiries. The system will assign an individual Report Number and PIN to the whistleblower to follow up the progress as well as for the Company to use as a channel to request further information, if necessary, for benefits of the complainant. In addition, password-access technology is also in place to ensure strong security and forbid access by unauthorized personnel.

Complaints received from the channels specified above are passed through a screening session, following the procedure and timeline as clearly defined in the regulation guidelines to ensure that everything is implemented transparently and unbiased.

The Corporate Secretary will take into account the information and adequacy of the preliminary evidence before forwarding the complaint to the Company’s complaint reviewer within seven working days. If this period must be extended, the extension can only be made with an approval from the CEO. Each extension must not exceed seven working days.

The review procedure and conclusion of the complaint depend on the types of the case. Non-complex cases will be completed within a timeframe of 30 working days, while more complex cases will be completed within a timeframe of 60 working days. If the period is extended due to necessity, the extension can only be made with an approval from the CEO. Each extension must not exceed 30 working days.

In case of a violation or failure to comply with the Company’s regulations, disciplinary action, including job termination, will be considered according to severity of the

case. Meanwhile, if a law is violated, the individual will be subject to prosecution. All supervisors are obliged to supervise and guide their subordinates to abide by the Company's policy and related laws with strict compliance. If the supervisors fail to ensure the compliance or take an appropriate action, disciplinary action against them will be taken as identified in the Company's Human Resources Management Regulation.

Reviewers of a complaint cannot be any of the Company's stakeholders. In the case in which the Head of the Internal Audit Department is alleged, the Audit Committee will appoint an independent investigation commission. Meanwhile, in the case in which the Company's Chief Executive, Head of a function group, Chief Executive Officer, President, or Board member is alleged, the Board will appoint an independent review committee to investigate the facts. Every complaint received from one of the channels above will be summarized and reported to the Corporate Governance Committee and/or Audit Committee, depending on the case, in addition to the Company's Board of Directors.

#### **Monitoring the Implementation of Anti-Corruption Measures**

The Board has assigned the Corporate Governance Committee to monitor implementation of the anti-corruption policy which is a part of CG&BE. The Corporate Secretary is responsible for gathering of the information and reporting of the results to the Corporate Governance Committee at meetings on a quarterly basis. The implementation of PTTEP Group's anti-corruption measures is under the cooperation of several units serving as the Second and Third Line of Defense. The units responsible for GRC are the main units to ensure the implementation of the policy. Each unit has its own individual reporting system, reporting to the one in charge at a higher level in the administrative structure. For example, the Risk Management and Internal Control Unit reports to the Risk Management Committee, while the Audit Department reports to the Audit Committee as well as the Board, in addition to reporting to all of the Company's shareholders in the Annual Report.

On September 11, 2015, the Corporate Governance Committee visited a project in the Republic of the Union of Myanmar with the project's executives to follow up on implementation of the Company's CG&BE. It was the first activity held overseas to promote CG&BE.

This emphasized the importance of the Company's anti-corruption policy and allowed an opportunity for the executives to discuss, exchange knowledge and learn from a case study from a multinational company regarding to anti-corruption measures in Myanmar. The workshop's format and content were developed accordingly to the nature of the business operations in Myanmar. PTTEP compiled the results of the activity, concerns and feedbacks to determine an appropriate plan for the suitable internal control system. The Company also translated CG&BE into Burmese and set out a work plan to enhance the knowledge and understanding for the executives and employees in Myanmar.

The Corporate Governance Committee also monitors the performance on a yearly basis, according to the CG&BE plan, which the Corporate Governance Committee has considered and approved. The Corporate Governance Committee also evaluates the performance by using Key Performance Indicators (KPI) to ensure that the performance goals are met.

### **Audit**

PTTEP has designated the Internal Audit Department to work with external independent auditors to perform the auditing tasks, which include investigation of corruption, by setting out an annual audit plan and undertaking further examination when there appears a related complaint or issue. The Internal Audit Department currently has practical guidelines on the investigation of corruption which covers risk assessment, prevention and detection of corruption, as well as practical guidelines used in the investigation process for complaints of corruption.

PTTEP has procedures to regularly review sales and marketing activities in order to monitor and prevent the risk of corruption as well as to provide the solutions. The Company sells most of the products to PTT, and the pricing structure is reviewed and specified clearly in the purchase agreement between the two. Sales prices are based on the global market prices on which the mutual agreement between the Company and the joint venture partners are based. The pricing structure requires an approval from the Audit Committee and the Board prior to arrangement of the purchase agreement. The Board members who have a vested interest in such agreement cannot participate in the review session and must be abstained from voting on that matter.

PTTEP also has procedures to regularly review procurements and contracts in order to monitor for and prevent the risk of corruption as well as to provide the solutions. The Internal Audit Department is responsible to regularly review procurements and contracts, covering the risk of corruption and internal control issues, as part of the Company's effective risk management.

### **Review of Sufficiency and Adequacy of Anti-Corruption Measures**

PTTEP believes that, for anti-corruption measures to be effective, they must be reviewed regularly. The units responsible for overseeing GRC must work together to evaluate the effectiveness of the anti-corruption measures and monitor the process in each of the units. The evaluation results should be used as a reference in outlining PTTEP Group's operation plans. The results of the evaluation in 2015 led to a revision of the Company's CG&BE and stipulation of internal control measures for the units involved with transactions and provision of hospitality and gifts to government officials and government agencies as well as donations for the public causes. This was in order to ensure that clear guidelines are put in place for everyone in the organization to follow and that such disbursements and expenditures are recorded appropriately with transparency and accountability.

### Collective Efforts with the Public to Counter Corruption

PTTEP acknowledges the significance of our role as a listed company by assuring our shareholders and stakeholders with the confidence that the Company's management is transparent, fair, and corruption-free. PTTEP, as a company whose major shareholder is the government, has a responsibility to lead by example and encourage the society to adopt better anti-corruption standards. In the past year the Company proactively took several measures to counter corruption, including publically disclosing of the information regarding the Company's payments to the government according to the standards set forth by Transparency International, improving of the contract standards, establishing of the Vendor Sustainable Code of Conduct, and sponsoring of several anti-corruption events such as Thailand's 6th National Conference on Collective Action against Corruption.

PTTEP became an "Active Level" member of the United Nations Global Compact (UNGC) in 2011, and on April 1, 2015, the Company was promoted by the UNGC to "Advanced Level" for complying with the UNGC's principles in the areas of human rights, labor, environment, and anti-corruption. The Company considers such international recognition as one of our achievements.

PTTEP was certified as a member of Thailand's Private Sector Collective Action Coalition Against Corruption on July 4, 2014. The certification highlights our intention and commitment to fight all forms of corruption. The Company has also expanded our anti-corruption efforts to our subsidiaries, joint venture partners, vendors, and business partners, and we are committed to continuously improving the efforts so that an even more substantial result can be achieved by 2017.

#### **9.1.2.2 Policy on Treatment to Stakeholders**

##### **1) Shareholders**

PTTEP respects the shareholders' rights and treats them with equality, while adhering to carrying out the Company's business with CG&BE in order to achieve the sustainability and create the optimal value for the shareholders. More details are disclosed in the "Shareholders' Rights and Equal Treatments" part.

##### **2) Employees**

2.1) PTTEP is in compliance with the UN principles by not employing illegal workforce and child labor in every area in which we invest. The following guidelines are described in the Company's CG&BE.

1) To understand and comply with all laws applicable to the Group's operations in the locations in which we conduct our business

2) To understand the local customs, cultures and traditions of the locality in which we operate

3) To respect the local traditions, cultures and cultural differences, and not to conduct ourselves in any ways which contradict them

4) Not to discriminate against any individuals based on our personal relationship with that individual, his or her ethnicity, nationality, gender (including pregnancy, and sexual preference), age, religion, disability, personal views or any other conditions or characteristics which are not concerned with work

2.2) PTTEP recruits, selects, and employs our staff based on their qualification, experiences and abilities to work in the right position. As per the Good Corporate Governance and Business Ethics of PTTEP Group, candidates are fairly treated during our transparent recruitment process. The employment is implemented with internal and external equity. Our employees are consistently developed, promoted in their career path, and allowed to join external activities under the Company's policy.

2.3) PTTEP sets up, regularly reviews, and revises a fair compensation system for our staff according to the short- and long-term corporate performance in order to attract and retain competent staff. The salary rate and payment method paid within the petroleum industry in the country, the difference of each work position, the required skills and expertise, the level of work difficulty, the assigned responsibility, and the capacity of the Company's employees are also considered.

2.4) PTTEP manages and enhances fair welfare for the Company's staff as well as for ourselves. We consider the payment capacity not only for the present, but also for the long term, and we emphasize sustainable welfare not only for the staff, but also their families. These are, for example, housing interest subsidy program, and healthcare benefits for employees and their families. This is generally a common provision provided within the domestic industry. PTTEP regularly reviews our welfare program for its appropriateness and pertinence in response to changing social, economic and other obligatory conditions of the business. In addition, the Company has also helped the staff to be relieved from anxiety through the Sabaijaidee program which provides consulting services to all of the Company's staff, their spouse and children on the matters relating to family, private life, work, love, laws by the psychologists and professionals recommended by one of our consulting companies.

PTTEP has established a provident fund for staff in order to enrich their living and provide them with supposedly a sufficient financial security once they resign or retire. The provident fund consists of contributions from the Company as well as our staff. The Company makes a monthly contribution at a rate of 15 percent of the staff's basic salary, while the staff contributes 2 percent, but not more than 15 percent, of their monthly salary. Receiving this fund is subject to PTTEP's regulations. The Company has also established the Employee Joint Investment Program (EJIP) which is intended to encourage our staff to participate on a voluntary basis. The purpose of this program is to provide the Company's staff with the motivation to work efficiently and effectively, create alignment among the employees, management, and shareholders, as well as to establish a long-term loyalty and sense of ownership within. Purchasing of ordinary shares generally is carried out through SET's trading system. This program was commenced on February 1, 2013 and will be opened until January 31, 2018, carrying over a total of 5 years. In principle, eligible staff will have to make a request for PTTEP to deduct a sum from their basic salary at the rate of 2 – 10 percent of their basic salary, while the Company will contribute another portion for the staff equally to 100 percent of the money paid by the staff in each month. Receiving and realizing the share value, on the other hand, is subject to the Company's performance in the long-term.

The Long Service Awards Program celebrates and commemorates the long-term commitment and loyalty of PTTEP employees who have achieved significant milestone years of service. The program recognizes 5, 10, 15, 20 and 25 years of employment with the Company. Award recipients are honored at the special event held at PTTEP Office in June of each year. The purpose of the program is to strengthen corporate employee engagement through recognizing and honoring the commitment and dedication of long-term employees, while promoting long-standing careers within the Company.

2.5) PTTEP gives a priority to human resource development in order to enhance our capacity for business performance as we deem that human resource is a key to the Company's success. The Company supports and promotes staff through training and development in both short- and long-term. Apart from academic and technical capacity building, we also build the working values altogether so that all staff can work with the same standard to attain the Company's vision and mission as targeted. In 2015, PTTEP employees attended courses and trainings such as ISO 14001 Environment Awareness Course for an average of 41 hours per person per year. More details on the trainings are disclosed in the "Human Resource Development Policy" part under the "Management Structure".

2.6) PTTEP realizes the value and importance of a timely consultation between employees and their supervisors in order to maintain a good relationship. Shall any conflicts arise among the Company's employees and supervisors, the employees may file

a complaint through one or more communication channels provided. The employees who comply with the provided measure and procedure and act in good faith as well as those relevant witnesses shall be protected, without facing a penalty, termination, or any other negative consequences. The CG Hotline channels are also established for our employees to raise the issues relating fraud, while reports received through these channels will be investigated confidentially and made known only to relevant persons in order to protect the whistleblower.

2.7) PTTEP conducted the Employee Engagement Survey for the fourth time in 2015 with the objective to understand the factors impacting the Company's employee engagement. The engagement score was 50%, which is 4% higher than last year. Currently, we are conducting focus group sessions to find out more details from this quantitative research in order to initiate the improvement plan for the organization and the function group levels.

PTTEP executes the improvement plan to increase the engagement level and occasionally monitors the progress of the plan. The next Employee Engagement Survey is planned to be concluded in 2016.

### **3) Clients**

PTTEP is committed to our mission to be a leading producer and supplier of crude oil, condensate, and natural gas at fair and competitive prices. We sell the products under short- to long-term contracts as well as in the spot markets. The Company assesses clients' suitability by the following four criteria, namely, economic return of the product prices, financial stability, operational readiness, and compliance to local laws and regulations of each client. The Company treats all buyers equally for the optimal benefit of all and is also committed to strictly complying with the contracts and regularly coordinating with buyers so that we can produce and deliver quality products as specified in the contracts on schedule and according to their demand.

### **4) Governments**

PTTEP conducts business by adhering to the Good Corporate Governance and Business Ethics of PTTEP Group (CG&BE). With our determination to explore for new hydrocarbon fields, we rigorously comply with all the laws applicable to our operation in every location where the Company runs the business. Based on honesty and transparency, we support the government agencies in procuring and managing energy effectively for the sustainable economic and social development of every given country.

As energy security, continuous economic and social development shall benefit the country and its people, PTTEP has been regularly supporting government activities to move forward to the target of sustainable development.

#### **5) Joint Venture Partners**

Joint venture projects between PTTEP and our domestic and foreign joint venture partners operate under mutual working agreements according to international standards. These agreements include details regarding the rights and duties of joint venture partners such as the right to be a member of a project's management committee. The committee is responsible for establishing guidelines on the procurement of products and services as well as for developing a strategic plan and an annual budget with a clear scope and approach. In addition, the partners also have the right to audit annual financial and accounting records as well as to set proper and clear measures. For example, this includes penalty imposed on partners for failures to honor an agreement. The Company remains focused on distributing information to joint venture partners and external parties with transparency.

#### **6) Communities and Societies**

PTTEP gives importance to building sustainable relationships with all stakeholders. We develop and elevate the quality of life for people in the communities regardless of their locations to our operation sites. When engaging with the communities, the Company adopts Issue and Stakeholder Management System (ISMS) as a tool to analyze social risks to which may impact our works. ISMS has been introduced and deployed in every operation site where PTTEP is an operator.

Social Risks and Mitigation Report comprises internal and external context, impacts and influences of stakeholders and risk drivers which can be grouped into four categories, namely, (1) stakeholder engagement, (2) stakeholder expectation, (3) operation impact control, and (4) laws and regulations. After risk drivers have been identified, mitigation plans can be put in place to cease or reduce the social risks which can interrupt the Company's operations. A follow-up and evaluation are also necessary for continual improvement. More details are disclosed in the 2015 PTTEP Sustainability Report.



## 7) Environment

PTTEP strives to achieve an excellence and a position of leadership in Safety, Security, Health and Environment (SSHE). The Company's SSHE Policy is the core of SSHE management, allowing us to deliver our vision and commitment in SSHE. The Company continues to publicly disclose our SSHE performances indexes such as lost time injury frequency rate, total recordable injury rate, and hydrocarbon and chemical spill rates in the Company's website. The information is routinely communicated to the stakeholders and the Company's staff in our annual Sustainability Report, as well as being reported to the Department of Mineral Fuels. PTTEP has the SSHE Management System (SSHE MS) which comprises seven elements with 27 standards which are implemented throughout all of PTTEP's operations.

A cornerstone of sustainability is a strong environmental performance. Our approach to managing the environmental impacts concentrates on our green practices such as having an international standardized environmental management system, eco-efficiency practices for mitigating environmental impacts from our operations, lowering our ecological, carbon and water footprints, and increasing biodiversity. To mitigate environmental impacts from our operations, the Company implemented the ISO 14001:2004 to improve the efficiency of the environmental management system. Certification was issued by AJA Registrars under the United Kingdom Accreditation Services (UKAS). The sites which were certified include Arthit Project, the Greater Bongkot North and South fields of Bongkot Project, S1 Project, PTTEP 1 Project, Petroleum Core Research Center, and PTTEP Petroleum Development Support Base, as well as PTTEP Australasia Project, support base at Darwin, and office of PTTEP Australasia (Ashmore Cartier) Pty Ltd in Australia. In 2016, PTTEP also plans to acquire the ISO 14001 certification for Sinphuhorm Project.

PTTEP has a Green Practice Roadmap which outlines the roadmaps for reducing our ecological and carbon footprint. The roadmap guides the Company in maintaining the biodiversity of our operating sites as well as improving our business values by reducing costs, improving resource efficiency, and reducing wastes. We also implement the 5S program in the offices of PTT Group and green supply chain practices, which involve green procurement, green logistic and green office, to use green and environmentally friendly products in the operations. In addition, the Company encourages all employees, including existing and new hires as well as the management, to understand environmentally friendly business practices by organizing fundamental

and intensive environmental awareness training courses for them in compliance with the laws. More details on our green practices are disclosed in the Sustainability Report 2015.

