

## 7. Securities and Shareholders

### 7.1 Capital Structure

As of December 31, 2018, PTTEP's capital structure comprised USD 1,946 million of interest-bearing debt and USD 12,021 million of shareholders' equity, amounting to an interest-bearing debt to shareholders' equity ratio of 0.16. Details of the capital structure are as follows:

#### 7.1.1 Securities

##### Capital Stock

As of December 31, 2018, PTTEP's registered and paid-up capital was THB 3,969,985,400, consisting of 3,969,985,400 ordinary shares at a par value of THB 1 per share.

##### Debentures

PTTEP has investment-grade credit ratings of Baa1 and BBB+ from reputable international credit-rating agencies, namely, Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services ("Standard & Poor's"), respectively. In addition, the Company has also been given a rating of AAA, the highest credit rating, by TRIS Rating Co., Ltd. ("TRIS") which is a credit-rating agency in Thailand.

During 2018, PTTEP did not issue any domestic and international debentures. However, on March 27, 2018, PTTEP redeemed in full, the THB 2,500 million unsecured and unsubordinated debentures on the maturity date and on September 16, 2018, PTTEP fully redeemed our USD 323.45 million unsecured and unsubordinated debentures at the maturity.

As of December 31, 2018, PTTEP had the following outstanding debentures;

(1) Details of THB debentures (total outstanding amount: THB 24,600 million)

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

<sup>1</sup> The debentures were last rated by TRIS on March 29, 2018.

<sup>2</sup> In 2011, PTTEP entered into a CCS to swap THB 5,000 million for USD 161.81 million with an interest rate of 4.93% per annum.

<sup>3</sup> In 2014, PTTEP entered into a CCS to swap THB 8,200 million for USD 251.07 million with an interest rate of 3.013% per annum.

<sup>4</sup> In 2014, PTTEP entered into a CCS to swap THB 11,400 million for USD 349.05 million with an interest rate of 4.989% per annum.

(2) Details of USD debentures (total outstanding amount: USD 1,190 million)

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 debentures, unsecured, unsubordinated	April 5, 2011	April 5, 2021	10 years	700 <sup>2</sup>	Fixed 5.692%, coupon payment: semi-annually	Baa1	BBB+
	June 12, 2012	June 12, 2042	30 years	490 <sup>3</sup>	Fixed 6.350%, coupon payment: semi-annually	Baa1	BBB+

<sup>1</sup> The latest credit ratings were issued by Moody's on May 16, 2018 and Standard & Poor's on May 28, 2018.

<sup>2</sup> Issued by PTTEP CIF, and fully guaranteed by PTTEP.

<sup>3</sup> Issued by PTTEP CIF, and fully guaranteed by PTTEP; and in 2013 repurchased in the amount of USD 10 million. As a result, the outstanding principal amount has been decreased from USD 500 million to USD 490 million.

(3) Details of THB Hybrid Bonds (total outstanding amount: THB 5,000 million)

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 which PTTEP can defer the distribution at its sole discretion	June 15, 2012	No maturity date ▪ payment upon liquidation or ▪ early redemption subject to terms & conditions	Perpetual	5,000 <sup>2</sup>	<ul style="list-style-type: none"> <li>Year 1-10: 5.85%</li> <li>Year 11-30: 6.10%</li> <li>Year 31-60: 6.85%</li> <li>Year 61 onwards: 7.85%,</li> <li>coupon payment: quarterly</li> </ul>	AA

<sup>1</sup> The latest credit rating was issued by TRIS on March 29, 2018.

<sup>2</sup> The accounting treatment of these hybrid bonds is such that they are recorded in shareholders' equity.

## (4) Details of USD Hybrid Bonds (total outstanding amount: USD 1,000 million)

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	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	145 <sup>2,3</sup>	<ul style="list-style-type: none"> <li>▪ Year 1-5: 4.875%</li> <li>▪ Year 6-10: 5 Years UST+3.177%</li> <li>▪ Year 11-25: 6M LIBOR+3.351%</li> <li>▪ Year 26 onwards: 6M LIBOR+4.101%,</li> <li>▪ coupon payment: semi-annually</li> </ul>	Baa3	BB+

<sup>1</sup> The latest credit ratings were issued by Moody's on May 16, 2018 and Standard & Poor's on May 28, 2018.

<sup>2</sup> The accounting treatment of these hybrid bonds is such that they are recorded in shareholders' equity.

<sup>3</sup> PTTEP was the issuer and repurchased of USD 855 million in 2017, leaving the principal amount of USD 145 million from USD 1,000 million.

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	July 17, 2017	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	500 <sup>2,3</sup>	<ul style="list-style-type: none"> <li>Year 1-5: 4.60%</li> <li>Year 6-10: 5 Years UST+2.65%</li> <li>Year 11-25: 6M LIBOR+2.90%</li> <li>Year 26 onwards: 6M LIBOR+3.65%</li> <li>coupon payment: semi-annually</li> </ul>	Baa3	BB+
	July 26, 2017	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	355 <sup>2,3</sup>	<ul style="list-style-type: none"> <li>July 26, 2017 - June 2019: 4.875%</li> <li>June 2019 - June 2024: 5 Years UST+3.177%</li> <li>June 2024 - June 2039: 6M LIBOR+3.351%</li> <li>June 2039 onwards: 6M LIBOR+4.101%</li> <li>coupon payment: semi-annually</li> </ul>	Baa3	BB+

<sup>1</sup> The latest credit ratings were issued by Moody's on May 16, 2018 and Standard & Poor's on May 28, 2018.

<sup>2</sup> The accounting treatment of these hybrid bonds is such that they are recorded in shareholders' equity.

<sup>3</sup> PTTEP TC was the issuer, fully guaranteed by PTTEP.

### 7.1.2 Number of Shares and the effects of NVDR Issuance on Shareholders' Voting Rights

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 treated as listed securities (Automatic Listing) on the SET. The objective of NVDRs is to promote trading activities in the Thai stock market by removing obstacles such as foreign investment limits and other impediments faced by international institutional investors investing in listed securities on the SET. NVDR investors are entitled to receive all financial benefits, such as dividends, right issues, and warrants, as if they invest in common shares. The major difference between investing in NVDRs and ordinary shares is the lack of voting rights of the former. NVDR holders generally are not allowed to participate and vote in shareholders' meetings except only in the case where the company wishes to delist itself from the SET. In addition, although NVDRs are designed mainly to ease foreign investment barriers; the SET does not prohibit Thai investors from investing in the instrument.

As of February 13, 2019, as published on the official website of the SET, PTTEP had a total of 268,554,894 NVDRs outstanding, representing 6.76% of the Company's total issued and paid-up capital of 3,969,985,400 shares.

## 7.2 Shareholders

### 7.2.1 Major Shareholders

As of February 13, 2019, the major shareholders of PTTEP (owning more than 0.50% of PTTEP's paid-up shares) were as follows:

Rank	List of Major Shareholders	Number of Shares	% of Total Number of Shares
1.	PTT PUBLIC COMPANY LIMITED <sup>1</sup>	2,591,860,489	65.29
2.	THAI NVDR COMPANY LIMITED	268,554,894	6.76
3.	SOUTH EAST ASIA UK (TYPE C) NOMINEES LIMITED	103,347,170	2.60
4.	STATE STREET EUROPE LIMITED	86,103,580	2.17
5.	THE BANK OF NEW YORK MELLON	41,281,687	1.04
6.	SOCIAL SECURITY OFFICE	39,992,477	1.01
7.	THE BANK OF NEW YORK (NOMINEES) LIMITED	31,994,043	0.81
8.	EGAT SAVING AND CREDIT COOPERATIVE LIMITED	24,613,400	0.62
	Total number of shares held by major shareholders	3,187,747,740	80.30
	Total fully-paid capital as of February 13, 2019	3,969,985,400	100

Remarks: <sup>1</sup>The Ministry of Finance, Thailand, is the major shareholder of PTT Public Company Limited.

### 7.2.2 NVDR Holders\*

Rank	NVDR holders (as of February 13, 2019)	Number of NVDR issues	% of total outstanding shares in underlying stock
1.	STATE STREET BANK AND TRUST COMPANY	42,875,431	1.08
2.	STATE STREET EUROPE LIMITED	34,152,523	0.86
3.	SOUTH EAST ASIA UK (TYPE C) NOMINEES LIMITED	30,391,820	0.77
	<b>Total shares</b>	<b>107,419,774</b>	<b>2.71</b>

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

### 7.2.3 Major Shareholder with Significant Influence over PTTEP's Policies or Operations

PTT, a major shareholder of PTTEP, takes part in determining PTTEP's policy and operations under the Board's approval. As of December 31, 2018, three out of the Company's 14 directors were either directors or executives from PTT.

### 7.2.4 The Company Enters into Shareholders' Agreement with Effect to Security Offering and Issuance or Management Power of the Company

- None -

## 7.3 Dividend Payment Policy

Under normal circumstances, according to the Company's policy, PTTEP's Board of Directors generally recommends to the shareholders an annual dividend payment of not less than 30% of net income after tax. The Board of Directors, as appropriate, may also resolve to pay interim dividends and subsequently inform the shareholders in the next shareholders' meeting. For the Company's subsidiaries, dividend policy is subject to cash flow, future investment plans, and other factors necessary for the continuity of their operations, and must be in compliance with related laws and regulations.

However, under the terms and conditions therein, the Company will not declare or make any dividend payments if the Company defers an interest payment or has deferred interest payments outstanding on the subordinated perpetual capital debentures No. 1/2555 of THB 5,000 million, issued in June 2012, outstanding subordinated perpetual capital debentures of USD 145 million, issued in June 2014; and outstanding subordinated perpetual capital debentures of USD 855 million, issued by PTTEP Treasury Center Company Limited (PTTEP TC) in July 2017 and guaranteed by PTTEP.

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

Year	2014	2015	2016	2017	2018
Earnings per Share (THB)	5.19	- 8.24	2.76	4.54	8.69
Dividend per Share (THB)	4.50	3.00	3.25	4.25	5.00
Dividend Payout Ratio	82%	N/A**	98%	90%	55.10%

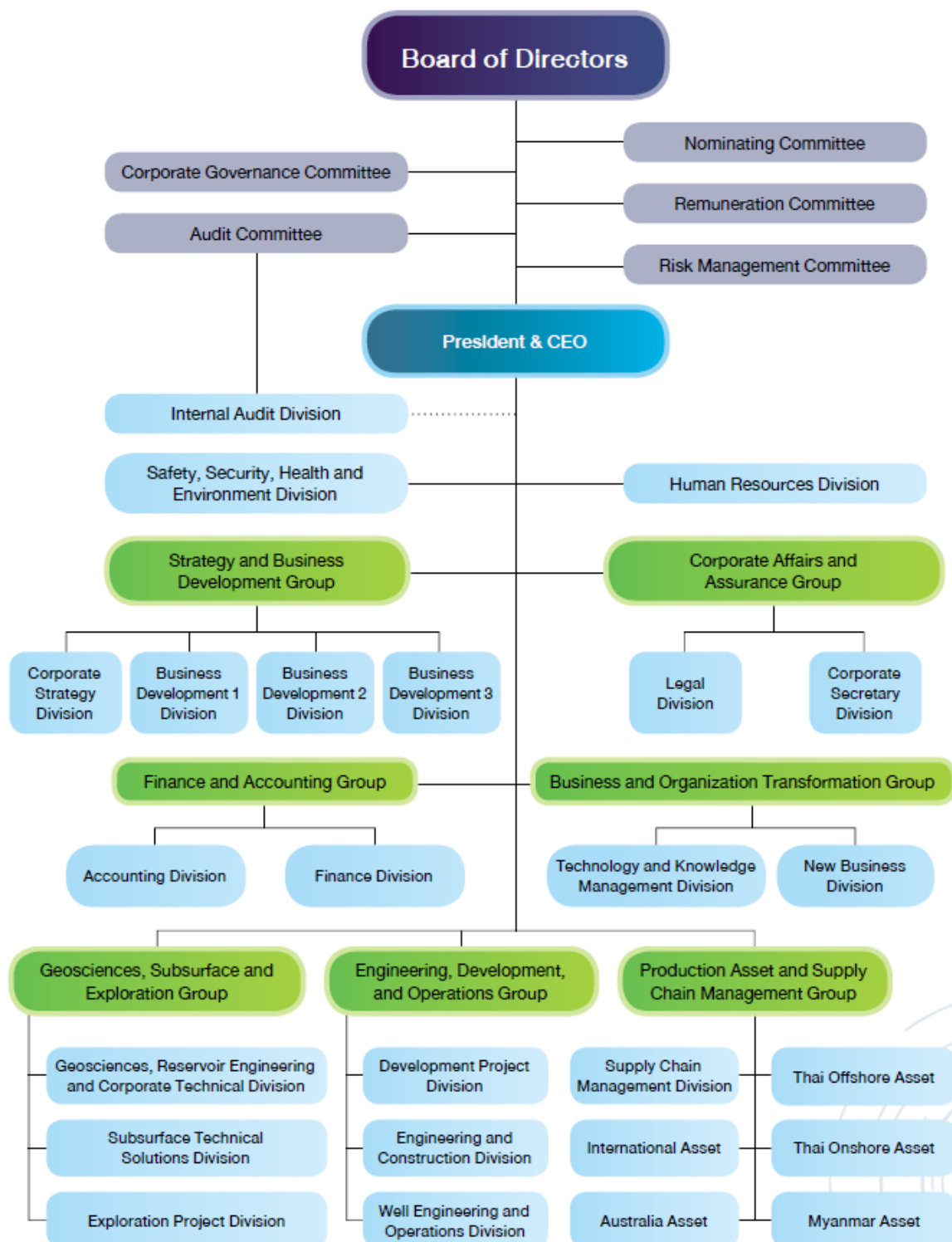
\* Since January 18, 2010, Thai NVDR Co., Ltd. has changed its rule to require a disclosure of names of NVDR holders having over 0.50% of paid-up capital of the underlying securities.

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



## 8. Management Structure

As of January 16, 2019



**Remarks:** According to the organizational restructuring of PTTEP as of January 1, 2019, the work scope of President, Exploration and Production was combined with Chief Executive Officer and the title was renamed to President and Chief Executive Officer.

## 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 appropriate mix of skills suitable for the E&P industry. In 2018, PTTEP reviewed the Board's Skill Mix by classifying it to 12 subject matters under 2 categories.

(1) Core Skill: Basic expertise which is necessary for the directors to govern the Company, namely, business judgment, management skill & corporate governance, and business strategy

(2) Specific Skill: Specific expertise or experience which is useful for the directors to supervise and govern the Company, namely, industry knowledge, accounting, legal, international market, risk & crisis management, economics & finance, SSHE (Safety, Security, Health and Environment), technology, and organization change & development

The directors must not be over 70 years old and shall possess the qualifications according to the Good Corporate Governance and Business Ethics of the PTTEP Group (CG&BE), laws relevant to public limited companies as well as those of the Securities and Exchange, and 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 commit and dedicate 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 directors, considered to be appropriate for the Company's operational size. The Board consists of 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, 2018, the Board consisted of 14 directors.

- 13 non-executive directors (92.86% of total members)
- 1 executive director: the President and Chief Executive Officer (CEO)
- 7 independent directors (50% of total members, a ratio which is not less than half of the incumbent members as required by law and the Company's CG&BE)

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

Names, biography, qualifications, experience, and shareholding of the non-executive directors, executive directors, independent directors, and 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

According to the principles of accountability, duty of care and duty of loyalty, the Board has been clearly defined of their roles and responsibilities and required to perform them 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 is as follows:

- (1) To govern PTTEP's operations in compliance with the Company's CG&BE as well as to be a leader and role model in adopting, advising, communicating, and promoting the CG&BE among the employees and other organizations
- (2) To consider and approve of the statement of vision, mission, and corporate values of the 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 that they are in line with the Company's strategy, operational direction, targets, and policies as planned with the emphasis on mobility and applicability to allow the management to effectively and efficiently manage the business, whilst considering the impacts on safety, security, health, environment, innovation and technology, as well as responsibility to the society.
- (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 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 and to review the work process to ensure an appropriate check and balance for efficient internal control. In such case, reports of vested interests of oneself and/or those of related persons must be filed, including potential 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 ensure that audits are performed effectively by internal and external auditors
- (9) To ensure that communication and disclosure of information to the Company's stakeholders are performed in an accurate, complete, appropriate, and timely manner
- (10) To ensure that the Company's stakeholders are treated with a fair and equal treatment
- (11) To consider, approve, and appoint specialists from different professional fields to provide the Company with insightful information as well as to act on the Company's behalf on significant matters which can significantly affect the financial standing and reputation of the 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 Chief Executive Officer (CEO) and the President of the Exploration and Production (PEP), as well as to evaluate performance and determine remuneration of the CEO and PEP. The Board is also responsible for ensuring that the Company has an effective performance evaluation process for the executives.
- (14) To consider and delegate appropriate authority to the CEO to manage the Company's operations according to the strategic plan, business direction, targets and policies of the organization, as well as to ensure that there is appropriate oversight and efficient monitoring and evaluation.

The Board is permitted to request for information and seek advices and services in regard to the Company's 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 the PTTEP Group (CG&BE) for the Board's approval for implementation throughout the organization
- (2) To promote the 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 the Business Ethics of the Company as well as practices in regard to 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 of the Company's compliance with the CG&BE
- (5) To disclose information in regard to 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 performance of the Corporate Governance Committee in the Company's annual report
- (9) To perform other duties relevant to the Good Corporate Governance of the PTTEP Group as assigned by the Board

The Corporate Governance Committee consists of at least three directors, in which the majority of the members must be independent directors. As of December 31, 2018, the Committee comprised three members as follows:

Admiral Tanarat Ubol	Chairman of the Committee and Vice Chairman of the Independent Directors Committee
Ms. Panada Kanokwat	Member and Independent Director
Mr. Pitipan Teparitarmongorn	Member

According to its charter, the Committee must hold a meeting at least four times a year. In 2018, the Committee held 4 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 disclosed its annual performance in the Corporate Governance Committee Report for 2018.

### 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 ensure that the Company's activities are performed 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's internal control and internal audit systems are efficient and appropriate as well as that audit reports, audit approaches and results are performed and noted based on generally acceptable standards and relevant best practices, in addition to coordinating with the external auditor
- (5) To consider, select and propose an appointment of an external auditor<sup>\*</sup>, and to propose the audit's remuneration, as well as attend a non-executive meeting with the auditor at least once a year
- (6) To determine independence of the Internal Audit Division as well as to endorse appointments, transfers including removal, performance appraisal or punishments of the Head of the Internal Audit Division. The Audit Committee will appoint an Investigation Committee to investigate the Head of the division in case he or she is suspected of noncompliance to laws, the Company's rules and regulations, and the Good Corporate Governance and Business Ethics of the PTTEP Group.
- (7) To approve the annual audit plan
- (8) To endorse budget, division structure and manpower of the Internal Audit Division for the management to propose to the Board
- (9) To approve the charter of the Internal Audit Division
- (10) To approve the Conflict of Interest Declaration Form when the Head of the Internal Audit Division has to conduct the audit field work
- (11) To endorse the results from audits which were approved in the annual audit plan as well as special audit request
- (12) Chairman of the Audit Committee or a member has to attend the shareholders' meeting to answer questions in regard to the Committee's duties or the appointment of the external auditor
- (13) To annually review and update the Audit Committee Charter
- (14) To review the correctness of self-assessment and related documents in regard to the Anti-Corruption measures in reference to Thailand's Private Sector Collective Action Coalition Against Corruption (CAC)
- (15) To perform other duties as assigned by the Board upon its consent
- (16) To prepare and disclose the Audit Committee Report in the Company's annual report

Note: \* The State Audit Act, B.E. 2561 (2018), Articles 4 and 53 prescribed that the Auditor General is authorized to audit the financial report and state its views on the audit results of the state enterprises including PTTEP which is regarded as a state enterprise under the definition of the Budget Procedures Act, B.E. 2561 (2018), Article 4.

The Audit Committee consists of at least three directors, but not more than five directors, all of whom must be independent directors. As of December 31, 2018, the Committee comprised three members, and all members are capable with knowledge, expertise, and experience in auditing financial statements. One of the members, Ms. Panada Kanokwat, holds a degree in accounting. Details are as follows:

Director Name	Position	Financial Statements Audit Experience
Mr. Achporn Charuchinda	Chairman of the Audit Committee	<ul style="list-style-type: none"> <li>- 2013 - 2017 Board Member, The Bank of Thailand</li> <li>- 2013 - 2016 Director, Thai Smile Airways Co. Ltd.</li> <li>- 2013 - 2014 Member of the Audit Committee, Metropolitan Waterworks Authority</li> <li>- 2007 - 2013 Chairman of the Audit Committee, Bank of Thailand's Financial Institutions Development Funds</li> </ul>
Ms. Panada Kanokwat	Member of the Audit Committee	<ul style="list-style-type: none"> <li>- April 2018 - Present Member of the Audit Committee, TISCO Financial Group Plc.</li> <li>- April 2018 - Present Member of the Audit Committee, TISCO Bank Plc.</li> <li>- 2014 - April 3, 2018 Member of the Audit Committee, Global Power Synergy Plc.</li> <li>- 2015 - 2017 Chairman of the Audit Committee, Asia Biomass Plc.</li> <li>- 2013 - 2014 Member of the Audit Committee, TISCO Financial Group Plc.</li> <li>- 2013 - 2014 Member of the Audit Committee, TISCO Bank Plc.</li> </ul>
Mr. Sethaput Suthiwart-Narueput	Member of the Audit Committee	<ul style="list-style-type: none"> <li>- 2017 - Present Member of the Board of Directors, The Bank of Thailand Board</li> <li>- 2016 - Present Director, Osotspa Plc.</li> <li>- 2011 - 2012 Member of the Audit Committee, TMB Bank Plc.</li> <li>- Experiences in Financial Statement Analysis: <ul style="list-style-type: none"> <li>(1) 2008 - 2009 President, SCB Asset Management Co., Ltd.</li> <li>(2) 2007 - 2008 Managing Director, Head of Research, SCB Securities Co., Ltd.</li> </ul> </li> </ul>

Mr. Achporn Charuchinda assumed the chairmanship and Mr. Sethaput Suthiwart-Narueput was appointed as a member of the Committee in replacement of Mr. Ampon Kittiampon on October 25, 2018.

According to the Audit Committee Charter, the Committee must hold a meeting on a quarterly basis. In 2018, the Committee held 16 meetings which include the meetings that were conducted together with the Risk Management Committee, and 69 agendas were considered. The majority of incumbent directors, including the Head of the Internal Audit Division who also acted as the Committee's secretary, attended all the meetings. The Committee disclosed its annual performance in the Audit Committee Report for 2018.

### 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 the Company's directors, the Chief Executive Officer (CEO) when there is a vacancy or to replace those whose term have expired, or an Acting CEO when there is a vacancy while the nomination process is still underway, for election by the Board or the shareholders, considering the Board composition, knowledge, capability, their useful experience to the Company, number of companies in which they are serving as a director, as well as their conflicts of interest
- (2) To consider the CEO's succession plan and appropriate executive-level management development system to ensure the skills and qualifications as required to achieve the Company's target growth
- (3) To approve the Skill Mix and prepare a list of possible candidates for the Company's directors, CEO, or Acting CEO in advance and/or when there is a vacancy
- (4) To accept opinions or suggestions from PTT Board of Directors to supplement the nomination selection decision before submitting to the Board for consideration and to the Annual General Shareholders' Meeting (as the case may be)
- (5) To consider the annual Board Performance Target and Performance Agreement of the CEO and President of the Exploration and Production (PEP), to propose them to the Board for approval, as well as to set the Performance Evaluation Form of the Chairman, directors, sub-committees, and the CEO and PEP
- (6) To consider and propose qualified directors to be a member 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
- (7) To consider organization restructuring as to support corporate growth and changes in business environment
- (8) To regularly review and update its own charter to ensure its appropriateness
- (9) To disclose performance of the Committee in the Company's annual report
- (10) To perform other duties relevant to the nomination of directors, the CEO, or Acting CEO, 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 independent directors. As of December 31, 2018, the Committee comprised three members who were all independent directors as follows:

Mr. Bundhit Eua-arporn	Chairman and Independent Director
Major General Nimit Suwannarat	Member and Independent Director
Mr. Sethaput Suthiwart-Narueput	Member and Independent Director

Mr. Bundhit Eua-arporn assumed the chairmanship in replacement of Mr. Ampon Kittiampon on October 25, 2018.

According to its charter, the Committee must hold a meeting at least two times a year. In 2018, the Committee held 9 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 disclosed its annual performance in the Nominating Committee Report for 2018.

#### 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 prior to proposing at the Annual General Shareholders' Meeting for approval, using fair and reasonable criteria or principles, while ensuring that the remunerations are in line with the individuals' performance, the Company's performance, the industry's practices, as well as the scope of the duties and responsibilities

(2) To consider remuneration of the Chief Executive Officer (CEO) and President of the Exploration and Production (PEP), and the salary structure of the Company's executives with fair and reasonable criteria or principles prior to proposing them to the Board for approval, whereas the remuneration of the CEO and PEP must be in line with duties and responsibilities as well as his or her performance.

(3) To evaluate performance of the Remuneration Committee and report to the Board for 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 independent directors. As of December 31, 2018, 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 Vice Chairman of the Independent Directors Committee
Mr. Patchara Anuntasilpa	Member

Mr. Patchara Anuntasilpa assumed the membership in replacement of Mr. Kulit Sombatsiri on November 1, 2018.

According to its charter, the Committee must hold a meeting at least two times a year. In 2018, the Committee held 3 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 disclosed its annual performance in the Remuneration Committee Report for 2018.



#### 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 PTTEP's risk management policy and framework, and provide recommendation on corporate risk management to the Board and Management.
- (2) To consider risk appetite prior to proposing to the Board for approval as well as to determine Risk metrics and limit and regularly monitor the results
- (3) To oversee and support the implementation of risk management to achieve objectives at both corporate and asset/project levels (Enterprise-Wide Risk Management), with a focus on enhancing the level of risk awareness in order to support the decision making in using resources and selecting risk responses at an appropriate level.
- (4) To consider the entity's corporate risks in line with the corporate direction of which businesses PTTEP invests in, including E&P, related E&P, and other businesses, as well as to recommend mitigation strategy to manage the risks to keep them within the acceptable level according to clause (2) and to continuously monitor, assess and improve the mitigation strategy in responding to changing of the business environment
- (5) To support risk management function in assessing key risk factors and provide advice 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
- (6) To report the risk management results to the Board on a regular basis. For any matter with a significant impact on PTTEP, it shall be reported immediately to the Board for consideration.
- (7) To disclose the Committee's performance in the Company's annual report
- (8) To regularly review and update its own charter to ensure its appropriateness
- (9) To perform other duties relating to PTTEP'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, 2018, the Committee comprised six members, two of which were independent directors as follows:

Mr. Sethaput Suthiwart-Narueput	Chairman and Independent Director
Major General Nimit Suwannarat	Member and Independent Director
Mr. Pitipan Teparimargorn	Member
Mr. Wirat Uanarumit	Member
Mr. Twarath Sutabutr	Member
Ms. Penchun Jarikasem	Member

Ms. Penchun Jarikasem assumed the membership in replacement of Mr. Piti Tantakasem on February 1, 2018.

According to its charter, the Committee must hold a meeting at least four times a year. In 2018, the Committee held 15 meetings, which include the meetings that were conducted together with the Audit Committee. The majority of incumbent directors attended all the meetings with the presence of the Committee's secretary, who was the Head of the Risk Management Unit. The Committee disclosed its annual performance in the Risk Management Committee Report for 2018.

#### 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 the Chief Executive Officer (as the case may be) on significant matters which 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 benefits of the Company as well as the 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 the CG&BE are considered as an independent director without any appointment approvals from the Nominating Committee. As of December 31, 2018, the Committee comprised seven members as follows:

Mr. Prajya Phinyawat	Chairman
Admiral Tanarat Ubol	Vice Chairman
Mr. Ampon Kittiampon	Member
Major General Nimit Suwannarat	Member
Mr. Sethaput Suthiwart-Narueput	Member
Ms. Panada Kanokwat	Member
Mr. Bundhit Eua-Arporn	Member

According to its charter, the Committee must hold a meeting at least four times a year. In 2018, the Committee held 4 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 disclosed its annual performance in the Independent Directors Committee Report for 2018.

#### 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 (1) below. The definitions of an independent director, whose qualification is annually reviewed, are as follows:

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

(2) Neither being nor used to being 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 shareholders, or controlling persons, unless the foregoing status has ended for not less than two years prior to his or her appointment as the Company's independent director, excluding 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 directors, executives, major shareholders, controlling persons, or persons to be nominated as a director, executive, or controlling persons of PTTEP or one of the subsidiaries

(4) Neither having nor used to having a business relationship with PTTEP, our parent company, subsidiary companies, associated companies, major shareholders, or controlling persons, in the manner which may interfere with his or her independent judgment, and neither being nor used to being a significant shareholder, or controlling person of anyone having a business relationship with the Company, our parent company, subsidiary companies, associated companies, major shareholders, or controlling persons, 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, services, and granting or receiving of financial assistance. For example, these include receiving or extending of loans, guarantee, 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, whichever is lower, of between three percent or more of the net tangible assets of the Company or twenty million baht or more. 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 being an auditor of PTTEP, our parent company, subsidiary companies, associated companies, major shareholders, or controlling persons, and not being a significant shareholder, controlling person, or partner of an audit firm which employs auditors of the Company, our parent company, subsidiary companies, associated companies, major shareholders, or controlling persons, unless the foregoing relationship has ended for not less than two years

(6) Neither being nor used to being 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 companies, associated companies, major shareholders, or controlling persons, 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 the subsidiary companies, or not being a significant partner in a partnership or 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 any companies which undertake a business of the same nature and in competition to that of the Company or our subsidiaries

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

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

After being appointed as an independent director with the qualifications under (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 companies, associated companies, same-level subsidiary companies, major shareholders, or controlling persons, 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 the PTTEP Group (CG&BE) stipulates that there should be an annual performance appraisal of the Board. In 2018, the appraisal of the Board derived from the score from the self-appraisal of the entire Board and the Board Performance Target, while the Chairman and sub-committees were 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 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-committees' 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 the SEC's new Corporate Governance Code for Listed Companies 2017 and the CG&BE of the PTTEP Group under Section 6.3: Roles of the Board of Directors and Management. This includes topics, such as acting as the Chairman of the Board's meetings and the Annual General Shareholders' Meeting, setting agendas for the Board's meetings, and enhancing relationship between the Board and the management.

The 2018 appraisal included four parts as aforementioned with a scoring scale of 1 to 3 (1=need improvement, 2=meet standard, and 3=good). While the scoring scale remained unchanged from 2017, however, questions were adjusted under the Risk Management Committee Appraisal to be in line with Company's operation by adding a question about important strategic assets, i.e., Algeria Hassi Bir Rekaiz, Mozambique Rovuma Offshore Area 1 and Mariana Oil Sands of which risks should be monitored regularly.

The Board Performance was evaluated from the four elements according to the Board Performance Target 2018 as follows:

(1)	Corporate KPI	50%
(2)	Meeting attendance and meeting effectiveness	15%
(3)	Appraisal of the entire Board	10%
(4)	CG Perception	25%

Details of the 2018 Board's performance appraisal can be summarized as follows:

(1) The self-appraisal score averaged at 2.84, increased from 2.79 in 2017 (total score = 3). The individual cross-appraisal by other directors score averaged at 2.90, same as 2017 (total score = 3).

(2) The 2018 appraisal score of the Board derived from score from the Board Performance Target 2018, which was 4.00, decreased from 4.28 in 2017 with total score of 5 due to the stricter evaluation measures. (1=urgent improvement needed, 2=improvement needed, 3=fair or achieved as planned, 4=good, 5=very good). In 2018, the self-appraisal of the entire Board was also combined into the Board Performance Target 2018 with a weight of 10%. The score from the self-appraisal of the entire Board averaged at 2.92, increased from 2.87 in 2017 (total score=3).

In addition, the 2018 self-appraisal of the entire Board included an assessment part on the relationship between the Board and the management, provided that the latter was also evaluated by the same set of questions, to further develop their relationships and to promote two-way communication.

(3) The 2018 appraisal scores of the five sub-committees were within the highest range as follows:

(3.1) The appraisal score of the Audit Committee was 3.00, same as 2017 (total score = 3).

(3.2) The appraisal score of the Remuneration Committee was 2.92, decreased from 2.94 in 2017 (total score=3).

(3.3) The appraisal score of the Nominating Committee was 2.94, increased from 2.86 in 2017 (total score=3).

(3.4) The appraisal score of the Corporate Governance Committee was 2.87, decreased from 2.93 in 2017 (total score=3).

(3.5) The appraisal score of the Risk Management Committee was 2.98, increased from 2.97 in 2017 (total score=3).

(4) The 2018 appraisal of the Chairman by the Board was 2.98, increased from 2.94 in 2017 (total score=3).

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 in the future for efficiency improvement of the Board, sub-committees, Chairman, and management in several aspects, such as time management in the Board's meetings, review of human resource management, and succession plan development for critical positions. The directors will also put more emphasis towards self-development by attending trainings relating to the Board's performance efficiency and initiation to further enhance the Company's medium-term and long-term strategic planning.

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

The Board specifies that the Remuneration Committee is responsible for conducting of the Chief Executive Officer (CEO) and the President of the Exploration and Production (PEP)'s performance appraisal whereas the Nominating Committee is responsible for the CEO and PEP's Performance Agreement as measured by the Company's KPI to be used in the determination of his or her remuneration in the given year. The appraisal result must also be approved by the Board to ensure the check and balance as well as to allow the Company to monitor the performance of the CEO and PEP. The appraisal result essentially provides the transparency and justification in consideration of the CEO and PEP'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 the 2019 meeting schedule since September 2018. 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, whereas additional meetings will be held when deemed appropriate. In 2018, there were 18 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 for five working days prior to the meeting date, except in those urgent cases or insufficient information. In addition, the agenda documents are delivered to the directors through a software to facilitate the convenience and timeliness as well as to promote a paperless process.

Generally, the Company's Chairman, the and Chief Executive Officer (CEO), the Secretary to the Board of Directors, and the Corporate Secretary are responsible for agenda proposals in the Board's meetings; however, in practice, the Company's directors are also eligible to make the proposals as well.

The Board's meeting agendas are clearly classified, namely, agendas for approval, agendas for acknowledgement, and monthly agendas of performance review as well as budget execution. In 2018, there were 76 and 199 agendas proposed for approval and acknowledgement, respectively, while the other important standing agendas are as follows:

Month	Standing Agendas
January	<ul style="list-style-type: none"> <li>- Annual General Shareholders' Meeting Documents Preparation, including: <ul style="list-style-type: none"> <li>(1) Unaudited Annual Financial Statements</li> <li>(2) Dividend Payment</li> <li>(3) Auditor Appointment and Auditor's Fees Consideration</li> <li>(4) Board of Directors' and Sub-committees' Remuneration</li> </ul> </li> <li>- PTTEP's Board Performance Target</li> </ul>
February	<ul style="list-style-type: none"> <li>- Annual Registration Statement and Annual Report</li> </ul>
March	<ul style="list-style-type: none"> <li>- Annual General Shareholders' Meeting Preparation</li> </ul>
April	<ul style="list-style-type: none"> <li>- Appointment of Sub-committee Members</li> <li>- Assessment of the Annual General Shareholders' Meeting</li> </ul>
May	<ul style="list-style-type: none"> <li>- Strategic Direction and Annual Manpower Planning</li> </ul>
July	<ul style="list-style-type: none"> <li>- Interim Dividend Payment (If any)</li> </ul>
August	<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>- CEO's Key Performance Indicator (KPI) and Performance Agreement</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> </ul>

In 2018, there were also agendas for consideration relating to the business impacts in both short and long term. Such topics were for instance, exploration bidding in countries around the globe, progress on bid round for Thailand expiring concessions, progress on capital investment projects, organization restructuring to support long-term growth, investment opportunities, and revisions of the Risk Management Committee and Nominating Committee charters.

During each of the meetings, which usually lasted approximately three to four hours, the Chairman would allocate an adequate period of time to each agenda to provide an opportunity for the directors to express their opinions independently. The Company's executives were also invited to attend the meetings to provide necessary information as well as to acknowledge the policies and issues being raised. The Secretary to the Board of Directors and the Corporate Secretary attended every meeting to administer and provide advices to the Board on related rules and regulations for proper practices, to take minutes of the meetings, as well as to keep 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 his or her 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 therefore final vote.

The issues which are required to receive an approval of no less 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, issuance of debentures, merger and acquisition, and business dissolution
- (6) In case where the Company or one of the subsidiaries agrees to enter connected transactions, or sales or acquisition of the Company's 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's 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 the meetings' attendants, and name and content of those who state his or her opinions, questions, answers, or clarifications are recorded in details, while reports of the minutes are systematically filed and kept 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 Board's Chairman with an absent letter which must be informed to all of the Board members prior to the meeting and will be subsequently recorded in the report of individual directors' meeting attendance.

In 2018, non-executive directors held one meeting without presence of the management. The purpose of the meeting was to discuss and clarify ongoing issues from year 2018 corporate performance as well as to receive additional comments on CEO's 6-month performance evaluation according to the Nominating Committee's proposal. The results were summarized for and acknowledged to the CEO for further evaluation.



## 8.1.7 Meeting Attendance of PTTEP Directors in 2018

Director's Name	Board of Directors	Independent Directors Committee	Non-Executive Directors Committee	Corporate Governance Committee	Audit Committee	Remuneration Committee	Nominating Committee	Risk Management Committee	Annual General Shareholders' Meeting 2018
	Total number of meetings: 18 times	Total number of meetings: 4 times	Total number of meetings: 1 time	Total number of meetings: 4 times	Total number of meetings: 16 times	Total number of meetings: 3 times	Total number of meetings: 9 times	Total number of meetings: 15 times	Total number of meetings: 1 time
1. Mr. Prajya Phinyawat <sup>1</sup>	18/18	4/4	1/1	-	-	-	-	-	1/1
2. Mr. Achporn Charuchinda <sup>2</sup>	18/18	3/4	1/1	-	15/16	3/3	-	-	1/1
3. Admiral Tanarat Ubol <sup>1</sup>	16/18	4/4	1/1	4/4	-	3/3	-	-	1/1
4. Major General Nimit Suwannarat	15/18	4/4	1/1	-	-	-	9/9	9/15	1/1
5. Mr. Sethaput Suthiwart-Narueput <sup>2</sup>	18/18	4/4	1/1	-	3/3	-	9/9	15/15	1/1
6. Mr. Wirat Uanarumit	17/18	-	1/1	-	-	-	-	13/15	1/1
7. Mr. Twarath Sutabutr	14/18	-	1/1	-	-	-	-	10/15	1/1
8. Mr. Pitipan Tepartimargorn <sup>1</sup>	18/18	-	1/1	4/4	-	-	-	15/15	1/1
9. Ms. Panada Kanokwat <sup>1</sup>	18/18	4/4	1/1	4/4	16/16	-	-	-	1/1
10. Mr. Bundhit Eua-Arporn <sup>2</sup>	12/18	3/4	1/1	-	-	-	2/2	-	1/1
11. Ms. Penchun Jarikasem <sup>3</sup>	16/16	-	1/1	-	-	-	-	12/13	1/1

<sup>1</sup> Directors who retired by rotation in 2018 Annual General Shareholder's Meeting were re-elected as directors and assumed positions on April 2, 2018 as follows.

- Mr. Prajya Phinyawat assumed Chairmanship of the Board of Directors.
- Admiral Tanarat Ubol assumed membership of the Corporate Governance Committee and membership of the Remuneration committee.
- Mr. Pitipan Tepartimargorn assumed membership of the Risk Management Committee and membership of the Corporate Governance Committee.
- Ms. Panada Kanokwat assumed membership of the Audit Committee and membership of the Corporate Governance Committee.

<sup>2</sup> From October 25, 2018

- Mr. Achporn Charuchinda assumed Chairmanship of the Audit Committee.
- Mr. Sethaput Suthiwart-Narueput assumed membership of the Audit Committee.
- Mr. Bundhit Eua-Arporn assumed Chairmanship of the Nominating Committee.

<sup>3</sup> Ms. Penchun Jarikasem was elected as director and assumed membership of the Risk Management Committee on February 1, 2018.

Director's Name	Board of Directors	Independent Directors Committee	Non-Executive Directors Committee	Corporate Governance Committee	Audit Committee	Remuneration Committee	Nominating Committee	Risk Management Committee	Annual General Shareholders' Meeting 2018
	Total number of meetings: 18 times	Total number of meetings: 4 times	Total number of meetings: 1 time	Total number of meetings: 4 times	Total number of meetings: 16 times	Total number of meetings: 3 times	Total number of meetings: 9 times	Total number of meetings: 15 times	Total number of meetings: 1 time
12. Mr. Chansin Treenuchagron <sup>4</sup>	4/5	-	-	-	-	-	-	-	-
13. Mr. Patchara Anuntasilpa <sup>5</sup>	2/2	-	-	-	-	1/1	-	-	-
14. Mr. Phongsthorn Thavisin <sup>6</sup>	3/3	-	-	-	-	-	-	-	-
Former Directors Retiring by Rotation or Resigning During 2018 <sup>7</sup>									
1. Mr. Tevin Vongvanich <sup>8</sup>	12/13	-	1/1	-	-	-	-	-	1/1
2. Mr. Kulit Sombatsiri <sup>9</sup>	12/13	-	1/1	-	-	2/2	-	-	1/1
3. Mr. Somporn Vongvuthipornchai <sup>10</sup>	15/15	-	-	-	-	-	-	-	1/1
4. Mr. Ampon Kittiampon <sup>11</sup>	15/15	2/3	1/1	-	12/12	-	6/6	-	1/1

<sup>4</sup> Mr. Chansin Treenuchagron was elected as director on September 1, 2018.

<sup>5</sup> Mr. Patchara Anuntasilpa was elected as director and assumed membership of the Remuneration Committee on November 1, 2018.

<sup>6</sup> Mr. Phongsthorn Thavisin was elected as director on October 1, 2018.

<sup>7</sup> Mr. Piti Tantakasem resigned from directorship, membership of the Nominating Committee, and membership of the Risk Management Committee on January 1, 2018.

<sup>8</sup> Mr. Tevin Vongvanich resigned from directorship on August 31, 2018.

<sup>9</sup> Mr. Kulit Sombatsiri resigned from directorship and membership of the Remuneration Committee on September 10, 2018.

<sup>10</sup> Mr. Somporn Vongvuthipornchai resigned from directorship and retired from Chief Executive Officer position on September 30, 2018.

<sup>11</sup> Mr. Ampon Kittiampon resigned from directorship, Chairmanship of the Audit Committee, and Chairmanship of the Nominating Committee on October 1, 2018.

**8.1.8 Number of PTTEP Shares Held by the Directors, Their Spouse/Cohabiting Couple and Minor Child as of December 31, 2018**

Director's Name	Number of Ordinary Shares		
	As of December 31, 2017	As of December 31, 2018	Increase / (Decrease) During the Year
1. Mr. Prajya Phinyawat	15,000	15,000	-
2. Mr. Achporn Charuchinda	-	-	-
3. Admiral Tanarat Ubol	-	-	-
4. Major General Nimit Suwannarat	-	-	-
5. Mr. Sethaput Suthiwart-Narueput	-	-	-
6. Mr. Wirat Uanarumit	-	-	-
7. Mr. Twarath Sutabutr	-	-	-
8. Mr. Pitipan Teparimargorn	-	-	-
9. Ms. Panada Kanokwat	30,000	30,000	-
10. Mr. Bundhit Eua-arporn	-	-	-
Spouse/Cohabiting Couple	4,587	4,587	-
11. Ms. Penchun Jarikasem <sup>1</sup>	N/A	10,000	-
12. Mr. Chansin Treenuchagron <sup>2</sup>	N/A	-	-
13. Mr. Patchara Anuntasilpa <sup>3</sup>	N/A	-	-
14. Mr. Phongsthorn Thavisin <sup>4</sup>	70,909	81,037	10,128
<b>Former Directors Retiring by Rotation or Resigning During 2018<sup>5</sup></b>			
1. Mr. Tevin Vongvanich <sup>6</sup>	146,543	146,543	-
2. Mr. Kulit Sombatsiri <sup>7</sup>	-	-	-
3. Mr. Somporn Vongvuthipornchai <sup>8</sup>	263,677	263,677	-
Spouse/Cohabiting Couple	3,500	3,500	-
4. Mr. Ampon Kittiampon <sup>9</sup>	-	-	-

<sup>1</sup> Ms. Penchun Jarikasem was elected as director and assumed membership of the Risk Management Committee on February 1, 2018.

<sup>2</sup> Mr. Chansin Treenuchagron was elected as director on September 1, 2018.

<sup>3</sup> Mr. Patchara Anuntasilpa was elected as director on November 1, 2018.

<sup>4</sup> Mr. Phongsthorn Thavisin was elected as director on October 1, 2018.

<sup>5</sup> Mr. Piti Tantakasek resigned from directorship, membership of the Nominating Committee, and membership of the Risk Management Committee on January 1, 2018.

<sup>6</sup> Mr. Tevin Vongvanich resigned from directorship on August 31, 2018.

<sup>7</sup> Mr. Kulit Sombatsiri resigned from directorship and membership of the Remuneration Committee on September 10, 2018.

<sup>8</sup> Mr. Somporn Vongvuthipornchai resigned from directorship and retired from Chief Executive Officer position on September 30, 2018.

<sup>9</sup> Mr. Ampon Kittiampon resigned from directorship, Chairmanship of the Audit Committee, and Chairmanship of the Nominating Committee on October 1, 2018.

## 8.2 The Management

As of January 1, 2019, PTTEP's management, according to the definition of management as defined by the Capital Market Supervisory Board (CMSB), consists of 19 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 Names and Number of Shares Held by the Management\*, Their Spouse/Cohabiting Couple and Minor Child

Name	Number of Ordinary Shares		
	As of January 1, 2018	As of January 1, 2019	Increase/(Decrease) During the Year
1. Mr. Phongsthorn Thavisin <sup>1</sup>	70,909	81,037	10,128
2. Mr. Montri Rawanchaikul	43,214	19,550	(23,664)
3. Mr. Vuthiphon Thuampoomngam <sup>2</sup>	58,889	58,889	-
4. Mr. Kanok Intharawijitr <sup>3</sup>	N/A	40,231	N/A
5. Mr. Chayong Borisuitsawat <sup>4</sup>	55,096	55,096	-
6. Mr. Sumrid Sumneing <sup>5</sup>	N/A	2,500	N/A
7. Mr. Chatchawal Eimsiri	58,205	40,078	(18,127)
8. Mrs. Suchitra Suwansinpan	105,290	106,465	1,175
Spouse/Cohabiting Couple	300	300	-
9. Mr. Yongyos Krongphanich <sup>6</sup>	105,367	106,445	1,078
10. Mrs. Natruedee Khositaphai <sup>7</sup>	N/A	107,457	N/A
Spouse/Cohabiting Couple	N/A	10,000	N/A
11. Mr. Suksant Ongvises <sup>8</sup>	N/A	27,681	N/A
12. Ms. Jaroonsri Wankertphon	77,410	73,228	4,182

\* 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 motivate the staff, create alignment between the employees, management and shareholders, as well as to establish long-term loyalty and a sense of ownership.

<sup>1</sup> Appointed as Chief Executive Officer in replacement of Mr. Somporn Vongvuthipomchai, and Acting President, Exploration and Production on October 1, 2018. Since January 1, 2019, the work scope of President, Exploration and Production was combined with Chief Executive Officer and the title was renamed to President and Chief Executive Officer.

<sup>2</sup> Appointed as Chief Operating Officer, Production Asset and Supply Chain Management Group on January 1, 2019.

<sup>3</sup> Appointed as Executive Vice President, Geosciences, Subsurface and Exploration Group on October 1, 2018.

<sup>4</sup> Appointed as Executive Vice President, Business and Organization Transformation Group on November 1, 2018.

<sup>5</sup> Appointed as Executive Vice President, Finance and Accounting Group on January 1, 2019.

<sup>6</sup> Appointed as Executive Vice President, attached to Finance and Accounting Group, seconded as Executive Vice President, Group Corporate Finance and Strategy, PTT Public Company Limited on January 1, 2019.

<sup>7</sup> Appointed as Acting Executive Vice President, Corporate Affairs and Assurance Group on October 1, 2018.

<sup>8</sup> Appointed as Acting Executive Vice President, Engineering, Development and Operations Group on November 1, 2018.

Name	Number of Ordinary Shares		
	As of January 1, 2018	As of January 1, 2019	Increase/(Decrease) During the Year
13. Mrs. Chanamas Sasnanand <sup>9</sup>	N/A	45,411	N/A
14. Mrs. Netrsuda Pokkasorn	79,857	86,005	6,148
15. Mr. Anutra Bunnag	-	-	-
16. Ms. Kanchanan Panananda	59,081	56,604	(2,477)
17. Mrs. Maneeya Srisukhumbowornchai	-	-	-
18. Ms. Pratamaporn Deesrinthum	52,846	53,249	403
19. Mr. Sermsak Satchawannakul <sup>10</sup>	N/A	45,215	N/A
<b>Management Who Retired or Rotated During 2018</b>			
1. Mr. Prapat Soponpongpiat <sup>11</sup>	69,320	70,589	1,269
2. Mr. Sakchai Sarawek <sup>12</sup>	31,475	32,012	537
Spouse/Cohabiting Couple	4,000	4,000	-
3. Mr. Somporn Vongvuthipornchai <sup>13</sup>	263,677	263,677	-
Spouse/Cohabiting Couple	3,500	3,500	-
4. Mrs. Pranot Tirasai <sup>14</sup>	172,341	173,657	1,316
5. Mr. Thiti Mekavichai <sup>15</sup>	94,392	95,843	1,451
6. Ms. Pannalin Mahawongtikul <sup>16</sup>	35,505	36,587	1,082
7. Mr. Waranon Laprabang <sup>17</sup>	144,168	110,521	(33,647)
8. Mrs. Sirirat Sararattanakul <sup>18</sup>	223,490	224,139	649
9. Mrs. Thanyaporn Vangvasu <sup>19</sup>	155,147	155,147	-

<sup>9</sup> Appointed as Senior Vice President, Finance Division, Finance and Accounting Group on January 1, 2019.

<sup>10</sup> Appointed as Vice President, Financial Accounting Department, Accounting Division, and Acting Vice President, Office Facility Management Department, Finance and Accounting Group on January 1, 2019.

<sup>11</sup> Resigned from employment before retirement from the position of Executive Vice President, Geoscience and Exploration Group on July 1, 2018.

<sup>12</sup> Appointed as Vice President, attached to International Asset and Seconded as Senior Manager, Business Support Division, Carigali-PTTEPI Operating Company Sdn. Bhd. (CPOC), Malaysia on July 1, 2018.

<sup>13</sup> Retired from the position of Chief Executive Officer on September 20, 2018.

<sup>14</sup> Retired from the position of Executive Vice President, attached to Chief Executive Officer on January 1, 2019. She currently holds the position of Secretary to the Board of Directors, appointed on October 1, 2018.

<sup>15</sup> Resigned from employment before retirement from the position of Executive Vice President, attached to Chief Executive Officer on October 1, 2018.

<sup>16</sup> End of secondment at PTTEP as Executive Vice President, Finance and Accounting Group on October 1, 2018.

<sup>17</sup> Retired from the position of Senior Advisor, reported to Chief Executive Officer from October 1, 2018.

<sup>18</sup> Resigned from employment before retirement from the position of Vice President, attached to Finance and Accounting Group on November 1, 2018.

<sup>19</sup> Resigned from employment before retirement from the position of Specialist, attached to Finance and Accounting Group on March 1, 2018.

### **8.3 Secretary to the Board of Directors and Corporate Secretary**

#### **8.3.1 Secretary to the Board of Directors**

The Board of Directors resolved to appoint Mrs. Pranot Tirasai, Executive Vice President, attached to the Chief Executive Officer, and assigned as Secretary to the Board of Directors, effective from October 1, 2018. The Secretary of the Board of Directors serves as the focal point for the Board and the management, and is responsible for providing advice to the Board on legal compliance regarding the duties and responsibilities of the Board and the management. The Secretary of the Board of Directors is also accountable for reviewing the agenda and minutes of the Board's meetings prior to their submission to the Board, and managing documentation of the Shareholders' meeting as well as making preparation for the Board for the Shareholders' meeting. Mrs. Tirasai holds a degree in law and is highly knowledgeable, capable and experienced, allowing her to appropriately support the Board in carrying out of its fiduciary duties.

#### **8.3.2 Corporate Secretary**

The Board of Directors resolved to appoint Mr. Yongsith Kosawititkul, Acting Senior Vice President, Corporate Secretary Division, as the Corporate Secretary and the Corporate Governance Committee's secretary, the Nominating Committee's secretary, the Remuneration Committee's secretary, and the Independent Directors Committee's secretary since October 1, 2018. Mr. Kosawititkul holds a degree in law. He is highly knowledgeable, capable and experienced in corporate secretarial functions. In addition, he attended seminars and completed trainings which were beneficial to his performance. Details of the Corporate Secretary are disclosed in the "Information of the Board of Directors, Management, Controlling Persons, and Corporate Secretary".

The Corporate Secretary has performed roles with fiduciary duties by having responsibility, and duties of care and loyalty, as required by the Securities and Exchange Act, including preparing and safeguarding the Company's important documents, namely the director registry, notice of the Shareholders' meetings, notice of the Board's meetings, minutes of the Shareholders' meetings, minutes of the Board's meetings, and Annual Reports; safeguarding the Conflicts of Interests Report submitted by the members of the Board and the management as well as sending a copy of the report to the Chairman of the Board and Chairman of the Audit Committee, as stipulated by law.

The Corporate Secretary is also responsible for the following duties as required by the Board:

- Overseeing and advising the Board to ensure that the directors perform their roles in compliance with relevant applicable laws, rules and regulations as well as the Company's objectives, Articles of Association, resolutions from the Board's and shareholders' meeting
- Organizing meetings of the Board, sub-committees, and shareholders.
- Providing induction and giving advices to new members of the Board.
- Recommending necessary and appropriate training programs to members of the Board.
- Coordinating with the Company's functional units to ensure that the Company's business operations are in line with the direction set by the Board and shareholders and with external regulatory bodies overseeing listed companies
- Governing the Company's subsidiaries, including preparing and safeguarding their important documents

- Promoting and educating the directors, management, and employees about the Good Corporate Governance and Business Ethics of the PTTEP Group, which is regularly being revised to be in compliance with related laws and in line with international practices of leading organizations
- Ensuring that all shareholders are treated fairly, ethically and lawfully as well as promoting good relationship with minority shareholders
- Acting as a Case Coordinator, which is responsible for managing reports or complaints submitted through the Whistleblowing System of PTTEP Group
- Performing other duties as required by the Company

## 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 in regard to 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, overall economic situation, and the shareholders' opinions. The 2018 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% of the Company's consolidated net profit in that year, but no more than THB 60 million per year, and proportionally to the directors' period in the position
- (4) 25% 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% increase for the sub-committee's Chairman
- (3) No remuneration in case of circulation
- (4) Excluding the sub-committees' members who are also 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 2018

Director's Name	Remuneration							2018 Bonus Paid in 2019	Total
	Board of Directors		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	900,000	600,000	0	0	0	0	0	2,967,728.72	4,467,728.72
2. Mr. Achporn Charuchinda	720,000	480,000	620,000	0	150,000	0	0	2,374,182.97	4,344,182.97
3. Admiral Tanarat Ubol	640,000	480,000	0	200,000	120,000	0	0	2,374,182.97	3,814,182.97
4. Major General Nimit Suwannarat	600,000	480,000	0	0	0	360,000	360,000	2,374,182.97	4,174,182.97
5. Mr. Sethaput Suthiwart-Narueput	720,000	480,000	120,000	0	0	360,000	750,000	2,374,182.97	4,804,182.97
6. Mr. Wirat Uanarumit	680,000	480,000	0	0	0	0	520,000	2,374,182.97	4,054,182.97
7. Mr. Twarath Sutabutr	560,000	480,000	0	0	0	0	400,000	2,374,182.97	3,814,182.97
8. Mr. Pitipan Teparatimargorn	720,000	480,000	0	160,000	0	0	600,000	2,374,182.97	4,334,182.97
9. Ms. Panada Kanokwat	720,000	480,000	640,000	160,000	0	0	0	2,374,182.97	4,374,182.97
10. Mr. Bundhit Eua-arporn	480,000	480,000	0	0	0	100,000	0	2,374,182.97	3,434,182.97
11. Ms. Penchun Jarikasem	640,000	440,000	0	0	0	0	480,000	2,172,540.04	3,732,540.04
12. Mr. Chansin Treenuchagron	160,000	160,000	0	0	0	0	0	793,562.53	1,113,562.53
13. Mr. Patchara Anuntasilpa	80,000	80,000	0	0	40,000	0	0	396,781.26	596,781.26
14. Mr. Phongsthorn Thavisin	120,000	120,000	0	0	0	0	0	598,424.20	838,424.20
Former Directors Retiring by Rotation or Resigning During 2018									
1. Mr. Tevin Vongvanich	480,000	320,000	0	0	0	0	0	1,574,115.83	2,374,115.83
2. Mr. Kulit Sombatsiri	480,000	360,000	0	0	80,000	0	0	1,639,161.94	2,559,161.94
3. Mr. Somporn Vongvuthipornchai	600,000	360,000	0	0	0	0	0	1,769,254.16	2,729,254.16
4. Mr. Ampon Kittiampon	600,000	360,000	600,000	0	0	300,000	0	1,775,758.77	3,635,758.77
Total	9,900,000	7,120,000	1,980,000	520,000	390,000	1,120,000	3,110,000	35,054,974.18	59,194,974.18

Remarks: (1) The 2018 Annual General Shareholders' Meeting (AGM) approved bonus for the Board if there is a dividend in that year, totaling 0.1% of the Company's consolidated net profit in that year, but no more than THB 60 million per year.