## 8) Suppliers

As stated in the Good Corporate Governance and Business Ethics of PTTEP Group (CG&BE), suppliers are important parts of our businesses. The Company therefore employs a policy to treat our business partners equally. Our procurement operations are carried out on the basis of equality and fair competition. We also comply with the laws and terms of concerned legal transactions, taking into account the Safety, Security, Health, and Environment (SSHE). Suppliers must follow the operational standards which adhere to the Company's policy. Their employees meanwhile are also required to have good business ethics and respect human rights.

### Procurement Regulations and Procedures

In 2015, PTTEP revised the Procurement Regulations and Procedures to be more practical for petroleum exploration and production operation and more in line with PTT Group's Operational Excellence Management System (OEMS) by adding that the Company will strongly support the suppliers with good corporate governance, including social and environmental responsibility.

### PTTEP Vendor Guide

In 2015, PTTEP also developed the Vendor Guide to provide our suppliers with the Company's business information and practices such as the Good Corporate Governance and Business Ethics of PTTEP Group, Procurement Processes, Contract Management, the PTTEP Vendor Sustainable Code of Conduct and related laws, and the supplier communication channels.

More details of the PTTEP Vendor Guide are available in the Company's website at [www.pttep.com](http://www.pttep.com) > E-Service > Vendor Portal > PTTEP Vendor Guide.

### Vendor Registration

PTTEP maintains the concept of fairness and free competition without trade barriers toward all suppliers. There are 3 ways for the interested suppliers to register their company profile:

1) PTTEP website: Suppliers can offer their products and services through the Company's website at [www.pttep.com](http://www.pttep.com) > E-Service > Vendor Portal > Vendor Registration.

2) The Category & Vendor Management Section: Suppliers can at all times contact the Category & Vendor Management officers during business hours to offer their products and services.

3) PTTEP Users: Suppliers can directly propose their products and services to the users who may provide the names of the suppliers to the Category & Vendor Management Section for the vendor pre-qualification process.

#### New Vendor Pre-qualification

PTTEP pre-qualifies the suppliers by screening and evaluating them according to their product and service categories. The evaluation process is carried out by the Committee comprising the following functions:

- 1) Technical and QA&QC
- 2) Safety, Security, Health and Environment (SSHE)
- 3) Commercial, Legal and Social

Based on fairness and transparency, each function of the Committee has the authority to independently consider and evaluate the suppliers to ensure that they have the qualifications to deliver the products or provide services needed to PTTEP.

#### SSHE Contractor Management and Plan

PTTEP has enhanced the measures relevant to the management of suppliers in the SSHE area which is one of the Company's core values. The SSHE Contractor Management Procedure and Plan has been implemented to enhance the understanding and improve the SSHE performance of the suppliers. It includes operations guidelines to ensure that correct actions are taken. The Company also strongly encourages the suppliers to strictly comply with the SSHE Contractor Management Procedure and Plan through our annual SSHE Contractor Forum, as an effort to ensure that they correctly understand the SSHE policy, standards, manual and work procedures, and plan of the operations in every area that the Company operates.

The Notification of the National Anti-Corruption Commission (NACC) or  
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According to the notification of the NACC, PTTEP has provided a page at [www.pttep.com](http://www.pttep.com) > E-Service > Procurement Announcement to disclose the information regarding reference prices of procurement transitions for the suppliers and stakeholders.

PTTEP has also recommended all the suppliers to strictly comply with the NACC announcement concerning the principles, methods and submission of accounting records by the persons being a party to the contract made with a State Enterprise or State Agency B.E. 2554.

Procurement Sourcing Strategy

PTTEP has prepared a business analysis especially to review the overall procurement performance by using the procurement spending data from the past three years. This data is to be analyzed to identify the supplier classification and risk assessment relating to operations and market trends. The results from the analysis also help the Company to identify critical suppliers who are vital to the operation of PTTEP.

Upon identifying the critical suppliers, PTTEP uses the analysis to prepare procurement and contract strategy plans for each product and service group. The Supply Market Analysis (SMA) will then be generated to support future procurement and contractual activities.

PTTEP needs to submit the procurement and contract strategy plan, including the bidder list, to the Procurement Committee (PC) and joint venture partners (if any) for approval before proceeding with the bidding. (The bidder list and the procurement/contract strategy plan must be internally approved by three parties, including the operations, assets, and procurement function before being submitted to the PC and the joint venture partners in order to counter balance for transparency purposes.)

Suppliers Selection

For the bidding process, two sealed envelopes and two-stage bidding are required. One envelope is for technical proposal, while the other is for commercial proposal. The technical envelope is opened first for evaluation of the technical aspects, quality and SSHE. Then for the technically acceptable bidders from the first stage, the process will continue with the opening of the commercial envelope.

The results of the bidding will be submitted to the Procurement Committee (PC), joint venture partners (if any), and the Company's Board of Directors (for high value procurement) for approval before contracting activities with the suppliers are initiated.

PTTEP will only select those suppliers who are technically and SSHE qualified and offer the lowest price or the best interest to the Company.

#### Contract Management and Assessment

As an important and integral part of PTTEP's Contract Management and Supplier Relationship Management (SRM) for operating in the petroleum exploration and production business, the contract holders need to make sure that the suppliers and all relevant parties fully understand and comply with the work plan, contract objectives, SSHE standards, and risks mitigation plan as well as critical key performance indicators (KPIs). They periodically need to assess and follow up on the performance to ensure that the suppliers operate according to the contractual terms regarding quality, SSHE, and human rights. At the end of the contract management, the contract holders must complete the Contract Closed-out Report in order to record their performance result, identify area of improvement and development of the supplier's capability for the long-term relationship.

#### Suppliers Collaboration Initiatives

PTTEP has various collaborative initiatives with the suppliers to create new techniques, concepts and technologies, for example, developing of a new chemical formula (Volatile Corrosion Inhibitor or VCI) to prevent corrosion in the pipelines. The objective is to exchange knowledge and experience to create petroleum development opportunities. The Company brings diverse knowledge and modern technology from leaders in petroleum exploration and production industry and apply it to our operations through knowledge management, workshops and lessons learnt.

PTTEP and the suppliers conduct business with social responsibility for sustainable development with a balance among business, society, and the environment driven by technology and green practices.

#### Local Content

To enhance the capability of the local suppliers in Thailand to compete with international companies, PTTEP supports domestic procurements and services from the

operation areas. This is to increase the employment and income generation to support the locals as well as to reduce the transfer of Thai currency to other countries. As a result of our commitment to building long-term relationships with the communities where we operate, the Company has gained from each of the communities a license to operate. In addition, PTTEP also encourages the suppliers to operate with care and responsibility wherever they are and to support local procurement within their area to lower the cost of goods as well as to support the community.

#### Whistleblowing

To instill confidence and give protection to the suppliers and related parties from possible retaliation as a result of reporting in good faith about suspicious misconduct or wrongdoing of directors, management, employees, or persons acting on behalf of the Company that might be in violation of the laws, CG&BE, or other regulations of PTTEP Group, the Company has established the CG Hotline channels to handle whistleblowing cases from the suppliers. They can email to the [cghotline@pttep.com](mailto:cghotline@pttep.com) or report through the PTTEP's website through "PTTEP Whistleblowing System" at [www.pttep.com](http://www.pttep.com) or fax number +66-2537-4949.

#### **9) Creditors**

PTTEP recognizes the importance of the Company's internal and external stakeholders including creditors. This is firmly based on our policy of equitable treatment for all stakeholders, which is an integral part of the Good Corporate Governance and Business Ethics of PTTEP Group (CG&BE).

Great emphasis is placed upon accurate, complete, timely, and transparent information disclosure to all of the stakeholders. Information disclosed by PTTEP consists of financial and non-financial information. Financial information particularly the financial statements is reviewed and audited by an independent auditor in compliance with the Generally Accepted Accounting Principles (GAAP). The information is also endorsed by our Audit Committee as well as the Board of Directors prior to public disclosure.

Regarding creditors, PTTEP's debentures issuance and all relevant processes are in compliance with the laws, policies and regulations stipulated by SEC as well as the policies, purposes, and resolutions set forth at the Company's shareholder's meeting. The Company agrees to fulfill the obligations stated in the term and conditions of bond and loan agreements and ensures that the information is accurately and adequately disclosed to all stakeholders. PTTEP also

maintains all of the necessary measures to remedy incidents or other types of impairments which may arise as a result of non-compliance.

#### **10) Competitors**

Based on professionalism and equality, PTTEP treats our competitors under transparent and fair rules. We, in our greatest effort, try to avoid all unethical manners and ill-intentions to defame the reputation of our competitors through false or unfair statements or acts. We are also committed to complying with local laws and regulations regarding trade competition. More details about the Trade Competition Policy are disclosed in CG&BE.

#### **11) Customs and Traditions**

PTTEP adheres to local customs and traditions of all the areas and locations in which we operate. Trainings are provided to our employees by knowledgeable and experienced instructors, including representatives from the Ministry of Foreign Affairs or Embassy. Instructors will provide suggestions and information regarding customs, traditions, sensitive issues, and local practices to the employees who will be transferred there in order for them to understand and behave in a proper manner.

#### **12) Human Rights**

PTTEP has a human rights policy where the Company is committed in respecting fundamental human rights by complying with all applicable legal requirements, cultures, customs and values in dealing with all of our stakeholders, avoiding complicity in human rights abuses, and strictly prohibiting ourselves from direct and indirect employment of child and forced labor. PTTEP human rights policy complies with the UN Universal Declaration of Human Rights and its corresponding covenants, where applicable to business including the international principles relating to labor practices and supporting the United Nations Declaration on the Rights of Indigenous Peoples. The Company also actively participates in the United Nations Global Compact (UNGC). Last year, we have updated our UNGC Communication on Progress Report as well as met each of the criterion required to achieve the “Advanced Level” status.

Whether or not the country in which PTTEP invests has local laws on human rights, the Company is still committed to providing fair employment while ensuring employees with a safe working environment and hygiene. We ensure that no threats exist among employees or those related to the Company. Ethical partners without any infringements of human rights are employed. We promote consultation between executives and employees

through the employees' representatives in the welfare committee. Views and suggestions are communicated for improvement of welfare and other proper and necessary benefits to improve our employees' quality of living.

### 13) Laws

PTTEP respects laws in everywhere we operate business. The Board sets the matters related to the compliance with applicable laws in the Business Ethics of PTTEP Group. The directors, management and employees are required to understand them as well as strictly abide by laws related to our operations in all areas to enable PTTEP Group to operate with accuracy and efficiency.

PTTEP has established the Compliance Department as the center of compliance performance supervision for PTTEP Group. The Department has a direct reporting line to the Senior Vice President of the Legal Division and the President and Chief Executive Officer. In 2013, the President and Chief Executive Officer announced the Compliance Policy to express our commitment to full legal compliance and define roles of all management and employees in promoting of the compliance. The Compliance Program has also been implemented to enhance awareness on compliance-related matters among the Company's employees.

#### 9.1.2.3 Whistleblowing Reporting and Protection Procedures

The ultimate operational goal of PTTEP Group is to optimize value of the Company for the shareholders, create a long-term satisfaction for our stakeholders, and, for ourselves, to become the Company of "Growth, Prosperity, Stability, Sustainability and Dignity". To achieve our goal, we understand that confidence and faith in CG&BE must be put in place as well as into practice. To provide ourselves with an opportunity to succeed, PTTEP has established the CG Hotline channels where the directors, management, employees, and external parties are able to report in good faith of suspicious misconducts or wrongdoings which might be of violation to the laws, CG&BE, or other regulations of PTTEP Group.

To instill confidence for a whistleblower from possible retaliations as a result of reporting in good faith, PTTEP has developed a set of regulations specifically to handle whistleblowing cases and provide protection for those related parties. The information received and the identity of a whistleblower is treated with confidentiality, only to be disclosed to those who must be involved in the case. Meanwhile, the investigation is conducted strictly in order and within the timeframe as prescribed in the "Reporting and Whistleblowing Regulation 2013"



of PTTEP Group. The result of all the investigations must be reported to the Audit Committee or the Corporate Governance Committee (as the case may be), and later to the Board on a quarterly basis. The followings are the CG Hotline channels of PTTEP Group.

- 1) Mail to PTTEP director, supervisor, or Corporate Governance Section of the Corporate Secretary Division  
PTT Exploration and Production Public Company Limited  
555/1 Energy Complex Building A, 33th Floor  
Vibhavadi Rangsit Road, Chatuchak, Bangkok 10900, Thailand
- 2) Fax to supervisor or Corporate Governance Section of the Corporate Secretary Division (+66-2537-4949)
- 3) E-mail to supervisor or Corporate Governance Section of the Corporate Secretary Division (cg hotline@pttep.com)
- 4) Report through PTTEP website (www.pttep.com)
- 5) Report through PTTEP Intranet (CG Portal)

In addition, if there is a complaint made in good faith regarding the Company's subsidiaries, the complaints can also be reported to the coordinator of those related subsidiaries.

In 2015, PTTEP received a total of five complaints through the CG Hotline. After reviewing the complaints, evidence and witness accounts, the Company's Corporate Secretary Division acknowledged three of the five complaints submitted. The complaints mainly involved an inappropriate conduct of the Company's employees and a lack of communication between the management and employees on the subject of "Human Resources" under PTTEP's Good Corporate Governance and Business Ethics policy. The complainants were subsequently notified of the results of the complaint reviews, while the violator was disciplined through a verbal reprimand based on the Company's guidelines on disciplinary actions.

### **9.1.3 Information Disclosure and Transparency**

#### **9.1.3.1 Disclosure of Financial and Non-Financial Information**

Information disclosure is a key aspect of a good corporate governance. PTTEP gives importance to the information disclosed to the Stock Exchange of Thailand (SET) as well as the shareholders. At the very least, the information must be accurate, sufficient, timely, and equally available to all parties. The information is prepared according to our Business Ethics

Guidelines. At PTTEP, the departments responsible for providing information and replying to external queries from the SET and the general public are the Investor Relations Section (IR) and the Corporate Communications Department.

Our information disclosure consists of financial information and non-financial information. Financial information is disclosed through financial statements which are reviewed and audited by the external auditor to confirm that they are presented accurately, in all material respects, according to the Thai Financial Reporting Standards. The financial statements are subsequently approved by the Audit Committee and the Board of Directors before being disclosed to the public. The Board reports their responsibilities with respect to the financial statements in the PTTEP Annual Report. In addition to SET's requirements, the Company also releases the un-reviewed quarterly financial statements and unaudited annual financial statements in advance to allow timely access to the financial information for the shareholders and investors. Unless stated otherwise, the information before and after review and audit usually and generally does not contain any significant changes. PTTEP also discloses non-financial information such as the acquisition and disposal of assets, related party transactions, dividend payments, management's discussion and analysis, risk management, invitation letter for shareholders' meetings, minutes of meetings, annual corporate governance report and the 56-1 Form, as well as other information which is important for investment decisions according to the requirements of SET and SEC.

Information that PTTEP discloses to SET, the Company's shareholders, investors and the general public are disseminated in both Thai and English in the Company's website which also features other up-to-date information viewed to be of interest to the aforementioned audience. Key information available in the website is petroleum exploration and production projects, investment projects, quarterly and annual analyst meeting presentations, webcasts, roadshow presentations, historical and latest stock performance, analyst coverage, and news releases. The Company also reports Safety, Security, Health and Environment performance which is included in the annual Sustainability Report. The Company also makes available in the website a downloadable excel spreadsheet which contains historical financial information and operating results to facilitate investors' access to information.

PTTEP also publishes a quarterly investor newsletter, called Explorer's Journal, which includes information that may be beneficial to our shareholders and investors, such as quarterly performance highlights, project updates, good corporate governance practices, topics on sustainable development, and knowledge sharing on the fundamentals of the exploration and production business. The newsletter is bi-lingual, Thai and English, and available in both

hardcopy and electronic formats. The latter can be downloaded from our website, effectively serving as another communication channel between the Company and the shareholders for news and updates. In 2015, PTTEP disclosed a total of 38 articles through the SET portal and organized the following activities for the shareholders and analysts.

Activities	Amount (Times)
Domestic and overseas roadshows/conferences	12
Analyst meeting	4
Opportunity day (by SET)	4
Shareholders' and investors' site visit	7
Knowledge sharing event for investor	4
Company visit and conference call	60

Apart from the activities above, the Company also participated in events organized by SET to meet retail investors, such as SET in the City and daily telephone correspondence. The information above can also be found at the AGM Meeting, while IR was readily prepared to provide information and answers to questions raised by the Company's shareholders.

PTTEP understands that disclosure of the information which is accurate, complete, timely, and transparent is one of the keys to CG&BE and therefore is committed to performing our best in this area.

#### 9.1.3.2 Investor Relations

The Investor Relations section (IR) is responsible for communication of relevant information and news that reflect PTTEP's fair value to analysts, the Company's shareholders, and general investors under the rules of SET and SEC in order to foster the confidence within the analysts and the investment community. In addition, IR is also entrusted with upholding the corporate image and perception among analysts and investors, while being readily available to serve the Company's executives over all IR-related issues whichever they might need.

Our IR can be contacted through the following three channels.

- 1) By phone: +66-2537-4378, +66-2537-5746, +66-2537-5304, +66-2537-4446 and +66-2537-5779
- 2) By e-mail: [ir@pttep.com](mailto:ir@pttep.com)
- 3) By fax: +66-2537-4444

#### 9.1.4 Board's Responsibilities

The followings are the major responsibilities of the Board. The full details are disclosed in the "Duties and Responsibilities of the Board" part.

1) Policy-Making and Operational Direction

The Board is responsible for making decisions regarding PTTEP's operational policies and determination of the corporate vision, mission, and values. The Board is also assigned to be directly involved in the Company's budgetary and planning, and organization development strategy to accommodate continuous changes in the business environment, as well as to provide the management with advices to lead the Company toward our five ultimate goals, being "Growth, Prosperity, Stability, Sustainability and Dignity".

2) Good Corporate Governance and Business Ethics

The Board is responsible for establishment of PTTEP's CG&BE for all of the directors, management, and employees to adhere to while operating businesses for PTTEP Group. This is to ensure that our businesses are operated under good standards, justification and ethics with transparency and efficiency. Moreover, the rights of the Company's stakeholders are preserved proportionately to their fair share to maintain the general confidence and acceptance in the Company. The Corporate Governance Section meanwhile has been established to be responsible for matters regarding CG&BE.

3) Internal Control and Auditing

The Board is responsible for assuring that PTTEP Group is equipped with an effective internal control system that is comparable to the acceptable risk levels. The Audit Committee and the Internal Audit Department are assigned to periodically and regularly review and monitor the internal controls as well as to submit the results directly to the Audit Committee to ensure that they are in line with the operational objectives of PTTEP Group, in compliance with relevant laws and regulations, and in trust of the management, investors, and other stakeholders.

Our internal control system is comparable to those accepted by the international standards, considering the control environment, risk assessment relative to objectives, effective control plans, internal and external provisions of adequate and reliable information and communications, as well as routine monitoring and evaluation procedures.

4) Risk Management

The Board is responsible for regulating and overseeing the management of risks which can potentially deter PTTEP from achieving our strategic goals. In doing so, the Board has appointed the Risk Management Committee which is a standing sub-committee to monitor and ensure an efficient and effective management of risk for PTTEP Group as defined by

the Risk Management Charter of 2014. The Risk Management Committee has also been assigned to assess the significant risks at the organizational and project levels, evaluate and monitor operational plans, oversee the implementation and revision of risk mitigation to allow for continuous evaluation of risks in order to ensure that the risks are at acceptable levels, as well as to report the results to the Board regularly.

5) Prevention of Conflicts of Interest

The Board establishes various management measures to ensure that the management is efficient and transparent and acts in the best interest of PTTEP Group, by assuring that the Company and our management are without any conflicts of interest. Shall anyone of the Company's directors, executives, or employees have a stake potentially leading to a conflict of interest, he or she must withdraw from participation or be abstained from voting in the given issue. Consequently, a report must be filed to inform the authority of the stake according to our Business Ethics as specified for the directors, management, and employees to follow as our business codes of conduct.

6) Compliance

The Board values importance of full legal compliance in all of the areas in which PTTEP Group operates. The Board also provides the Group with the supports required to conform to the applicable laws and to properly manage relevant compliance risks. Compliance is considered one of the keys that allow the Group to function discretely as well as to be able to operate according to our strategy toward the business goals. The Compliance Department has been assigned by the Board to be responsible for this matter.

## 9.2 Sub-Committees

The Board is responsible for appointing the directors who have expertise and knowledge in certain areas according to the regulations specified by PTTEP. Each sub-committee meanwhile is responsible for a specific set of tasks specified by its respective charters' directors. Qualifications, responsibilities and service terms of the sub-committees are prescribed by the Company's regulations through the designated charter. All the members of the Audit Committee and the Corporate Governance Committee must be independent directors, while the majority of the members of the Nominating and Remuneration committees must be independent directors. The Chairman of the Board however is not allowed to obtain any chairmanships or directorships in the sub-committees. In addition, each Chairman of all sub-committees, only with exception of the Risk Management Committee, must be an independent director.

From every meeting, the sub-committees are required to report the results to the Board for acknowledgement as well as to disclose in the 56-1 Form and PTTEP Annual Report of their duties completed over the year.

Currently, the Company has five sub-committees, namely, (1) the Corporate Governance Committee, (2) the Audit Committee, (3) the Remuneration Committee, (4) the Nominating Committee, and (5) the Risk Management Committee. More details about the directors' names, duties and responsibilities, meeting attendance, and remuneration policy are disclosed in the "Management Structure" section. For the reports of all the sub-committees, they are disclosed in the "Reports of the Sub-Committees" part.

### **9.3 Nomination of Directors and Management**

#### **9.3.1 Nomination of Directors**

When there is a vacancy of a director position, it is a duty of the Nominating Committee to select the candidates. The process begins with the Committee going through a list of directors from state-owned enterprises (Directors' Pool), gathered by the State Enterprise Policy Office (SEPO) whose top personnel are regarded as highly-qualified in the area of state-enterprising. In addition, PTTEP also seeks advices from our major shareholder, PTT, as well as from the Company's minority shareholders (if any) according to the rules regarding nomination of a person to fill in the positions which are due to retire by rotation in advance. The Company places importance on those individuals with expert skills, experience, and the qualifications which are crucial, yet perhaps remained missing in the Boardroom, to the Company's business in making the organization more completed and well-rounded for the optimal benefits of PTTEP Group. Potential conflicts of interest of the new director are also being considered during the process. More details are disclosed in the "Management Structure" section.

Election of directors to replace those who are due to retire by rotation must obtain an approval from AGM by the majority vote which is based on the number of the Company's shareholders with voting eligibility at the Meeting. The election process is as follows:

- 1) The Nominating Committee proposes a list of qualified candidates, firstly to the State Enterprise Policy Committee in accordance to the Regulations of the Office of the Prime Minister on State Enterprise Policy and Governance Determination, then to the Board for their review prior to the annual general shareholders' meeting. The approved proposal would also include comments, if any, from the Board or the State Enterprise Policy Committee. PTTEP's shareholders meanwhile may also nominate other individuals whom they see fit for the director position. The Company provides channels for the minority shareholders to nominate the

candidates prior to the meeting each year from October 1 to December 31. We declare this process through SET, newspaper and also publish on the Company's website. The details of the disclosure on the website include the procedures for the shareholders to nominate a candidate, together with the Director Nomination Form.

2) Should the number of the director candidates be less than the number to be elected, PTTEP will propose at the shareholders' meeting to elect those candidates as the directors by voting for the individual candidates, under which each of them must receive majority votes.

3) Should the number of the director candidates exceeds the number to be elected, a ballot is to be held. Each shareholder may vote for as many director candidates as the number of the opened positions, and voting will then be carried out for the individual candidates. Those with the highest ballots will be elected, as many as the number of opened positions accommodates. Each of them must receive majority votes.

When a director position becomes vacant for reasons other than rotation, the Board may elect a new director, using the three-fourth majority voting rule, with approval from the State Enterprise Policy Committee. The elected director however is to remain in his or her directorship for only as long as the remaining term of the predecessor.

### **9.3.2 Nomination of Management**

The Board has granted the President and Chief Executive Officer an authority to select and appoint the individuals who possess the right knowledge, capabilities, and experience to the management positions in consultation with the Career Review Board Committee (CRB) and in accordance with PTTEP Rules and Regulations for Human Resources Management. The nomination must then be acknowledged by the Board. Exceptions are made in the case of appointing of the Executive Vice Presidents, and the President and Chief Executive Officer where the Board's approval is required. If the nominee is from outside of the organization, an interview with the interview committee is required. Nomination of the Head of Audit Department meanwhile requires an approval from the Audit Committee.

## **9.4 Development of Directors and Executives**

### **9.4.1 Directors Development**

#### Orientation of New Directors

Orientations are provided to the Company's new directors and consist of the following elements.

1) Presentation by the President and Chief Executive Officer, and executives: This briefing involves the nature and the operation guideline of the business, knowledge and techniques regarding to the petroleum exploration and production business of PTTEP Group, relevant rules and regulations, CG&BE, and essential information for the directors to perform duties with efficiency.

2) Director Manual: This contains essential information, including strategic plan, relevant rules and regulations, and CG&BE, which will be beneficial for him or her to perform the director's duties. The Manual is regularly reviewed and updated for the directors to use as a reference.

3) Plant visit: New directors will visit operational sites of PTTEP Group as appropriate to increase their understanding of PTTEP business operations.

At the end of each orientation, new directors will evaluate the effectiveness of the orientation for further improvement. The director elected to be the Chairman and/or a member of the sub-committee is also required to attend an extra session in order to be informed of the important subjects which come with the additional new role, including performing duties of the Chairman and/or a member of the sub-committee with efficiency as well as conducting and leading meetings of the Company's directors and shareholders.

#### Trainings of Directors

PTTEP directors are knowledgeable and ambitious to learn and understand more about the business and their duties as a director; the Company therefore fully supports them to attend seminars and trainings which were organized by the Thai Institute of Directors Association (IOD) and are related to the Company's business operations. The followings are the details of the seminars and trainings attended by eight of the Company's directors during 2015.

Directors	Courses
1) Mr. Prajya Phinyawat	- The 1st PLATTS-PTT Day Academic Seminar by PTT and Platts McGraw Hill Financial
2) Mr. Tevin Vongvanich	- Anti-Corruption for Executive Program (ACEP 15/2015) by IOD
3) Mr. Manas Jamveha	- Ethical Leadership Program (ELP 1/2015) by IOD
4) Admiral Tanarat Ubol	- Director Certification Program (DCP 204/2015) by IOD - Ethical Leadership Program (ELP 1/2015) by IOD - Thailand CG Forum: Governance as a Driving Force for Business Sustainability by The Stock Exchange of Thailand



Directors	Courses
5) Mr. Sethaput Suthiwart-Narueput	- Advanced Audit Committee Program (AACP 18/2015) by IOD - Risk Management Committee Program (RMC 6/2015) by IOD
6) Mr. Piti Tantakasem	- Director Certification Program (DCP 202/2015) by IOD - Anti-Corruption for Executive Program (ACEP 15/2015) by IOD - Energy Literacy for a Sustainable Future Program (Class 6) by Thailand Energy Academy
7) Mr. Wirat Uanarumit	- Director Certification Program Update (DCPU 5/2015) by IOD - Thailand CG Forum: Governance as a Driving Force for Business Sustainability by The Stock Exchange of Thailand
8) Mr. Songsak Saicheua	- Anti-Corruption for Executive Program (ACEP 15/2015) by IOD

Currently, out of 15 of the Company's directors, 9 of them have participated in IOD's Director Certification Program (DCP), while two of them have attended the IOD's Director Accreditation Program (DAP). Therefore, there are 11 out of 15 directors (73.34%) who have attended the two mentioned courses. In addition, PTTEP has applied an IOD membership for all of the directors and provided them with information regarding new and updated seminars or trainings to keep the directors consistently informed. More details on the training courses attended by the directors are disclosed in the "Information of the Board of Directors, Management and Corporate Secretary of the Company" part.

To continuously provide knowledge and share opinions with the directors, PTTEP has invited guest speakers from Wood Mackenzie Limited to provide lecture session and exchange opinions with the Board on "Upstream Briefing" in 2015. The Company also updates the directors regularly with laws and best practices regarding good corporate governance for their stronger understanding.

#### 9.4.2 Management Succession Plan

PTTEP has a systematic succession planning for key positions to replace retiring staff and/or fill new positions in the next 5 years as a result of the Company's expansion domestically and internationally in order to serve our business growth. The Career Review Board Committee (CRB) is authorized to select and appoint successors to compare with PTTEP Management Success Profile in each of the business areas (Asset Management, Business Development, Technical Support and Business Support). The profile includes Competency, Personal Attribute, Organization Knowledge and Experience to the targeted key positions, and Currently Estimated

Potential (CEP) result. Thereafter, individual development short- and long-term development plans, focus on technic behaviors and also organization culture, will then be created to ensure that the successors will be ready and qualified for the positions that they will assume.

#### **9.4.3 Nomination and Succession Plan of the President and Chief Executive Officer**

The Nominating Committee is responsible for considering the candidates' skills, experience, and various other specific qualifications of the candidates to bring about the best of interests to PTTEP, i.e., strategic vision in energy business and successful experience in managing capital projects as well as looking into their probable conflicts of interest. After the consideration, the Committee will propose the qualified candidates to the Board for approval.

PTTEP formulates a succession plan for the President and Chief Executive Officer to prepare the Company in case where the President and Chief Executive Officer is unable to perform his or her duties or when the serving term is completed. The plan helps to minimize the risks and the impacts, potentially resulting from the discontinuity, on the management. The succession planning procedure is as follows:

1) PTT Group Management Committee (PTTGMC), a committee in which the Company's President and Chief Executive Officer is a director, forms the Group Leadership Development Program (GLDP). The program primary focus is to enhance the capability of PTT Group's executives, senior vice presidents and above to prepare them for the possible nomination to become a President and Chief Executive Officer in one of PTT Group of companies.

2) PTTGMC, with PTT being the Company's major shareholder, reviews the shortlisted executive names from 1) above and proposes them to PTT's Board of Directors who is responsible to select PTTEP's next President and Chief Executive Officer.

3) After receiving the candidate names, accompanied by opinions of PTT's Board from 2) above, and comparing with PTTEP's potential candidates in the Executive Vice President level, the Company's Nominating Committee will reassess the individual's knowledge, capability, and experience beneficially related to the business, conflict of interest, and his or her vision to lead the Company to grow according to the strategic plan.

4) The Nominating Committee proposes the name of the final candidate, together with the opinions and a fair and reasonable package of the Remuneration Committee, to the Board for approval and appointment of the Company's new President and Chief Executive Officer.

## 9.5 Authority of the President and Chief Executive Officer

### 1) Authority under Resolutions from the Shareholder Meetings

The President and Chief Executive Officer is the authorized signatory who may sign to bind PTTEP with external parties under clause 9, paragraph 6, of the Company's Articles of Association registered with the Ministry of Commerce.

### 2) Authority under Resolutions from the Board's Meetings of PTTEP

The Board authorizes the President and Chief Executive Officer to act and conduct, on the Company's behalf, normal course of business operations under the stated objectives in our Memorandum of Association, petroleum concessions and other agreements, including other businesses in which the Company has interests. In addition, the President and Chief Executive Officer is also authorized to be the acting body and conduct the business under PTTEP regulations, namely, the Budgetary, Finance and Accounting Charter B.E. 2555, Regulation on Human Resources Management B.E. 2548, Regulation on General Procurement B.E. 2558, Regulation on Procurement for E&P Business B.E. 2558, and Regulation on Project Investment Management B.E. 2557, by applying of the practices comparable to those of other private companies in the E&P business as well as in best interests of the Company. Delegation of the authority is permitted unless the concerned attorney has a direct or indirect conflict of interest with the Company or our subsidiaries in exercising of the authority.

## 9.6 Corporate Governance Concerning Subsidiaries and Associated Companies

PTTEP has continuously expanded our E&P business both domestically and overseas. Due to the continuous expansion, establishing subsidiaries and/or associated companies in various regions is necessary for the investment purpose, the efficiency and competitive advantages comparable to other international oil companies as well as the operational flexibility by taking into account of various factors such as, laws and regulations, financial structure, tax regimes, business and investment conditions, and risk management.

PTTEP's policy is to manage our subsidiaries as "One Company" with the view that they must strictly follow the Company's business direction and strategy. Subsidiaries' operations are mainly managed by the Company's executives and employees, while adopting PTTEP's management and internal control systems. In managing our associated companies, PTTEP nominates representatives to serve as a shareholder and/or a member of the Board of Directors

at least to a proportion corresponding to the Company's shareholding interest held in each associated company in order to be able to effectively define the overall business strategy and policy of these companies. To manage both the subsidiaries and associated companies, the Company adheres to the Good Corporate Governance and Business Ethics of PTTEP Group to ensure effectiveness, transparency, fairness, and achievement of our business goals.