(2) Mr. Tevin Vongvanich and Mr. Chansin Treenuchagron have returned their PTTEP directorship remuneration in 2018 to PTT Public Company Limited (PTT) according to PTT's President and Chief Executive Officer management contract.

(3) PTTEP provides the Chairman with a corporate car to carry out corporate-related purposes while in the chairmanship.



#### **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 Siam Limited, PTTEP Services Limited, and B8/32 Partners Company Limited, do not receive any additional remunerations. However, the executives who are assigned to be directors of subsidiaries or associated companies engaged in other businesses, for example, PTT Digital Solutions Company Limited, Ltd. and Energy Complex Company Limited, are entitled to an additional remuneration with subject to the remuneration policy of such subsidiaries or associated companies.

#### **8.4.3 Remuneration of the Chief Executive Officer**

Remuneration of the Chief Executive Officer (CEO) is determined using fair and appropriate procedures and defined under the principles which are unbiased, reasonable, justifiable, and transparent. PTTEP's Remuneration Committee is responsible for reviewing remuneration of the CEO 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 overall economic situation.

The ratio of annual compensation of the CEO compared to the average annual compensation of the Company's executives is approximately 1.5:1, while the ratio of annual compensation of the CEO compared to the average annual compensation of the Company's employees is approximately 10:1.

#### **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 establish an unbiased and reasonable structure which reflects, not only the Company's own business nature and its performance, but also 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 prior to the implementation.

The Chief Executive Officer meanwhile is responsible for reviewing the appropriateness of the remuneration of each of the executives as well as their annual salary increase, taking into consideration his or her overall 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 the Company's 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.

The ratio of the average annual compensation of the executives compared to the average annual compensation of the Company's employees is approximately 7:1.

### Remuneration of the Executives

	2017		2018	
	Number	Total Amount (THB)	Number	Total Amount (THB)
Salary	12 <sup>1</sup>	92,112,950	16 <sup>1</sup>	105,475,290
Bonus		56,137,890 <sup>2</sup>		75,388,087 <sup>3</sup>
Other compensation <sup>4</sup>		12,310,683		14,474,373
<b>Total</b>		<b>160,561,523</b>		<b>195,337,750</b>

In 2018, compensation (salary, bonus, and contribution to the provident fund) of PTTEP's and the subsidiaries' employees, including wages of the seconded employees, totaled THB 8,147,346,747.

## 8.5 Personnel

As of December 31, 2018, PTTEP and our subsidiaries had a total workforce of 3,861 employees.

### Number of Employees<sup>\*</sup>

Employee Type	Total (Persons)
Thai Permanent Employees	2,076
Thai Contracted Employees	1,269
Non-Thai Contracted Employees	46
Local Employees in Overseas Subsidiaries	465
Seconded Employees from PTT Group Companies and Joint Venture Partners	5
<b>Total</b>	<b>3,861</b>

**Remarks:** <sup>\*</sup> Based on the Company's database as of December 31, 2018

<sup>1</sup> Executives consisted of the Chief Executive Officer, President of the Exploration and Production, Executive Vice Presidents and equivalent, and PTT's executives who have been seconded to PTTEP.

<sup>2</sup> Bonus for 2017 was paid in January and February 2018.

<sup>3</sup> Bonus for 2018 was paid in January and February 2019.

<sup>4</sup> Provident Fund

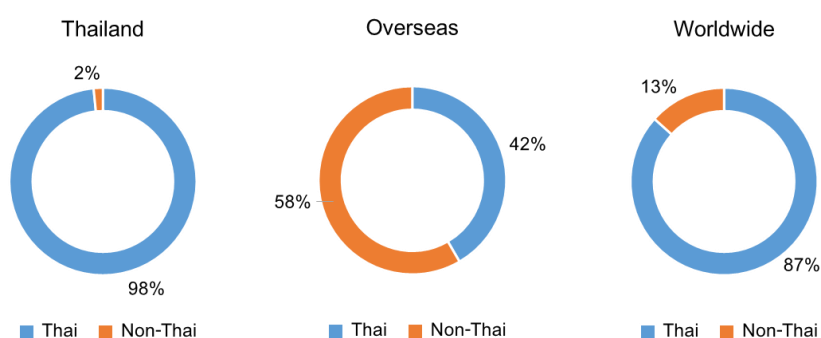
### Number of Employees in Each Function Group<sup>1</sup>

Function Group <sup>2</sup>	Thai Permanent Employee	Thai Contracted Employee	Non-Thai Contracted Employee	Local Employee	Seconded Employee
Chief Executive Officer	12	2	0	0	0
Business and Organization Transformation Group	67	21	1	0	0
Corporate Affairs and Assurance Group	90	22	0	0	0
Engineering and Development Group	239	128	3	21	0
Finance and Accounting Group	133	88	0	0	0
Geosciences and Exploration Group	217	43	18	24	0
Operations Support Group	287	282	18	21	0
Production Asset Group	820	612	1	399	5
Strategy and Business Development Group	79	12	2	0	0
Internal Audit Division	24	1	0	0	0
Safety, Security, Health and Environment Division	48	15	2	0	0
Human Resources Division	60	43	1	0	0
<b>Total</b>	<b>2,076</b>	<b>1,269</b>	<b>46</b>	<b>465</b>	<b>5</b>

Remarks: <sup>1</sup> Based on the Company's database as of December 31, 2018

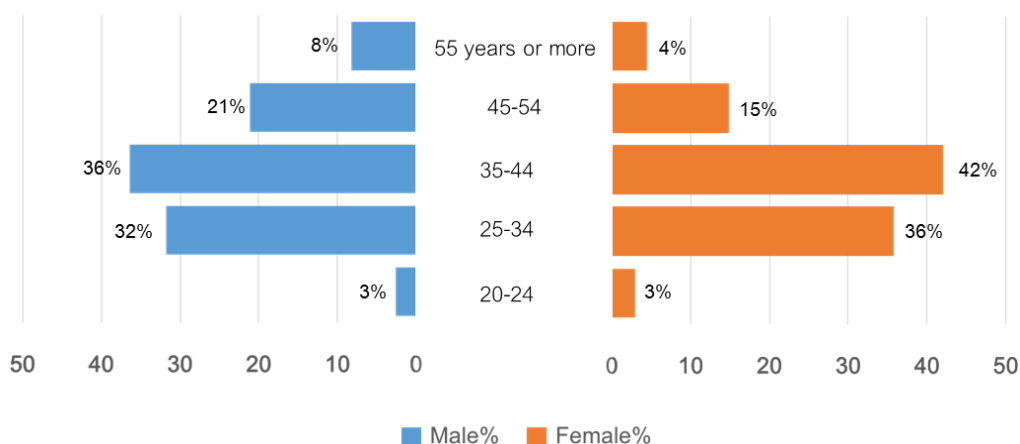
<sup>2</sup> Based on the Company's organization structure as of December 31, 2018

### Staff Demography by Nationality and Work Location<sup>1</sup>



Remarks: <sup>1</sup> Based on the Company's database as of December 31, 2018

Staff Demography by Gender and Age<sup>1</sup>



Remarks: <sup>1</sup> Based on the Company's database as of December 31, 2018

Employee Turnover

	IN <sup>1</sup>	OUT <sup>1</sup>
Thai Permanent Employees	51	69
Thai Contracted Employees <sup>2</sup>	56	63
Non-Thai Contracted Employees	9	18
National Employees	131	34
Seconded Employees	0	3

Remarks: <sup>1</sup> Based on the Company's database as of December 31, 2018

<sup>2</sup> The turnover was exclusive of outsourced staff hired through services contracts, e.g., maid, drivers, etc. and third party service providers.

In 2018, the Company's total employee turnover rate<sup>1</sup> was 4.62%, while the voluntary resignation rates in 2014 through 2018 were as shown below.

Voluntary Turnover Rate

2014	2015	2016 <sup>2</sup>	2017 <sup>2</sup>	2018
6.6%	6.3%	5.9 %	3.9 %	3.7%

Remarks: <sup>1</sup> Including voluntary resignation, dismissal, early retirement, retirement, death

<sup>2</sup> Resignation and early retirement in 2016 and 2017

#### 8.5.1 Human Resources Development Policy

To increase the organization's capability and accelerate the competency development of the Company's staff for continuous expansion of the business domestically and internationally, PTTEP has developed and improved the capability development system and process by implementing a competency-based 70:20:10 model of on-the-job training, coaching and mentoring, and formal training, respectively. In 2018, the Company provided training and development programs to employees through the following channels.

(1) In-House and External Training

The Company provides in-house and external trainings, domestically and overseas, to staff and management at all levels. These trainings comprise a wide variety of courses, including technical and functional training, Safety, Security, Health and Environment (SSHE) training such as ISO 14001 Environment Awareness Course, organizational knowledge training, as well as other skills required to increase their day-to-day work efficiency, such as computer skills training, foreign language training, business administration, and leadership skills training. Moreover, in 2018 PTTEP has started transforming the company towards digital organization, changing the way of working to be more agile, more efficient, faster, and exploring for new business opportunities in preparation for future growth. In preparation for these, the Company has developed and implemented the new learning and development programs, namely digital literacy, agile way of working, etc.

(2) Long-term Training and Development Programs

Long-term training and development programs are aimed to prepare our employees for roles and assignments in the Company's current and future projects. The programs are generally provided to selected employees based on their Individual Development Plan (IDP) in 1-3 years. Under the approach, the employees are required to undertake on-the-job trainings through various assignments relating to the Company's projects or to be temporarily assigned to work with the Company's business partners or services companies in Thailand and overseas. In the technical areas, mentors are also assigned to assist and coach the employees along their development journey.

(3) Master's Degree Scholarship Programs for Employees

The Company provides scholarships to employees to help them pursue master's degrees in world-class universities all over the world in the following fields.

- (1) Petroleum Geosciences
- (2) Petroleum Engineering
- (3) Engineering
- (4) Drilling and Well Engineering

The Company also provides 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

In 2018, the Company invested in human capital development programs at the total amount of THB 193,754,044 and provided more than 200,000 training and development hours for our employees with the average of 55 training and development hours per person per annum. 80% of employees took development actions to fulfil their Individual Competency Development Plan (ICDP). As a result, our employees' competency increased by approximately 5% which was higher than the set target of 3%.

The Company calculates the Human Capital Return on Investment (HCROI) in several dimensions. These include man-hours and cost spent on development activities against total revenue and production, time to autonomy of young technical professionals, and readiness of immediate successors for senior management positions, as well as a continuous development of additional measurements to evaluate the HCROI more efficiently. The results are subsequently used to evaluate and elevate the efficiency and effectiveness of the development activities for further and future improvement.

## 9. Corporate Governance

### 9.1 Good Corporate Governance Policy

PTTEP's Board of Directors (Board) recognizes how crucially significant it is to successfully implement Good Corporate Governance and Business Ethics of PTTEP Group (CG&BE). The Board is confident that strict adherence will successfully lead the Company to achieving its goals of "Growth, Prosperity, Stability, Sustainability and Dignity" as well as to enhancing the confidence of our shareholders and other stakeholders. The Board has assigned the Corporate Governance Committee to oversee, supervise, and monitor implementation of the necessary measures (CG&BE Program) to assure that the Company's operations are in line with the CG&BE Principles and that good corporate governance is maintained at the level of international standards. Also, compliance to CG&BE is periodically monitored to ensure that CG&BE has been integrated into everyone's work. In 2018, the Company earned various recognitions for our good corporate governance, domestically and internationally. Details are disclosed in the "Awards and Recognitions for Good Corporate Governance" section.

The Board has reviewed the implementation of the Corporate Governance Code 2017 (CG Code), which was established by the Securities and Exchange Commission through means that are suitable to the company's business. The Board fully understands the CG Code's leadership role and the overall usefulness in business applications. The Board assigned the Corporate Governance Committee to ensure CG Code compliance and its appropriate implementation, so as to maximize value in regard to the Company's future and sustainable growth.

PTTEP has continued to develop and apply the CG Code principles together with internationally recognized best practices as follows.

#### 9.1.1 Shareholders' Rights and Equal Treatments

PTTEP's understanding of the importance of shareholders' rights and equal treatments has given rise to the enactment of the Company's Good Corporate Governance principles. They include a number of guidelines to assure the Company's shareholders of their basic rights which, among others, allow them to trade and transfer shares, declare share ownership, and attend shareholders' meetings in person or through their proxies. In addition, the shareholders and their proxies are allowed to participate and vote in significant issues at the Company's shareholders' meetings. These issues could be, for example, election of new members of the Board in replacement of those retired by rotation, determination of the Board's remuneration, in all forms, appointment and approval of the external auditor and the auditor's fees, approval of connected transactions, acquisition or disposition of assets which, based on relevant laws, could be sizeable, and other issues which are of significance to the Company. The shareholders are also entitled to profit sharing in the form of dividends as well as to receiving adequate and timely information from the Company. The Company has only one class of shares, namely, ordinary shares, where one share is equal to one vote. Our efforts to ensure and enhance the shareholders' rights also include the following:

(1) **Annual General Meeting of Shareholders:** In 2018, PTTEP respected and promoted shareholder's rights in its Annual General Meeting of Shareholders (to be known hereafter as AGM or the Meeting) through the following actions.

#### Before the Meeting

(1.1) Shareholders were invited to propose agenda items and nominate qualified candidates for the election of PTTEP directors prior to the AGM from September 15 to December 15, 2017. The criteria were announced publicly through the SET's portal and the Company's website. The shareholders' proposals would be considered based on the Company's established criteria to ensure that the proposed agenda items were relevant and truly beneficial to the business. The Nominating Committee was to be responsible for short-listing the nominated candidates to the Board for consideration. Afterwards, the Board would inform the shareholders of the resolution, together with the rationale for each of the proposals at the AGM. In 2018, none such agenda items or any candidates were proposed at the AGM.

(1.2) PTTEP disclosed the AGM date approximately two months prior to the Meeting through the SET and the Company's website. The disclosure was made immediately when the Board determined the date on January 26, 2018. In addition, the Company disclosed the date on which the shareholders would have the right to attend the Meeting as well as to receive dividends on February 9, 2018.

(1.3) The AGM invitation letter and supplementary documents, both in Thai and English, were published on the Company's website more than 30 days prior to the Meeting, on February 26, 2018. The invitation letter included necessary details of each agenda item, which clearly stated the types of agenda items, be they for acknowledgement or approval. The Board's opinions on each agenda item are clearly stated, along with other rules and regulations related to the Meeting. A proxy form, which was stipulated by the Ministry of Commerce, was also attached to the invitation letter. A comprehensive list of required documents that the shareholders were required to bring to the Meeting, on the other hand, was provided to preserve their rights to attend, while other attachments included instructions of the Meeting and map of the venue. The AGM invitation letter and supplementary documents were distributed to the shareholders by post 21 days prior to the Meeting.

(1.4) PTTEP provided names of the three independent directors in the proxy form to provide the shareholders with an option to appoint one of them as their proxy. The Company also informed the shareholders about the stake of the independent directors in each of the agenda items; for instance, to elect new directors in replacement of those retired by rotation, an independent director whose term was completed, but then re-nominated for another term, would be considered as having vested interests (but not a special one). However, in the agenda item to approve remuneration of the Board, all of the directors would be considered as having a special interest and therefore were excluded from the voting regardless of the percentage of their shareholding. The Company also recommended that the shareholders use the proxy form, in which they could specify their votes for each agenda items.

(1.5) The Company also invited the shareholders to submit questions related to the Meeting or other information relevant to the Company prior to the Meeting. This action helped to make the meeting more efficient and beneficial to the shareholders. Such questions were consolidated and answered at the AGM as well as recorded in the minutes of meeting.

#### At the Meeting

(1.1) The Meeting was held on April 2, 2018 at 9.30 hrs. at the Bangkok Convention Center, 5<sup>th</sup> Floor, Central Plaza Ladprao, Bangkok. The Meeting date, time, and venue were determined by considering convenience for the shareholders. Barcode and electronic systems were used for the registration, vote counting, compilation, and display of

resolutions to ensure that the Meeting was carried out with full efficiency and accuracy. Assistants were adequately arranged to facilitate the process. To accelerate the registration process, the registration was opened to the shareholders four hours prior to the Meeting. The Company also provided duty stamps to the shareholders who intended to vote through a proxy.

(1.2) All 15 PTTEP directors attended the Meeting. The Company's Chairman presided over the Meeting, while the sub-committee chairmen, Chief Executive Officer, senior executives from the Finance and Accounting Group, and senior executives from other function groups also participated to respond and provide clarifications to inquiries from the shareholders. The auditor, external legal advisors (inspectors) from Weerawong, Chinnavat & Partners Ltd., shareholders' right protection volunteers from Thai Investors Association, and volunteers from shareholders to witness vote counting, also participated in the Meeting. The Chairman ensured that the Meeting was carried out in accordance with the Company's Articles of Association (AoA) and the agenda items were as stated in the invitation letter. The Chairman efficiently allocated time to each agenda item and provided adequate time and opportunity for the shareholders to share their views and make in-depth inquiries in regard to those subjects relating to the Company's operations and the Meeting's agenda items prior to the vote casting and resolution.

(1.3) PTTEP clearly provided information on the number and ratio of the shareholders who attended the Meeting in person and via proxies, including the procedures, vote casting, vote counting before the commencement as stipulated in the Articles of Association. The shareholders and proxies were required to use voting ballots to vote on each agenda item scheduled for the Meeting whether to agree, disagree, or abstain. For each agenda item, a barcode system was used to tally the votes, and each agenda item was treated and voted on separately, to ensure an accurate and effective vote-counting procedure. The resolution was clearly reported and displayed in the Meeting as required by relevant laws and the Company's Articles of Association, and volunteers who were selected from the shareholders and independent inspectors, were to be appointed to witness the vote-tallying and sign off on all the ballot cards collected, counted, and signed. These cards were for the internal reviews that took place after the Meeting adjourned.

The Company permitted shareholders who arrived at the Meeting after it had commenced to cast their votes in the agenda item that was in the consideration process or had not been considered or voted at the time of their arrival. The Company were also to count these shareholders as participants in the Meeting starting from the agenda item when they arrived.

(1.4) 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 among the shareholders.

(1.5) External independent legal advisors, acting as inspectors as well as witnesses, were engaged to oversee the Meeting to ensure the Meeting's transparency and that it was conducted lawfully in accordance with the Articles of Association. Responsibilities of the inspectors included verification of the documents and the proxy examination process, ensuring a quorum as well as assuring that none of shareholders with potential conflicts of interest cast voted on such agenda items, and making sure that the voting procedure and voting count were in line with the Articles of Association or as stated by the Chairman of the Meeting. The inspectors were also responsible for ensuring ballot collection from the attending shareholders and auditing of the vote-tallying. In addition, volunteers, who represented the shareholders at the Meeting, were appointed to act as witnesses for the vote-counting procedure for each agenda item.



#### After the Meeting

(1.1) PTTEP disclosed the Minutes of the Meeting together with the vote-tallying results from each agenda item to the SET and also in the Company's website on the same day immediately after the Meeting.

(1.2) Minutes of the Meeting, in both Thai and English, were accurately and completely recorded. They covered explanations of the Meeting's voting and vote-tallying procedure, 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. The Company also recorded the resolution of each agenda item, categorized as agreed, disagreed, abstained, and voided (if any) as well as names and positions of the directors and executives who attended the meeting. Furthermore, within 14 days after the Meeting, the final version of the Minutes of the Meeting were delivered to the Ministry of Commerce, SET, and the Office of the Securities and Exchange Commission (SEC). The Minutes of the Meeting were also be delivered to the Company's shareholders for their reference and consideration, and determining whether there were any shareholders who wished to make objections did so within the timeframe enforced by relevant laws. In 2018, the Company did not receive any objections or inquiries from the shareholders in regard to vote tallying results and minutes of meeting. The approved minutes, video and audio clips of the Meeting were also published, both in Thai and English, on the Company's website.

(2) **Disclosure of Significant Material Information:** PTTEP ensures that information communicated to the shareholders is timely and accurate, not only for the information that is required by related regulations, but also for other information which the Company considers as necessary for the shareholders to have. These disclosures are publicized through various channels, such as the SET and the Company's website, and media or printed media.

The Company clearly discloses the shareholding structures in our subsidiaries and associated companies as well as with the controlling shareholder, namely PTT, to ensure the shareholders that our organization's structure is transparent, verifiable, and does not comprise any form of cross or pyramidal shareholding structures.

(3) **Fostering Understanding of Business Operations and Long-Term Engagement with Shareholders:** PTTEP continuously organizes various activities for the benefits of shareholders and society. The Company provided equal opportunities for all shareholders to participate. In 2018, such main activities were as follows:

(3.1) PTTEP organized activities for 100 shareholders to visit our supported CSR project at the Vidyasirimedhi Institute of Science and Technology (VISTEC) and the Kamnoetvidya Science Academy (KVIS) at Wangchan in Rayong Province to enhance understanding of PTTEP's objectives in CSR activities and our priority on being responsible to society. In addition, this particular activity aims to boost engagement and long-term relationships between the Company and its shareholders.

(3.2) PTTEP organized trips to visit our Sirikit Oil Field in Kampheng Phet Province for 249 shareholders including representatives from the Thai Investors Association, so that they could gain understanding of the Company's operations, learn facts about exploration and production and ensure increased confidence in the Company. The participants of the trips included not only shareholders who had never joined such visits, but also shareholders who previously had joined the visit and were willing to be responsible for the travelling expenses themselves. This is in accordance with the suggestion given by the shareholders at the 2018 Annual General Meeting of Shareholders.

(3.3) PTTEP published a quarterly newsletter to provide an additional means of communication between the Company and the shareholders or investors or any other persons interested in the Company's performance. The newsletter included information on operational performance, progress of key projects, Corporate Social Responsibility (CSR) activities, and corporate governance activities. The Company also published other useful information; for example, details on the "Contribution from Bongkot and Erawan", and "PTTEP's commitment to Thailand," explaining the way Bongkot field secures an energy supply to Thailand, which is also our key mission. PTTEP provided a regular update regarding the bidding for Bongkot and Erawan. Information regarding anti-corruption measures was also disclosed. The quarterly newsletter was publicized on the Company's website as well as sent to the shareholders upon request.

**(4) Equal Treatments to Shareholders:** PTTEP provides a direct communication channel between our shareholders and independent directors through e-mails at [IndependentDirector@pttep.com](mailto:IndependentDirector@pttep.com). The Company's shareholders, for example, are able to access more information from or make inquiries to independent directors in regard to their activities, corporate governance, and audit-related issues. In addition, the shareholders are allowed to directly contact the Corporate Secretary at [CorporateSecretary@pttep.com](mailto:CorporateSecretary@pttep.com) or Investor Relations Unit at [IR@pttep.com](mailto:IR@pttep.com) for additional information. The Company operates businesses with optimal efficiency, with a focus on sustainability of the organization, appropriate and consistent returns to the shareholders, and long-term relationships with the stakeholders, ensuring that all are managed and assessed by the use of modern and well-accepted management tools.

**(5) Prevention of Insider Trading**

PTTEP puts a great emphasis on controlling the use of our internal information by including this matter in the CG&BE, under Insider Trading and Use of Inside Information Section. 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 of the Company's stakeholders. Key approaches are as follows:

(5.1) The Board assigned the Compliance Department<sup>1</sup> as the center for monitoring the insider trading prevention program and preparing an Insider List, a list of personnel who bear material and nonpublic information; this mainly includes directors, related management and employees.

(5.2) The directors, management, and employees are always informed of PTTEP's regulations and policies with regards to the prevention of insider trading through various communication channels as well as trainings for employees to ensure that they understand and strictly follow relevant regulations and policies to prevent anyone from misusing such information directly or indirectly for personal interests. Disciplinary actions are clearly specified, while the supervisors, regarded as the CG leaders, are responsible for advising and encouraging their subordinates to follow suit. In 2018, there was no reports of breaches of insider trading.

(5.3) PTTEP requires a group of personnel in an Insider List to abstain from trading of the Company's securities during the blackout periods, such as when important information which may affect the securities' prices are going to

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<sup>1</sup> Since January 1, 2019, the Compliance Department has been renamed to the Governance, Compliance, and Internal Control Department, as part of the organizational restructuring of PTTEP to centralize all compliance works into the same function.

be disclosed. Such instances include the release of the Company's financial statements or operating results as well as accomplishment of new project acquisitions. The Compliance Department<sup>1</sup> will announce such a blackout in advance to the aforementioned personnel including all directors, Executive Vice Presidents (EVPs), Senior Vice Presidents (SVPs), Vice Presidents (VPs) of the Finance and Accounting Group (FNA) as well as other management and employees bearing important nonpublic information. This prohibition applies to direct and indirect selling and/or buying of PTTEP's securities during the blackout periods of such individuals, including their spouses or cohabiting couples and minor children and juristic persons, who are the aforementioned persons who possess shares exceeding 30% of the total voting rights of such entities. Violation of this prohibition is considered to be a disciplinary offense.

In addition, the Board requires all of the Company's directors, management holding position of SVPs and above, VPs of FNA as well as their spouses and minor children to refrain from direct and indirect trading of PTTEP's securities at all times and to inform the Compliance Department<sup>1</sup> two days in advance if they deem it necessary to trade.

(5.4) The directors, management holding position of SVPs and above, and VPs of FNA are to disclose complete information regarding their possession of securities as well as related activities to the Compliance Department<sup>1</sup>, and not only to the SEC, to further report to the Board on a monthly basis for CG&BE compliance monitoring purposes. Shareholding by the directors and EVPs, VPs and above of FNA is also disclosed in the Company's annual report as required by the SEC.

(6) PTTEP requires the directors, EVPs, and VPs and above of FNA to immediately report their conflicts of interest to the Company should there be concerns, either by himself or herself or a related person. The Corporate Secretary must then send a copy of the report to the Chairman of the Board and the Chairman of the Audit Committee for their acknowledgement within seven working days after receiving it, as stipulated by the Board, the Securities and Exchange Act, and the Capital Market Supervisory Board.

(7) PTTEP compiles a set of guidelines to handle conflicts of interest in the CG&BE for the directors, management, and employees to strictly follow. These guidelines require all personnel to report on an annual basis to the Company every possible conflict of interest, both of their own and of their related persons. Should there be a conflict of interest, the individual must immediately report to the Company and be excluded from participation or abstain from voting in those certain related issues.

#### 9.1.2 Roles of Stakeholders

The Board has approved PTTEP's mission which puts an emphasis on the rights of and value creation for stakeholders. The Company's mission is to operate globally to provide a reliable energy supply and sustainable value to all stakeholders. On the other hand, the Company's stakeholders, whether they are internal or external parties, have always been taken into account when decisions are made. Major stakeholders of the Company are, including but not limited to, shareholders, customers, employees, governments, joint venture partners, communities, societies and environment, suppliers, creditors, competitors, customs and traditions groups, and human rights groups. The importance of the Company's

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<sup>1</sup> Since January 1, 2019, the Compliance Department has been renamed to the Governance, Compliance, and Internal Control Department, as part of the organizational restructuring of PTTEP to centralize all compliance works into the same function.

stakeholders is clearly written in the CG&BE in which practical guidelines with respect to business ethics are established in an effort to maintain the balanced duties and responsibilities between the Company and our stakeholders. Details of the CG&BE, contact details, whistleblowing channels are disclosed in the Company's website.

#### 9.1.2.1 Anti-Corruption Efforts

##### Importance

PTTEP's Board of Directors (Board) recognizes the importance of corporate governance and how we need to be transparent and have zero tolerance for all forms of direct and indirect corruption, which is primarily through mechanisms which are in line with the Good Corporate Governance and Business Ethics of the PTTEP Group (CG&BE) and which have been developed to regulate every vital area of the businesses. Everyone in the organization and related parties, including directors, management, employees, and vendors is strictly obligated to sign and conform to our CG&BE Commitment of Compliance with the highest standards. The Board has determined to apply CG&BE to our subsidiaries as well. The Company continues to encourage other related parties such as joint venture partners to uphold these best practices in regard to all matters.

The Board firmly believes that effective anti-corruption measures require good corporate governance with clear management and governance structures, adequate and appropriate risk management, internal controls, close supervision, and independent audits. Clear guidelines in all relevant issues as stipulated in the CG&BE, in turn, require the Board and management to function as exemplary role models and Corporate Governance Leaders (CG Leaders), while the Corporate Governance Committee is to remain responsible for monitoring of this compliance. The Company's CG&BE is written and based on our internal control principles and published in traditional formats as well as in digital and downloadable formats in our website for the stakeholders and those interested, in Thai, English, and Burmese. In addition, the Company established its "Standard of Practices for Anti-Corruption" which is one of the Company's internal control measures for our management and employees to adopt in order to prevent and minimize corruption risk.

Furthermore, in order to ensure transparency within PTTEP Group operations, the Company has insisted on the "No Gift Policy" whereby accepting gifts and other benefits from external parties is prohibited. PTTEP has also clearly communicated this policy to external parties. PTTEP has adopted "Integrity & Ethics" as PTTEP values and is instilling them into all employees across the organization.

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

PTTEP's CG&BE has been considered as an integral part of the Company's anti-corruption policy as it also covers all principles, practical guidelines, and clear examples of the issues relating to anti-corruption measures. These include a good corporate governance structure as stipulated in the Corporate Governance component, practical guidelines and treatments of the following subjects: conflicts of interest, procurement and contract, anti-money laundering, political neutrality, the use and maintenance of data and assets, and anti-corruption as part of Business Ethics. The CG&BE also has mandatory conditions with regard to the Company's directors, management, employees, subsidiaries, the PTTEP Group's vendors, who are required to sign agreements to conduct their business in accordance with our CG&BE. PTTEP encouraged joint ventures to uphold the standard of our CG&BE as appropriate.

The Company defines corruption, based on related principles and both domestic and international laws, applicable to our operation. The Company primarily considers that no action is to inappropriately entail any form of an individual's use of authority or another person's use, for undeserved exploitation to gain benefits. Besides, such an act is deemed a violation of the laws and/or the PTTEP Group's regulations. Our anti-corruption policy covers all forms of corruption whether conducted as a giver, receiver, or through a designated representative or agent. The Company also recognizes that certain activities, such as not-for-profit donations, sponsorships, or facilitation payments may be determined as risky as these can potentially be used as a channel for corruption. The definition of "corruption" therefore also extends to include such activities and extra precaution must be taken to ensure all activities are conducted without any corruption. PTTEP does not make donations to support political parties for election campaigns, both at the local and national levels.

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

Implementation of anti-corruption measures reflects the company's strength of its internal control system, risk management, compliance and auditing channels in addition to enhancing the cultural and ethical values of the organization. Each aforementioned area falls under the responsibility of a designated unit. PTTEP implements its governance structure by adopting the Three Lines of Defense Model which enhances the effectiveness of internal control and risk management system as follows:

(1) First Line of Defense: The departments who will determine whether internal controls and appropriate risk management are to be conducted; these departments also ensure compliance with applicable laws and regulations. A person is required to pass rigorous training to ensure that he or she has an adequate level of knowledge and is ready to carry out their duties and responsibilities as well as be able to handle a variety of circumstance.

(2) Second Line of Defense: The units who are responsible for overseeing the general laws, regulations and policies of the organization, establish and ensure compliance with regulations, and mainly consist of the Corporate Governance Unit, Risk Management Unit, Internal Control Unit, and Compliance Unit which are all under the function group called the "Corporate Affairs and Assurance Group". Our Governance, Risk, Compliance Management System (GRC MS) has been established for integrating management that would be able to achieve stated objectives, in compliance with the legal requirements and under adequate risk management. The GRC MS is divided into nine elements: (1) Leadership and Commitment, (2) Policies, Objectives, and Plans (3) Organization and Resources, (4) GRC Assessment, (5) Controls and Response, (6) Monitoring and Assurance, (7) Audit, (8) Continual Improvement, (9) Communication and Culture.

(3) Third Line of Defense: The Audit Unit works together with PTTEP's external auditors to independently audit the overall implementation of both the First Line and Second Lines of Defense.

The units which are responsible for the GRC to regularly conduct internal control assessment on potential fraud risks, which include risks of asset misappropriation, corruption, and fraudulent financial reporting, and following adequacy evaluation of the internal control system. All this ensures that the Company remains in accordance with the Office of the Securities and Exchange Commission (SEC) regulations. The Company's Vice Presidents, from each of the function groups, assess our fraud risks on the basis of 3 considerations, namely, pressure, opportunity, and rationalization. The results of the assessment indicate that PTTEP has an adequate and appropriate level of internal control. The majority of the function groups have carefully assessed these 3 considerations and adjusted their measures so that they are timely and appropriate.

The Company also has other tools to prevent corruption. These include review and incorporation of anti-corruption risks to the 2018 Risk Profile: Legal Division, as well as to specify key risk indicators and mitigation plans that will closely monitor these risks and promote awareness and anti-corruption practice to employees.

#### Continuous Communication and the Provision of Knowledge and Training

Our Corporate Governance Committee has a clear plan to foster the Good Corporate Governance and Business Ethics of the PTTEP Group (CG&BE), together with anti-corruption policies, among everyone at the Company as well as all related parties of the organization, through continuous trainings and activities. The activities are designed to accommodate interests and knowledge levels of all target groups and expand to cover those of the external parties such as vendors as well. Achievement indicators for both internal and external parties are subsequently established and reported to the Corporate Governance Committee and the Board on a quarterly basis. These steps are taken to ensure that all of the parties adhere to the policies thoroughly and efficiently. In 2018, the following operations related to anti-corruption measures were implemented:

##### Measures for internal parties

(1) Induction of the principles of Governance, Risk Management & Compliance (GRC) for the Company's new Board members, executives, and employees, in order to foster understanding and strict adherence.

(2) Organization of "Integrity Forum : Let's create the society with zero tolerance to corruption" on June 14, 2018 at Energy Complex Building B for the management and employees to foster awareness on the importance of being part of the mechanism that drives national strategy on anti-corruption and encourages integrity values among PTTEP employees. Honorable speakers in the forum included Assoc. Prof. Dr. Manee Chaiteeranuwasiri, Advisor to the President of National Anti-Corruption Commission, Dr. Bandid Nijathaworn, Councilor and Secretary of Thailand's Private Sector Collective Action Coalition Against Corruption (CAC), and Dr. Somporn Vongvuthipornchai, the incumbent CEO of PTTEP.

(3) Promotion of GRC among the Company's Board members on a quarterly basis to provide related information and case studies that are beneficial to the Board of Directors, before the start of Board meetings, whereby the chairman of each meeting would emphasize the importance of GRC and encourage all directors and management to put what they had learned into practice. Topics presented in 2018 are as follows:

- The Key success factor to drive ethical culture in the organization
- The matters in the draft Organic Act on Counter Corruption (anti-corruption law) that are significant to PTTEP
- The disclosure of changes to possession of securities and derivatives of the directors, executives, and auditors, and their assets declaration in accordance with the Organic Act on Counter Corruption, B.E. 2561 (2018)
- The details of the Notification of the Office of the National Anti-Corruption Commission (NACC) regarding criteria and procedures for declaration of assets

(4) Organization of GRC full-day refreshment courses for employees who had passed the induction course, covering the policies and application of CG&BE, risk management, internal control, and compliance, with a focus on anti-corruption and related issues to ensure understanding and effective application to daily operations.

(5) Organization of half-day 2018 CG&BE Workshops for the Company's management and employees at the PTTEP head office to promote a better understanding and effective implementation of the CG&BE. The workshop started with an opening speech by the top management of each function group to underline the importance of the CG&BE. Exchanges of ideas and discussions were encouraged, also through enjoyable activities, to make the workshop effective.

(6) Organization of GRC Workshops for employees at S1 Project, PTTEP Petroleum Development Support Base (PSB), and Sinphuhorm Project to increase their understanding and awareness on the significance of CG&BE and GRC, including its application to their roles and responsibilities.

(7) Organization of GRC Troop on July 24, 2018 at PTTEP Head Office, with the Troop led by CEO and the management. This was to encourage the management and employees to pledge on "Being Genuine PTTEP, Dare to say and keep your word" to enhance awareness and understanding of GRC, promote application of GRC Principles, and emphasize Integrity and Ethics culture in PTTEP.

(7) Organization of Anti-Corruption training, continued from 2017, for the management and employees to increase their understanding of causes, impacts, regulations, risk management, internal control, and standards of practice for anti-corruption whereby 99.63% of the targeted management and employees participated and passed the training.

(8) Organization of the annual "PTT Group CG Day 2018" under the title of "PTT Group CG Day 2018: Born to be REAL" on August 24, 2018, focusing on transparency in the PTT Group at all levels, as well as among the vendors, customers, and society, to sustainably create a transparent and corruption-free culture in the country.

(9) Establishment of a whistleblowing communication system to promote the Company's whistleblowing channels and to create greater understanding of protection and process, including disclosure of these cases and penalties on an annual basis (details are shown under "Whistleblowing Reporting and Protection Procedures" part.) to promote not only anti-corruption, but also transparency values within the Company

(10) Continuation of the Company's communication channels, such as standee/notice boards, and newsletters to provide continuous flows of knowledge among the employees at the headquarters and at all of our operating sites.

#### Measures for external parties

PTTEP has a clear intention to become a leading company in the realm of Corporate Governance (CG) internally and externally. This includes implementation of a policy which also covers external parties, for example, vendors, partners, and representatives of the PTTEP Group. The Company has continued to encourage these external parties to conduct businesses that are ethical and corruption-free through the following activities.

(1) Promotion of PTTEP's anti-corruption policy together with its Whistleblowing policy in the 2018 PTTEP SSHE Contractor Forum, so that the policies are continually communicated and emphasized to vendors.

(2) Clear communication directed at PTTEP's vendors regarding the Company's "No Gift Policy", under which vendors are requested to refrain from giving gifts or other benefits to the Board of Directors, management, and employees regardless of the occasion. The PTTEP's anti-Corruption VDO clip has been placed on the Company's website to further emphasize the need to conform.

(3) Clear communication directed at external parties regarding the Company's "No Gift Policy" on the Company's website and in advertisement posters at PTTEP office buildings, especially near the guest reception areas where the posters are easily noticed.

(4) Promotion of corporate governance and anti-corruption values in society by participating in various public activities in 2018 (details are shown under "Collective Efforts with the Public to Counter Corruption" section.)

(5) Organization of "Driven Proactive Sustainability" seminar, in conjunction with Money Channel and Money & Wealth magazine, on Wednesday 8th August, 2018 at Professor Sangvian Indaravijaya Conference Hall, the Stock Exchange of Thailand, where Dr.Somporn Vongvuthipornchai, the incumbent CEO of PTTEP, participated as one of the speakers under the topic "Governance, Risk Management and Compliance (GRC) for business sustainability" together with other honorable speakers, specifically, Khun Oranuch Apisaksirikul - Chairperson of Thai Listed Companies Association, Khun Prasan Chuaphanich - Chairman of the Board of the Thai Institute of Directors Association (IOD), and Dr. Waitune Pokachaipat – President of TRIS Corporation Limited to share opinions regarding driven GRC for business sustainability.

(6) Organization of "GRC Sharing" session for the private sector, The Securities and Exchange Commission (SEC), and Bank of Thailand on October 25, 2018 to exchange knowledge, experience, and implementation of GRC.

In addition, the Company provided channels for the external parties to contact and make inquiries with regard to the CG&BE by emailing directly to the Corporate Secretary Unit at [corporatesecretary@pttep.com](mailto:corporatesecretary@pttep.com).

#### **Whistleblowing Reporting and Protection Procedures**

PTTEP's Board of Directors has established its Reporting and Whistleblowing Regulation for the PTTEP Group to ensure that the complaint handling process is effective, transparent, fair, and equal to international standards. This regulation is meant to provide protection for whistleblowers and those cooperating with the Company in good faith. This mechanism allows an opportunity for both internal and external parties of the organization to report any suspicious misconduct or wrongdoing that might be in violation of laws, CG&BE, anti-corruption policies, and other related regulations, as committed by the Board, management, employees, or representatives of the PTTEP Group.

Investigations of the complaints are conducted strictly and in an orderly way, in a proper manner, and within the timeframe and procedure as prescribed in the regulation to ensure the transparency and fairness of the complaint handling process. For this matter, the following key measures are carried out.

- The Corporate Governance Section of Corporate Secretary Division evaluates the information and adequacy of the preliminary evidence before forwarding the complaint to the Company's investigator within seven working days. If this period must be extended, the extension can only be made with the approval from the CEO. Each extension must not exceed seven working days.
- The review procedure and conclusion of the complaints can be categorized into 2 types, i.e., non-complex cases and complex cases. Non-complex cases will normally be completed within 30 working days, while complex cases will be completed within 60 working days. If the period is extended due to necessity, the extension can only be made with the approval from the CEO. Each extension must not exceed 30 working days. The case investigators cannot be



individuals who are stakeholders of the complaint. Every complaint coming through from the whistleblowing channels is 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.

Whistleblowing channels of the PTTEP Group are as follows:

- (1) Mail to PTTEP director, supervisor, or the Corporate Governance Section of the Corporate Secretary Division:  
PTT Exploration and Production Plc.  
555/1 Energy Complex Building A, 33<sup>rd</sup> Floor,  
Vibhavadi Rangsit Road, Chatuchak, Bangkok 10900

- (2) E-mail to supervisor or the Corporate Governance Section of the Corporate Secretary Division (cghotline@pttep.com)

(3) Report through the whistleblowing system which is available on PTTEP's website (www.pttep.com). The system will assign an individual Report Number and PIN to the whistleblowers to ensure security and prevent forbidden access by unauthorized personnel, as well as to allow the whistleblowers to perform a follow-up on the progress of the reported complaint and request further details and make inquiries. This system serves as a necessary tool for preventing and monitoring the risks of corruption.

In 2018, PTTEP received a total of ten complaints through the Whistleblowing Channels. After reviewing the clarity and adequacy of these complaints, six cases were accepted and processed for further investigation. Investigation of five complaints was completed while another complaint is still under investigation process (completed in January 2019). A summary of complaints in 2017 and 2018 is shown in the table below.

Topic	2017	2018	Change
Number of whistleblowing cases	8	10	25% (↑)
Whistleblower			
- External reporter	4	2	50% (↓)
- Internal reporter	2	7	250% (↑)
- Anonymous reporter	2	1	50% (↓)
Number of accepted cases after considering evidence and witnesses	7	6	14% (↓)
Number of wrongdoing cases	3	3	-

Investigation results of the five completed cases are as follows:

- Wrongdoings were investigated for three of the cases while the other two cases were determined to have no grounds for any wrongdoings.
- The admitted wrongdoings were related to a breach of CG&BE and/or corruption, and the company has resolved the inappropriate circumstances or has proceeded with disciplinary actions base on Human Resources Regulations as follows:

1. Failure to disclose a conflict of interest related to employee recruitment – the recruitment process has ceased. The supervisor was asked to provide the wrongdoer with the correct practices and assign the wrongdoer to attend a CG&BE training session.

2. Use of internal information for personal businesses - the wrongdoer was punished with a written warning and was then advised of the appropriate and correct action.

3. Corruption related to low-value procurement (values that are less than THB 500,000) for which the total value of related transactions stood at approximately THB 1.2 million - The Company punished the wrongdoer by employment termination without compensation. In addition, the Company has improved the internal control measures to be more efficient, e.g., expansion of using electronics tender (E-Tender) system for low-value procurement throughout the organization.

The three aforementioned cases did not result in any financial impact on the Company. The Corporate Governance Section reported the results of the complaint investigations to the complainants, the Audit Committee or the Corporate Governance Committee (depending on the case), as well as to the Board. The findings of the case were used to carry out further improvements of the Company's internal control measures.

In 2018, there was a revision of the Reporting and Whistleblowing Regulation for better coverage and more efficiency in terms of the whistleblowing management process and to become in line with good practices; for example, addition of remedy and reporting to a government office as specified by law, which has already come into effect, on January 1, 2019. Also, there was an enhancement of the whistleblowing system, so that it would become more effective two-way communication. There was also an amendment of the process to align with the revision of the Reporting and Whistleblowing Regulation.

For more details of the Reporting and Whistleblowing Regulation and Whistleblowing System, please visit the PTTEP website at <https://www.pttep.com/th/Aboutpttep/Corporategovernance/Reportingandwhistleblowingregulations.aspx>.

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

The Board has assigned the Corporate Governance Committee to monitor the implementation of the Company's anti-corruption policy, which is an important part of our 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. Implementation of PTTEP Group's anti-corruption measures also requires cooperation from several other units which serve as the Second and Third Lines of Defense. Each unit has its own individual reporting system; for example, reporting to the Risk Management Committee and/or the Audit Committee. In addition, all results must be reported to the Board of Directors and the Company's shareholders through the Annual Report.

The Corporate Governance Committee also monitors performance of the measures on a yearly basis based on the CG&BE and evaluates the performance by using Key Performance Indicators (KPIs) to ensure that the goals are met.

#### **Audit**

PTTEP designates the Internal Audit Division to perform auditing tasks, which include investigation of corruption, and undertaking further examination when complaints or issues appear. Currently, the Internal Audit Division has a comprehensive set of practical guidelines on fraud investigation that covers risk assessment, prevention and detection of corruption, as well as practical guidelines used in the investigation process for complaints of fraud.

PTTEP has implemented its Continuous Control Monitoring System to monitor and inspect any irregular issues that occur in PTTEP's work processes. The system has initially been conducted on the Procure to Pay process, targeting the risk of non-compliance to regulations or work procedures that may possibly lead to fraud. When an issue has been detected, the system will send a notice directly to management, enabling them to promptly resolve the matter. In 2018, PTTEP has expanded the scope to include low-value procurement transactions, or transactions less than 500,000 Baht for the most inclusive coverage of monitoring.

#### **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. The Company, whose major shareholder is the government, has a responsibility to lead by example and to encourage society to adopt better anti-corruption standards. In 2018, the Company proactively took several measures and participated in several activities to counter corruption. These were, for instance, Thailand's National Anti-Corruption Day which was organized at BITEC phase 2, BITEC Bangna by the Anti-Corruption Organization of Thailand (ACT) on September 6, 2018, where our CEO, management, and employees pledged to combat corruption; and International Anti-Corruption Day (Thailand) which was organized by the Thai government, Office of the National Anti-Corruption Commission (NACC), the Office of Public Sector Anti-Corruption Commission (PACC), the Anti-Corruption Organization of Thailand (ACT), and other anti-corruption networks at Impact Exhibition Hall 2, Impact Exhibition and Convention Center, Muang Thong Thani on December 7, 2018.

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 the "Advanced Level" for our compliance to 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 proudest achievements. In addition, in 2016, the Company also became a founding member of the Global Compact Network Thailand.

PTTEP was re-certified as a member of Thailand's Private Sector Collective Action Coalition Against Corruption (CAC) on May 17, 2018. This re-certification confirms our dedication and commitment to fight all forms of corruption, as well as affirming our effort to expand and encourage anti-corruption measures among subsidiaries, joint venture partners, vendors, and business partners.

#### **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 the CG&BE to achieve sustainability and create optimal value for shareholders. Details are disclosed in the "Shareholders' Rights and Equal Treatments" section.

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

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

(1) To understand and comply with all laws applicable to the PTTEP Group's operations in the locations where 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 behave 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 employees based on their qualifications, experience and abilities to work in the target positions. According to the Good Corporate Governance and Business Ethics of the PTTEP Group, both internal and external candidates shall be fairly treated during our transparent recruitment process. Our employees are given an opportunity to develop and grow in their professional career as well as to join external activities under the Company's policy.

(2.3) PTTEP sets up and regularly reviews compensation and benefits packages to ensure fairness to both the Company and the employees according to our short-term and long-term business performance, pay positioning in petroleum industry in each of the countries, types of work, required skills and expertise, difficulties of work, responsibility and accountability of each position, and the individual employees' performance results to attract and retain competent and capable employees.

(2.4) PTTEP provides and regularly reviews welfare and benefits packages to ensure fairness to both the Company and the employees according to our ability to pay at the present and in the long run, focusing on the welfare and benefits which help to enhance the quality of life of the employees and their families. These are, for example, housing interest subsidy program, and healthcare benefits for employees and their families which are comparable to those provided by other petroleum companies in each of the countries. The Company regularly reviews welfare and benefits program to suit the changing social, economic, and other obligatory conditions of the business. In addition, the Company also provides psychological and legal consultation services through our "Sabaijaidee" program to the employees, their spouses and children to help them guard against anxiety from their family, private life, and work concerns. The services are provided by psychologists and professionals from one of our consulting companies.

The Company establishes a provident fund program for our employees to ensure their financial security after resignation and retirement. The fund consists of contributions from both the Company and the employees. The Company makes a monthly contribution at a rate of 15 percent of our employees' basic monthly salary, while the employees contribute 2 to 15 percent of their basic monthly salary. Receiving this fund is subject to the Company's regulations.

In addition, the Company also establishes the Long Service Awards Program to celebrate and commemorate the long-term commitment and loyalty of our employees who have achieved significant milestone

years of service, namely, 5, 10, 15, 20, and 25 years of employment with the Company. The award recipients are honored at the special event held at our headquarters in June of every year. The purpose of the program is to strengthen our 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 priority to human resources development to increase the organization's capability to drive the business performance as the Company always believes that human resources hold a key to our success. The Company provides opportunities for the employees to develop and enhance their knowledge, skills and experience through both short-term and long-term training and development programs. Apart from professional capability and necessary skills building, the Company also embeds the working values to all employees, so they can work with the same standard of expected behaviors to attain the Company's vision and mission. In 2018, our employees attended training and development programs such as ISO 14001 Environment Awareness Course at an average of 55 hours per person per year. Details are disclosed in the "Management Structure" section under "Human Resources Development Policy" part.

(2.6) PTTEP realizes the value and importance of a regular consultation between the Company's employees and their supervisors to solve the problems incurred in the day-to-day operation as fast as possible as well as to maintain a good working relationship between them. Shall any conflicts arise between the employees and their supervisors, the employees may file a complaint through one or more communication channels provided. The employees, including relevant witnesses, who comply with the provided measure and procedure and act in good faith shall be protected, without facing a penalty, termination, or any other negative consequences. The CG Hotline channels are also established for the employees to raise the issues relating to frauds. The reports received through these channels will be investigated confidentially and made known only to relevant persons to protect the whistleblowers.

(2.7) PTTEP conducted the Employee Engagement Survey for the seventh time in 2018 with an objective to understand the factors relating to our employees' engagement with the Company to improve the policies and practices. The result showed that 66% of the employees had engaged with the Company, which was 1% higher than last year. The Company also conducted focus group interview sessions to gather information to establish the improvement plan at both the organization and the function group levels. The Company continues to regularly monitor the progress of such plan and continue to conduct the annual Employee Engagement Survey.

### **(3) Clients**

PTTEP is committed to our mission to be a leading producer and supplier of crude oil, natural gas, condensate and LPG at fair and competitive prices. The Company sells the products under short-term 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, safety standards, 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 the buyers so that we can produce and deliver quality products as specified in the contracts on time and according to their demand.

**(4) Governments**

PTTEP conducts the business by adhering to the Good Corporate Governance and Business Ethics and dedicates to explore and supply petroleum domestically and internationally. The Company strictly complies with the laws applicable to our operations in all locations where we operate.

**(5) Joint Venture Partners**

Joint venture projects between PTTEP and the Company's domestic and foreign joint venture partners operate under mutual working agreements according to the international standards. These agreements include details in regard to the rights and duties of joint venture partners such as the right to become a member of a project's management committee. The committee is responsible for establishment of the guidelines on the procurement of products and services as well as for development of the strategic planning and annual budgeting with a clear scope and approach. The partners also have the right to audit annual financial and accounting records, also to set appropriate and clear measures, for example, penalty imposed on partners for failures to honor an agreement. The Company meanwhile remains focused on distribution of information to joint venture partners and external parties with transparency.

**(6) Communities and Societies**

PTTEP Corporate Social Responsibility Policy emphasizes sustainable social development and stakeholder engagement at all levels. Social responsibility has been integrated with each business decision-making and execution process. This Corporate Social Responsibility Policy is adopted at all PTTEP operations areas.

In this regard, PTTEP uses the Issue and Stakeholder Management System (ISMS) as a tool to analyze social risks and mitigate impact as well as to promote good relationship with communities in every operating areas. ISMS KPI has been set for the relevant managers and External Relations staff to ensure the effective implementation. In 2018, ISMS workshops were conducted to cater for the executives and staff of all domestic and international projects of PTTEP.

**(7) Environment**

To align with PTTEP's new vision, "Energy Partner of Choice", by creating the shared values and benefits to all stakeholders, PTTEP will engage with stakeholders for mutual benefits, leading us to become a part of business collaboration. The Company continually strives to achieve the excellence and become a leadership in Safety, Security, Health and Environment (SSHE). The Company's SSHE Policy, SSHE Management System, standards, procedures, guidelines and tools, as well as KPIs are developed and implemented throughout all of the operations in order to achieve our vision and commitment in SSHE. The Company continues to publicly disclose the SSHE performances indexes, such as lost time injury frequency rate, total recordable injury rate, and hydrocarbon and chemical spill rates in the website. The information is routinely communicated with the Company's external and internal stakeholders, including the staff and the Department of Mineral Fuels, through the annual Sustainability Report.

PTTEP implements the environmental management system according to the ISO 14001 Standard to improve the efficiency of the environmental management system. Currently, The Company receives the ISO 14001:2015

Certification, issued by AJA Registrars under the United Kingdom Accreditation Services (UKAS). The certified sites include the Arthit Project, Greater Bongkot North and South fields of Bongkot Project, S1 Project, PTTEP 1 Project, L53/43 & L54/43 Project, Sinphuhorm Project, Petroleum Core Research Center, and PTTEP Petroleum Development Support Base (Songkhla and Ranong provinces), and in Australia for PTTEP Australasia Project's support base at Darwin and office of PTTEP Australasia (Ashmore Cartier) Pty Ltd., as well as in the Republic of the Union of Myanmar for Block M9, Zawtika Operation Center in Dawei and the office of the Zawtika Project in Yangon.

PTTEP determines to continue the Green Practice Roadmap which is aimed to mitigate environmental impacts from the operations. The roadmap also aims to increase efficiency and create value added processes to the Company's business by reducing greenhouse gas emission, studying energy consumption efficiency, increasing the biodiversity of our operating sites, CO<sub>2</sub> sequestration by reforestation, reducing operating costs through improving resource efficiency, and reducing wastes. The Company also continues to follow the 5S program throughout our offices similarly to those implemented within the PTT Group as well as to continue with the Group's green supply chain practices which involve green procurement, green logistic, green office and carbon neutral event to use green and environmentally friendly products in the operations. In addition, the Company encourages all employees, both operational and management levels, to understand our environmentally friendly business practices by regularly organizing fundamental and intensive environmental awareness training courses for them in compliance with the laws.

#### **(8) Vendors**

According to the Procurement Regulation and the Good Corporate Governance and Business Ethics of the PTTEP Group (CG&BE), vendors play a crucial part in the sustainability of our business. We therefore employ a policy which aims to treat our vendors as equal business partners. PTTEP's procurement system is based on fair competition, compliance with the laws and regulations as well as other legal obligations, and taking into account the Safety, Security, Health, and Environment (SSHE). The vendors must follow the Company's work safety standards. Their employees meanwhile are also required to have good business ethics and respect for human rights.

##### PTTEP Vendor Guide

PTTEP developed the Vendor Guide to provide our vendors with the necessary information for contacting and conducting business with PTTEP. The information contained includes CG&BE, procurement process, contract management, and PTTEP Vendor Sustainable Code of Conduct and compliance, as well as several vendor communication channels for enquiries and complaints. Details of the PTTEP Vendor Guide are available on our website at [www.pttep.com](http://www.pttep.com) > E-Service > Procurement and Contract > PTTEP Vendor Guide.

##### Vendor Registration

PTTEP is deeply committed to free and fair business competition without trade barriers. There are 3 channels for interested vendors to register with the Company.

(1) PTTEP website: Vendors can register their profiles through our website at [www.pttep.com](http://www.pttep.com) > E-Service > Procurement and Contract > Vendor Registration.

(2) The Category & Vendor Management Section: Vendors can contact the Category & Vendor Management officers or Procurement & Contract officers during the business hours to register their profiles.

(3) PTTEP Users: Vendors can directly register their profiles with PTTEP users who may, in turn, provide the vendors' names to the Category & Vendor Management Section to preliminary review of their qualifications.

#### New Vendor Pre-qualification

PTTEP pre-qualifies suppliers by screening and evaluating them according to their product and service categories. The evaluation process is performed by a special procurement committee and comprised of three functional areas:

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

Independently, with equality and transparency, each function of the committee has the authority to consider and evaluate the vendors to ensure that they possess the qualifications to deliver the products or provide the services needed. In addition, we also carry out background checks concerning any wrongdoings related to bribery and corruption. If the record shows any involvement in such practices and the vendor is not able to clarify the matter, the selection process will be terminated.