With respect to the directors of the Company's subsidiaries and/or associated companies, PTTEP assigns the executives responsible for the project under such subsidiary and associated company as directors of these entities to ensure that the companies are managed in line with the Company's business direction and strategy. The Company may also appoint a local director, if required by the laws and regulations or investment conditions of the specific countries. To provide operational flexibility for the subsidiaries and associated companies, PTTEP delegates sufficient authority to directors of those companies as specified by the Corporate DAS (Delegation of Authority and Signatures), similarly to the practice of other leading E&P companies. The subsidiaries and associated companies meanwhile are obligated to report their performance to the Company on a quarterly basis in order to ensure their performance and effectiveness.

#### **9.7 Directors' Serving Terms and Their Directorship in Other Companies**

PTTEP prescribes that one-third of the directors shall be retired by rotation in each AGM. According to PTTEP's Articles of Association, the Board shall consist of no more than 15 members, each with a 3-year serving term. Effective since 2006, the Board has determined that all of the Company's directors, including independent directors, are allowed to be in the directorship for no more than three consecutive terms or nine years. This essentially allows our competent and qualified directors the time to continuously and effectively perform duties for PTTEP.

A two-term limit, or six years in equivalence, is too stringent for the Company to benefit from the capability and experience which our directors have earned over the years in the position as well as often too soon for the Nominating Committee to best select the replacements for the optimal benefits of the Company and our shareholders.

In terms of the qualifications, PTTEP's directors shall not assume a directorship or executive-level position in more than four listed companies at once. More details on the number of directorships held by each of the Company's directors are disclosed in the "Information of the

Board of Directors, Management and Corporate Secretary of the Company” part. Currently, none of the directors holds a directorship or executive-level position in more than three other listed companies. Similarly, serving term in each sub-committee, namely, Audit Committee, Remuneration Committee, Nominating Committee, Corporate Governance Committee, and Risk Management Committee, is equivalent to each director’s Board term. For practicality purpose, the Board has resolved on October 22, 2015 to adjust this regulation from the previous sub-committees’ serving term of three years. This modification will be effective in April 2016 onwards.

#### **9.8 Roles of the Chairman and the President and Chief Executive Officer**

The Chairman, and President and Chief Executive Officer of PTTEP are of two different directors. The Chairman does not participate in the daily management of the business, providing that conducting and monitoring of the business policies are entirely separated from the daily operational management. Duties and responsibilities of the Chairman of the Board are as follows:

- 1) Lead and supervise the Board to perform its duties with efficiency, and independency from the management
- 2) Determine agenda of PTTEP’s meetings with the President and Chief Executive Officer as stipulated in the duties and responsibilities of the Board
- 3) Be the Chairman at meetings of the Board and the shareholders to ensure that all of the Company’s directors carry out their duties as stipulated in CG&BE

For transparency and appropriateness, the Chairman is not allowed to hold any positions in any of PTTEP’s sub-committees as clearly stated in the charter of the sub-committees. The President and Chief Executive Officer meanwhile is responsible for the Company’s daily management with the authority as empowered and granted by the Board.

#### **9.9 Independence of the Chairman**

PTTEP considers independency as the first priority in electing the Company’s Chairman of the Board. Shall there be none who is suitable for the position, other of the Company’s directors will be considered. The current Chairman, Mr. Prajya Phinyawat, is an independent director and has performed his duties with autonomy and discretion (The appraisal score of the Chairman in 2015 was 4.95, and it was close to 5, the highest score). The Chairman and his performance are appraised and examined for future improvements by the Board members. More details on the appraisal results are disclosed in the “Performance Appraisal of the Board” part.

In addition, all of the Company's directors are allowed to independently express their views with freedom regarding the business operation, whether in the meetings of the Board, sub-committees, or in other occasions. This is to ensure that the management is able to operate the businesses with efficiency, accuracy, transparency, and in the best interests of the shareholders.

#### **9.10 Policy and Practices for the President and Chief Executive Officer, and Executives with Directorships in Other Companies**

PTTEP recognizes value of the knowledge and experience which the President and Chief Executive Officer, and executives have gained from holding a directorship in other organizations outside PTTEP. To ensure a productive, an uninterrupted and effective management, the Company however clearly states in CG&BE regarding the duration which the President and Chief Executive Officer, and executives are allowed, on only-if-necessary and no-harms-done basis, to hold a directorship position in other companies or organizations which are not of their own or families. In addition, the individuals must be given an approval from the Company's authorized personnel as well as accept the condition that they shall not, in every aspect, associate the Company and their position held in the Company in those external activities. Meanwhile, remuneration of the executives who are assigned by the Company to assume a directorship in the organizations or units in, or related to, the petroleum exploration and production are considered PTTEP's; otherwise, the remuneration is considered theirs. More details on the number of directorships held by each of the executives are disclosed in the "Information of the Board of Directors, Management and Corporate Secretary of the Company" part.

#### **9.11 Conflict of Interest Policy**

PTTEP, with the following principles, is committed to preventing all potential conflicts of interest to ensure the Company's stakeholders' confidence that our business management is efficient, transparent, and in compliance with CG&BE.

- 1) Directors, management, and employees shall treat the interests of PTTEP Group with priority and shall not involve or be involved in any activities potentially leading to a conflict of interest.
- 2) Directors, management, and employees shall review and disclose their transactions potentially leading to a conflict of interest to the Company.
- 3) Directors, management, and employees shall not participate in considering or voting in any matters in which they have stakes and, if such exists, shall completely disclose the information.

4) Directors, management, and employees shall strictly adhere to the laws and regulations as required by SET, particularly when involved with connected transactions.

PTTEP establishes preventive measures of conflict of interest as follows:

1) Directors, management, employees, and related persons must avoid financial involvement or engagement in a relationship with outsiders which may result in PTTEP Group's loss of benefits, conflicts of interest, or operational inefficiency.

2) Directors, management and employees who may have a potential conflict of interest regarding procedures relating to a bidding process, and selecting and awarding of the transactions must report to their supervisor or those participating in the given process through the Company's "Conflict of Interest Declaration Form". They must also withdraw themselves from participating in such processes.

3) Directors, management, and employees must notify the Company immediately if there is a suspicion or uncertainty that what they or their related persons are involved in or their shareholding in the business that has a transaction with the Company may lead to a conflict of interest.

#### **9.12 Business Ethics**

PTTEP is committed to operating ethically as Business Ethics are regarded as the behavioral framework and guideline for the Company's directors, management, and employees to carry out our business operations effectively, transparently, and ethically, as well as to treat all of the stakeholders fairly. These practices will result in confidence and acceptance in the efficiency and transparency of the Company's business operations, thereby creating a long-term sustainable value for all the stakeholders.

The Business Ethics of PTTEP Group is a part of CG&BE. The Board first established the Business Ethics in 1989, and it has since been revised every year. The current version of CG&BE was approved by the Board on January 28, 2016, and it is regarded as the highest regulation for operating of businesses with PTTEP Group. The new structure of CG&BE enables the audiences to understand the contents with less difficulty. In addition, more details on the measures for implementation of anti-corruption were added. CG&BE is available for download from the Company's website.

Components of our Business Ethics consist of principles, samples of questions and answers, information for additional study, and the departments which are responsible for each of the principles. There are 10 ethical issues reflecting our organizational values in operating of the businesses to which all of the Company's directors, management, and employees must adhere.

- 1) Compliance with the Laws, Regulations and Rules, and Respect for Different Customs and Cultures
- 2) Political Neutrality
- 3) Human Resources
  - Workplace Environment
  - Privacy, Equal Treatment and Anti-Harassment
  - Illegal Drugs, Substance Abuse and Alcohol
  - Outside Employment, and Executives and Employees' Participation in Outside Activities
- 4) Use and Protection of Information and Assets
  - Keeping Records, Using, Disclosing and Safeguarding Information
  - Use and Storage of Electronic Data and Information Technology Resources
  - Use and Protection of Intellectual Property
  - Insider Trading and Use of Inside Information
- 5) Conflicts of Interest
- 6) Procurement and Contracts
- 7) Anti-Corruption
- 8) Trade Competition
- 9) Anti-Money Laundering
- 10) Safety, Security, Health and Environment

PTTEP distributes CG&BE booklets to all of our directors, management, and employees for their reference and adherence. They are also required to sign their name as an accord to be committed to applying CG&BE principles and carrying them out to the highest working standards. In addition, the booklets are provided to the Company's business partners, regulatory organizations, parties with regular business relationships with the Company and other interested parties. For the convenience of the shareholders, investors and interested parties, contents of the CG&BE booklets can also be found on the Company's website under the Corporate Governance section.

PTTEP continuously enhances and promotes the knowledge and understanding of CG&BE among the directors and personnel. The Board governs the ways which CG&BE is communicated to the directors and personnel to ensure that they are able to perform and conduct the business according to CG&BE. The means of the communication endorsed by the Board are as follows:



1) Developing PTTEP's CG&BE system and policy to conform with the "PTT Way of Conduct" guidelines to ensure consistency in all aspects of the operations of PTT Group and to add value for the benefits of all the parties, emphasizing collective understanding of the policies, procedures and actions especially in the area of anti-corruption.

2) Developing a complaint handling system which is credible and meets the international standards. The complaint system is not only a system which links all information during the entire complaint lifecycle starting from the submission to resolution but is also a system that notifies the complainant of the progress of the complaint handling. The system allows all complaints which the Company has received to be securely stored and conveniently searched. The system has also been expanded to include all the complaints received locally and overseas by the subsidiaries under PTTEP. All these developments have helped to improve the efficiency of the Company's complaint handling and are in line with the Company's growth strategy.

3) Promoting the knowledge and understanding of CG&BE policy among the Company's directors, management, and employees through activities covering target groups at all levels and age groups. The activities have been designed with consideration for interest and knowledge levels of the target groups as well as expanded to include the stakeholders outside of the Company such as vendors in order to ensure the optimal results. Activities held can be summarized as follows:

3.1) Organizing a workshop regarding the Foreign Corrupt Practices Act (FCPA) as part of an effort to promote CG&BE knowledge among the Company's directors and management. The workshop focused on highlighting useful contents of CG&BE for the directors and management and encouraging them to put what they had learned into practice.

3.2) Organizing two orientation programs for new executives and members of the Corporate Governance Committee with lectures on an overview of CG&BE and the scope of responsibility of the Corporate Governance Committee.

3.3) Organizing four CG&BE orientation programs for new employees of PTTEP and PTTEP Services which is a subsidiary of PTTEP in order to provide them with a basic understanding of CG&BE.

3.4) Organizing a workshop on "GRC Induction for New VPs (GRC: Governance, Risk Management, Internal Control, and Compliance)" for new executives with a focus on the significance of CG&BE and the responsibility of the executives in being "CG Leaders". The workshop also offered an opportunity for the participants to exchange their thoughts and experience concerning good governance.

3.5) Organizing the “CG&BE in Myanmar” activity for the Company’s executives overseeing the project in Yangon, Myanmar. The activity was aimed at promoting CG&BE in an international market. The Corporate Governance Committee also took part in this activity in order to underline the importance of CG&BE, while the executives were given an opportunity to discuss CG&BE and exchange their thoughts on the matter. The results from this activity were used as a reference in establishing the development plan for 2016 which includes translating CG&BE into Burmese.

3.6) Organizing the “CG&BE Workshop 2015” for offshore staff. This workshop was held for the second consecutive year for the Company’s executives and staff of all the units at the headquarters and S1 Project. It was aimed at encouraging an exchange of opinions and knowledge transfer on CG&BE and promoting *EP SPIRIT* and Integrity & Ethics in order to improve work efficiency and promote bonding within the Company. This year the workshop’s format and content were revised to better suit our offshore staff for a higher operational efficiency. Four of the executives and 60 staff members took part in the workshop.

3.7) Organizing the GRC Course 2015 (GRC: Governance, Risk Management, Internal Control, Compliance) which was a full-day course for the Company’s new employees. The course was held twice with the aim to create a better understanding of CG&BE. The course also highlighted the importance of CG&BE and encouraged the participants to put CG&BE into practice.

3.8) Organizing the GRC Specific Communication 2015 program to enable the Company’s executives and employees to learn about good governance through “Educational E-Mail”. The program also included electronic tests available on the website, accessible via computers, smartphones and tablets. This program was an extension of “GRC E-Learning” held in the previous year, aiming at developing the employees’ understanding of Business Ethics (BE). For 2015, the program focused on the following four issues found to be the least understood by the employees in order to reduce the risks of our ethics code being violated:

- (1) Conflicts of Interest
- (2) Use of Internal Data
- (3) Procurement
- (4) Accepting Gifts, Hospitality and Other Favors

3.9) Revising PTTEP’s Supplier Code of Conduct for the Procurement and Contract Department to conform with the policies of regulatory bodies such as the Securities and Exchange Commission and the Stock Exchange of Thailand. The revised code, which has

become more proactive in expanding anti-corruption efforts, now requires the suppliers to accept and comply with PTTEP's Business Ethics (BE) policy as well as join in the efforts with the Company to counter corruption. This effort underlines PTTEP's commitment to encourage our suppliers to seriously adopt the policies and practices which are corruption-free as well as to create a good culture in the business sector and society.

3.10) Organizing the PTT Group CG Day annually the other companies under PTT Group (PTT, PTTEP, PTT Global Chemical, Thaipet, IRPC, and Global Power Synergy). The event was held for the seventh time under the title "Shade of Sharing ... Passing the Power Forward". The event was aimed at raising awareness and consciousness among all levels of PTT Group's personnel of our efforts to fight corruption so that they can put what they learned into practice for benefits of all the stakeholders. A total of 633 people took part in the event. This included vendors outside of PTT Group who took part for the first time to learn of the Group's anti-corruption efforts and guidelines relating to vendors as well.

The Corporate Secretary is in charge of reporting to the Corporate Governance Committee and, on a quarterly basis, the Board of the Company's effort to promote CG&BE to ensure them that substantial results are achieved. Currently, the Corporate Governance Committee is reviewing the 2016 operation plan, while taking into account the 2015 evaluation results, in order to ensure continuity and efficiency for the development of the operation plan.

### 9.13 Internal Controls

PTTEP Group has placed particular emphasis on an efficient system of internal controls as it is one of the key foundations for the Group to achieve the three objectives, namely, 1) efficient and effective operations, prudent use of resources and safeguarding of assets, 2) accurate, reliable, timely and transparent disclosure of financial and non-financial reporting, and 3) be in compliance with laws, rules and regulations as well as PTTEP Group's policy and procedure.

Our system of internal controls is based on the updated COSO (The Committee of Sponsoring Organizations of the Treadway Commission) framework of 2013 which is a guidance of the Office of Securities and Exchange Commission and the State Audit Commission. The framework comprises the following five components.

#### 1) Control Environment

PTTEP performs the businesses under the standards of good corporate governance in order to meet our corporate objectives, of "Growth, Prosperity, Stability,

Sustainability and Dignity". The Company has designed the organization structure and reporting lines as well as delegated the authority within PTTEP Group in such manner where appropriate and distinct roles and responsibilities between the Board and the management are established in balance to enhance the effectiveness of our system of internal control system.

Meanwhile, we also give importance to human resources management by developing our processes to attract, develop and retain competency individuals in alignment with the Company's objectives, in addition to holding individuals from both the management and employees accountable for their internal control responsibilities in the pursuit of our objectives.

2) Risk Assessment

PTTEP acknowledges importance of the risk management by appointing the Risk Management Committee to be responsible for regulating and overseeing the effectiveness of the risk management. The Company has implemented ISO31000 Risk Management Process which is applied throughout the organization, including strategic planning, investment and divestment, capital project management, and all business processes. Risks from internal and external factors as well as potential of fraud risks impacting PTTEP Group's objectives are identified, while their impacts and likelihood are assessed. The risks then are mitigated by appropriate action plans and continuously monitored. We also identify and assess changes which can significantly impact our businesses in order to ensure that the system of internal controls will be adapted in a timely manner. This year, we have conducted control self-assessment in the areas of fraud risks and change management in order to be in line with new COSO framework.

3) Control Activities

PTTEP has efficient control activities that mitigate risks to the acceptable levels which are appropriate for our business and environment. Control activities include variety of controls which may include a balance or a mix of approaches to mitigate risks such as deployment through regulations, policies, and working procedures which are reviewed and improved consistently. The Company also selects and develops several general controls over technology to ensure that the controls are associated and effectively applicable to our objectives. Meanwhile, we also encourage the employees to be aware of the importance of strictly performing control activities and following related laws and regulations to ensure that our control system is effective as designed.