#### Vendor SSHE Contractor Management Procedure and Plan

PTTEP introduced new measures to monitor and improve the management of vendors regarding SSHE which is one of our core values. The SSHE Contractor Management Procedure and Plan was issued to ensure better understanding as well as to encourage appropriate operational planning. The SSHE Contractor Forum with the vendors is organized annually to promote better understanding about our policies, standards, manuals, operational procedures, and work safety plans on the petroleum exploration and production operations in all of the locations in which we operate.

#### Government Procurement and Supplies Management Act B.E. 2560

As a state enterprise, PTTEP must comply with the Government Procurement and Supplies Management Act B.E. 2560. PTTEP has communicated to all vendors to be prepared for the new process should they wish to submit a supply proposal to PTTEP. The communication draws their attention to, for example, study the procurement process under the Act; register themselves on the e-Government Procurement (e-GP) system; be aware of the vendor registration requirement by the Comptroller General's Department; and be aware of the anti-corruption policy and the requirement to put in place appropriate anti-corruption directions in relation to procurement. This is to ensure that our procurement procedure conforms to the objectives of the Act, namely value for money, transparency, efficiency and effectiveness, and verifiability.

#### Procurement Sourcing Strategy

PTTEP prepares an analysis to review the overall procurement performance by using the historical procurement data. This data is used to analyze the operational and market risks, classify products and services into categories (Category Management), and analyze spending by regions, in order to identify critical product categories based on their values and risks.



Upon identifying the critical product categories based on their values and risks, we use the information to prepare a procurement strategy, contract of each product and service category, market analysis in support of future procurement planning, supplier relationship management plan. The procurement strategy and contract, including a list of bidders, will then be submitted to the Procurement Committee (PC) and joint venture partners (if any) for approval prior to proceeding with the bidding. (For transparency, the procurement strategy, contract, list of bidders must be internally approved by the three functions, namely, operations, assets, and procurement prior to being submitted to the PC and joint venture partners, in order to ensure checks and balances as well as verifiability.)

#### Vendor Selection

In the process of vendor selection for high-value and high-risk procurement, two sealed envelopes are required (one for a technical proposal, another for a price proposal). The technical envelope is opened first for technical and SSHE evaluation, followed by the opening of the price envelope. Subsequently, the result of the bidding process will be submitted to the Procurement Committee (PC), joint venture partners (if any), and the Board (for high-value procurement) for endorsement prior to the stage of contract drafting with the selected vendor. The Company only selects vendors with the required technical and SSHE qualifications, and which offer the lowest price or on the basis of the best interest of the PTTEP Group.

In 2018, we have adopted a weighted technical and price score method in the vendor selection process for critical or high-risk categories, with a view to engaging qualified vendors at a competitive price through a process that is transparent and verifiable.

#### Contract Management and Assessment

Contract Management and Supplier Relationship Management (SRM) is an important component for the petroleum exploration and production business. A contract holder coordinates between vendors and all relevant parties, to ensure that they fully understand and comply with PTTEP's work plan, contract objectives, SSHE standards, and risk mitigation plan, as well as critical key performance indicators (KPIs). The contract holder also needs to assess and follow up periodically on the performance to ensure that the vendors operate according to the contractual terms. At the end of the contract, the contract holder also must complete the Contract Closed-out Report to identify areas of improvement regarding the operations and long-term sustainable relationship with the vendor.

#### Vendor Collaboration Initiatives

In 2018, PTTEP has continued to develop an effective supply chain management and supported vendor collaboration initiatives to maintain a good relationship with the vendors. The "Vendor Symposium" was held under the theme "Facing the future with PTTEP global supply chain challenges". The objectives of the event were training on sustainable development based on good governance, and social and environmental responsibility, sharing information on how PTTEP entered into the "Integrity Pact", apprising our vendors of relevant laws and regulations, communication on PTTEP Group's CG&BE, green procurement, and digitalization and transformation. More than 41 vendors participated in the event.

We organized the “2018 SSHE Contractor Forum” with the key objective of demonstrating PTTEP’s strong commitment to continuously improving Safety, Security, Health, and Environment in our operations. Practical guidelines for reducing supply chain risk in social, environmental, and governance (ESG) were also communicated to our key vendors at workshops, to build understanding and encourage them to adopt the same approach.

In addition, the Company, together with our vendors and contractors, carried out a number of key Corporate Social Responsibility (CSR) activities, including an environmental conservation project on making salt licks to provide mineral supplements for wildlife at the Pong Chom Rom Peun, Khao Yai National Park, Nakhon Nayok Province, and a cultural promotion project on traditional Thai arts and culture at the Baan Tai Yuan Local Cultural Center, Saraburi Province. We recognize the importance of society and the environment to sustainable development. We strive to create value for our stakeholders through green and social responsibility, to forge unity and a lasting relationship between the organization and vendors, with the goals of sustainable growth and safely working together for the world.

#### Local Content

To enhance the capability of domestic vendors to compete internationally, PTTEP supports sourcing of local products and services. Not only does it promote domestic employment and income distribution, it also reduces the outflow of capital to other countries. As a result of our commitment to building a long-term relationship with the communities where we operate, we have been entrusted by the respective communities with licenses to operate. Meanwhile, we also encourage our vendors to operate with care and responsibility wherever they are, and to increase their local sourcing to save on costs as well as to support the local communities.

#### Vendor Sustainability Management

PTTEP is committed to operating our business to achieve a sustainable growth and adhering to good corporate governance for the community, society and environment. To achieve these goals, we give priority to the supply chain management and the monitoring of our vendors.

“PTTEP Vendor Sustainable Code of Conduct” was drafted with its contents and scope adhering to the relevant rules, regulations and laws. The vendors are encouraged, in all of their activities, to be ethical, respect human rights, comply with the SSHE standard, and prioritize environmental management. An example of PTTEP’s environmental management plan is the ‘Green Procurement Roadmap’ that we have collaborated with the Thailand Environment Institute since 2017. The Company also encourages our vendors to apply the Vendor Sustainable Code of Conduct with their vendors to scale up the sustainable supply chain management.

#### Vendors’ Environmental, Social, and Governance (ESG) Assessment

For more effective supply chain management in vendor management, in 2018 PTTEP and PTT Group of Companies conducted a Supplier On-site Audit by External Party for seven of our key suppliers in 4 categories, namely, (1) Onshore Drilling Rig, (2) Wellhead Platform Construction, (3) Mechanical Construction, and (4) Crew Boat. All suppliers passed the ESG assessment. Consistent with our policy and that of PTT Group of Companies, a workshop held by an external party was organized to promote better understanding among our vendors about the sustainability assessment criteria and to encourage improvement in the sustainability capability in their respective organizations.

#### Whistleblowing

To give confidence and protection to vendors and related parties from possible retaliation as a result of reporting in good faith of suspicious misconduct or wrongdoing of the directors, management, employees, or persons acting on behalf of the Company which might be in violation of the law, CG&BE, or other regulations of the PTTEP Group, the Company establishes the CG Hotline to handle the matters. Vendors can email the [cghotline@pttep.com](mailto:cghotline@pttep.com) or report through “PTTEP Whistleblowing System” at [www.pttep.com](http://www.pttep.com).

#### Digital Transformation in Vendor Management

PTTEP leverages digital technology in managing our vendors, in order to enhance the efficiency and comprehensively managing the risks. Various operations have been digitized under the Transformation strategy, covering the entire supply chain from the procurement process, contract management, purchasing, to goods and service delivery:

- (1) Vendor Management System: to facilitate vendors and reduce potential errors in the vendor registration process
- (2) e-RFX in the procurement process
- (3) Shipment Tracking: to monitor the shipment status from the point of manufacturer to destination for better risk management

#### **(9) Creditors**

PTTEP recognizes the importance of the Company’s internal and external stakeholders including creditors. This is based on our policy of equitable treatment for all stakeholders, and an integral part of the CG&BE.

Emphasis is placed on accurate, complete, timely, and transparent information disclosure to all of the stakeholders. Information disclosed by the Company 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). This information is also endorsed by our Audit Committee as well as the Board of Directors prior to public disclosure.

Regarding creditors, PTTEP’s debenture issuance and all relevant processes are in compliance with the laws, policies and regulations stipulated by the SEC as well as the policies, purposes, and resolutions set forth at the Company’s shareholders’ meeting. The Company agrees to fulfill the obligations stated in the terms and conditions of the debenture and loan agreements and to ensure that the information is accurately and adequately disclosed to all of the stakeholders. The Company 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**

PTTEP treats our competitors with professionalism, equality, and transparency. The Company, in our greatest effort, tries to avoid all unethical manners and ill-intentions to defame the reputation of our competitors through false, unfair statements, or acts. The Company is also committed to complying with local laws and regulations in regard to trade competition. Details of the Trade Competition Policy are disclosed in the CG&BE.

**(11) Customs and Traditions**

PTTEP adheres to local customs and traditions of all the areas and locations in which we operate. Orientations and trainings are provided by knowledgeable and experienced instructors as well as representatives from the Ministry of Foreign Affairs or the local embassies who are capable to provide suggestions and information in regard to customs, traditions, sensitive issues, and local practices to the employees who will be transferred there to understand and behave appropriately.

**(12) Human Rights**

PTTEP has a human rights policy where the Company is committed to 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. The Company's Human Rights Policy fully complies with the UN Universal Declaration of Human Rights, and the UN Guiding Principles on Business and Human Rights and its corresponding covenants, including the international principles relating to labor practices and the United Nations Declaration on the Rights of Indigenous Peoples where applicable to the business. The Company also actively participates in the United Nations Global Compact (UNGC) while our UNGC Communication on Progress Report meets the criteria required for the "Advanced Level" status for the fourth consecutive year.

Currently, PTTEP is a member, in fact one of the founding members since 2016, of the Global Compact Network Thailand together with 14 other Thai organizations who have placed high priority on sustainable development. The objective of the network is to encourage Thai business sector to recognize the importance of conducting their business under the UN Global Compact principles.

The Company is also committed to providing fair employment, while ensuring that the employees have a safe and hygienic working environment, whether or not the country in which we invest has local laws on human rights. The Company ensures that no threats exist to employees or those related to the Company's operations. Only ethical partners without any infringements of human rights are considered and be partnered with. The Company also provides the interaction between the executives and employees by allowing the latter to have their representatives in the welfare committee while exchanges of views and suggestions are encouraged for improvements of welfare and other benefits to improve our employees' well-being.

**(13) Laws**

PTTEP respects the laws that are applied in the countries or regions we operate in. The Board sets the matters relating to compliance with applicable laws in the Business Ethics of the PTTEP Group. The directors, management, and employees are required to understand as well as strictly abide by the laws relating to the Company's operations in all areas to enable the PTTEP Group to operate with accuracy and efficiency.

The Compliance Department<sup>1</sup> is the center of compliance performance and supervision within PTTEP Group. This Department has a direct reporting line to the Senior Vice President of the Legal Division, the Executive Vice President of the Corporate Affairs and Assurance Group, and the Chief Executive Officer, respectively. In 2013, the Company

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<sup>1</sup> Since January 1, 2019, the Compliance Department has been renamed to the Governance, Compliance, and Internal Control Department, as part of the organizational restructuring of PTTEP to centralize all compliance works into the same function.

announced its Compliance Policy to express our commitment to full legal compliance as well as to define the roles of all managers and employees in promoting such compliance. The Compliance Program, on the other hand, has continuously been developed to enhance awareness of compliance-related matters among the employees.

### **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 good corporate governance. PTTEP gives importance to the information disclosed to the Stock Exchange of Thailand (SET) as well as to 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 the Company's Business Ethics Guidelines. The departments which are responsible for providing information and replying to external queries from the SET and general public are the Investor Relations Section (IR) and the 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 prior to being disclosed to the public. The Board reports their responsibilities with respect to the financial statements in the PTTEP Annual Report. In addition to the SET's requirements, the Company also releases unreviewed quarterly 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 the review and audit usually and generally does not contain any significant changes. The Company also discloses non-financial information, such as acquisition and disposal of assets, related party transactions, dividend payments, the management discussion and analysis, risk management, invitation letter for the shareholders' meetings, minutes of meetings, as well as other information which is important for investment decisions according to the SET's and the Securities and Exchange Commission (SEC)'s requirements. The Company also disclosed annual corporate governance report in the annual report and annual registration statement (Form 56-1),

Information that PTTEP discloses to SET, the Company's shareholders, investors and the general public is disseminated in both Thai and English in the Company's website which also features other up-to-date information considered to be of interest to the aforementioned parties. Key information available in the website comprises 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 our safety, security, health and environment (SSHE) performance which is included in the annual Sustainability Report. The Company also makes available on the website videos and infographics presenting the financial information and operating results for those interested.

The Company also publishes a quarterly investor newsletter, the Explorer's Journal, which includes information which 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 is available in both hardcopy

and electronic formats. The latter can also be downloaded from the Company's website and subscribed to receive our e-newsletter, effectively serving as another communication channel between the Company and shareholders for news and updates.

In 2018, PTTEP disclosed a total of 41 articles through the SET portal and organized the following activities for the shareholders and analysts.

Activities	Amount (Times)
Domestic and overseas roadshows/conferences	18
Analyst meetings	4
Opportunity day (by SET)	4
Shareholders' and investors' site visits	5
Knowledge sharing events for investor	5
Company visits and conference calls	37

Apart from the activities above, the Company also participated in a number of events organized by the SET for retail investors, such as "SET in the City", and interacted with the investors through daily telephone correspondence. The IR team also sets up a booth at the Company's AGMs, and readily provides information and answers to questions raised by the Company's shareholders.

The Company understands that disclosure of the information which is accurate, complete, timely and transparent is a key to the 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 which reflect PTTEP's fair value to analysts, the Company's shareholders, and general investors according to the SET's and SEC's requirements to foster confidence within the analysts and investment community. IR is also entrusted with upholding the corporate image and perception among analysts and investors, while also relied upon to coordinate and to advise over IR related issues to the Company's executives.

PTTEP's IR can be contacted through the following three channels.

- (1) By phone: +66-2537-7171, +66-2537-4868, +66-2537-5779, +66-2537-5873, +66-2537-5843  
and +66-2537-5983
- (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 major responsibilities of the Board. Details are disclosed in the "Management Structure" section, "Duties and Responsibilities of the Board" part.

(1) Policy-Making and Operational Direction

The Board is responsible for making decisions in regard to 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 organizational development strategy to accommodate continuous changes in the business environment, as well as to provide the management with advices to lead the Company towards our five ultimate goals, being "Growth, Prosperity, Stability, Sustainability, and Dignity".

(2) Good Corporate Governance and Business Ethics

The Board is responsible for the establishment of PTTEP Group's CG&BE for all of the directors, management, and employees to adhere to, while operating businesses for the PTTEP Group. This is to ensure that our businesses are operated under good standards, and justification and ethics with transparency and efficiency. In addition, 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 the CG&BE.

(3) Internal Control and Auditing

The Board is responsible for assuring that the PTTEP Group is equipped with an effective internal control system which is comparable to the acceptable risk levels. The Audit Committee and the Internal Audit Division 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 the PTTEP Group, in compliance with relevant laws and regulations, and in trust of the management, investors, and other stakeholders.

The Company's 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 management of the risks which can potentially deter PTTEP from achieving our strategic goals. The Board appoints the Risk Management Committee which is a standing sub-committee to monitor and ensure an efficient and effective risk management for the PTTEP Group as defined by the Risk Management Charter. The Risk Management Committee is also assigned to determine and assess key risks which are of significance at the organizational and project levels, evaluate and monitor operational plans, oversee the implementation and revision of risk mitigation to allow for a continuous evaluation of risks to ensure that the risks are at acceptable levels, as well as to report the results to the Board on a regular basis.

(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 the 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, and subsequently inform the authority of the stake, in the given issue according to the CG&BE.

(6) Compliance

The Board values importance of full legal compliance in all of the areas in which the PTTEP Group operates. The Board also provides the Group with the supports required to conform to the applicable laws as well as to properly manage compliance risks. Compliance is considered one of the keys which allow the Group to function discretely as well as to be able to operate according to our strategy towards the business goals. The Compliance Department<sup>1</sup> is assigned by the Board to be responsible for this matter.

## 9.2 Sub-Committees

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

Applying to every meeting, the sub-committees are required to report the results to the Board for acknowledgement as well as to disclose them in the 56-1 Form and PTTEP Annual Report as the duties to be 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. Names of the directors, duties and responsibilities, numbers of meetings, meeting attendance, and remuneration policy are disclosed in the "Management Structure" section. Reports of the Company's sub-committees meanwhile are disclosed in the "Reports of the Sub-Committees" section.

## 9.3 Nomination of Directors, Chief Executive Officer, and Management

### 9.3.1 Nomination of Directors

When there is a vacancy of a director position or when a director's term limit is due, it is a duty of the Nominating Committee to select the candidates who fit with the required skill, experience, and are in line with the Company's Target Skill Mix and strategic directions to ensure that the Board's composition is complete, well-rounded, and for the optimal benefit to PTTEP. The Company thoroughly and transparently places high importance on the Board's diversity, gender, independency and conflicts of interest. This is evidential from the welcoming of one new female director in 2018 which consequently added to a total of two female directors from 14 directors.

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<sup>1</sup> Since January 1, 2019, the Compliance Department has been renamed to the Governance, Compliance, and Internal Control Department, as part of the organizational restructuring of PTTEP to centralize all compliance works into the same function.



Moreover, the Nominating Committee conducts Gap Analysis of the Board's current Skill Mix and Target Skill Mix are taken into account, where Target Skill Mix of the Board during 2018 – 2019 consisted of the followings.

(1) Organization Change and Development: To support PTTEP's reorganization which emphasizes on the preparation of strategic long-term growth in E&P related businesses and new businesses in parallel with development of the succession plan.

(2) Technology: In the rapid changes of technology, PTTEP has to adapt and be ready to cope with Disruptive Technology by developing its own enterprise technology capability to support the operations not only in E&P core business but also the investment opportunity in new businesses that may arise with the aim to become Digital Transformation excellence organization.

(3) Legal: To support legal risk management and compliance which are corporate-level risks with direct impact to the Company's license to operate. New laws in responding to new technologies and dynamic environment change especially for new businesses investment needed to be monitored regularly.

The process begins with the Committee considering the alignment between the aforementioned Target Skill Mix and the candidates', where the Board has been able to fulfill the Target Skill Mix in Organization Change & Development and Technology in 2018 while still placing importance in future candidate nomination with the skill mix in Legal. In addition, the Nominating Committee also hold the process of searching through PTTEP's pool as well as the State Enterprise Policy Office (SEPO)'s directors' pool which comprises a list of directors from state-owned enterprises who are regarded as highly-qualified in state-enterprising. The Company also seeks advices from our major shareholder, PTT, as well as from the Company's minor shareholders (if any) according to the rules in regard to nomination of a person to fill in the positions which are due to retire by rotation. A list of qualified candidates must be endorsed by the State Enterprise Policy Committee according to the Regulations of the Office of the Prime Minister on State Enterprise Policy and Governance Determination B.E. 2557.

Election of directors to replace those who are due to retire by rotation must obtain an approval from the 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) Should the number of the director candidates be less than the number of those to be elected, PTTEP will propose at the Meeting to elect those candidates as the directors by voting for the individual candidates, under which each of them must receive majority votes.

(2) Should the number of the director candidates exceeds the number of those 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, while the voting will then be carried out for each of the individuals. Those with the highest ballots will be elected, as many as the number of the opened positions. Each of them must receive majority votes.

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

### 9.3.2 Nomination and Succession Plan of the Chief Executive Officer

The Nominating Committee has included in its Charter the role to consider the Chief Executive Officer's succession plan and appropriate executive-level management's development system to ensure a candidate list with the skills and qualifications in line with the Company's target growth.

The Nominating Committee is responsible for considering the candidates' skills, experience, and various other specific qualifications to bring about the best of interests to the Company, looking into their probable conflicts of interest.

The Company formulates a succession plan for the Chief Executive Officer to prepare the Company for the time when the 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 Chief Executive Officer is a director, forms the Group Leadership Development Program (GLDP). The program's primary focus is to enhance the capability of the PTT Group's executives, Senior Vice Presidents and above to prepare them for a possible nomination to become the 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) and proposes them to PTT's Board of Directors who is responsible to select PTTEP's next Chief Executive Officer.

(3) After receiving the candidate names, accompanied by opinions of PTT's Board from (2), and comparing them with the Company's potential candidates in the executive vice president level, the Company's Nominating Committee will reassess the individual's knowledge, capability, and experience relating to the business, conflicts 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 proposed by the Remuneration Committee, to the Board for approval and appointment of the Company's new Chief Executive Officer.

### 9.3.3 Nomination of Management and Succession Plan

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

PTTEP has a systematic 5-year succession plan for the vacant management positions which are resulted from retirement and from reorganization to support the Company's business expansion domestically and internationally. The Career Review Board (CRB) Committee is authorized to select and appoint successors for management positions using the Company's

Management Success Profile of each business area (Asset Management, Business Development, Technical Support, and Business Support) as screening criteria. These profiles comprise competency, personal attribute, organization knowledge, as well as experience required for the target positions, while Currently Estimated Potential (CEP) is also taken into consideration. Once the successors are identified, their individual short-term and long-term development plans will be established with focus on technique and functional knowledge, managerial skills, and soft skills required according to the corporate values and organizational culture to ensure that the successors are readily qualified for the target positions by the time of the requirement.

#### **9.4 Development of Directors**

##### Orientation of New Directors

The orientation which is provided to the Company's new directors consists of the followings.

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

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

(3) Operational Sites Visit: New directors visit operational sites of the PTTEP Group to enrich their understanding of the Company's operations and optimize their knowledge and experience for the benefit of the Company.

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

##### Trainings of Directors

PTTEP's directors are knowledgeable, yet they are ambitious to learn and understand more about the business and their duties as a director. PTTEP encourages every director to acquire further knowledge through training organized by the Thai Institute of Directors Association (IOD) as well as those others to enhance the ability to perform their role. To continuously provide knowledge and share opinions with the directors, the Company's management delivered lectures and exchange opinions with the Board. In 2018, five sessions were arranged by the Company's management which were "Review Strategy" and the other four sessions related to Governance, Risk Management and Compliance (GRC). The Company always updates the directors with laws and best practices of good corporate governance for an even better understanding on a regular basis. The followings are details of the seminars and trainings attended by the Company's directors during 2018.

Directors	Courses
(1) Mr. Prajya Phinyawat	<ul style="list-style-type: none"> <li>- Internal Lecture and Discussion Session on 2019 Strategy Review</li> <li>- Internal Lecture about GRC on the following topics:               <ul style="list-style-type: none"> <li>(1) Ethical Culture: Key Success Factor</li> <li>(2) Draft of Organic Act on Counter Corruption B.E. ....</li> <li>(3) Notification of the Office of the Securities and Exchange Commission regarding Preparation of Report on Changes in the Securities and Derivatives Holding of Directors, Executives, Auditors, Plan Preparers and Plan Administrators</li> <li>(4) Notification of the National Anti-Corruption Commission regarding Rules, Process and Procedures on Declaration of the List of Assets and Liabilities B.E. 2561</li> </ul> </li> </ul>
(2) Mr. Achporn Charuchinda	<ul style="list-style-type: none"> <li>- Internal Lecture and Discussion Session on 2019 Strategy Review</li> <li>- Internal Lecture about GRC on the following topics:               <ul style="list-style-type: none"> <li>(1) Ethical Culture: Key Success Factor</li> <li>(2) Draft of Organic Act on Counter Corruption B.E. ....</li> <li>(3) Notification of the Office of the Securities and Exchange Commission regarding Preparation of Report on Changes in the Securities and Derivatives Holding of Directors, Executives, Auditors, Plan Preparers and Plan Administrators</li> <li>(4) Notification of the National Anti-Corruption Commission regarding Rules, Process and Procedures on Declaration of the List of Assets and Liabilities B.E. 2561</li> </ul> </li> </ul>
(3) Admiral Tanarat Ubol	<ul style="list-style-type: none"> <li>- The Outlook for Energy: A View to 2040" by Ms. Lynne Taschner, Energy Advisor, ExxonMobil, held by Petroleum Institute of Thailand</li> <li>- Internal Lecture and Discussion Session on 2019 Strategy Review</li> <li>- Internal Lecture about GRC on the following topics:               <ul style="list-style-type: none"> <li>(1) Ethical Culture: Key Success Factor</li> <li>(2) Draft of Organic Act on Counter Corruption B.E. ....</li> <li>(3) Notification of the Office of the Securities and Exchange Commission regarding Preparation of Report on Changes in the Securities and Derivatives Holding of Directors, Executives, Auditors, Plan Preparers and Plan Administrators</li> <li>(4) Notification of the National Anti-Corruption Commission regarding Rules, Process and Procedures on Declaration of the List of Assets and Liabilities B.E. 2561</li> </ul> </li> </ul>
(4) Mr. Sethaput Suthiwart-Narueput	<ul style="list-style-type: none"> <li>- Internal Lecture and Discussion Session on 2019 Strategy Review</li> <li>- Internal Lecture about GRC on the following topics:               <ul style="list-style-type: none"> <li>(1) Ethical Culture: Key Success Factor</li> <li>(2) Draft of Organic Act on Counter Corruption B.E. ....</li> <li>(3) Notification of the Office of the Securities and Exchange Commission regarding Preparation of Report on Changes in the Securities and Derivatives Holding of Directors, Executives, Auditors, Plan Preparers and Plan Administrators</li> <li>(4) Notification of the National Anti-Corruption Commission regarding Rules, Process and Procedures on Declaration of the List of Assets and Liabilities B.E. 2561</li> </ul> </li> </ul>

Directors	Courses
(5) Major General Nimit Suwannarat	<ul style="list-style-type: none"> <li>- Internal Lecture and Discussion Session on 2019 Strategy Review</li> <li>- Internal Lecture about GRC on the following topics:               <ol style="list-style-type: none"> <li>(1) Ethical Culture: Key Success Factor</li> <li>(2) Draft of Organic Act on Counter Corruption B.E. ....</li> <li>(3) Notification of the Office of the Securities and Exchange Commission regarding Preparation of Report on Changes in the Securities and Derivatives Holding of Directors, Executives, Auditors, Plan Preparers and Plan Administrators</li> <li>(4) Notification of the National Anti-Corruption Commission regarding Rules, Process and Procedures on Declaration of the List of Assets and Liabilities B.E. 2561</li> </ol> </li> </ul>
(6) Mr. Wirat Uanarumit	<ul style="list-style-type: none"> <li>- The Rules of Law for Democracy (Class 6) by College of the Constitutional Court</li> <li>- Internal Lecture and Discussion Session on 2019 Strategy Review</li> <li>- Internal Lecture about GRC on the following topics:               <ol style="list-style-type: none"> <li>(1) Ethical Culture: Key Success Factor</li> <li>(2) Notification of the Office of the Securities and Exchange Commission regarding Preparation of Report on Changes in the Securities and Derivatives Holding of Directors, Executives, Auditors, Plan Preparers and Plan Administrators</li> <li>(3) Notification of the National Anti-Corruption Commission regarding Rules, Process and Procedures on Declaration of the List of Assets and Liabilities B.E. 2561</li> </ol> </li> </ul>
(7) Mr. Twarath Sutabutr	<ul style="list-style-type: none"> <li>- Executive Program on the Rule of Law and Development (ROLD) by Thailand Institute of Justice (TIJ)</li> <li>- Internal Lecture and Discussion Session on 2019 Strategy Review</li> <li>- Internal Lecture about GRC on the following topics:               <ol style="list-style-type: none"> <li>(1) Ethical Culture: Key Success Factor</li> <li>(2) Draft of Organic Act on Counter Corruption B.E. ....</li> <li>(3) Notification of the National Anti-Corruption Commission regarding Rules, Process and Procedures on Declaration of the List of Assets and Liabilities B.E. 2561</li> </ol> </li> </ul>
(8) Mr. Pitipan Teparitargorn	<ul style="list-style-type: none"> <li>- Internal Lecture and Discussion Session on 2019 Strategy Review</li> <li>- Internal Lecture about GRC on the following topics:               <ol style="list-style-type: none"> <li>(1) Ethical Culture: Key Success Factor</li> <li>(2) Draft of Organic Act on Counter Corruption B.E. ....</li> <li>(3) Notification of the Office of the Securities and Exchange Commission regarding Preparation of Report on Changes in the Securities and Derivatives Holding of Directors, Executives, Auditors, Plan Preparers and Plan Administrators</li> <li>(4) Notification of the National Anti-Corruption Commission regarding Rules, Process and Procedures on Declaration of the List of Assets and Liabilities B.E. 2561</li> </ol> </li> </ul>

Directors	Courses
(9) Ms. Panada Kanokwat	<ul style="list-style-type: none"> <li>- Board Matters and Trends (BMT) 6/2018 by Thai Institute of Directors Association (IOD)</li> <li>- The Outlook for Energy: A View to 2040" by Ms. Lynne Taschner, Energy Advisor, ExxonMobil, held by Petroleum Institute of Thailand</li> <li>- Internal Lecture and Discussion Session on 2019 Strategy Review</li> <li>- Internal Lecture about GRC on the following topics:               <ol style="list-style-type: none"> <li>(1) Ethical Culture: Key Success Factor</li> <li>(2) Draft of Organic Act on Counter Corruption B.E. ....</li> <li>(3) Notification of the Office of the Securities and Exchange Commission regarding Preparation of Report on Changes in the Securities and Derivatives Holding of Directors, Executives, Auditors, Plan Preparers and Plan Administrators</li> <li>(4) Notification of the National Anti-Corruption Commission regarding Rules, Process and Procedures on Declaration of the List of Assets and Liabilities B.E. 2561</li> </ol> </li> </ul>
(10) Mr. Bundhit Eua-arporn	<ul style="list-style-type: none"> <li>- Internal Lecture about GRC on the following topics:               <ol style="list-style-type: none"> <li>(1) Ethical Culture: Key Success Factor</li> <li>(2) Draft of Organic Act on Counter Corruption B.E. ....</li> <li>(3) Notification of the National Anti-Corruption Commission regarding Rules, Process and Procedures on Declaration of the List of Assets and Liabilities B.E. 2561</li> </ol> </li> </ul>
(11) Ms. Penchun Jarikasem	<ul style="list-style-type: none"> <li>- Ethical Leadership Program (ELP) 11/2018 by Thai Institute of Directors Association (IOD)</li> <li>- Risk Management Program for Corporate Leaders Class (RCL) 13/2018 by Thai Institute of Directors Association (IOD)</li> <li>- Board Matters &amp; Trends (BMT) 6/2018 by Thai Institute of Directors Association (IOD)</li> <li>- Internal Lecture about GRC on the following topics:               <ol style="list-style-type: none"> <li>(1) Ethical Culture: Key Success Factor</li> <li>(2) Draft of Organic Act on Counter Corruption B.E. ....</li> <li>(3) Notification of the Office of the Securities and Exchange Commission regarding Preparation of Report on Changes in the Securities and Derivatives Holding of Directors, Executives, Auditors, Plan Preparers and Plan Administrators</li> <li>(4) Notification of the National Anti-Corruption Commission regarding Rules, Process and Procedures on Declaration of the List of Assets and Liabilities B.E. 2561</li> </ol> </li> </ul>
(12) Mr. Chansin Treenuchagron	<ul style="list-style-type: none"> <li>- Internal Lecture about GRC on the following topics:               <ol style="list-style-type: none"> <li>(1) Preparation of Report on Changes in the Securities and Derivatives Holding of Directors, Executives, Auditors, Plan Preparers and Plan Administrators</li> <li>(2) Notification of the National Anti-Corruption Commission regarding Rules, Process and Procedures on Declaration of the List of Assets and Liabilities B.E. 2561</li> </ol> </li> </ul>
(13) Mr. Patchara Anuntasilpa	<ul style="list-style-type: none"> <li>- Internal Lecture about GRC on the topic of Notification of the National Anti-Corruption Commission regarding Rules, Process and Procedures on Declaration of the List of Assets and Liabilities B.E. 2561</li> </ul>

Directors	Courses
(14) Mr. Phongsthorn Thavisin	<ul style="list-style-type: none"> <li>- Capital Market Leader Program (Class 27) by Capital Market Academy</li> <li>- Internal Lecture and Discussion Session on 2019 Strategy Review</li> <li>- Internal Lecture about GRC on the following topics: <ul style="list-style-type: none"> <li>(1) Ethical Culture: Key Success Factor</li> <li>(2) Draft of Organic Act on Counter Corruption B.E. ....</li> <li>(3) Notification of the Office of the Securities and Exchange Commission regarding Preparation of Report on Changes in the Securities and Derivatives Holding of Directors, Executives, Auditors, Plan Preparers and Plan Administrators</li> <li>(4) Notification of the National Anti-Corruption Commission regarding Rules, Process and Procedures on Declaration of the List of Assets and Liabilities B.E. 2561</li> </ul> </li> </ul>

Currently, 12 of 14 of the Company's directors have participated in IOD's Director Certification Program (DCP), while four has attended the IOD's Director Accreditation Program (DAP). As a result, there are 13 out of 14 directors (92.86%) who have attended the two mentioned courses. In addition, the Company has applied an IOD membership for all of the directors and provided them with the information in regard to new and updated seminars or trainings to keep the directors consistently informed. Details of the training courses attended by the directors are disclosed in the "Information of the Board of Directors, Management, Controlling Persons, and Corporate Secretary" section.

## 9.5 Authority of the Chief Executive Officer

### 9.5.1 Authority under Resolutions from the Shareholder Meetings

The 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.

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

The Board authorizes the 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 Chief Executive Officer is also authorized to be the acting body, conducting 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 Procurement for PTT Exploration and Production Public Company Limited and Affiliate B.E. 2561, and Regulation on Investment Project 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. The Chief Executive Officer's delegation of authority is permitted unless the concerned attorney or the delegated person 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

Details are disclosed in the "Policy and Business Operations Overview" section, "Structuring Policy of the PTTEP Group" part.

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

PTTEP's Articles of Association prescribes that one-third of the Company's directors shall be retired by rotation in each AGM and that the Board shall consist of no more than 15 members, each with a 3-year serving term. The Board meanwhile determines to allow each of the directors or independent directors to serve on the Board for no more than nine consecutive years, while a director who has served on the Board for nine years will not be considered for another term. This essentially allows our competent and qualified directors the time to continuously and effectively perform their duties.

PTTEP recognizes the value of knowledge and experience which our directors have earned over the years in the position. PTTEP therefore does not have a rigid limit for director's term (a two-term or six-year term, in example). This is so that the Nominating Committee could best select the replacements for the optimal benefits of the Company and shareholders.

In terms of the qualifications, the Company's directors shall not assume a directorship in more than three listed companies at once. Details of the number of directorships held by each of the Company's directors are disclosed in the "Information of the Board of Directors, Management, Controlling Persons, and Corporate Secretary" part. As of December 31, 2018, none of the directors held a directorship in more than three listed companies. Meanwhile, serving term of the members of the sub-committees is equal to that of the Board members.

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

The Board is authorized to elect one director to be the Chairman of the Board as well as to appoint a person to be Chief Executive Officer where the Chairman and the 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) Supervise the Board to perform its duties with efficiency, according to the Board Performance Target and shareholder's expectations, with independency from the management
- (2) Determine agendas for the Board's meetings
- (3) Be the Chairman at the Board's and the shareholders' meetings and ensure that the Company's directors perform their duties as stipulated in the CG&BE and stimulate it as the Company's culture
- (4) Support and ensure constructive relations between directors and management

For transparency and appropriateness, the Chairman is not allowed to hold any positions in any of the Company's sub-committees as clearly stated in the charter of the sub-committees. The 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 election of the Company's Chairman of the Board. Shall there be none who is suitable for the position, 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 2018 was 2.98 where 3 was the highest. The Chairman and his performance were appraised and examined for future improvements by the Board. Details of 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 in regard to 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 Chief Executive Officer, and Executives with Directorships in Other Companies**

PTTEP clearly states in the CG&BE in regard to the duration which the 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 PTTEP and their position held in the Company in those external activities. Meanwhile, remuneration of the Company's executives who are assigned to assume a directorship in the organizations or units in, or related to, the petroleum exploration and production is considered PTTEP's; otherwise, the remuneration is considered theirs. Details of the number of directorships held by each of the executives are disclosed in the "Information of the Board of Directors, Management, Controlling Persons, and Corporate Secretary" section.

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

PTTEP, under 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 the CG&BE.

- (1) Directors, management, and employees shall treat the interests of the PTTEP Group with priority and shall not participate or be involved in all activities which may lead to any conflicts of interest.
- (2) Directors, management, and employees shall review and disclose, at least on an annual basis, their transactions that have led to a conflict of interest for the Company.
- (3) Directors, management, and employees shall not participate in considering or voting on any matters in which they have a stake or stakes, and, if such matters exist, all relevant information shall be completely disclosed.
- (4) Directors, management, and employees shall strictly adhere to the laws and regulations as required by the SET, particularly in relation to connected transactions.

The Company has established preventive measures for conflicts 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 the 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 in regard to procedures relating to a bidding process, and selecting and awarding of a transaction, 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 should there be any suspicion or uncertainty that what they or their related persons are involved in, or that their shares in the business with transactions with the Company may lead to a conflict of interest.

(4) Directors, management, and employees must review their possible involvement in conflicts of interest on an annual basis. To review their conflicts of interest related to any particular matter in the procurement process, management and employees who are directly involved in the procurement process must disclose their transactions which may lead to a conflict of interest at least every 6 months. This is in order for the supervisors to consider a re-assignment of duty to prevent such conflicts of interest from occurring.

## **9.12 Business Ethics**

PTTEP is committed to operating ethically primarily because the Company's Business Ethics are regarded as the crucial behavioral framework and guideline for all directors, management, and employees to perform effectively, transparently, and ethically, as well as to treat all of the stakeholders equally. These practices have resulted in confidence and acceptance by stakeholders in the efficiency and transparency of the Company's business operations, creating a long-term sustainable value and fairness for everyone concerned.

Business Ethics of the PTTEP Group is part of the CG&BE. The Board first established its Business Ethics in 1989, and it has been revised every year. The current version of the CG&BE was approved by the Board on January 30, 2019, and it is regarded as the highest regulation for business operations within PTTEP Group. The CG&BE is available for download from the Company's website.

PTTEP's Business Ethics as a whole consists of principles, samples of questions and answers, information for further study, and a list of the departments responsible for each of the principles. There are 10 ethical issues which reflect our organizational values and to which the Company's directors, the 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
  - Records Keeping, Using, Disclosing and Safeguarding of Information
  - Using and Storing Electronic Data and Information Technology Resources
  - Utilization 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 has distributed its CG&BE booklets to all the directors, management, and employees for their reference and adherence. Everyone is also required to sign their names, thus committing themselves to apply the CG&BE to the highest working standards. In addition, the booklets are sent 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 Company's 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 the Company's CG&BE among the company directors and personnel. The Board governs the ways in which the CG&BE is communicated to the directors and personnel to ensure that they are able to perform and conduct business accordingly. Communications also extend to external parties, for example, vendors, joint ventures, and agents of the PTTEP Group in order to encourage ethical cultures among their Groups and society in general. Details are explained in the subsection "Continuing to Provide Communication, Knowledge and Training" in "Anti-Corruption" section.

The Board's role involves monitoring and evaluating CG&BE activities. The Corporate Secretary is in charge of reporting them to the Corporate Governance Committee and the Board on a quarterly basis to ensure that CG&BE activities achieve the target performance. The Corporate Governance Committee has already reviewed the 2019 operation plan, while taking into account the 2018 evaluation results, to ensure continuity and efficiency for the development of the following plan for this year's operations.

### **9.13 Internal Controls**

PTTEP places high importance on continual improvement of the internal control system based on the International Standard; COSO Internal Control – Integrated Framework issued by The Committee of Sponsoring Organizations of the Treadway Commission; to reasonably assure that three business objectives can be accomplished. These objectives are, namely, (1) efficient and effective operations with prudent use of resources and safeguarding of assets, (2) accurate, reliable, and timely disclosure of financial and non-financial information for internal and external uses, and (3) compliance with relevant laws, rules, and regulations as well as the Company's policies and procedures.

PTTEP's internal control system comprises five key components as follows:

#### **(1) Control Environment**

PTTEP has a control environment which fosters ethical working attitude among our management and employees, along with an atmosphere and awareness of the Company's internal control according to the principles of good corporate governance and business ethics towards specific corporate objectives: Growth, Prosperity, Stability, Sustainability, and Dignity. The Board is responsible for providing oversight and enhancing this internal control system. The Company has appropriately designed the organizational structure, reporting lines, and delegation of work authority.

In addition, PTTEP also focuses on human resource management by establishing an extensive set of written human resource management regulations and policies. We are determined to attract, develop, and retain competent individuals in line with the corporate objectives. The management and employees are also held accountable for their internal control responsibilities to ensure achievement of the objectives.

**(2) Risk Assessment**

PTTEP places importance on risk management by appointing the Risk Management Committee to be responsible for setting policy and risk appetite, as well as overseeing the effectiveness of the company-wide risk management. The Company has also applied the ISO 31000 Risk Management concept company-wide and assessed all risks related to our businesses, including fraud risk or the risks which may arise as a result of significant changes within the Company, to appropriately manage such risks in a timely manner.

**(3) Control Activities**

PTTEP has adequate control activities which are able to mitigate risks to acceptable levels for the respective business environments or business units. Various control activities have been established to mitigate the risks. The activities include development of general controls over technology or their deployment through regulations, policies, and working procedures. Control activities are periodically reviewed and improved. The Company also encourages employees to be constantly aware of the importance of conformity to the control activities and compliance with related laws and regulations to ensure that our internal control system is as effective as designed.

**(4) Information and Communication**

PTTEP realizes the significance of information and communication. Thus, the Company has provided for quality data processing systems which are appropriate and adequate for operations and decision-making, in other words; accurate, complete, up-to-date, accessible, protective, verifiable, and consistent systems suitable for both internal and external uses. The Company also restricts the access to confidential information and permits the access to authorized persons only. In addition, The Company also implemented Data Classification policy to prevent the disclosure of sensitive or confidential information of the Company.

PTTEP has effective and efficient internal and external communication channels and processes in place to support the functioning of the internal control system. The Company also set up whistleblowing channels for employees and external third parties to effectively report any wrongdoings in accordance with international standards. Any persons who report actual or suspected misconduct, and/or collaborate with the PTTEP Group in good faith will be protected from any form of retaliation as a result of those actions according to the "Reporting and Whistleblowing Regulation 2013".

**(5) Monitoring Activities**

PTTEP regularly monitors and assesses the effectiveness of our internal control system through ongoing evaluations which are built into the Company's daily operational activities, along with separate evaluations to ensure that the system is effective and appropriate for the current business environment and dynamic risk factors. Subsequently, once the deficiencies are identified, improvement plans will subsequently be developed, while responsible parties will be assigned to respond with timely resolutions. For the separate evaluations, the Company has developed the control self-assessment evaluations

on an annual basis at both the corporate and business process levels. In addition, the Internal Audit Division, which has a direct reporting line to the Audit Committee, meanwhile has responsibilities to perform independent audits correspondingly.

Details of the 2018 results of the internal control adequacy evaluation are disclosed in the “Internal Controls and Risk Management” section.

#### **9.14 Risk Management**

PTTEP Board and the management recognize the importance of strong and effective risk management as changes in the business environment are uncontrollable and may impact the businesses. The Company therefore established the Risk Governance Framework, Risk Appetite Statement as well as Risk Metrics and Risk Limit as the guidelines. Enterprise Risk Management Policy requires the directors, the management, employees, suppliers and contractors to manage risks thoroughly and systematically to ensure our target achievement.

The Company applies risk management guidelines in accordance with the ISO 31000, an international standard for risk management, throughout the Company. Risk management practices are applied throughout the organization, including strategic planning and management, investment and divestment decision-making, capital project management, and operations and business processes. The company also manages risks at all levels, including the corporate, asset/project, and working units. The Risk Management Department is responsible for ensuring risk management framework implementation and its effectiveness across the organization as well as regularly reporting the results to the management, the Risk Management Committee, and the Board for acknowledgement. The Risk Management Department is also responsible for fostering culture in managing risks throughout the organization.

#### **9.15 Remuneration of Auditor**

##### **9.15.1 Remuneration of Auditor**

(1) Audit Fee

In 2018, PTTEP and its subsidiaries, both domestic and overseas, paid audit fees to the State Audit Office of the Kingdom of Thailand (SAO) and other auditing firms for a total of USD 1.3 million.

(2) Non-Audit Fee\*

In 2018, PTTEP did not pay a non-audit fee to the SAO.

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

##### **9.15.2 Summary of the Auditors’ Report for the Past Three Years (2016-2018)**

The SOA expressed its opinions, but without any issues, in the Auditors’ Report of PTTEP’s consolidated financial statements for the past three years.

#### **9.16 Other Good Corporate Governance Practices**

PTTEP places high importance on governing its business operations, guided by the Company’s CG&BE as well as most of the international best practices, taking into account appropriateness of the practices, the current business environment, as well as benefits to the Company, particularly targeting the shareholders and stakeholders. Conduct that reflect our advanced execution of best practices at the Company are as follows:

(1) To elect 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 that are up for election at the time.

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

(3) PTTEP allows each director or independent director to serve on the Board for no more than nine consecutive years. Any director who has served on the Board for nine consecutive years will not be considered as eligible for another term.

The Company may, in the future, consider further limiting the term for each independent director to serve on the Board (for example, no more than six years). Such a proposal will be comprehensively considered based on the required skills and experience that will most benefit the exploration and production business.

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

(5) The right to attend a shareholders' meeting must be carefully examined to ensure that any vesting authority in proxies is conducted properly and that the granting of such rights does not interfere with the rights of the shareholders attending the meeting.

(6) The directors' Skill Mix is reviewed on an annual basis by the Board with a clear definition of required skills and experience. The Target Skill Mix is re-examined each year to be in line with PTTEP's strategies as well as to withstand economic volatility prior to the nomination and development of the director. In addition, PTTEP ensures that the Board's diversity continues and remains intact without gender and nationality discrimination.

(7) The Board has appointed a female director who graduated from accounting, and is qualified as an independent director to be an Audit Committee member. This is beneficial to the Audit Committee, providing further reasonable assurance for the Company's financial statements. In addition, all of the new Nominating Committee members appointed are independent directors. This is to ensure transparency of the director nomination process, to prevent conflicts of interest, as well as to stay in compliance with the Corporate Governance of the PTTEP Group.

(8) Performance appraisals of the Board and the sub-committees are thoroughly conducted, using our Performance Evaluation Form and the Board Performance Target. These appraisals include an individual self-appraisal and individual cross-appraisals by other directors, appraisal of the Chairman, and appraisal of the Board and each of the sub-committees. Results of the appraisals are discussed in related sub-committees and translated into plans for further performance improvement steps for the directors. Assessments by external parties are also conducted; for example, ASEAN CG Scorecard and Corporate Governance Report of Thai Listed Companies (CGR).

(9) The Independent Directors Committee held four meetings in 2018, while one Board meeting was held without the management's presence, to discuss and exchange opinions on significant and beneficial matters relating to the Company and our shareholders. The minutes of the meetings were reported to the CEO.

(10) PTTEP ensured that compensation of the CEO and executives were in line with the Company's short-term and long-term performance, and financial performance (Tied to Performance). The Company also disclosed the ratio of annual compensation of the CEO compared to the average annual compensation of the Company's top executives, and the ratio of annual compensation of the CEO compared to the average annual compensation of the Company's employees.

(11) Effective and tailored activities were organized to promote understanding of the CG&BE among the Company's directors, members of sub-committees, executives, and employees. Our activities reflected clear plans and performance indicators in place to evaluate knowledge and keep track of the results. With the Corporate Governance Committee in charge of planning of the activities, designing of the performance indicators, and regular monitoring, we assured that substantial results were achieved. These activities were also extended to examining vendors in an effort to foster a shared good culture in the business community and society. Details of these activities are available in the "Business Ethics" section of this report.

PTTEP also implemented the following other practices.

(1) PTTEP has always felt it vital that the Company's Chairman remain independent; thus the Company selects its Chairman from independent directors first, unless there are other reasons or qualifications to select from other lists of directors. The Company places importance on the fundamental attributes of business-related knowledge and expertise, working experience, leadership skills in addition to performance appraisal results to ensure that the Chairman governs the Company with full independence. More details along this line are discussed in the "Independence of Chairman" section of this report. The Company's current Chairman is qualified as an independent directors.

(2) PTTEP's Articles of Association (AoA) stipulates that the number of PTTEP directors shall not be fewer than 5, but not more than 15. As of December 31, 2018, the Company had 14 directors. This is in line with the Company's AoA and considered to be reasonable for the current business environment of the petroleum exploration and production industry, where experts from various disciplines are required for the directors to adequately and effectively monitor various areas of the business operations.

(3) Currently, the Board has appointed five sub-committees which are responsible for specific tasks as described in their respective regulations. Each of the committees' performance is assessed on an annual basis.

(4) In accordance with the Budget Procedure Act B.E. 2561 (2018), PTTEP, a state-owned entity, is required to assign the independent and reliable State Audit Office of the Kingdom of Thailand (SAO) to be the Company's external auditor.

(5) Although PTTEP has a free float ratio of less than 40 percent of the total paid-up shares, with PTT holding 65.29% interest, this is sufficient for minority shareholders to vote to inhibit a significant transaction. The Company places high priority on the rights of minor shareholders by organizing activities to periodically communicate beneficial information to these shareholders as well as to gain acceptance from other external agencies.

(6) PTTEP specifies that a quorum, at the time of the Board's passing of a resolution, must comprise at least two-thirds of the Board members who are present at the meeting. The Company also stipulates that if a director fails to attend a board meeting three consecutive times, unless an absence is deemed necessary, he or she will automatically be disqualified from the director position. The Company also uses attendance as a performance indicator for the Board Performance Target evaluation. Further, the Company also schedules the relevant meetings in advance throughout the year and always ensures that the directors will be available to attend the meetings. These measures collectively are already deemed sufficient, as evidenced by the attendance of the Board meetings in 2018, when the ratio always exceeded two-thirds. Prior to every voting activity, the Chairman allows the directors to ask questions and discuss various issues in detail to ensure that the Board's resolutions have unanimous consent.

(7) PTTEP does not have an Employee Stock Option Program (ESOP) for the management. However, the Company established a remuneration structure that is competitive and appropriate to the business environment. The structure has successfully passed careful consideration by the Remuneration Committee and the Board.

(8) During 2013-2018, a five-year period, PTTEP established an Employee Joint Investment Program (EJIP) to encourage management and employees to become more dedicated and loyal to the organization as well as to create an increased sense of group ownership in the long run. The Company is currently studying information regarding the possibility and the appropriateness of continuing this program.

(9) PTTEP has not implemented a cumulative voting system as our AoA clearly prescribes that a director must be elected through majority vote. In casting votes, each shareholder shall have votes equal to the number of shares held by him/her. The shareholder can vote to elect each candidate individually. The candidates are ranked based on the number of votes received, and those with the highest votes are chosen to fill the number of available vacancies. In addition, the Company has provided other mechanisms to protect the rights of our minor shareholders such as allowing them to propose a director candidate in advance during the nomination process.

(10) PTTEP places high importance on the distribution of the Annual General Meeting (AGM) invitation letters prior to the meeting to provide the Company's shareholders with adequate time to appropriately review the agenda items. To ensure that our shareholders receive full benefits, such as rights to receive their dividend payments 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, normally requires 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 21 days in advance and publish it on the Company's website at least 30 days prior to the date of the meeting.

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

(1) PTTEP was rated "Excellent" and received 5 of the National Corporate Governance Committee's symbols, the highest level, according to the Corporate Governance Report of Thai Listed Companies (CGR) 2018 of the Thai Institute of Directors Association (IOD). The survey criteria of the reports are similar and comparable to those of the ASEAN CG Scorecard Standard. The Company has continuously been rated and placed at this highest level since the first assessment in 2001.

(2) PTTEP was named one of Thailand's Top Three Domestic PLCs and was also chosen as one of the Top Fifty ASEAN PLCs (Top Ten ranking) at the ASEAN Capital Market Forum (ACMF) for the second consecutive year. The awards were given by the securities and capital market regulatory bodies in AEC jurisdictions.

(3) PTTEP was certified by Thailand's Private Sector Collective Action Coalition Against Corruption (CAC) as a member for the second consecutive term, reflecting PTTEP's commitment and compliance to anti-corruption guidelines. The company continues to adhere to principles of good corporate governance and business ethics with long-term dedication toward sustainable growth.

(4) PTTEP was selected as a member of the Dow Jones Sustainability Indices (DJSI) in the DJSI World Oil and Gas Upstream & Integrated Industry for the fifth consecutive year. DJSI is a family of internationally recognized indices which evaluate the sustainability performance of 2,500 global companies.



(5) PTTEP was selected as a constituent of the 2018 FTSE4Good Index Series: the FTSE4Good Emerging Index by FTSE Russell Limited for the third consecutive year. The FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

(6) PTTEP received the SET Sustainability Award 2018 – Outstanding Category from the Stock Exchange of Thailand (SET). The company also received the Thailand Sustainability Investment Award 2018 for the third year. The awards recognized PTTEP as a listed company with outstanding sustainable practices and ongoing commitment to sustainability with good governance, environment and social responsibility, and transparency.

(7) PTTEP received the Sustainability Report Award 2018 in Excellence Category organized by the CSR Club of Thai Listed Companies Association (TLCA), the Securities and Exchange Commission (SEC) and the Thaipat Institute. The award recognized the Company's excellence in performing and revealing the Company's performance in terms of social responsibility to foster sustainability of the business and society. The criteria were focused on completeness, credibility and communication of the report.

(8) PTTEP was listed as one of the 100 outstanding Environmental, Social and Governance (ESG) performers on the Thai stock market, a testament to the company's commitment to deliver sustainable value to all stakeholders from Thaipat Institute, a pioneer in the development of Thailand's corporate sustainability database.

(9) PTTEP was recognized as an exemplary corporation in organizing the Annual General Meeting of Shareholders (AGM) for the year 2018 by successfully scoring 100 percent for the sixth year in the AGM checklist assessment conducted by the Thai Investors Association.

(10) PTTEP received six awards from The Asset Magazine, Hong Kong, namely, (1) Platinum Award of The Asset Corporate Awards for the tenth consecutive year for demonstration of excellent performance in the five business aspects, namely, finance, corporate governance, social responsibility, environmental responsibility, and investor relations, (2) The Asset Best Initiative in Innovation for the fourth consecutive year (3) Best Initiatives in Environmental Stewardship Award (4) Best CEO Award (5) Highly commended in Social Responsibility Award and (6) Highly commended in Investor Relations Team Award.

(11) PTTEP received the Best Investors Relations Award in the category for listed companies with market capitalization of over 100 billion baht, at the SET Awards 2018, organized by the Stock Exchange of Thailand, in cooperation with the Money & Banking Magazine. This award is given to recognize and acknowledge the best in investor relations practices among listed companies. The evaluation has been conducted under the direction of a distinguished committee from the SET. For the Best Investor Relations Award, the judging criteria include inclusive involvement in Investor Relations activities, transparency of information disclosure in a timely manner, variety and effectiveness of communication channels and finally, the evaluation results from analysts and institutional investors.

(12) PTTEP was ranked as one of the top 5 "Best Investor Relations in Global Energy Sector" by IR Magazine at the IR Magazine Global Forum and Awards. The final selection was based on the survey results from analysts and investors via the IR Magazine in Europe, Asia and North America.

(13) PTTEP received four awards from Corporate Governance Asia Magazine, a financial journal focusing on corporate governance in Hong Kong and Asia, namely, (1) Asia's Icon on Corporate Governance Award for the sixth consecutive year (2) Asia's Best CEO (Investor Relations) (3) Asia's Best CFO (Investor Relations) and (4) Best Investor Relations Company.

(14) PTTEP received three awards in recognition of its Corporate Social Responsibility initiatives at the 10<sup>th</sup> Annual Global CSR Summit and Awards and the Global Good Governance Awards 2018. These were the (1) Gold Award for Best Environmental Excellence for H.T.M.S. Underwater Learning Site Project - a study and development of former battleships as alternative diving sites for tourism, allowing natural coral reefs time to recover. (2) Gold Award in the category Best Environmental Excellence for the Crab Hatchery Learning Center Project which helps to develop society's knowledge on the Crab Hatchery, which is more effectively and positively increasing the community's income and replenishing crabs in the sea. These awards emphasize our ongoing commitment in all areas of society and the environment for future sustainable growth. (3) Platinum Award for Best Community Program for SIOLA (Stimulation, Intervention, Optimization of Services for Children) Project offering play-based education to maximize benefits for early childhood development, healthcare, counselling for young parents and new families, and microfinance in Indonesia.

(15) PTTEP was the Top Corporate Social Responsibility Advocates winner at the Asia Corporate Excellence & Sustainability Awards 2018. This award is presented to companies that lead and implement various CSR initiatives that are integrated into their policies and operations, and have a high level of employee and top management involvement in those programs. This includes a specific focus on community engagement, environment and social empowerment.

(16) PTTEP received two awards from Asia Responsible Enterprise Awards 2018, recognizing its corporate social responsibility projects including (1) Green Leadership Category for H.T.M.S. Underwater Learning Site Project and (2) Health Promotion Category for PTTEP LKC Free Health Service Program (Free Clinic Project) in Indonesia.

(17) PTTEP received a Silver Stevie Award in the Innovation in the Community Relations category from The Asia-Pacific Stevie Awards, recognizing its corporate social responsibility projects, namely, the "PTTEP Free Clinic project" and "Waste to Energy Project".