4) Information and Communication

PTTEP realizes the importance of information and communication by providing accurate, complete, timely, accessible, protected, verifiable, and sufficient reporting of financial and non-financial information to support effective decision making and the efficiency of internal

controls. In addition, the Company has excelled at both the internal and external communications by establishing specific departments to effectively communicate required information, including objectives and responsibilities for internal controls, necessary to support the functioning of internal controls to all of the stakeholders. The Company has also set up a special channel for communication to allow the stakeholders to report concerns or pressing issues with confidentiality.

5) Monitoring Activities

PTTEP continually monitors and evaluates whether controls are presented and followed every year at both organization and process levels to ensure that the Company's internal controls continue to be adequate for the current environment and changing risk factors. Where there are areas for improvement, action plans and suitable personnel are established for timely resolution. In addition, the Internal Audit Department evaluates the internal control compliance regularly to ensure that each of the operations is still in line with the Group's objectives, whereas the evaluation results are reported to the Audit Committee on a regular basis.

More details on the results of the 2015 internal control adequacy evaluation are disclosed in the "Internal Controls and Risk Management" section.

#### 9.14 Risk Management

PTTEP's Board and management recognize the importance of strong and effective risk management as changes in business environment are uncontrollable and may impact business of the Company. PTTEP therefore established the Risk Appetite Statement and Metrics to be the framework for conducting the business. Risk management is considered a responsibility of all personnel. The Company has a Risk Management Policy that requires the directors, management, employees, suppliers and contractors to manage risk thoroughly and systematically to assure our target achievement.

PTTEP has applied the guidelines of risk management of ISO 31000, an international standards for risk management, throughout the Company. Risk management practices are taken into account within the organization at all levels, including corporate, function groups, divisions, departments, working units, project management, and assets management, as well as processes such as investment and divestment decision making.

The Risk Management Department is responsible for ensuring the adequacy of the risk management system and its effectiveness across the organization. In addition, the Department is responsible for systematically and effectively mitigating PTTEP's exposure to risks, as well as monitoring the results and continuously reporting them to the management, the Risk

Management Committee, and the Board. The Risk Management Department is also responsible for the cultivation of a positive risk management culture all over the organization.

#### 9.15 Remuneration of Auditor

##### 9.15.1 Remuneration of Auditor

###### (1) Audit Fee

For the year 2015, PTTEP and its subsidiaries, both domestic and overseas, had audit fees with the Office of the Auditor General of Thailand (OAG) and other auditing firms for a total of USD 1.2 million.

###### (2) Non-Audit Fee\*

For the year 2015, the Company did not pay non-audit fee to the OAG.

\*Remarks: "Non-Audit Fee" - This terminology is commonly used by Securities and Exchange Commission of Thailand (SEC reporting requirement).

##### 9.15.2 Summary of the Auditors' Report for the Past Three Years (2013-2015)

The OAG expressed an unqualified opinion in the Auditors' Report on the PTTEP consolidated financial statements for the past three years.

#### 9.16 Other Good Corporate Governance Practices

PTTEP places importance on governing our business operations with CG&BE as well as most of the best practices followed internationally by integrating them with our existing practices, while also taking into account the appropriateness, current business environment, and the benefits for the Company, and our shareholders and stakeholders. Some of the practices are resulted from our continuous effort to surpass the requirements of CG 2012 established by SET such as follows:

1) For an election of a director, each candidate must receive a vote of more than half of the total number of shareholders attending the shareholders' meeting and casting their votes (majority vote) even if the number of candidates is equal to the number of director positions required from the election at the time.

2) A director, who turns 70 years of age, is immediately disqualified to serve as a director of PTTEP.

3) A director's serving term cannot be more than three consecutive terms or nine years, without any exceptions.

4) The total number of independent directors must not be less than half of the total number of directors.

5) The right to attend a shareholder meeting must be carefully examined to ensure that granting of a proxy is conducted properly to not interfere with rights of the shareholders who attend the meeting.

6) Performance appraisals of the Board and the sub-committees are conducted with integrity using the Performance Evaluation Form and the Board Performance Target. Appraisals include an individual self-appraisal and individual cross-appraisal by other directors, an appraisal of the Chairman, and an appraisal of the Board and each sub-committee. Results of the appraisals are then translated into plans for further performance improvements of the directors.

7) In 2015, the Independence Directors Committee had four meetings to discuss and exchange opinions on significant and beneficial matters related to the Company and our shareholders. More details are disclosed in the “The Independent Directors Committee Report 2015” part.

8) Effective and tailored activities were organized to promote the understanding of CG&BE for the Company’s directors, members of specific committees, executives and employees. The activities had clear planning and performance indicators for evaluating knowledge and a system for keeping track of the results. The Corporate Governance Committee was in charge of planning the activities and designing performance indicators, and also took part in the activities along with executives and employees in order to underline the importance of the activities. The Corporate Governance Committee was also responsible for monitoring to ensure that substantial results were achieved. The activities were also extended to vendors in order to foster a good culture in the business sector and society. Details of the activities are disclosed in the “Business Ethics” part.

PTTEP has also implemented the following practices.

1) PTTEP has always placed importance on independency of the Chairman by setting it as the first priority for the Chairman nomination. If there are other reasonable and appropriate factors, the Company however will also consider other fundamental attributes such as business-related knowledge and expertise, working experience, and leadership characteristics as well as the performance appraisal results to ensure that the Chairman governs the Company with full independency. Currently, the Company’s Chairman is an independent director. More details are disclosed in the “Independence of Chairman” part.

2) PTTEP’s Articles of Association (AoA) stipulates that the number of PTTEP directors shall not be less than five but not greater than 15. As of December 31, 2015, the Company has 15 directors. This is in line with the Company’s AoA and the business environment of the petroleum exploration and production where experts from numerous disciplines are required in order for the directors to adequately and effectively monitor various areas of the business operations. Currently, PTTEP has five sub-committees which are responsible for specific tasks as described in their respective regulations. All of the Company’s five committees’ performance are assessed on a yearly basis.

3) The Board comprises directors representing a mix of balanced skills in several fields which are beneficial for the petroleum development and production business. The Nomination Committee also places importance on candidates with diverse skills, experiences, expertise, and other qualifications during the nomination process to ensure that the Board's composition is complete and most suitable to PTTEP Group. In addition, we also have a policy against gender and racial discrimination.

4) PTTEP determines that at least one member of the Audit Committee must possess adequate experience in or knowledge of finance and accounting to audit with reasonable assurance of the Company's financial statements. Currently, all members of the Audit Committee possess all the aforementioned qualifications.

5) According to the Budget Procedure Act B.E. 2502, PTTEP, a state-owned entity, is required to assign the independent and reliable Office of the Auditor General of Thailand (OAG) to be the Company's external auditor.

6) Although PTTEP has free float ratio of less than 40 percent of the total paid-up shares, the Company always places a great importance on protecting the rights of the minority shareholders by organizing several activities to periodically communicate information beneficial to the shareholders as well as to gain acceptance from other external agencies. For example, we were recognized as an exemplary corporate in organizing the Annual General Shareholders' Meeting (AGM) for 2015 by successfully scoring 100 percent for four times in the AGM Checklist Assessment conducted by the Thai Investors Association.

7) PTTEP has specified that a quorum at the time of the Board passing a resolution must comprise of at least two-thirds of Board members who present at the meeting. The Company stipulates that if a director fails to attend a Board meeting three times consecutively, unless an absence deemed necessary, he or she will automatically be disqualified from being a director. The Company also uses attendance as a performance indicator for the Board Performance Target evaluation. In addition, PTTEP schedules meetings in advance throughout the year and always makes sure the directors will be available to attend the meetings. These measures altogether are already deemed sufficient as evidenced by the attendance of the Board meetings in 2015 when the ratio always exceeded the two-thirds. Before voting at the meetings, the Chairman allows all directors to ask questions and discuss various issues in detail in order to ensure that the Board's resolutions have unanimous consent.

8) PTTEP does not have the Employee Stock Option Program (ESOP) for the management. The Company however has established the Employee Joint Investment Program (EJIP) to allow the Company's management and employees to voluntarily purchase PTTEP stock every month throughout the five-year period, while the Company shall contribute an addition amount equal to the amount deducted from the payroll of the eligible candidates on a monthly



basis. All shares purchased each month are suspended from trading for three years from the date of acquiring. The objective of EJIP is to encourage the management and employees to dedicate and be loyal to the organization as well as to create the sense of ownership in the long run.

9) PTTEP does not have a policy requiring directors and senior management to report to the Board on their PTTEP stock trading activities at least one day in advance due to the fluctuation of the share price in the market. The Company however has established a policy regarding prevention of the use of internal information to prevent our directors, management and employees from making use of such information for personal or others' gains. All directors and senior management are required to report to the Board on their PTTEP stock trading activities. In addition, the Company also has a silent period that prohibits directors and senior executives from trading PTTEP stock during specified periods which are usually around those prior to disclosures of the Company's significant information to the public.

10) PTTEP does not implement the cumulative voting system as our AoA prescribes that a director is elected through the use of majority vote. The Company however has provided other mechanisms to protect the rights of our minority shareholders such as allowing them to propose a director candidate in advance during the nomination process.

11) PTTEP places high importance on distributing the invitation letter of the AGM prior to the meeting date to provide the Company's shareholders with adequate time to appropriately review the agenda. To ensure that our shareholders receive full benefits such as rights to receive dividend payment from the Company in a timely manner, the meeting is usually held in March every year. For the best interest of the shareholders, the audit of PTTEP's financial statements however takes relatively more time than other companies due to the complexity of having international operations across various countries. Currently, the Company is able to distribute the invitation letter 16 days and publish it on in the Company's website at least 30 days in advance prior to the date of the meeting.

#### **9.17 Awards and Recognitions for Good Corporate Governance**

- 1) In 2015, PTTEP was given the following four Board of the Year Awards:
  - Hall of Fame Award (fourth consecutive year)
  - Consistent Best Practices Award (fourth consecutive year)
  - Exemplary Practices Award (fourth consecutive year)
  - Audit Committee of the Year (third consecutive year)

The "Board of the Year 2015" awards were given to companies with outstanding boards of directors in several categories. The awards were presented by the Thai Institute of Directors Association (IOD) in cooperation with the Stock Exchange of Thailand (SET), the Board

of Trade of Thailand, the Federation of Thai Industries, the Thai Bankers' Association, the Thai Listed Companies Association, and the Federation of Thai Capital Market Organizations.

2) PTTEP was named one of Thailand's Top Three Domestic PLCs and was also chosen as one of the Top 50 ASEAN PLCs at the ASEAN Capital Market Forum (ACMF). The awards were given by the securities and capital market regulatory bodies in AEC jurisdictions to publically listed companies that received the best Corporate Governance (CG) scores based on the ASEAN CG Scorecard which measures ASEAN listed companies' efforts in promoting good corporate governance. The Scorecard is an initiative of the ASEAN Capital Markets Forum (ACMF), aiming to raise the CG standards and practices of ASEAN publicly listed companies (PLCs) as well as to give a greater international visibility to well-governed ASEAN PLCs and showcase them as investable companies.

In addition, PTTEP was rated in the project of Corporate Governance Report of Thai Listed Companies (CGR) 2015 as Excellence, or total scores at 96, by the Thai Institute of Directors Association (IOD), and received 5 National Corporate Governance Committee's logos. The survey criteria were in line with ASEAN CG Scorecard Standard.

3) PTTEP won the Best Investor Relations Award in the category of listed companies with market capitalization of over THB 100 billion at the SET Awards 2015. The awards were given to listed companies with outstanding achievements in building investor relations. A panel of distinguished judges from the Stock Exchange of Thailand (SET) chose the winners. The judging criteria included the involvement of all parties within the company in investor relations efforts, accurate and complete disclosure of information in a transparent and timely manner, the variety and effectiveness of investor communication channels, evaluations from analysts and institutional investors, and other requirements. Strict criteria were established for the purpose of selecting the most suitable candidates for the Best Investor Relations Award. Previously, PTTEP won the Outstanding Investor Relations Award from the SET for two consecutive years in 2013 and 2014.

4) PTTEP was added to the Climate A List by the Carbon Disclosure Project (CDP). PTTEP was the first and only company out of 113 Southeast Asian companies to be added to the Climate A List. Every year, more than 1,000 companies worldwide apply to be listed.

5) PTTEP was given an award at the "Thai Corporate Moving toward Sustainable Growth" seminar held by the Stock Exchange of Thailand in recognition of PTTEP's being included in the Dow Jones Sustainability Index (DJSI). PTTEP was one of the ten listed

companies from Thailand to be included in the DJSI in which the Company was also included in the prestigious DJSI World Oil and Gas Industry index for the first time.

6) In 2015, PTTEP was also a listed company in the “Thailand Sustainability Investment 2015” by the Stock Exchange of Thailand (SET) in recognition for being a SET listed company with an outstanding performance on Environmental, Social and Governance (ESG) as well as excellent operating results. PTTEP has also been a member of the Dow Jones Sustainability Index World Oil and Gas Industry for its second consecutive year, 2014 and 2015 respectively.

7) PTTEP received an Honorary Member Award from the Thailand Business Council for Sustainable Development (TBCSD) for being an outstanding corporation that has operated the business while implementing policies on environmental conservation and social responsibility throughout 22 years of our membership with TBCSD.

8) PTTEP received the Thailand Quality Class Award (TQC) for S1 Project under PTTEP Siam Limited, a subsidiary of PTTEP. The award was given to the Company by the Thailand Quality Award National Committee of the Thailand Productivity Institute for the second consecutive year in recognition of our dedication in exploring, developing and producing petroleum at S1 Project or Sirikit Oil Field.

9) PTTEP won the SHE Award for Excellent Management at two of our projects: Arthit Project and S1 Project. The SHE Award recognizes petroleum companies with excellent health, safety and environment management. The Department of Mineral Fuels gave out the SHE Awards for the first time with the aim to encourage companies to develop an excellent health, safety and environment management in exploration and production of petroleum.

10) PTTEP received a “Certificate of ESG100 Company” from the Thaipat Institute. The Company was chosen as one of 100 companies with an outstanding performance in operating a business in a suitable manner as well as excellent operating results and outstanding achievements in the areas of environment, society, and good governance.

The Thaipat Institute published the ESG100 Rating list for the first time. The rankings evaluated the sustainability of 567 companies listed on the Stock Exchange of Thailand.

11) PTTEP won a Thailand’s Top Corporate Brands 2015 Award for the third time. The award was given to the Company for being the one with the highest brand value in the energy and utilities sector of Thailand. This award was given based on research by the Faculty of

Commerce and Accountancy, Chulalongkorn University, who assessed brand values based on their financial, accounting, and marketing performance.

12) PTTEP received the Best Regional Cash Management Solution Award from The Asset magazine. The award honored the Company for continuously undertaking the efforts to improve and transform our financial management in order to become a “World Class Finance” organization as well as for successfully moving towards centralized treasury activities which has placed PTTEP at the forefront of Asian corporations.

13) PTTEP received the following three awards at the “IAA Awards for Listed Companies 2014” ceremony held by the Investment Analysts Association (IAA):

- Best CEO Award won by PTTEP President and CEO Mr. Tevin Vongvanich for the third consecutive year
- Best CFO Award won by Ms. Petchun Jarikasem, Executive Vice President for Finance and Accounting Group, for the fourth consecutive year
- Best Investor Relations Officer (IRO) Award won by Ms. Nuchanong Sangkeaw, Investor Relations Manager, for the first time

The IAA Awards for listed companies were given to the CEOs, CFOs and IROs of listed companies in eight industries. They were nominated and voted for by analysts and fund managers based on their demonstration of management excellence comprising consistency, timeliness, insight, accuracy and concise communication, while possessing good corporate governance, business ethics, and industrial knowledge and expertise.

14) PTTEP received the following three awards:

- Best Corporate Hybrid
- Best Deal of Thailand from The Asset magazine
- Best Investment Grade Bond from FinanceAsia

The three awards recognized PTTEP for successfully selling USD 1 billion subordinated perpetual bond or hybrid bond overseas. PTTEP was the first company from Thailand to offer hybrid bond in the US dollars. The bond received an overwhelming interest from investors and was five times oversubscribed.

15) PTTEP received the following four awards:

- Asia’s Best CEO (Investor Relations) Award
- Asia’s Best CFO (Investor Relations) Award
- Best Environmental Responsibility Award

- Best Investor Relations Company Award from The Corporate Governance Asia magazine

Asia's Best CEO (Investor Relations) Award and Asia's Best CFO (Investor Relations) Awards were given to the CEOs and Presidents, and CFOs with excellent management performance and ability to create the shareholder value through upholding the highest standards of corporate governance and business ethics. Meanwhile, the Best Environmental Responsibility Award was given to the companies which has exhibited an outstanding environmental responsibility, while the Best Investor Relations Company Award was presented to listed companies with outstanding performance in Investor Relations.