(18) PTTEP received I Bike I Walk Award from the Office of Transport and Traffic Policy and Planning (OTP). The award recognized the PTTEP Petroleum Development Support Base in Ranong province for undertaking its "Walk and Bike Friendly City" project organized by OTP, Thai Health Promotion Foundation, the Federation of Bicycle Users and Pedestrians in Upper Southern Region, Ranong Municipality and partners. The project focuses on turning areas around Anuban Ranong School and Khao Niwet Municipal School into safe zones for pedestrians and cyclists, making walking and cycling a popular choice for commuters.

(19) PTTEP received the Excellent Level (G-Gold) of the Green Office Award. PTTEP is the first company in the exploration and production business to achieve the highest level in Thailand Green Office Award campaign organized by the Department of Environmental Quality Promotion. The award reflects PTTEP commitment and efficiency on environmental management in various aspects, e.g., energy utilization, water utilization, resource utilization and pollution prevention including the efforts to emit the lowest level of greenhouse gases.

## 9.18 Reports of the Sub-Committees

### 9.18.1 The Corporate Governance Committee Report

PTTEP places high importance on the adherence to the Good Corporate Governance and Business Ethics of the PTTEP Group (CG&BE), which has continuously been improved with regard to the Company's business operations. The Board has assigned the Corporate Governance Committee, comprising at least three directors, most of whom are independent directors, to govern and ensure that the whole organization is in compliance with the CG&BE.

In 2018, the Committee convened 4 times, with all incumbent directors attending every meeting. The duties and responsibilities of the Committee can be summarized as follows:

(1) Assessed and reviewed the CG&BE to check whether it is still in compliance with the laws, practices of international standards and those of other leading companies, and the recommendations from well-recognized institutions, as well as subsequently submitting the results for the Board's approval. Example detailed results follow: revision of the CG&BE related to remuneration for subsidiaries' directors, revision of the Reporting and Whistleblowing Regulation by adding more details on scope, procedure, and channels for filing a report to fit with business environment, and enhancement of whistleblowing system to become a two-way communication system between the Company and the whistleblower.

(2) Promoted business operations of the PTTEP Group and performance of the Board, management, and employees to be sure that they are in line with the CG&BE by monitoring and providing recommendations concerning any CG&BE-related activities to enhance knowledge and understanding of the CG&BE. Example recommendations include: setting targets and indicators to assess activities' achievements, and consider any complaints received through the CG Hotline on a quarterly basis. The Committee also supported and monitored the progress of driving Governance, Risk Management and Compliance (GRC) principles in PTTEP, and GRC knowledge sharing between external parties, e.g., The Securities and Exchange Commission (SEC), and the Bank of Thailand.

(3) Governed to ensure that PTTEP maintains its efficient and adequate system that appropriately supports the Company's anti-corruption policy, practices, and internal control systems for everyone in the organization to cultivate. The Committee also supported the Company in obtaining certification from Thailand's Private Sector Collective Action Coalition Against Corruption (CAC). PTTEP has been a member for the second consecutive term. Another action relates to supporting vendors to uphold their best practices on anti-corruption etc., and ensure that they abide by the CG&BE of the PTTEP Group, e.g., communication regarding the No Gift Policy and the VDO clip of CG&BE and anti-corruption policy, primarily conducted by sending emails to vendors.

(4) Considered whether to adjust the shareholder site visit arrangements based on the retail shareholders' proposal in the 2018 Annual General Meeting (AGM) by allowing the shareholders who had already attended the site visit to re-apply to join the 2018 site visit under their own expenses. Recommendations to improve shareholder engagement work plan were also considered.

(5) Provided recommendations and monitored the progress of PTTEP's long-term 2016–2020 Corporate Social Responsibility (CSR) and communication work plan and related activities on a quarterly basis to create sustainable growth. As a highlight of these efforts, the Company gives high priority to ensure the readiness and rapidness of communications related to any issues that attract attention of the general public.

(6) Provided recommendations and monitored the progress of PTTEP's improvement plan which was produced as a result of the 2017 PTTEP's CG&BE Perception Survey completed with key stakeholders in 2017. The progress is being considered on a quarterly basis taking into account both efficiency and effectiveness in order to foster growing trust of PTTEP's stakeholders. The areas of focus also include the impact and appropriateness of the plan's implementation.

(7) Considered and reviewed the implementation of the Corporate Governance Code (CG Code) by means that are deemed suitable to the PTTEP Group's businesses and conducive to strengthen long-term business values. The Company also established corporate governance reporting in accordance with the SEC's CG Code and international standards as well as incorporating the CG Report in the annual report for the stakeholders.

The Corporate Governance Committee reported the results of all meetings to the Board for its acknowledgement on a regular basis. In 2018, the Committee abided by its assigned tasks in accordance with the Charter for the Corporate Governance Committee and its amendments, with prudence, competence, and independence. The Committee properly provided straightforward opinions for the optimal benefits of PTTEP, both the shareholders and stakeholders of the Company.

*(Signed) Admiral Tanarat Ubol*

(Tanarat Ubol)

Chairman of the Corporate Governance Committee

### 9.18.2 The Audit Committee Report

PTTEP is determined to conduct our E&P business with a long-term strategy to achieve both sustainable growth, while emphasizing the importance of fair and good corporate governance as well as benefits for the shareholders and stakeholders. The Audit Committee and the Internal Audit Division, in line with this direction, are appointed by the Board to govern, oversee and review the Company's processes and their conformity with the Corporate Governance Code (CG Code) and Anti-Corruption policy to ensure that Governance, Risk management and Compliance (GRC) management remain effective in accordance with the changing business environment as well as to ensure that the Company's work processes and goals are closely monitored as we strive towards a sustainable future.

The Audit Committee consists of at least three, but no more than five, independent directors, whereby at least one member must be a designated financial expert who is able to review the accuracy and reliability of the financial reports. In 2018, the Committee convened 16 times, when the majority of incumbent directors attended all the meetings, to discuss on related matters with the management, the Company's internal auditors and external auditors. This includes the meetings that were conducted together with the Risk Management Committee to share information to ensure that their duties on monitoring the Company's activities were in line with each other. In 2018, the Committee's principal activities are as follows.

#### (1) Review of Financial Reports

The Committee reviewed the Company's quarterly and annual financial statements, together with the management and the external auditor, namely, the State Audit Office of the Kingdom of Thailand, to ensure the statements' accuracy, completeness, and compliance with all relevant laws and regulations as well as generally accepted accounting standards, including International Financial Reporting Standards (IFRS). The Committee also provided recommendations in regard to the Company's Management Discussion and Analysis (MD&A) to provide an analysis of the factors affecting the Company's operation and financial statements.

#### (2) Review of the Internal Controls System

The Committee reviewed and endorsed the assessment results of the Company's system of internal controls. This review comprised an assessment questionnaire, as required by the Securities and Exchange Commission of Thailand (SEC), which found that the Company had incorporated a proper internal control system. The Committee promoted a proactive approach in internal auditing and also continued to encourage a continuous implementation of the preventive controls which help to prevent or reduce the business risks which may have an unfavourable impact on the Company.

#### (3) Review of Connected Transactions or Transactions with Potential Conflicts of Interest

The Committee reviewed the connected transactions or transactions with potential conflicts of interest prior to the Board's consideration to ensure that they are reasonable and beneficial to the Company and the shareholders, particularly the minority shareholders. The Committee also reviewed the disclosure of the transactions and viewed that the transactions were correctly and completely disclosed, that the price and the conditions were fair, and that the transactions were appropriately approved by the management or the Board of Directors prior to their commencement.

**(4) Review of Compliance with Laws and Related Regulations**

The Committee reviewed the Company's and the subsidiaries' performance in terms of their compliance with the securities and exchange laws, SET's regulations, including other related laws, both Thai laws, and other countries' laws, in which the PTTEP Group operates or invests in. The Committee also acknowledged the compliance report relating to the Company's and our subsidiaries' business operations, as reported by the Compliance Department, in addition to the other compliance audit results as reported by the Internal Audit Division.

**(5) Oversight of Internal Audit Activities**

The Committee considers a revision of the Audit Committee Charter and Audit Charter every year. In addition to their responsibility to review the audit results and regularly monitor the management's action plans for audit findings. In 2018, the Committee promoted improving the Company's operational processes for example, establishing guidelines for supervision of cyber security to be the same standard across the entire organization, and monitored an auditing in joint venture projects both in Thailand and other countries which the PTTEP Group invests in, to ensure an efficiency of the operator's work processes and the accuracy of expenses charged by the operator. In consequence, the Company saved investment costs and acquired cooperation between partners to enhance the efficiency of joint venture project management.

In addition, the Committee supported implementation of digitization method to monitor and detect irregularities on a continuous basis in order to resolve the matters in time. For example, the implementation of the Continuous Control Monitoring System on Procure to Pay process. In 2018, PTTEP has expanded the scope to include low-value procurement transactions or those below 500,000 Baht. Furthermore, Management dashboard has been developed in order to increase the effectiveness in control and monitoring.

**(6) Nomination of/Meeting with the External Auditor**

The Committee considered the nomination of the State Audit Office of the Kingdom of Thailand as the Company's external auditor and, for 2018, determined that the external auditor performed its duties with independence, continued to exhibit the required experience in auditing the Company's financial reports, and ensured the accuracy and reliability of the Company's financial reports. In addition, the Committee proposed the audit's remuneration for 2018 and met separately with the external auditor and the Internal Audit Division, without the management presented, to acknowledge and identify the auditor's approach and audit plan as well as to consider the key audit matters in the auditor's report.

**(7) Oversight of Fraud Prevention**

The Committee encouraged improvement of the Company's internal controls system to ensure optimal controls over fraud prevention. For example, the Committee promoted procurement through a competitive bidding process and supported the management to provide analysis of procurement report in order to get the information for preparing annual procurement plan in advance. As a result, the proportion of bidding transaction is significantly higher than direct negotiation transaction. As well as encouraging that the reference price should be reasonable, and well prepared effectively and efficiently, thus ensuring transparency and verifiability. The Committee also supported reporting and whistleblowing procedure which allows a person to raise a suspicious misconduct or a potential fraud. In addition, the Committee was responsible to verify results of the Company's self-assessments relating to the anti-corruption process as required by CAC and as required by the Corporate Governance Code for Listed Companies 2017. The Company has also become certified as a member of Thailand's Private Sector Collective Action Coalition Against Corruption (CAC), reflecting our determination to stand strongly and prominently against corrupt practices.

The Audit Committee reported the results of all meetings to the Board on a regular basis. The Committee conducted its work thoroughly, methodically and strictly according to the Audit Committee Charter to enhance the Company's good corporate governance. This approach and its follow-through assured that the Company is able to deliver the best possible performance compared to our industrial peers. In addition, the Committee is confident in the competency of the Internal Audit Division, which consists of personnel with various qualifications, skills and experiences, enabling them to perform their duties in auditing to cover various aspects efficiently.

The Committee's opinion regarding the work in 2018 is that the Company's financial report was accurate, in compliance with the generally accepted accounting standards and in line with International Financial Reporting Standards. The Company also conducted the operations in compliance with the laws and related regulations by incorporating the proper systems of risk management, internal controls, internal audit, and corporate governance. The Audit Committee's performance was graded "Very Good" by its own committee, the Board of Directors, and related parties.

*(Signed) Achporn Charuchinda*

(Mr. Achporn Charuchinda)  
Chairman of the Audit Committee

### 9.18.3 The Nominating Committee Report

In 2018, PTTEP was focusing on the Company's readiness for corporate growth in the areas of E&P, related businesses, new business, as well as selection process for the retiring members of the Management. Moreover, the Company also attached high importance on the preparation for expiring concessions' bid round to ensure continuous production in order to serve domestic energy demand. In the past year, the Nominating Committee paid most attention on nomination of directors, CEO, and organization restructuring to ensure that the aforementioned focuses are well supported with corporate capabilities for long-term competitiveness. In 2018, the Nominating Committee convened 9 times, and the essence of the meetings can be summarized as follows:

(1) Specified Target Skill Mix of the nominees to replace the directors who are due to retire by rotation in the areas of Organization Change and Development, Technology, and Legal to cope with the changing in the E&P business environment as well as PTTEP's strategy which emphasizes on new business opportunities. Consequently, the preparation on Company's organization structure and directors' qualification is highly crucial to support corporate growth in E&P, new investments, and technological advancement.

(2) Considered the principles for 2018 Board Performance Target in which the Board shall focus on monitoring and providing feedbacks to the management to best achieve PTTEP's Corporate Key Performance Index (KPI) as well as measuring the stakeholders' perspective towards the Company's Corporate Governance & Business Ethics (CG&BE) such as the CG ASEAN Scorecard assessment

(3) Nominated names of the candidates with appropriate Skill Mix to the Board for consideration regarding elections of directors and sub-committee members to replace those who resigned, as well as considered the principles in providing the opportunity for shareholders to nominate director nominees in accordance with the Company's Target Skill Mix for the considerations of the Board and consequently the Annual General Shareholder's Meeting. This is to provide equal opportunity and fairness to all shareholders to nominate director candidates.

(4) Considered the qualifications and selection process for the Chief Executive Officer (CEO) as a leader who drives the organization towards growth in E&P and other new business opportunities. The Nominating Committee also considered the CEO's short and long term performance evaluation criteria for short and long term work plans accordingly.

(5) Provided screening opinions to the Board concerning organizational restructuring and related work process to support long-term corporate growth.

(6) Developed a more concrete executive succession plan system which also includes competency development and selection process.

The Nomination Committee reported the results of all meetings to the Board for acknowledgement on a regular basis. The Nominating Committee performed its duties and responsibilities with prudence and independence for the best interest of the shareholders and stakeholders.

(Signed) *Bundhit Eua-arporn*

(Mr. Bundhit Eua-arporn)

Chairman of the Nominating Committee



#### 9.18.4 The Remuneration Committee Report

PTTEP's Good Corporate Governance requires the Remuneration Committee to consist of at least three directors where most of the Committee members are independent directors. The Committee's responsibility is to evaluate an appropriate remuneration for the Board, sub-committees, and the President and Chief Executive Officer (CEO), as well as the salary structure of the Company's senior executives by adhering to fair and reasonable principles, procedures, and structure.

In 2018, the Remuneration Committee convened 3 times where all of the incumbent members attended every meeting. The duties and responsibilities of the Committee can be summarized as follows:

(1) Considered the performance evaluation and remuneration system of the Company to enhance employees' capability and to promote the development of high-potential employees to advance and become members of PTTEP's management by considering the remuneration that reflects the Company's annual performance and is in line with other companies in the market in order to motivate employees across the organization.

(2) Considered the CEO's performance appraisal and remuneration based on the assigned duties and responsibilities, benchmarked with those of other companies under PTT Group.

(3) Reviewed the remuneration policy and criteria of the Board and sub-committees on appropriate principles based on their responsibilities and consistent with long-term corporate strategy as well as being comparable to those of other companies in the same industry. Moreover, the Committee took business environment into account in considering appropriate remuneration principles to create incentives for the Board in directing the organization to achieve short and long-term goals together with being adaptive to the changing technology.

The Remuneration Committee performed its roles in a transparent, fair, cautious, and independent manner, while providing straightforward opinions for the best interests of the shareholders and stakeholders according to PTTEP's Good Corporate Governance and as specified by the Securities and Exchange Commission. The results of all meetings were also regularly reported to the Board for acknowledgement.

(Signed) *Achporn Charuchinda*

(Mr. Achporn Charuchinda)

Chairman of the Remuneration Committee

#### 9.18.5 The Risk Management Committee Report

The year 2018 was very challenging for risk management to cope with the two expiring petroleum concessions, Bongkot and Erawan. The total capacity of these two concessions amounts to 60% of the total production in the Gulf of Thailand. The expiring concessions would significantly affect our production and sales volume. Therefore, the preparation of the bidding processes for both Bongkot and Erawan concessions as the representative of Thai exploration and production companies to maintain production volume and serve the country's energy demand was vitally important to sustain Thailand's energy security in the long term as well as to pursue the goal of becoming a sustainable organization for all stakeholders. 2018 was also the year of oil price volatility, even though the global oil price has risen from that recorded last year, the rise in renewable energy usage, disruptive technology, changes in laws and regulations relating to PTTEP's business and operation, as well as an increase in cyber treats all played a part in such instability. As these factors could potentially affect the achievement of PTTEP's goals or strategies, PTTEP's Board of Directors appointed the Risk Management Committee. As of December 31, 2018, the Committee comprised six members, two of which were independent directors. The Committee played a vital role into overseeing that PTTEP's risk management is in line with PTTEP's Board of Directors' directions by considering corporate risks in the areas of strategic planning, investment, capital project management and capability as well as providing advice and monitoring the results to ensure that the risks are effectively and efficiently managed.

In 2018, the Committee convened 15 times which include 2 meetings that were conducted together with the Audit Committee. The duties and responsibilities of the Committee can be summarized as follows:

(1) Managed strategic risks in response to the dynamically changing external environments such as the changing global energy landscape and an increase of digitally-driven technology in every industry. The Risk Management Committee assessed the risks associated with the Company's "RESET, REFOCUS, RENEW" strategies and the implementation of business plans in accordance with the strategies designed especially for expanding our investment in related E&P business and new businesses which has growth opportunity in the future. PTTEP's Risk Appetite Statement was revised accordingly to fit with corporate directions while the Risk Metrics and Risk Limits were reviewed in order to appropriately determine our investment in new businesses.

(2) Considered and screened investment projects to expand E&P investments including M&A, new exploration and divestment projects in alignment with the company's growth strategies, and project value realization. The Risk Management Committee also advised PTTEP to assess risks in all dimensions including counterparty risks; moreover, they focused on the bidding for the two expiring petroleum concessions, i.e., Bongkot and Erawan gas fields to ensure the continuity in natural gas supply while maintaining competitive costs, resulting in the maximization of benefits to the country and creating energy security in the long term. The risk mitigations were also prepared for bidding; for example, cost management to increase competitive bidding capability and worst case scenario analysis including contingency plan.

(3) Focused on the risk management of large development projects such as the Algeria Hassi Bir Rekaiz Project, the Mariana Oil Sands Project and the Mozambique Rovuma Offshore Area 1 Project by closely monitoring and providing advice to manage risks through options and impact analysis for proper decision-making. Risk Management Committee also drove these projects forward to manage the risks to PTTEP in both the financial and the reputation impact.

(4) Supported the exchange of views between the Audit Committee and the Risk Management Committee. The meetings were held to discuss the various risks; for example, legal and contractual risks whereby the Committee initiated the review of work processes, roles and approval framework between the corporate legal division and projects/assets. Cyber treat risks were also discussed in order for PTTEP to prevent and respond in a timely manner. Furthermore, subsidiary management risks especially for new investment were monitored to ensure good governance and ring-fencing of liabilities between PTTEP and the subsidiary.

In addition, Risk Management Committee consistently oversaw enterprise risk management to ensure businesses were operated within PTTEP's risk appetite, particularly risks related to market, oil price, finance, and exploration and production operations as well as enhanced the level of organization readiness to cope with emerging risks, in addition to existing corporate risks. The minutes of Risk Management Committee meetings were reported to the Board on a monthly basis. In this regard, PTTEP has been selected as a member of the 2018 Dow Jones Sustainability Indices (DJSI) in the DJSI World Oil and Gas Upstream & Integrated Industry and maintained DJSI score in the area of Risk and Crisis Management in the top quartile for the fifth consecutive year.

In summary, during the year 2018, the Committee independently performed duties relating to PTTEP risk management systematically, prudently, competently for PTTEP to achieve our objectives and goals and to the highest benefits of PTTEP, shareholders, and all stakeholders.

(Signed) *Sethaput Suthiwart-Narueput*

(Mr. Sethaput Suthiwart-Narueput)

Chairman of the Risk Management Committee

#### 9.18.6 The Independent Directors Committee Report

In 2018, PTTEP adapted its strategic focus towards organization transformation to cope with fluctuations and challenges of the E&P industry. PTTEP also prepared the organization for moving towards new business opportunities which aim to cope with the growing trends of renewable energy and disruptive technology along with the bidding of Thailand expiring concession which is considerably crucial for national energy stability. Another significant change was the nomination of Company's leaders to replace the retiring Chief Executive Officer (CEO) who must be competent enough to lead PTTEP amidst such business transformation.

Due to the fact that PTTEP is a subsidiary of PTT Group while holding the status as a listed company under the Stock Exchange of Thailand (SET), the Independent Directors Committee has a duty to work as to serve the interests of all shareholders in an equal and transparent manner.

In 2018, the Committee convened 4 times, and the results of the meetings can be summarized as follows:

- (1) Reviewed to ensure that the Committee's roles and responsibilities were in line with PTTEP's Independent Directors Committee Charter as well as SET's Independent Directors Committee requirements
- (2) Considered the CEO's appointment principles to appropriately be in line with PTTEP's new business and organization transformation for sustainable growth by specifying the candidates' essential qualifications and having the candidate express his vision as the organization leader before further nominating the candidate for the Board's consideration
- (3) Considered and supported strategy to build marketing competency and become a competitive global supplier
- (4) Scheduled the Independent Directors Committee's meetings for 2019 and reviewed the 2018 Independent Directors Committee Report which is to be disclosed in the annual report
- (5) Provided comments and useful enquiries with independency when considering agenda items relating to connected transactions between PTT and PTTEP to appropriately protect the benefits and rights of the Company's minor shareholders, promoted transparency and independent decisions within the Board as well as ensured that the directors with conflicts of interest to the substance in each agenda item were abstained from the meeting and voting for the best interest of the Company, shareholders, and stakeholders

The Independent Directors Committee performed its duties by providing beneficial recommendations to the Company and the shareholders to assist the Board to perform with highest efficiency and effectiveness.

(Signed) *Prajya Phinyawat*

(Mr. Prajya Phinyawat)

Chairman of the Independent Directors Committee

## 10. Corporate Social Responsibility

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

PTTEP's vision is to become an energy partner of choice through competitive performance and innovation for long-term value creation. The vision is to create sustainable values for all of stakeholders. The Company aligns our sustainability practices with the international standards, such as the United Nations Sustainable Development Goals (SDGs) which is globally accepted and implemented by both public and private sectors; the United Nations Global Compact Advanced Level Principles, Social Responsibility Guidance Standard: ISO 26000, Global Reporting Initiative (GRI), Dow Jones Sustainability Indices (DJSI), Sufficiency Economy Philosophy, and several other internationally-accepted practices. Currently, the Company prioritizes our sustainability contributions to five SDGs which are SDG 3, 4, 7, 8, and 16, while continuing to support the rest of the SDGs in our routine operations.

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 our definite sustainability objectives and determination to overcome all of the challenges towards developing and becoming a sustainable organization. For the Sustainable Development Policy, please see the Company's website ([www.pttep.com](http://www.pttep.com)).

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 a universal understanding of the Company's approach to sustainability. Harmony in respect to social responsibility throughout the Company is also established by having everyone operate according to international standards and policies, such as ISO 26000, Safety, Security, Health and Environment (SSHE) Policy of the International Association of Oil & Gas Producers (IOGP), International Petroleum Industry Environmental Conservation Association (IPIECA), OHSAS 18001, and the United Nations' Universal Declaration of Human Rights (UDHR). All divisions within the Company also strictly adhere to our Corporate Governance and Business Ethics, local laws, culture and values, while interacting with all stakeholders such as employees, communities, suppliers, business partners, regulators, and investors.

In 2018, PTTEP reviewed a stakeholder engagement survey result for both internal and external stakeholders to identify and prioritize material issues in respect to PTTEP. For the stakeholder management, the Company has also designated each of the divisions to have its own separate responsibility and participation programs for different groups of stakeholders that they are involved with.

For more details, please see PTTEP 2018 Sustainability Report.

### 10.2 Operation and Reporting

PTTEP has adopted the Global Reporting Initiative (GRI Standards), using sector specific guidelines of the GRI such as the Sustainability Reporting Guidelines & Oil and Gas Sector Disclosures (OGSD) – core level which is one of the world's most prevalent guideline for sustainability reporting to provide information in regard to the Company's economic, environmental, and social and governance performance. Information of the Company's capability to reduce greenhouse gas emission, for example, is included in the report. The high standard, comparable to those of financial management, allows the Company to

monitor our sustainability effectively. The report includes sustainability data and performance indicators from all parts of the business. This ranges from business planning, corporate risk assessment, internal control process, internal auditing, monitoring and reporting of the Company's performance. PTTEP also adopts and includes other international best practices in our sustainability report, such as DJSI best practices and requirements, AA1000 APS-AccountAbility Principles Standard (2008), SASB Materiality Map<sup>TM</sup> of Sustainability Accounting Standards Board (SASB), UNGC – Advanced Level, IPIECA's Oil and Gas Industry Guidance on Voluntary Sustainability and SDG Compass to support the UN Sustainable Development Goals. In 2018, the Company was able to implement the actions required to address these issues as planned.

PTTEP aims to improve the quality of our sustainability report and disclosure by studying the Integrated Reporting or IR reporting approach, which can better illustrate the relationship between the Company's sustainability and financial performance to apply as a framework for presenting our performance in the future.

For more details, please see PTTEP 2018 Sustainability Report.

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

Details are disclosed in the "Legal Dispute" section.

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

To be a sustainable organization with a vision of becoming an energy partner of choice through competitive performance and innovation for long-term value creation, PTTEP believes that the key to our license to operate and license to grow are the sustainability of social and environmental stewardship.

To meet the stakeholder's needs as well as to gain their trust and support, the 5-year CSR and Communication Roadmap 2016-2020 was initiated as a guidance with an even greater emphasis on social and environmental stewardship and stakeholder value creation. All CSR projects have been categorized into four themes, namely, Basic Needs, Education, Environment, and Culture. Currently, the Company has been focusing on key environmental and basic needs' CSR projects, namely, Forest Restoration Project for Eco-learning at Sri Nakhon Khuean Khan Park, Thai Heritage World Heritage (Nature) Project, Crab Hatchery Learning Center, Waste to Energy Project, Community Nurse Project and Parasite Free School Project.

For more details, please see PTTEP 2018 Sustainability Report.

## 11. Internal Controls and Risk Management

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

PTTEP's Board of Directors (the Board) and the management give high priority to the effectiveness of the internal control system. The management appoints the Internal Control Section to assess the adequacy and effectiveness of the system on an annual basis, while the Board appoints the Audit Committee to review the internal control assessment results, in order to ensure effective and efficient operations of the Company, accurate and reliable reporting, and compliance with relevant laws and regulations.

In 2018, the Board endorsed the Audit Committee's report on the assessment result of all of the five components of the Company's internal control system, namely, (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. The report states that the Company's internal control system is adequate and appropriate. Moreover, when deficiencies are detected, they are constantly rectified, to ensure that it is suitable with our business operations, in compliance with the relevant laws and regulations, and there is an adequate internal control system in place to govern and monitor business operations of the Company's subsidiaries.

The Internal Control Self-Assessment Form issued by the Office of the Securities and Exchange Commission of Thailand (SEC) is employed to assess the Company's internal control system, covering the five components developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The assessment results are as follows:

#### 1. Control Environment

PTTEP has appropriate control environment that can be summarized below.

- PTTEP operates our businesses with Good Corporate Governance and Business Ethics (CG&BE), which is considered as the highest regulation for business operations of the PTTEP Group. The directors, executives, and employees at all levels are required to sign a commitment form to formally acknowledge the CG&BE and to act accordingly. They are also required to self-assess their conflict of interest annually. PTTEP has established six good governance principles which are (1) responsibility, (2) accountability, (3) fairness and integrity, (4) transparency, (5) creation of long-term value to stakeholders, and (6) promotion of best practices. We also put in place 10 business ethics which contain the principles of ethical business behavior that all directors, executives, and employees must adhere to, for example, political neutrality, conflict of interest, trade competition, anti-money laundering, and anti-corruption.
- In 2018, the Company continued to work on CG&BE communication and promotion, to ensure that it is well understood by the executives and employees, through training courses, workshops, email communication, and activities, such as trainings on anti-corruption and insider trading, an induction program for the Company's new Board members and employees, an "Integrity Forum" with our incumbent CEO, a representative from the Office of the National Anti-Corruption Commission (NACC), and a representative from Thailand's Private Sector Collective Action Coalition against Corruption (CAC) as speakers. In addition, the information regarding CG&BE is also disseminated on the Company's website. We also have a clear policy to encourage related parties, i.e., joint venture partners, suppliers/vendors, and company representatives to conduct business ethically and do not involve, whether directly or indirectly, in any corrupt practices. Communication activities to build better understanding on anti-corruption were continuously rolled out, such as a lecture on Governance, Risk Management, and Compliance (GRC) and a lecture on our

anti-corruption policy in the “Symposium on PTTEP’s Vendor Pre-Qualification & Development”. We continue to take a firm stance with the public sector and civil society in the fight against corruption by supporting the anti-corruption work of various organizations, such as by being a member of the CAC and taking part in the International and National Anti-Corruption Day.