16) PTTEP received the Charta Peduli 2014 Award for TOP CSR Free Medical Services from Zaim Uchrowi, Corporate Secretary and co-founder of Dompot Dhuafa Foundation which is Indonesia's leading non-profit organization. PTTEP was honored for establishing Gerai Sehat PTTEP-Layanan Kesehatan Cuma-Cuma Dompot Dhuafa (PTTEP-LKC DD), a free healthcare center, to serve the poor or underprivileged Indonesian communities in Northern Jakarta. The CSR Free Medical Services Award was presented to the companies which contribute to the Indonesian society through their Corporate Social Responsibility (CSR) projects. The Charta Peduli award is divided into four categories, e.g., Education, Health, Economy, and Charity and Disaster Relief. The award was also presented to the companies which contribute to the Indonesian society through their Corporate Social Responsibility (CSR) projects.

## **9.18 Reports of the Sub-Committees**

### **9.18.1 The Corporate Governance Committee Report**

PTTEP places great importance on the adherence of the Good Corporate Governance and Business Ethics of PTTEP Group (CG&BE), which has continuously been improved, for the Company's business operation. The Board of Directors (Board) has assigned the Corporate Governance Committee, which consists of at least three independent directors, to govern and ensure that CG&BE is in compliance with across the organization.

In 2015, the Committee held six meetings, while all of the incumbent members attended every meeting. The results of the meetings in 2015 can be summarized as follows:

(1) Assessed and reviewed CG&BE to be in compliance with the laws, practices of international standards and other leading companies, as well as recommendations from well-recognized institutions. All of the results were submitted for the Board's approval.

(2) Promoted business operations of PTTEP Group and performance of the Board, management and employees to be in line with CG&BE by monitoring and providing recommendations on CG&BE-related activities to enhance knowledge and understanding of CG&BE, as well as on the complaints received through the CG Hotline channels on a quarterly basis. The Committee also regularly participated in and emphasized on the significance of CG&BE to the management and our employees.

(3) Governed PTTEP to have efficient and adequate system in place to appropriately support the anti-corruption policy, practices, and internal control systems. The Committee also acted as a role model to strictly carry out CG&BE practices to ensure that everyone in the organization understand the importance of the Company's anti-corruption mechanism and collectively cultivate it as the PTTEP's culture.

(4) Considered and provided recommendations on the revision of the Procurement Regulations 2013 by putting an emphasis on the procurement strategy, criteria and consideration process relevant to the decision-makings involved. The Committee also reviewed the procurement plan of PTTEP Group for 2015 before presenting it, together with the annual procurement budget, to the Board for an approval to ensure that the procurement process is efficient, transparent and in line with the Company's CG&BE.

(5) Provided recommendations on and monitored PTTEP's Corporate Social Responsibility (CSR) performance and work plan to enhance CSR activities of the Company to create values to the communities and societies in the long-run.

(6) Established Corporate Governance reporting guidelines according to the principles of SET with the objective to incorporate the CG Report as a part of PTTEP Annual Report for viewing of all the stakeholders.

(7) Provided recommendations on the direction of CG&BE for future implementation, including expansion of the scope to include partners and other relevant stakeholders to further raise the Company's CG standard.

The Corporate Governance Committee reported minutes of all meetings to the Board on a regular basis. In 2015, the Committee abided by its assigned tasks according to the Charter for the Corporate Governance Committee B.E. 2548 and its amendments with prudence, competence and independence. The Committee properly provided straightforward opinions for optimal benefits of PTTEP, the Company's shareholders as well as stakeholders.

*Admiral Tanarat Ubol*

(Tanarat Ubol)

Chairman of the Corporate Governance Committee

### 9.18.2 The Audit Committee Report

The Audit Committee at PTTEP consists of three independent directors, all of whom have a considerable amount of knowledge, expertise and experience in economics, finance, and the laws. This Audit Committee is chaired by Mr. Ampo n K itti a m p o n , with Mr. Achporn Charuchinda and Mr. Sethaput Suthiwart-Narueput as the other two members of the Committee. , all of whom are knowledgeable and experienced in reviewing financial statements.

In 2015, the Audit Committee performed its duties as assigned by the Board of Directors according to the Company's regulations, the Audit Committee Charter, and the regulations of the Stock Exchange of Thailand. During the year, the Audit Committee conducted 11 meetings with the Company's management, internal and external auditors. Duties performed during 2015 by the Audit Committee are summarized as follows:

#### 1) Reviewing of Financial Reports

The Audit Committee reviewed the Company's quarterly and annual financial statements together with the management and the external auditor, namely, the Office of the Auditor General. The Committee inquired, commented and provided recommendations to the management on the financial statements to ensure that these statements were complete, accurate, and in compliance with accounting standards, including the International Financial Reporting Standards (IFRS), as well as ensuring that these statements were sufficient and followed through with timely disclosure of all significant matters for investors and users of the financial statements.

In addition, the Audit Committee provided recommendations on the Company's Management Discussion and Analysis (MD&A) regarding clear information, explanation for specific items that significantly impacted financial statements, analysis of financial performance and potential risks regarding the Company's operation and identification of operational plans to cope with the domestic and international business environment.

#### 2) Reviewing of the Internal Control System

The Audit Committee reviewed the Company's internal control and internal audit system to ensure their adequacy, appropriateness and efficiency. In addition, the Committee encouraged the Company to implement preventive controls to ensure that the operations are sufficiently effective to support the Company's ongoing business.

The Committee performed ongoing monitoring of the Company's operation by requesting the management to perform a post-project review of the Company's major

investments, starting from due diligence process through the current performance of the projects, in order to gather lessons learnt for future investment. The Committee also summarized the directions for the management when proposing new investments to the Board of Directors. The Committee also recommended the implementation of a monitoring process to track the actual performance (post investment) against the business plan, so that potential problems from unanticipated differences could be resolved beforehand.

In addition, the Committee requested the management to provide analysis and report on the proportion of procurement procedures between bidding and direct negotiation and then summarized the rationale underlying the direct negotiation cases. The requests were made to assist the procurement team in their planning and help them reduce the number of direct negotiation transactions which can potentially jeopardize the transparency in the procurement process. Based on these analyses, the proportion of direct negotiation transactions appeared to be decreasing significantly.

3) Reviewing of Connected Transactions or transactions with Potential Conflict of Interest

The Audit Committee reviewed connected transactions or transactions with potential conflict of interest to ensure their rationality and optimal benefits for the Company and the shareholders particularly the minority.

The Committee also reviewed the disclosure of such information to ensure their accuracy and completeness.

4) Examining Compliance with Laws and Related Regulations

The Audit Committee reviewed the Company's performance and that of the subsidiaries in terms of their compliance with the securities and exchange laws, SET regulations, and other laws related to the business as well as of their compliance with the laws relating to their day-to-day business operation.

The Committee acknowledged the compliance report relating to the Company's and the subsidiaries' business operations as reported by the Compliance Department as well as other compliance audit results as reported by the Internal Audit Department. The Committee also provided support to the Compliance Department through recommendations intended to increase the effectiveness of the Company's compliance process.



5) Conducting Oversight of Internal Auditing

The Audit Committee conducted the oversight of Internal Auditing as follows:

- Approved the annual audit plan of the Internal Audit Department which aligns with the company's key risks and direction.
- Reviewed audit results for both in-house audits and joint venture audits
- Considered major audit issues, provided recommendations for audit findings to improve efficiency of the operations processes, regularly monitored the Company's management's follow-up action plans to resolve issues originating from both internal operations (for in-house audits) and external operators (for joint venture audits), and urged the management to regularly organize a workshop session with the operator to discuss the audit issues and find the solutions together.
- Supported the implementation of a Continuous Control Monitoring System–CCMS which introduces an information system to monitor and detect irregularities in a given process on a continuous basis. This helps to alert the management, users, and the internal auditors and provides them with an opportunity to address and resolve the issues immediately.
- Considered a revision of the Audit Committee Charter and approved the Audit Charter
- Appraised the annual performance of the Chief of the Internal Audit Department
- Endorsed the budget and workforce requirements of the Internal Audit Department

6) Nominating of/Meeting with the External Auditor

The Audit Committee considered the issues with care and ultimately nominated the Office of the Auditor General to continue to serve as the Company's external auditor. The audit fees for the 2015 were subsequently discussed and decided. The Committee then participated in meetings with the external auditor and the Company's Internal Audit Department, in the absence of PTTEP management, to acknowledge the parties involved of the external auditor's approach and audit plan as well as the potential problems or obstacles faced during the auditing process in order to find the solutions for future improvements. In 2015, two of such meetings took place.

7) Fulfilling Other Oversight Roles  
Economic forecast review

The Audit Committee suggested that the Company's management should closely monitor the global and domestic economy, which have highly affected the risks of the Company's overall investment and strategy, and that the management must also take into account others important variables, for example, the Fed's interest rate which could exacerbate the capital flows and currency turmoil. Meanwhile, the Audit Committee also recommended the management keep track of the factors which can have a direct and indirect impacts on oil prices to ensure the optimal benefits for the Company.

The Audit Committee performed its duties with prudence. The Committee made practical recommendations and suggestions to promote the Company's Good Corporate Governance for the protection and optimization of interests of the Company's shareholders and stakeholders. The Audit Committee's 2015 performance was assessed by completing a self-appraisal as well as some additional assessments by the Board of Directors and related units. The Audit Committee was graded "Very Good" for its performance.

The Audit Committee's opinions regarding the results of the duties performed in 2015 as detailed above are summarized as follows:

- The Company's accounting system and financial reports were accurate and reliable and were disclosed in a complete, sufficient and timely manner.
- The Company's internal control systems appeared to be adequate and suitable; they have also been continuously improved to suit the Company's businesses at the present and in the future and in compliance with the securities and exchange laws, SET regulations, and other laws related to the main business.
- The Office of the Auditor General, who is PTTEP's external auditor, was an independent entity, being held in high regard in auditing of financial reports to ensure accuracy and reliability. These reports were also complete, adequate, and timely disclosed with essential information.
- Based on reviews of the Company's connected transactions or transactions with potential conflict of interest, the Audit Committee regarded the Company's disclosure of such information as being accurate and complete. The conditions and prices related to the transactions were fair as well as appropriate and approved by the management and the Board prior to the execution.

*Ampon Kittiampon*

(Mr. Ampon Kittiampon)

Chairman of the Audit Committee

### 9.18.3 The Nominating Committee Report

PTTEP's Good Corporate Governance requires the Nominating Committee to consist of at least three directors where most of the Committee members are independent directors. They are obligated with responsibilities as specified in the Nominating Committee Charter during their three-year service term.

In 2015, the Nominating Committee convened seven times, where those members with vested interests were accordingly abstained on relevant agendas. The Committee has performed its duties as assigned by the Board of Directors in the Nominating Committee Charter with prudence, full competence, and independence. The duties and responsibilities of the Committee during 2015 involved the followings:

- (1) Preparation of candidate lists when there is a vacancy due to retirement by rotation or other reasons, where the proposals were presented to the Board of Directors or in the Annual General Shareholders' Meeting
- (2) Responsible for considering and nominating of a qualified director to be the Chairman or a member of each sub-committee as well as the President and Chief Executive Officer (CEO)
- (3) Revision of the Board's Skill Mix elements
- (4) Reviewed of the Board Performance Target and performance appraisal form of the Board, sub-committees, Chairman, and CEO
- (5) Revision of the Nominating Committee Charter

The Nominating Committee has reported results of the meetings to the Board of Directors for acknowledgement. PTTEP has also disclosed the Company's detailed principles and procedures for nomination of directors as well as the President and CEO in the annual report.

*Ampon Kittiampon*

(Mr. Ampon Kittiampon)

Chairman of the Nominating Committee

#### 9.18.4 The Remuneration Committee Report

The Board appointed the Remuneration Committee which mainly consists of independent directors. The Remuneration Committee is chaired by an independent director. The Committee's responsibility is to evaluate an appropriate remuneration for the Board, sub-committees, President and Chief Executive Officer, as well as the salary structure of the Company's senior executives. The underlying principles, procedures, and structure are fair and reasonable.

In 2015, the Remuneration Committee convened one time to perform its duties and achieve its role and responsibility, with prudence and independence as designated by the Board in the Remuneration Committee Charter. All members of the Remuneration Committee attended the meeting, and results of all the meetings were reported to the Board, including the following issues.

1) Reviewing the remuneration of the newly appointed President and Chief Executive Officer based on fair and reasonable principles, and procedures and structure based on the duties and responsibilities of the President and Chief Executive Officer as well as benchmarking with other companies in PTT Group

2) Reviewing the salary structure of top executives based on the newly adjusted Job Grade Structure, Job Grade, as well as reviewing the salary range to contend with the new Job Grade

The Remuneration Committee performed its role in a transparent, fair and reasonable manner. For the Company's stakeholders' confidence, details of the remuneration of the Committee are disclosed in the Annual Report.

*Achporn Charuchinda*

(Mr. Achporn Charuchinda)

Chairman of the Remuneration Committee

### 9.18.5 The Risk Management Committee Report

PTTEP has realized the importance of effective risk management as petroleum exploration and production business is relatively more complicated in terms of technical and operation procedures. Coupled with changes of external environment factors which are uncontrollable, risk management in Safety, Security, Health and Environment (SSHE) has been taken into consideration at all time. In addition, as investment in petroleum exploration and development of projects is extremely high, the Risk Management Committee (RMC) therefore plays a significant role in considering the impacts from various factors particularly those related to market risks, financial risks, and investment risks. The Board of Directors assigned the Risk Management Committee, comprising of 6 directors of which three are independent, to be responsible for overseeing and supporting the efficient risk management throughout the organization.

In 2015, the Committee held 11 meetings and 2 informal meetings without any remuneration which can be summarized as follows:

1. Advised and promoted the development of effective and efficient enterprise risk management by driving to establish concrete PTTEP Risk Appetite Statement and a clearer Risk Governance Framework. The Committee also recommended and approved Risk Metrics & Limits framework necessary for decision making within PTTEP operation.

2. Governed the management of key risk factors that impacted corporate strategy and objectives. PTTEP conducted extensive qualitative and quantitative evaluation of the Company's Corporate Risk Profile, both short term and long term, as well as emerging risks. The Risk Management Committee provided constructive insight and direction on how to mitigate the risks and oversight continuously on the progress such as oil price and financial risk management which substantially reduced the adverse impacts on the Company's bottom-line.

Apart from risk management in specific areas and at the project level where PTTEP has managed efficiently, the Committee advised to integrate risk management by viewing all the risks from a more holistic perspective and more as a portfolio management and by focusing more on critical factors, which affect the Company's net income, such as oil price, foreign exchange rate, operational cost, impairment and major project development. In addition,

the Committee's recommendation to hire an external consultant to study the Company's portfolio improvement has stimulated fruitful discussions among the directors and managements.

3. Considered and screened new investments, including new exploration projects, mergers and acquisitions, extensions of concession, entries of new phases, and divestments by evaluated and authorized appropriate measures to mitigate critical risks as well as capture opportunities for PTTEP such as seeking partners for joint investment, conducting analysis on competitor and counterparty risk, and withdrawing from high risk investment opportunities.

4. Considered the corporate strategic plan, five-year investment plan (2016 - 2020), 2016 annual budget, key performance indicators and relevant risks. The Committee has advised to adjust strategic plan and budget to be in line with low oil price situation as well as to include of the Company's growth work plan in the package before proposing it to the Board for approval.

The Risk Management Committee reported its findings to the Board on a monthly basis. In 2015, the Committee had performed its duties prudently, competently and independently with knowledge and capability in consistent with PTTEP Risk Management Committee Charter, while providing candid views to all parties for the benefits of PTTEP, and the Company's shareholders and stakeholders.

*Sethaput Suthiwart-Narueput*

(Mr. Sethaput Suthiwart-Narueput)

Chairman of the Risk Management Committee

#### 9.18.6 The Independent Directors Committee Report

The policy and qualification of the independent directors are stated in the Good Corporate Governance and Business Ethics of PTTEP Group and the Independent Committee Charter which define the duties and responsibilities of the Committee. Roles of the Committee are to oversee and make recommendations independently on the corporate management to ensure and protect the overall interests and benefits of the Company's major and minority shareholders. The Committee also reviews PTTEP's compliance as well as the independent directors' own definition to be appropriately and completely in line with related laws, while regularly updating the Charter.

The Independent Directors Committee consists of eight independent directors out of 15 directors from the Board, a selection ratio which is more stringent than the Securities and Exchange Commission's requirement. Below is the list of the current Committee members.

- |    |                                 |               |
|----|---------------------------------|---------------|
| 1) | Mr. Prajya Phinyawat            | Chairman      |
| 2) | Admiral Tanarat Ubol            | Vice Chairman |
| 3) | Mr. Ampon Kittiampon            | Member        |
| 4) | Mr. Achporn Charuchinda         | Member        |
| 5) | Colonel Nimit Suwannarat        | Member        |
| 6) | Mr. Piti Tantakasem             | Member        |
| 7) | Mr. Sethaput Suthiwart-Narueput | Member        |
| 8) | Mr. Songsak Saicheua            | Member        |

In 2015, the Committee convened four times, in February, June, September, and December. The results of the meetings can be summarized as follows:

1) Reviewed the principles of the Independent Directors Committee of PTTEP to be in line with rules, regulations, and international practices of leading companies, by ensuring that it is completed and updated

2) Reviewed the Board's and sub-committees' roles in the Annual General Shareholders' Meeting in interest of the Company and shareholders

3) Followed up on the comments from each sub-committee meeting, while providing additional recommendations regarding the implementation to the management where the results are reported to the Board

4) Recommended on PTTEP's appropriate practice adjustments according to PTT's, as the major shareholder, guidelines relative to the Office of the Prime Minister and the Cabinet's resolutions

5) Reviewed and disclosed the performance of the Independent Directors Committee in the annual report

The Independent Directors Committee has performed its duties by providing recommendations and views on significant matters which are beneficial to the Company, investors and minority shareholders with independence, transparency, and without any hidden interests in order to assist the Board to perform with highest efficiency and effectiveness.

*Prajya Phinyawat*

(Mr. Prajya Phinyawat)

Chairman of the Independent Directors Committee



## 10. Corporate Social Responsibility

### 10.1 Operational Policy towards Responsibility for the Society and the Stakeholders

PTTEP commits to the vision to become a leading Asian E&P company, driven by technology and green practices, creating sustainable values for all of the stakeholders.

The Company has developed the Sustainable Development Policy, also known as the G.R.O.W.T.H Policy, to be adopted across the entire organization. The purpose is to demonstrate the Company's definite objective and determination to overcome all of the challenges towards developing and becoming a sustainable organization (For the Sustainable Development Policy, see the Company's website).

The Company has also developed the Sustainable Development Guideline underlying various aspects which are important to sustainability of the organization, in an effort to establish understanding to ensure that all the functions are in line with one another. Harmony in respect to social responsibility among the divisions is also established by having them operate with policy accordingly to international standard policies such as ISO 26000, Safety, Security, Health, and Environment (SSHE) policy of the International Association of Oil & Gas Producers (IOGP), and the Universal Declaration of Human Rights (UDHR).

As for the Company's responsibility towards the stakeholders, PTTEP has designated each division to have its own separate responsibility and participation programs as they are involved with different groups of the stakeholders.

For more details, see the PTTEP 2015 Sustainability Report.

### 10.2 Operation and Reporting

PTTEP has adopted the Global Reporting Initiative (GRI) which is one of the world's most prevalent standards for sustainability reporting to provide information regarding the Company's economic, environmental, and social and governance performance. Information about the Company's capability to reduce greenhouse gas emission, for example, is included in the report. The high standard allows the Company to monitor our sustainability effectively and comparably to those of our financial management. The report and its indices have also reflected and been incorporated into other parts of the Company's business. This ranges from business planning, corporate risk assessment, internal control process, internal auditing, monitoring and reporting of the Company's performance. In 2015, all of the indices have been on the targets.

PTTEP has another report dedicating specifically to sustainability. The report is of a standard comparable to the GRI's sustainability reporting, and the report required in auxiliary of the oil and gas industry. The Company's sustainability reporting demonstrates our continuous effort in fulfilling the ten principles of the United Nations Global Compact (UNGC) as well as other respectable reporting standards of the oil and gas industry. The Company fully discloses the information regarding sustainability as it is vital for stakeholders to decide for themselves of the Company's future.

For more details, see the PTTEP 2015 Sustainability Report.

### **10.3 Impacts of Business Operation on Social Responsibility**

None

### **10.4 Projects and Activities for Benefits of the Society and the Environment (After Process)**

PTTEP believes that, for our business to be sustainable, the society and the environment in which the Company situates and operates must also be sustainable. Therefore, in addition to the general management of our business, the Company also implements projects and activities which lead to sustainable development of the society and the environment.

We learn from our experience how to initiate new projects and organize activities effectively for further development. The Company has divided our projects and activities into four themes, namely, basic needs, education, environment, and culture & sports.

In 2015, the Company focuses on the Reforestation Restoration Project for Eco-learning at Sri Nakhon Khuean Khan Park in response to social and environmental issues in challenging the sustainable development. Meanwhile, the PTTEP Reforestations Project is continuously implemented. In addition, employee volunteering in CSR activities has been promoted throughout the year under the "30 CSR activities, 30<sup>th</sup> PTTEP anniversary" campaign.

For more details, see the PTTEP 2015 Sustainability Report.

## 11. Internal Controls and Risk Management

### 11.1 Board of Directors' Evaluation on PTTEP Group's Internal Controls

PTTEP's Board of Directors and management recognize the importance and the efficiency of internal control. The management appoints the Internal Control Section to assess the adequacy and effectiveness of internal control annually, whereas the Board of Directors appoints the Audit Committee to provide oversight to ensure that the internal control supports the achievement of business operations, accurate and reliable reporting, and compliance according to laws and regulations.

In the Board of Directors Meeting No. 3/2016/405 on February 25, 2016, the Board endorsed the Audit Committee's report on the adequacy of internal control system of the Company. The report states that PTTEP and our subsidiaries designed and followed the internal control system adequately in order to minimize key risks potentially harmful to the Company's operations. If control deficiencies are detected, they will be corrected and continuously improved to suit the current and future businesses as well as to comply with related laws and regulations. The Audit Committee also provides recommendations as disclosed in the "The Audit Committee Report" part under the "Internal Control Assessment".

The assessment result of the internal control covers five key components according to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) by using The Internal Control Self-Assessment Form provided by the Office of the Securities and Exchange Commission of Thailand (SEC). The details can be summarized as follows:

#### 1. Control Environment

PTTEP Group has an efficient and adequate control environment which can be summarized as follows:

- PTTEP Group operates business under the Good Corporate Governance and Business Ethics of PTTEP Group (CG&BE) which is considered as the highest internal regulation. All management and staff are required to sign as evidence of acknowledgement and to act accordingly. In addition, CG&BE is communicated to the directors, management, and employees on a regular basis through various training courses and activities. In 2015, PTTEP emphasizes on Conflict of Interest and Anti-Corruption Program.

- PTTEP Group has established a clear segregation of duties between the Board of Directors and the management. The Board's task is to oversight, provide directions and goals, but not involved with day-to-day operations which are the management's responsibility. The Board of Directors delegates their powers to the management through the group's regulations, appropriately ensuring flexibility and efficiency in the operation.

- The organization structure is appropriately designed with high flexibility and efficient collaboration and suitable for internal control principle, e.g., segregation of duties, and check and balance. Meanwhile, reporting lines, authorities and responsibilities are also clearly defined. In 2015, PTTEP has announced a new organization structure which is suitable for the main activities in exploration and production business including re-organization of the Production Asset and Operations Support Group. The Company has revised Delegation of Authority & Signatures (DAS) which clearly defines power and authorities of Head Office, Domestic and International Assets as well as allows budget for each item to ease the management. This is in order to standardize, provide flexibility for business requirement, and be in line with the segregation of duties under good internal control principle.

- There are clear human resource management policies in place. PTTEP aims to attract, develop, retain competent individuals by providing the individual competency development plan (ICDP) suitably for each of the roles and responsibilities, and consistently review and revise the plan including defining level of competency for manpower to support our business growth and expansion plan in the future. In addition, PTTEP conducts employee competency development plan, management succession plan, job rotation, promotion. The Company also annually conducts employee engagement surveys in order to develop improvement plan to increase employee satisfaction and engagement.

- Management and staff are ensured to acknowledge and understand rules, roles and responsibilities which are relevant to internal control by having policies and standards, including communication to all employees on a regular basis through various training courses and activities.

## **2. Risk Assessment**

PTTEP Group promotes international standard of risk management which can be summarized as follows:

- PTTEP Group has established Risk Appetite Statement and Risk Metrics (Tolerance & Appetite) to clarify and establish exact roles and responsibilities, and the line of

authority in the management of risk within designated boundaries for PTTEP's Board of Directors, the Company's Risk Management Committee, executive management, management level, and units and operations.

- Risk management policy, standard and guideline are put in place, emphasizing that risk management is the responsibility of the directors, management, and all employees, including PTTEP Group's contractors, which all of whom must follow to achieve the Company's business objectives.

- Risk management is applied throughout the organization including 1) Strategic Planning and Management which assesses risk profiles at every corporate level, i.e., corporate, function groups, divisions, departments, and assets/projects, 2) Investment and Divestment, 3) Capital Project Management, and 4) Business Process Management. The Company assesses the risks from both external and internal factors as well as evaluates the impact and likelihood of those risks. Mitigation plans are developed and then executed to reduce the level of risk through different measures. PTTEP also assesses and closely monitors the Key Risk Indicator (KRI) which is thoughtfully designed to provide an early warning of risks that can potentially prevent the Company from achieving our business objectives. In addition, PTTEP also emphasizes on Counterparty Risk Management to minimize the risk of default by the Company's counterparties and ensure that all contractual obligations are fulfilled.

- PTTEP has established the Operational Risk Committee to specifically manage technical and safety risks. The Operational Risk Committee also provides support to different projects in order to enhance their operational efficiency. In 2015, the Operational Risk Committee convened 11 meetings. Meanwhile, PTTEP also has established the Business Continuity Management Committee to provide strategic direction and assist in obtaining resources as required to support the Business Continuity Management program. In 2015, the Business Continuity Management Committee convened 3 meetings.

- There is fraud risk assessment which considers the historical information and opportunities of fraud for high-risk activities. PTTEP considers potential for fraud by assessing probabilities and likelihood of fraud of different types which can potentially arise in the process to reach a given objective. Incentive/pressure, opportunities, and attitudes/rationalization of fraud are assessed and analyzed to justify the inappropriate actions and seek for a prevention plan to mitigate those risks.

Details of risk management are presented in the “Risk Factors” section.

### 3. Control Activities

PTTEP Group has adequate and efficient control activities which help to appropriately manage and mitigate risks. PTTEP Group’s control activities are as follows:

- PTTEP Group has an explicit and extensive set of written regulations and policies as well as implementation plans. In 2015, PTTEP has announced policies such as Finance and Accounting Policy, Insurance Policy, Tax Policy, Corporate Communication Policy, PTTEP Corporate Social Responsibility Policy, and Knowledge Management. These policies are the frameworks that define the scope, roles and responsibilities and authority of PTTEP’s management and employees. The Company’s management and supervisors meanwhile are responsible to monitor and ensure that our employees strictly follow all policies and regulations.

- PTTEP Group closely monitors the Key Risk Indicator (KRI) and mitigation plan such as oil price hedging which are followed up closely on a monthly basis by the Company’s Risk Management Committee and Management Committee.

- The Investment Committee’s roles and responsibilities are to ensure that investment expansion is aligned with PTTEP Strategic Direction and Investment Policy, while the Development Committee reviews and provides recommendations of the Company’s Development Project.

- SAVE to be SAFE Project Working Team’s roles and responsibilities are to ensure business operations effectiveness by emphasizing spending reduction without compromising our Safety, Security, Health and Environment (SSHE) standards.

- Materials Management Improvement Project’s roles and responsibilities are to oversee and ensure a proper implementation and improvement of materials management and to gain effectiveness and efficiency, and to continue to be in line with international best practice as well as in compliance with laws and regulations according to a good internal control system.

- PTTEP has established and announced GRC Management System which is the integration of assurance processes which improves business efficiency and effectiveness, combining corporate governance, risk management, compliance and internal controls activities together to go hand in hand and become transparent to all of the Company’s stakeholders.

- PTTEP has developed general control activities over technology consisting of infrastructure and security management by announcing policy and procedure to align with IT

Governance (COBIT5) and ISO 27001 frameworks. The Company is certified by ISO 27001 for information security in exchange server of internal emails. The Company also emphasizes on IT other security policies such as IT Governance, limit access right, Segregation of Duties (SoD) guideline and firewalls.

- PTTEP appropriately manages subsidiaries, associated companies and joint venture by appointing both management and employees to jointly work the parts in these entities. There are standards and procedures such as International Asset Policy & Procedure, and Joint Venture Management working model and procedure. The Internal Audit Department also has responsibility to conduct audits on the projects which the Company has invested.

#### 4. Information & Communication

PTTEP Group has set up an efficient and effective information and communication channels for both internal and external communication as follows:

- PTTEP identifies data and information required for supporting the operations, both internal and external, including preparation of IT System to store the data and information as well as the accessibility to ensure timely technology adjustment. In addition, the Company imposes the use and protection of information and assets as described in the Business Ethics of PTTEP Group. The Company also established the Document Control Policy to ensure that documents are properly managed and categorised. Confidential information is considered to be intended for PTTEP Group's internal use only and solely for the duties and responsibilities assigned.

- Effective and efficient internal communication channels are firmly put in place to ensure that managements and employees can access proper information to achieve their work objective as planned. PTTEP also established special communication channel for employees or external individuals to discretely report violation of laws and regulations, rules, and other wrongdoings. This channel was established with an explicit written document within the Company's Reporting and Whistleblowing Regulation.

- For external communication, PTTEP has business units, e.g., Investor Relations, Corporate Communication, Corporate Governance, and Shareholder Engagement to disclose to all stakeholders of accurate, complete, sufficient, and timely information. In 2015, the Company provided accurate information of assets impairment to investment analysts, of the industry's related issues to investors, and of our SSHE standards and practices to contractors.

## 5. Monitoring Activities

PTTEP Group monitors and evaluates internal control activities efficiently and effectively. The key activities are as follows:

- Internal control assessments at organizational level are performed based on the Securities and Exchange Commission's guidelines and focus groups for useful suggestions and further improvements.

- Internal control assessments at process level are performed to assess the adequacy and effectiveness of the Company's internal control in Merger and Acquisition (M&A) Process, Work Program and Budget Process, and Gift Acceptance Policy, including reviewing of control activities of stock management process to ensure that current control activities are suitable and adequate under the acceptable risk level.

- The Audit Committee assigns the Internal Audit Department to audit and suggest improvements required in order to ensure the adequacy and effectiveness of internal control system. The improvement plans are also developed to resolve all possible concerns found and subsequently communicated them to all parties responsible. The Internal Audit Department reports results found continuously with the Audit Committee.

## 11.2 Head of the Internal Audit Department and Head of the Compliance Department

### 11.2.1 Roles and Responsibilities of Head of the Internal Audit Department

PTTEP has established the Internal Audit Department which has a functional and direct reporting line to the Audit Committee and administratively (dotted-line reporting) reports to the President and Chief Executive Officer regarding its internal administration. Key roles, responsibilities and scopes of work of the Internal Audit Department include:

#### (1) In-house and Subsidiary Audits

To assure that the operations achieve the Company's target, the auditors evaluate and improve the effectiveness of risk management, internal control, and corporate governance process.

#### (2) Joint Venture Audit

The auditors conduct audits on the operators for projects that PTTEP has invested in to ensure that the operators comply with the Joint Venture Agreements and other



related contractual arrangements and that the expenditures charged are fair, equitable and reasonably incurred for the benefits of all partners.

(3) Consulting Services

The auditors pre-determine all scopes of their services with requestors before starting the engagement. Consulting engagements are designed to improve the efficiency and effectiveness of existing processes or propose additional recommendations on risk management, internal control and governance. Such recommendations may also include sets of advices on design, aiming to improve the Company's control processes.

(4) Fraud Investigation

The Head of the Internal Audit Department is responsible for undertaking the investigation of all reported or suspected frauds, following the Reporting and Whistleblowing Regulation B.E. 2556. The auditors should be alert to deceptive schemes with potential for frauds or schemes which are likely to lead to other illegal actions. It is also important that the auditor identifies control weaknesses which could potentially create opportunities for frauds in the future. Meanwhile, the actions regarding prevention, detection, further investigation, and prosecution of fraud offenders are clearly set forth, all under the responsibility of management.

(5) Special Audit Requests

Special audit requests are not included in the annual audit plan. The Internal Audit Department performs special audits as requested by the Company's management and/or Audit Committee to prevent and mitigate risks which may arise.

Referring to the Audit Committee Charter B.E. 2542 (Combined Charter), the Audit Committee has the duty to determine an internal audit unit's independence as well as approve the nomination, transfer, and reward or punishment of the Head of the Internal Audit.

Ms. Chaveeporn Chamsang has been appointed as the Vice President of the Internal Audit Department, having already functioned in this position since October 1, 2013. The Audit Committee deems that this Head of the Internal Audit Department is qualified under the aforementioned title to undertake the responsibility based on her educational background, necessary knowledge, skills, and work experience. She has also remained up-to-date in terms of professional knowledge and expertise, primarily through extensive training on internal auditing methodologies and internal auditor competency development. Such stringent attention to the person holding the title and the regular supports provided to the entire team highlight the

importance which PTTEP places on the efficiency and effectiveness of our Internal Audit Department and the excellence achievement of our Audit Committee.

More details of the Head of the Internal Audit Department are disclosed in the “Details of Head of the Internal Audit Department and Head of the Compliance Department” part.

#### **11.2.2 Roles and Responsibilities of Head of the Compliance Department**

PTTEP has established the Compliance Department which has a direct reporting line to Senior Vice President, Legal Division, and the President and Chief Executive Officer. The key responsibilities are to encourage the PTTEP Group to fully comply with applicable laws and support management in managing compliance risk efficiently through various compliance programs, including providing of communication and training programs, developing and maintaining of the Legislation Database and Compliance Monitoring System, identifying and conducting compliance risk assessment, providing advice upon the new issuance or amendment of the PTTEP Group internal regulations, coordinating with regulators, and reporting the performance of the compliance programs to the Audit Committee and management.

Mr. Verasak Manchuwong has been appointed as the Vice President of the Compliance Department, having already functioned in this position since October 1, 2013. More details of the Head of the Compliance Department are disclosed in the “Details of Head of the Internal Audit Department and Head of the Compliance Department” part.

## 12. Connected Transactions

### 12.1 Connected Transactions between Related Companies

Connected transactions of PTTEP and/or our subsidiaries with other entities that may result in conflicts of interest in the fiscal year ending December 31, 2015 are as follows:

Connected Company	Relationship	Transaction	Value (Unit: Million USD)	Pricing Policy and/or Reason
PTT Plc. (PTT)	<ul style="list-style-type: none"> <li>PTT, the Company's major shareholder, holds 65.29% of the Company's registered and paid-up capital.</li> <li>Co-director is Mr. Tevin Vongvanich.</li> <li>PTT's executives who serve as PTTEP's directors are:               <ol style="list-style-type: none"> <li>Mr. Tevin Vongvanich</li> <li>Mr. Wirat Uanarumit</li> <li>Mr. Pitipan Tepartimargorn</li> <li>Mr. Somporn Vongvuthipornchai</li> </ol> </li> </ul>	Petroleum product sales: crude oil; natural gas; liquefied petroleum gas; and condensate <ul style="list-style-type: none"> <li>Total income</li> <li>Accounts receivable</li> </ul>	4,643.81 448.33	<ul style="list-style-type: none"> <li>Condition and price setting follows normal business operations at the arm's length basis conditions for non-related persons or operations.</li> </ul>
		Other income includes: <ul style="list-style-type: none"> <li>Income from design, equipment procurement, construction, and natural gas pipeline test from central processing platform of South Bongkot Field to PTT's third gas transmission pipeline for PTT</li> <li>Income from infrastructure services to support the petroleum development such as warehouse, helicopter, and accommodation for PTT personnel at Arthit and Bongkot projects</li> <li>Income from the jetty and warehouse charges at Songkhla base</li> <li>Income from maintenance of natural gas meters</li> </ul>		<ul style="list-style-type: none"> <li>The condition and price setting follows normal business operations at the arm's length basis conditions for non-related persons or operations.</li> </ul>

Connected Company	Relationship	Transaction	Value (Unit: Million USD)	Pricing Policy and/or Reason
		<ul style="list-style-type: none"> <li>Income from charges to PTT for working area on platform of Arthit Project according to the Arthit Project's natural gas purchase/sale contract <ul style="list-style-type: none"> <li>Total income 2.41</li> <li>Accounts receivable 0.61</li> </ul> </li> <li>Sharing cost for IPA Exhibition in Indonesia <ul style="list-style-type: none"> <li>Total income -</li> <li>Accounts receivable 0.01</li> </ul> </li> </ul>		
		Accounts receivable from construction of gas transmission pipelines	27.50	<ul style="list-style-type: none"> <li>Such amount arises mostly from additional scope of work on gas-pipeline construction. The actual cost of the additional work is under negotiation with PTT. The condition and price setting for construction of gas transmission pipelines follows normal business operations at the arm's length basis conditions for non-related persons or operations.</li> </ul>

Connected Company	Relationship	Transaction	Value (Unit: Million USD)	Pricing Policy and/or Reason
		Petroleum product purchase, other related expenses, and expense for PTT personnel seconded to PTTEP ■ Expense for the purchase of petroleum products, related equipment, related services and others ■ Personnel expense ■ Accounts payables	38.79  0.93 1.55	■ The condition and price setting for the purchase of petroleum product, related equipment, related services, and others follows normal business operations at the arm's length basis conditions for non-related persons or operations. ■ Personnel expense rates follow the actual rates PTT pays for employees seconded to the Company.
		The deferred payment which is the Company's obligation according to the Arthit Project's natural gas purchase/sale contract	1.76	■ Condition and price setting follows normal business operations at the arm's length basis conditions for non-related persons or operations.
Star Petroleum Refining Plc. (SPRC)	■ PTT, the Company's major shareholder, holds 36% of SPRC's registered and paid-up capital.	Crude oil sales ■ Total income ■ Accounts receivable	74.68 -	■ Condition and price setting follows normal business operations at the arm's length basis conditions for non-related persons or operations.

Connected Company	Relationship	Transaction	Value (Unit: Million USD)	Pricing Policy and/or Reason
Energy Complex Co., Ltd. (Energy Complex)	<ul style="list-style-type: none"> <li>PTT, the Company's major shareholder, holds 50% of Energy Complex's registered and paid-up capital.</li> <li>PTTEP, Energy Complex's major shareholder, holds 50% of Energy Complex's registered and paid-up capital.</li> <li>The Company's executives who serve as Energy Complex's directors are:               <ol style="list-style-type: none"> <li>Ms. Penchun Jarikasem,</li> <li>Mr. Thiti Mekavichai</li> <li>Ms. Kesara Limmeechokchai</li> <li>Mr. Kitinan Manlekha</li> </ol> </li> </ul>	<p>The Company has signed a three-year lease with Energy Complex to rent the 47,000 square meters building for office, storage and multipurpose areas at the Energy Complex Center (EnCo). The Company is eligible to extend its lease period for another three years.</p> <ul style="list-style-type: none"> <li>Total lease and service paying amount 17.88</li> <li>Accounts payable (1.96)</li> </ul>		<ul style="list-style-type: none"> <li>The leasing rate is referred to the rate appraised by independent evaluators, based on the market rate of office building lease.</li> </ul>
		<p>The Company signed a loan contract with Energy Complex under the following conditions:</p> <ul style="list-style-type: none"> <li>Contract period of 13 years and six months</li> <li>Expiration date on October 2, 2022</li> <li>Reference interest rate follows a loan contract between Energy Complex and Krung Thai Bank Plc. dated April 2, 2009 (contract amendment is included.). The interest rate is FDR+2% per year for the period of December 31, 2015.</li> <li>Accrued loans 16.07</li> <li>Interest receivable 0.58</li> </ul>		<ul style="list-style-type: none"> <li>The mentioned contract follows the conditions of the loan contract signed by Energy Complex and Krung Thai Bank Plc., dated April 2, 2009 (contract amendment is included.) with the financial support of all Energy Complex's shareholders proportionately.</li> </ul>
		<p>Income from the Company's personnel seconded to Energy Complex</p> <ul style="list-style-type: none"> <li>Total income -</li> <li>Accounts receivable 0.01</li> </ul>		<ul style="list-style-type: none"> <li>Salary rates based on the actual rates the Company pays for our employees seconded to Energy Complex.</li> </ul>

Connected Company	Relationship	Transaction	Value (Unit: Million USD)	Pricing Policy and/or Reason
PTT ICT Solutions Co., Ltd. (PTT ICT)	<ul style="list-style-type: none"> <li>PTT, the Company's major shareholder, holds 20% of PTT ICT's registered and paid-up capital.</li> <li>Mr. Thiti Mekavichai, the Company's executive, serves as PTT ICT's director.</li> </ul>	The Company has signed a contract with PTT ICT for IT services and communications. <ul style="list-style-type: none"> <li>Total expenses 18.27</li> <li>Accounts payable 0.47</li> </ul>		<ul style="list-style-type: none"> <li>Condition and price setting follows normal business operations at the arm's length basis conditions for non-related persons or operations.</li> </ul>
		Income from the Company's personnel seconded to PTT ICT <ul style="list-style-type: none"> <li>Total income -</li> <li>Accounts receivable 0.73</li> </ul>		<ul style="list-style-type: none"> <li>Salary rates based on the actual rates the Company pays for our employees seconded to PTT ICT.</li> </ul>
PTT Energy Resources Co., Ltd.	<ul style="list-style-type: none"> <li>PTT, the Company's major shareholder, holds 100% of PTT Energy Resources' registered and paid-up capital.</li> </ul>	Support staff expenses <ul style="list-style-type: none"> <li>Total expenses 0.02</li> </ul>		<ul style="list-style-type: none"> <li>Condition and price setting follows normal business operations at the arm's length basis conditions for non-related persons or operations.</li> </ul>
		Income from the Company's personnel seconded to PTT Energy Resources <ul style="list-style-type: none"> <li>Total income -</li> <li>Accounts receivable 0.02</li> </ul>		<ul style="list-style-type: none"> <li>Salary rates based on the actual rates the Company pays for our employees seconded to PTT Energy Resources.</li> </ul>
IRPC Plc. (IRPC)	<ul style="list-style-type: none"> <li>PTT, the Company's major shareholder, holds 38.51% of IRPC's registered and paid-up capital.</li> <li>Co-director is Mr. Tevin Vongvanich.</li> </ul>	Expense for IT services from IRPC for real time analyst meetings. <ul style="list-style-type: none"> <li>Total expenses 0.01</li> <li>Accounts payable -</li> </ul>		<ul style="list-style-type: none"> <li>Condition and price setting follows normal business operations at the arm's length basis conditions for non-related persons or operations.</li> </ul>

Connected Company	Relationship	Transaction	Value (Unit: Million USD)	Pricing Policy and/or Reason
PTT Maintenance and Engineering Co., Ltd. (PTT Maintenance)	<ul style="list-style-type: none"> <li>PTT, the Company's major shareholder, holds 40% of PTT Maintenance's registered and paid-up capital.</li> </ul>	<p>The Company and our subsidiaries signed the contracts with PTT Maintenance for the following services:</p> <ul style="list-style-type: none"> <li>Rail tank wagons maintenance and repair</li> <li>General maintenance, equipment inspection and other services</li> <li>Total expenses 1.46</li> <li>Accounts payable -</li> </ul>		<ul style="list-style-type: none"> <li>Condition and price setting follows normal business operations at the arm's length basis conditions for non-related persons or operations.</li> </ul>
Dhipaya Insurance Plc. (TIP)	<ul style="list-style-type: none"> <li>PTT, the Company's major shareholder, holds 13.33% of TIP's registered and paid-up capital.</li> </ul>	<p>Expense for the Company's assets insurance, and our employees' health and life insurance</p> <ul style="list-style-type: none"> <li>Total expenses 14.07</li> <li>Accounts payable -</li> </ul>		<ul style="list-style-type: none"> <li>Condition and price setting follows normal business operations at the arm's length basis conditions for non-related persons or operations.</li> </ul>
		<p>Income recognized from the excess of premium insurance payment in 2014.</p> <ul style="list-style-type: none"> <li>Total income 1.13</li> <li>Accounts receivable -</li> </ul>		<ul style="list-style-type: none"> <li>Condition and price setting follows normal business operations at the arm's length basis conditions for non-related persons or operations.</li> </ul>
PTT International Trading Pte. Ltd. (PTT International Trading)	<ul style="list-style-type: none"> <li>PTT, the Company's major shareholder, holds 100% of PTT International Trading's registered and paid-up capital.</li> </ul>	<p>Expense for fuel hedging contracts</p> <ul style="list-style-type: none"> <li>Total expenses 1.86</li> <li>Total income 23.97</li> <li>Accounts receivable 6.02</li> </ul>		<ul style="list-style-type: none"> <li>Condition and price setting follows normal business operations at the arm's length basis conditions for non-related persons or operations.</li> </ul>
Trans Thai-Malaysia (Thailand) Limited	<ul style="list-style-type: none"> <li>PTT, the Company's major shareholder, holds &gt; 10% of Trans Thai-Malaysia (Thailand)'s registered and paid-up capital.</li> </ul>	<p>Income from warehousing service provided at Songkhla</p> <ul style="list-style-type: none"> <li>Total income 0.01</li> <li>Accounts receivable -</li> </ul>		<ul style="list-style-type: none"> <li>Condition and price setting follows normal business operations at the arm's length basis conditions for non-related persons or operations.</li> </ul>



Connected Company	Relationship	Transaction	Value (Unit: Million USD)	Pricing Policy and/or Reason
Mr. Kanit Sangwongwanich	<ul style="list-style-type: none"> <li>Management of PTTEP</li> </ul>	Income from asset disposal (car) <ul style="list-style-type: none"> <li>Total income</li> <li>Accounts receivable</li> </ul>	0.04 -	<ul style="list-style-type: none"> <li>Condition and price setting follows normal business operations, fair and at arm's length basis conditions for non-related persons or operations.</li> </ul>
Mr. Tevin Vongvanich	<ul style="list-style-type: none"> <li>Director and Management of PTT</li> <li>Director of PTTEP</li> </ul>	Income from asset disposal (car) <ul style="list-style-type: none"> <li>Total income</li> <li>Accounts receivable</li> </ul>	0.09 -	<ul style="list-style-type: none"> <li>Condition and price setting follows normal business operations, fair and at arm's length basis conditions for non-related persons or operations.</li> </ul>

## 12.2 Preconditions and Reasons for Connected Transactions

PTTEP's Audit Committee reviewed the connected transactions which were recorded during the fiscal year ending December 31, 2015 as summarized above and considered them to be indispensable, fair and justifiable in terms of conditions and price, and/or within the arm's length basis. The transactions were also approved by the management or the PTTEP's Board of Directors (Board) prior to execution.

## 12.3 Measures and Procedure of Connected Transactions

The Board reviews the transactions potentially leading to conflicts of interest, or those which are connected or related, under proper ethical standards, however only after they are initially screened and examined by the Company's Audit Committee. The transactions are particularly of those falling within the criteria as set forth by the Stock Exchange of Thailand, the Capital Market Supervisory Board, and the Securities and Exchange Commission. The Board's responsibility also includes, when deemed appropriate, public disclosure of accurate and correct information of the transactions which might be questionable. The Company meanwhile has conducted a clear set of policies regarding conflict of interest for our directors and employees to follow and act accordingly, as well as a reporting procedure in presence of the conflict.

Shall any of the directors, employees, or related persons have a vested interest in a transaction that the Company is involved in, he or she will not be allowed to take part in making of any of the decisions or approvals related to the transaction. The transaction, in this case, also remains to be treated under an arm's length basis, fair and justifiable in terms of both price and conditions.

## 12.4 Policy for and Future Possibility of Connected Transactions

### 12.4.1 Policy for Connected Transactions

PTTEP treats connected transactions as normal business transactions without any intentions to transfer of benefits between or among the Company and related companies, or persons. The Company strictly adheres to securities and exchange laws and regulations, including those imposed by the Capital Market Supervisory Board, the Stock Exchange of Thailand, or other related supervisory agencies, regarding connected transactions to ensure that, with reasonable business terms and conditions, and use of the market reference prices for

instance, the Company's shareholders and stakeholders will continued to be treated equally and in their interests, according to the Company's good corporate governance Policy.

#### 12.4.2 Future Possibility of Connected Transactions Potentially Leading to Conflicts of Interest

PTTEP will continue to have connected transactions with related entities in the future. Most of the transactions include normal business, office building-leasing, and supporting business transactions, which can be summarized as follows:

(1) Sales of petroleum products and purchase of fuel: Since the transactions are a normal part of the Company's business and are executed under conditions and requirements as stated in the contracts, they will continue due to their necessity to the operations.

(2) Lease of office buildings: Since leasing of office buildings is reasonable and necessary for the Company's business operations, the transactions will be continued.

(3) Hiring of information and technology services: Since it remains reasonable and necessary for the Company to be supported with information and technology services to operate our business, the transactions will continue.