- PTTEP continues to monitor and assess compliance with the Code of Conduct through the second and third line of defense units, to ensure that the executives and employees can effectively integrate ethical conduct into their work life. Additionally, PTTEP is regularly evaluated by external independent parties such as the Corporate Governance Report of Thai Listed Companies conducted by the Thai Institute of Directors Association (IOD), Dow Jones Sustainability Index (DJSI), ASEAN Corporate Governance Scorecard and Thailand’s Private Sector Collective Action Coalition against Corruption (CAC).

- PTTEP establishes a clear segregation of duties between the Board and the management. The Board’s duty is to develop the corporate operational strategies and govern business performance of the management to achieve the objectives as set in the strategies. The Board also delegates their power to the management through the PTTEP Group’s regulations to ensure operational flexibility and efficiency. Additionally, the Board has assigned the Audit Committee to be responsible for governing and providing comments on the internal control system, internal audit system and financial report, as well as considering, selecting and proposing an appointment of an external auditor, which are in line with the roles and duties set out in the Audit Committee Charter.

- PTTEP’s structure is appropriately organized corresponding to the main activities of petroleum exploration and production business. The organizational structure and format were designed to allow for flexibility, to effectively manage our human resources and cater for the Company’s strategic growth. Segregation of duties, and checks and balances have been adopted in line with the internal control principles. In 2018, to appropriately respond to the technological changes and business growth, the Company underwent an organizational restructuring, for example, combining the Exploration and New Venture Division with the Business Development 1 Division, allowing for integrated management in pursuit of new projects based on company strategy, upgrading the Sustainability Strategy Section to a department level as the Sustainability Strategy and Operational Excellence Department, to enhance the organization’s sustainability strategy, transferring the Information Technology and Information Management Department to be under the reporting line of the Business and Organization Transformation Group, to better prepare for and respond to the changes brought about by disruptive technologies.

- PTTEP has appropriate reporting-line structures corresponding to the Company’s business requirements and responsibilities of the management and employees. They are clearly defined and documented in the Company’s Functional Description and the Delegation of Authority and Signatures (DAS). In 2018, PTTEP revised the DAS according to the new organizational structure and reformed business operations for more effective delegation of authority.

- PTTEP has an extensive set of written regulations and policies on human resource management which focus on attracting, developing, and retaining qualified individuals to support our businesses and future growth, both in short-term and long-term. In 2018, our goals in preparing our personnel to meet the business needs were as follows:

- (1) Personnel recruitment and development to support the petroleum exploration and production business by focusing on three main areas, namely, (1) exploration success, (2) joint venture management, and (3) mergers and acquisitions (M&A)

- (2) Personnel recruitment and development to support new businesses, such as business development, sales and marketing, business and organization transformation, and digital technology



The Company also regularly reviews and assesses the level of knowledge and competency of our personnel in key positions and necessary for future expansion, focusing on internal development. In addition, specific development plans for high potential employees, management succession plan, job rotation, and promotion, have also been developed. An employee engagement survey is carried out annually to review the factors relating to our employees' satisfaction and organizational commitment, to review and revise the plans. As for the corporate remuneration policy, we adopt the pay-for-performance compensation system and regularly review it to retain highly competent employees and ensure their compliance with the Company's policy.

- PTTEP establishes the Internal Control Policy and Internal Control Standard, and emphasize the need to communicate them to our executives and employees through training courses, activities and publications such as GRC workshop, to ensure accurate understanding of the requirements, roles, and responsibilities of each individual in relation to the internal control system. In 2018, PTTEP, which is a state enterprise under the State Fiscal and Financial Disciplines Act B.E. 2561 (2018), appointed the Internal Control Committee as required by the Ministry of Finance on Standard and Rule of Practice of Internal Control for Government Agency B.E. 2561 (2018), in order to comply with the laws and regulations.

## 2. Risk Assessment

PTTEP employs an international risk management approach which can be summarized below.

- PTTEP establishes the Risk Appetite Statement, Risk Governance Framework, and Risk Metrics & Limit to clearly define roles, responsibilities, and authorities relevant to the risk management at all levels of the Company, including the Board, the Risk Management Committee, and the management, as well as supporting and operational business units. In 2018, PTTEP's Risk Appetite Statement was revised and approved by the Board, in line with our strategic plan and new business growth direction.
- PTTEP develops the Enterprise Risk Management Policy, Risk Management Standard and Risk Management Guideline which are regularly reviewed and updated to ensure that all key risk activities are covered.
- PTTEP develops the Business Continuity Management Policy, Business Continuity Management Standard and Corporate Business Continuity Procedure. In 2018, the policy, standard and procedure have been reviewed and revised.
- PTTEP communicates the Risk Appetite Statement, Risk Metrics & Limit, Risk Management Policy including standards, guidelines, processes, and tools to the management and employees through various channels, such as trainings for employees and risk coordinator, workshop and Enterprise Risk Management and Internal Control Division Intranet to enhance their understanding and concrete implementation, in order to achieve the Company's objectives.
- PTTEP manages risks throughout the organization based on the four risk categories, namely, strategic planning and management, investment and divestment decision making, operations and business process, and capital project management. In addition, the Company develops the Risk Profile to identify and assess the risks at all levels, from the corporate, function group, division, and department levels, down to the asset/project level.
- PTTEP conducts risk assessment by considering both the internal and external risk factors, impact, and likelihood of those risks. Risk mitigation plans meanwhile are developed, executed, and monitored to reduce the level of risk through various measures. Key Risk Indicators (KRIs) are also developed to provide an early warning of risks to prevent and develop mitigation plans for risks that can potentially impact the Company's ability to achieving our business objectives. In 2018, the Company developed and further improved the Business Continuity Management System (ISO 22301:2012) for the Myanmar Asset (certified), the Petroleum Development Support Base (PSB) (Songkhla) (re-certified) and our headquarters in Bangkok (standard maintained).

- PTTEP appoints the Operational Risk Committee (ORC) to continuously manage the operational risks of various projects in the technical, contractual and operational support aspects. In 2018, ORC convened four times. The Company also appoints the Business Continuity Management Committee (BCMC) to assist the management to obtain the resources required to support the Business Continuity Management System, provide strategic directions, and approve the Business Continuity Plan. In 2018, BCMC convened two times. At the second meeting, the contents of the BCMC Meeting No. 2/2561/24 and No. 3/2561/25 were combined for better efficiency.
- PTTEP appoints the Hedging Committee to effectively manage the petroleum price risk and financial risk. In 2018, the Hedging Committee convened fourteen times.
- At the corporate level, corruption risk assessment was conducted for high-risk business activities: embezzlement, corruption, fraud, and misstatement of financial reporting. Historical data and future likelihood of occurrence are used for the analysis, to develop the Corporate Risk Profile.
- At the process level, process owners are responsible for assessing the corruption risk of their respective process, together with the operational risks, in order to improve the standard of internal controls.
- The Audit Committee assigned the Internal Audit Division (CIA) to carry out audits regarding high risk areas which can lead to corruption. CIA is also responsible for undertaking a preliminary investigation upon receiving a report or when requested by the Audit Committee and/or CEO.
- PTTEP has considered, modified, and approved the strategic plan. The implementation is also regularly monitored and reviewed to ensure that the organizational goal remains reasonable and suitable with the changing situation. The key factors which are closely monitored include the oil price, economy, geopolitics, foreign exchange rates, laws and regulations, government policies, technological development, to respond to those risks in a timely manner, as well as to adapt to new technology and alternative energy which are gaining importance in the energy industry.

### 3. Control Activities

PTTEP has adequate and efficient control activities to appropriately manage and mitigate the risks to an acceptable level. Our key control activities can be summarized below.

- PTTEP has extensive sets of written regulations and policies with which the executives and employees have to strictly comply. The executives and supervisors are responsible for following up and monitoring such compliance. In 2018, to ensure higher level of work efficiency within the organization, the Company developed and updated the corporate policies, standards and guidelines such as the Business Continuity Management Policy and Standard.
- PTTEP recognizes the significance of control activities at the process level, including segregation of duties, review and authorization of transactions, to ensure that the business operations are efficient and able to prevent errors and deter corruption. In 2018, the Company has improved and added additional control measures for various processes as a result of the control self-assessment (CSA), such as Inventory Management Process of Myanmar Asset and Compliance Management Process. In addition, the Company regularly monitor our contractual parties to ensure that they comply with the terms of the procurement contracts by using the control measures adopted by the Company such as Contract Management Procedure review and improvement, random assessment on compliance with the work procedure, and random assessment of the contractual parties on compliance with the terms of the contracts.

- PTTEP develops general controls of the information system, physical security, data backup and recovery to ensure business continuity. Our issued IT security policy applies organization-wide, in line with the principle of good corporate governance. In 2018, the information system was improved to integrate control activities in the business processes with the information system, such as the Bank Communication System (BCS), which automatically generates and sends electronic payment orders from the SAP system to the banking system in order to prevent modification during the payment process. Digital Security Awareness E-Learning was also carried out to build awareness and understanding among the staff on the use of information technology according to the corporate IT security policy and regulations, and in compliance with the Act on Commission of Offences Relating to Computer B.E. 2550 (2007), which they must acknowledge and strictly follow.

- IT infrastructure controls are in place with a clear policy to bring in digital technology to improve the effectiveness of the IT system. The ICT strategy is adopted based on the COBIT 5, which is a business framework for the governance and management of enterprise IT, and ISO 27001 which is an information security standard. In 2018, we considered the adoption of a cloud-based IT system. The consideration included the issues of standardization, organizational suitability, and system compatibility, to ensure compliance with the defined information technology security standard.

- PTTEP emphasizes IT security policy and controls for IT security and IT risks to maintain system stability and prevent security breach. A data backup and recovery system are also in place to ensure business continuity. The controls can be classified into three types, namely, (1) General Control, such as IT guidelines and procedures, and Business Continuity Plan, (2) Control at Personal Level, such as personal access controls, and cybersecurity drill, and (3) Control at System Level, such as Work Mobility Program, and external penetration testing by expert organization for system vulnerability improvement.

- PTTEP appoints the IT Steering Committee to provide IT strategic directions, goals, strategies, policies and standards, including investment direction in IT Master Plan and Roadmap to mitigate IT risks to an acceptable level.

- There is a procedure to regularly monitor the operations of PTTEP's subsidiaries, associated companies and joint ventures. PTTEP executives and employees are designated to manage these entities. The Company has developed the Subsidiary Directors Guideline for the designated person to ensure standardized subsidiary directors' roles and responsibilities. The Internal Audit Division also has the responsibility to audit Assets/Projects in which the Company has invested.

- PTTEP regularly reviews policies, requirements and work processes to ensure that work processes and defined control activities are effectively and efficiently managed the risks when situation changes. In 2018, the Company revised the policies, requirements and work processes for better effectiveness, such as the Standard of Practices for Anti-Corruption, Safety and Environment documents and Business Continuity Management documents.

#### 4. Information and Communication

PTTEP has effective and efficient information and communication systems for internal and external stakeholders, which can be summarized below.

- PTTEP determines data and information from internal and external sources after reviewed by the responsible units before final decisions are made. In addition, access is limited to only the concerned persons. Data classification is implemented to prevent unauthorized disclosure of sensitive or confidential information of the Company.

- PTTEP has developed the Corporate Reference Document Center or “FindMe” as the information technology infrastructure to store and manage important business documents of the PTTEP Group through a single access platform. In 2018, PTTEP revised the document management policies and standards to be in line with international and petroleum industry practices.
- For internal communication, PTTEP has effective and efficient internal channels to ensure that the executives and employees can access the information essential for their work requirements. The Company communicates the objectives, scope and responsibility of the internal controls through internal meetings and emails. The Company has also set up the “Call Tree” network for communication in times of crisis. In 2018, we conducted an information promotion activity on the GRC concept for the employees through the GRC Workshop, to ensure that they can appropriately integrate this concept into their work responsibilities. GRC is an integrated collection of assurances, comprising Governance, Risk management, and Compliance.
- For external communication, PTTEP establishes business units which are responsible for communicating with each specific group of stakeholders, such as investor relations, corporate communication, and corporate secretary units. This is to ensure that information disclosed to external stakeholders are accurate, complete, sufficient, and timely. In 2018, the Company provided different types of information to the stakeholders, such as the importance and necessity for the public sector to open the auction of the Erawan and Bongkot gas fields’ concession. In addition, the CEO Message to the investors and analysts is communicated via the Company’s website, LinkedIn and Facebook. We also provided information publications for analysts, fund managers and shareholders for better understanding of the E&P business. The Safety, Security, Health and Environment (SSHE) Policy is also communicated to our contractors at the Contractor Forum every year, while the Anti-Corruption Policy is communicated to the suppliers/vendors through various communication channels, such as the Vendor Symposium on PTTEP’s Vendor Pre-Qualification & Development and PTT Group CG Day.
- PTTEP establishes whistleblowing channels for employees and external stakeholders in accordance with the PTTEP Reporting and Whistleblowing Regulation, such as letter, email, and online reporting on PTTEP website, to ensure accurate, complete, and timely report of and information on wrongdoings committed by the Company’s directors, the management, employees, or third parties acting on behalf of the Company.

## 5. Monitoring Activities

PTTEP has adequate and efficient monitoring systems which can be summarized below.

- PTTEP regularly monitors and assesses the internal controls, to ensure that they can appropriately respond to the dynamic business environments in terms of corporate and technical risks. In 2018, the Company monitored the GRC-related activities through the annual GRC Plan to effectively implement the GRC within the organization.
- PTTEP employs two levels of Control Self-Assessment (CSA), namely, the corporate and process levels. For the corporate level, the CSA is performed based on the Internal Control Self-Assessment Form issued by the Office of the Securities and Exchange Commission of Thailand (SEC) and the internal control questionnaires which are assessed by the management at all level. For the process level, the process owners of respective business processes with significant impact on the Company are required to assess the controls of such processes. In 2018, the CSA Guideline was revised. Findings from the two-level CSA are subsequently used to develop improvement plans and follow-ups.

- The Compliance Department (CCC)<sup>1</sup> is responsible for monitoring and reviewing compliance, and reporting two types of non-compliance within an organization, namely, (1) non-compliance with the laws and external regulations, which is reported to the Chief Executive Officer on a monthly basis and to the Audit Committee at least biannually; and (2) non-compliance with the internal regulations and policies, which is reported to the Management Committee on a quarterly basis. If the matter is deemed to have a significant impact on the PTTEP Group, CCC shall immediately report it to responsible parties.
- The Internal Audit Division (CIA) is responsible for auditing and providing recommendations for improvements to ensure adequacy and effectiveness of the Company's internal control system. CIA is also responsible for developing improvement plans to resolve the issues identified and subsequently communicate with responsible parties, while periodically report the findings and improvement progress to the Audit Committee.

## 11.2 Head of the Internal Audit Division and Head of the Compliance Function

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

PTTEP has established the Internal Audit Division which has a direct reporting line to the Audit Committee and an administrative (dotted-line reporting) reporting line to the Chief Executive Officer. Key roles, responsibilities and scopes of work of the Internal Audit Division include the followings.

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

The purpose of the audits is to ensure that the operations achieve the Company's target. The auditors evaluate and, in turn, aim to improve the effectiveness of risk management, internal controls, and corporate governance in a continuous effort to detect and prevent all types of deceptive schemes with potential for frauds, or schemes which can potentially lead to illegal wrongdoings. The audits and the processes involved are also developed to identify control weaknesses which could potentially create opportunities for frauds as well as to provide recommendations for enhancement of the internal controls.

#### (2) Joint Venture Audits

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, that they possess appropriate internal controls, and that the expenditures incurred and reported are equitable, reasonable, and accurate for benefits of all the parties involved.

#### (3) Consulting Services

The auditors pre-determine the scope of the consulting services prior to the engagement, ensuring that they will result in an improved efficiency and effectiveness of the existing processes as well as useful recommendations in regard to risk management, internal controls, and corporate governance.

#### (4) Fraud Investigation

The Head of the Internal Audit Division is responsible for undertaking the investigation of all reported or suspected frauds, according to the Reporting and Whistleblowing Regulation B.E. 2556. Investigation team members must not have any conflicts of interest in regard to complaints under the investigation. Prevention, detection, further investigation, and prosecution of fraud offenders are however under responsibility of the management.

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<sup>1</sup> Since January 1, 2019, the Compliance Department has been renamed to the Governance, Compliance, and Internal Control Department, as part of the organizational restructuring of PTTEP to centralize all compliance works into the same function.

(5) Special Audit Requests

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

According to the Audit Committee Charter, the Audit Committee has a duty to determine the Company's internal audit unit's independence as well as to endorse the appointments, transfers, performance appraisal or punishments of the Head of the Internal Audit Division.

In 2018, Mrs. Chanamas Sasnanand held the positions of the Senior Vice President of the Internal Audit Division and Head of the Internal Audit Division. Since January 1, 2019, Ms. Yaninee Wajeepratubjit has assumed these positions in replacement. The Audit Committee deems that both aforementioned executives are qualified to undertake the responsibility based on their educational background, necessary knowledge, skills, and work experience. They both have also been up-to-date in terms of professional knowledge and expertise, primarily through extensive trainings on internal auditing methodologies, management programs, and internal auditor competency development. Such stringent attention to the person holding the title and the supports provided to the entire team highlight the importance which the Company has placed on the efficiency and effectiveness of the Internal Audit Division and performance of the Audit Committee.

Details of the Head of the Internal Audit Division are disclosed in Attachment 3: Details of Head of the Internal Audit Division and Head of the Compliance Function.

**11.2.2 Roles and Responsibilities of Head of the Compliance Function**

PTTEP has established the Compliance Department<sup>2</sup> which has a direct reporting line to the Senior Vice President of the Legal Division, the Executive Vice President of the Corporate Affairs and Assurance Group, and the Chief Executive Officer. The key responsibilities are to encourage the PTTEP Group to fully comply with applicable laws as well as to support the 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 new issuance or amendment of the PTTEP Group's internal regulations, coordinating with regulators, and reporting the performance of the compliance programs to the Audit Committee and the management.

Mr. Verasak Manchuwong has been appointed as the Vice President of the Compliance Department<sup>2</sup> and the Head of the Compliance Department, effective on October 1, 2013. Since October 1, 2018, Mr. Kanes Supyaboonrod has assumed this position in replacement. More details of the Head of the Compliance Function are disclosed in Attachment 3: Details of Head of the Internal Audit Division and Head of the Compliance Function.

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<sup>2</sup> Since January 1, 2019, the Compliance Department has been renamed to the Governance, Compliance, and Internal Control Department, as part of the organizational restructuring of PTTEP to centralize all compliance works into the same function.

## 12. Connected Transactions

### 12.1 Connected Transactions between Related Companies

Connected transactions at PTTEP and/or our subsidiaries with other entities that may result in conflicts of interest in the fiscal year ending December 31, 2018 are as follows:

Connected Company	Relationship	Transaction	Value (Unit: Million USD)	Pricing Policy and/or Reason
PTT Public Company Limited (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>PTT's executives who serve as PTTEP's directors are: <ul style="list-style-type: none"> <li>(1) Mr. Chansin Treenuchagron</li> <li>(2) Mr. Wirat Uanarumit</li> <li>(3) Mr. Phongsthorn Thavisin</li> </ul> </li> </ul>	Petroleum product sales: crude oil; natural gas; liquefied petroleum gas; and condensate <ul style="list-style-type: none"> <li>Total income 4,485.55</li> <li>Accounts receivable 637.13</li> </ul>		<ul style="list-style-type: none"> <li>Condition and price setting follows normal business operations, at an arm's length basis for non-related persons or operations.</li> </ul>
		Other income includes: <ul style="list-style-type: none"> <li>Income from infrastructure services to support petroleum development such as warehouse, helicopter, and accommodation for PTT personnel at Arthit and Bongkot projects</li> <li>Income from maintenance of natural gas meters</li> <li>Income from charges to PTT for working areas at Arthit and Bongkot projects' production platforms based on the Gas Sales Agreement</li> <li>Income from charges to PTT for gas receiving areas, working areas and accommodation on platforms based on the Greater Bongkot South field's natural gas purchase/sale contract.</li> <li>Income from the jetty and warehouse rentals at Songkhla base</li> <li>Income from fines based on the S1 Gas Sales Agreement, Clause 13.7</li> <li>Income from the Company's personnel seconded to PTT</li> </ul>		<ul style="list-style-type: none"> <li>Condition and price setting follows normal business operations, at an arm's length basis 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 service charges for management's drivers based on the agreement between PTT and PTTEP Services (a subsidiary of PTTEP)</li> <li>Income from meeting room rentals at EnCo B building, 16<sup>th</sup>-18<sup>th</sup> Floor</li> <li>Income from office building rental and facility management provided by EnCo (a subsidiary of PTTEP)</li> <li>Total income</li> <li>Accounts receivable</li> </ul>	13.22 4.84	
		Purchase of petroleum products and related expenses, manpower charges for PTT personnel seconded to the Company and subsidiaries, and other expenses <ul style="list-style-type: none"> <li>Total expenses</li> <li>Accounts payables</li> </ul>	25.01 3.65	<ul style="list-style-type: none"> <li>Condition and price setting for the purchase of petroleum products, related equipment, related services, and other expenses follows normal business operations, at an arm's length basis for non-related persons or operations.</li> <li>Manpower rates are based on the actual rates PTT pays to employees seconded to PTTEP.</li> </ul>
		Deferred compensation that is the Company's obligation based on the Arthit Project's Gas Sale Agreement	1.76	<ul style="list-style-type: none"> <li>Condition and price setting follows normal business operations at an arm's length basis for non-related persons or operations.</li> </ul>
Energy Complex Company Limited (EnCo)	<ul style="list-style-type: none"> <li>PTT, the Company's major shareholder, holds 50% of EnCo's registered and paid-up capital.</li> <li>PTTEP, EnCo's major shareholder, holds 50% of EnCo's registered and paid-up capital.</li> </ul>	Income from the Company's personnel seconded to EnCo <ul style="list-style-type: none"> <li>Total income</li> <li>Accounts receivable</li> </ul>	0.26 0.02	<ul style="list-style-type: none"> <li>Manpower rates are based on the actual rates the Company pays to employees seconded to EnCo.</li> </ul>
		The Company has signed a three-year lease agreement with EnCo to rent the office building, storage and common areas at the Energy Complex Center. The Company is eligible to extend its lease agreement for another three years. <ul style="list-style-type: none"> <li>Total lease and service expenses</li> <li>Accounts payable</li> </ul>	17.91 0.0044	<ul style="list-style-type: none"> <li>The leasing rate is based on the market rate of the office building lease and follows normal business operations, at an arm's length basis for non-related persons or operations.</li> </ul>



Connected Company	Relationship	Transaction	Value (Unit: Million USD)	Pricing Policy and/or Reason
		<p>The Company signed a loan contract with EnCo under the following conditions:</p> <ul style="list-style-type: none"> <li>Contract period of 13 years and 6 months</li> <li>Expiration date is October 2, 2022.</li> <li>Reference interest rate follows the loan contract between EnCo and Krung Thai Bank Public Company Limited, dated April 2, 2009 (contract amendment is included). The interest rate as of December 31, 2018 is FDR+3.35% per year.</li> </ul> <p>Loans outstanding 17.87</p> <p>Interest receivable 0.60</p>		<ul style="list-style-type: none"> <li>The mentioned contract follows the conditions of the loan contract signed by EnCo and Krung Thai Bank Public Company Limited, dated April 2, 2009 (contract amendment is included) with the financial support of all of EnCo's shareholders proportionately.</li> </ul>
PTT Digital Solutions Company Limited (PTT Digital) (Formerly is PTT ICT Solutions Company Limited.)	<ul style="list-style-type: none"> <li>PTT, the Company's major shareholder, holds 20% of PTT Digital's registered and paid-up capital.</li> <li>PTTEP holds 20% of PTT Digital's registered and paid-up capital.</li> </ul>	<p>Income from the following services:</p> <ul style="list-style-type: none"> <li>Income from the Company's personnel seconded to PTT Digital</li> <li>Dividend income</li> <li>Income from office building rentals and services provided by EnCo (a subsidiary of PTTEP)</li> </ul> <p>Total income 3.46</p> <p>Accounts receivable 0.30</p>		<ul style="list-style-type: none"> <li>Manpower rates are based on the actual rates the Company pays to employees seconded to PTT Digital.</li> </ul>
		<p>The Company and subsidiaries have signed a contract with PTT Digital for IT services and communications.</p> <p>Total expenses 17.23</p> <p>Accounts payable 2.48</p>		<ul style="list-style-type: none"> <li>Condition and price setting follows normal business operations at an arm's length basis for non-related persons or operations.</li> </ul>
PTT Energy Resources Company Limited (PTTER)	<ul style="list-style-type: none"> <li>PTT, the Company's major shareholder, holds 100% of PTTER's registered and paid-up capital.</li> <li>Co-director is Mr. Pitipan Tepartimargorn.</li> </ul>	<p>Income from office building rentals and services provided by EnCo (a subsidiary of PTTEP)</p> <p>Total income 0.15</p> <p>Accounts receivable 0.0014</p>		<ul style="list-style-type: none"> <li>Condition and price setting follows normal business operations at an arm's length basis for non-related persons or operations.</li> </ul>

Connected Company	Relationship	Transaction	Value (Unit: Million USD)	Pricing Policy and/or Reason
Business Services Alliance Company Limited (BSA)	<ul style="list-style-type: none"> <li>PTT, the Company's major shareholder, holds more than 10% of BSA's registered and paid-up capital.</li> </ul>	Income from office building rentals and services provided by EnCo (a subsidiary of PTTEP) <ul style="list-style-type: none"> <li>Total income 0.12</li> <li>Accounts receivable 0.0012</li> </ul>		<ul style="list-style-type: none"> <li>Condition and price setting follows normal business operations, at an arm's length basis for non-related persons or operations.</li> </ul>
		Expenses from the following services: <ul style="list-style-type: none"> <li>Expenses for field trip arrangements</li> <li>Manpower charges for BSA personnel seconded to PTTGL (a subsidiary of PTTEP)</li> <li>Manpower charges for BSA personnel providing services at Energy Complex, PTT headquarters, PTT Research and Technology Institute in Wangnoi District, Ayutthaya Province and PTT Research and Technology Institute in Wang Chan District, Rayong Province based on the agreement between BSA and EnCo (the subsidiary of PTTEP)</li> <li>Total expenses 0.46</li> <li>Accounts payable 0.02</li> </ul>		<ul style="list-style-type: none"> <li>Conditions and price setting follow normal business operations, at an arm's length basis for non-related persons or operations.</li> </ul>
IRPC Public Company Limited (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. Chansin Treenuchagron.</li> </ul>	Income from the following services: <ul style="list-style-type: none"> <li>Income from the jetty and warehouse rentals at Songkhla base</li> <li>Income from office building rentals and services provided by EnCo (a subsidiary of PTTEP)</li> <li>Total income 1.99</li> <li>Accounts receivable 0.12</li> </ul>		<ul style="list-style-type: none"> <li>Conditions and price setting follow normal business operations, at an arm's length basis for non-related persons or operations.</li> </ul>
Dhipaya Insurance Public Company Limited (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>	Income from the following services: <ul style="list-style-type: none"> <li>Insurance claims for Pailin and Bongkot projects</li> <li>Income from office building rentals and services provided by EnCo (a subsidiary of PTTEP)</li> <li>Total income 8.67</li> <li>Accounts receivable 8.68</li> </ul>		<ul style="list-style-type: none"> <li>Conditions and price setting follow normal business operations, at an arm's length basis for non-related persons or operations.</li> </ul>

Connected Company	Relationship	Transaction	Value (Unit: Million USD)	Pricing Policy and/or Reason
		Expenses for the Company and subsidiaries' assets insurance, and our employees' health and life insurance <ul style="list-style-type: none"> <li>Total expenses</li> <li>Accounts payable</li> </ul>	7.10 (0.08)	<ul style="list-style-type: none"> <li>Conditions and price setting follow normal business operations, at an arm's length basis for non-related persons or operations.</li> </ul>
Thai Oil Public Company Limited (TOP)	<ul style="list-style-type: none"> <li>PTT, the Company's major shareholder, holds 49.10% of TOP's registered and paid-up capital.</li> </ul>	Income from the following services: <ul style="list-style-type: none"> <li>Income from the jetty and warehouse rentals at Songkhla base</li> <li>Income from meeting room rentals</li> <li>Income from office building rentals and services provided by EnCo (a subsidiary of PTTEP)</li> <li>Total income</li> <li>Accounts receivable</li> </ul>	1.07 0.02	<ul style="list-style-type: none"> <li>Conditions and price setting follow normal business operations, at an arm's length basis for non-related persons or operations.</li> </ul>
PTT Global Chemical Public Company Limited (GC)	<ul style="list-style-type: none"> <li>PTT, the Company's major shareholder, holds 48.18% of GC's registered and paid-up capital.</li> </ul>	Income from the following services: <ul style="list-style-type: none"> <li>Income from office renovation at EnCo A building, 1<sup>st</sup> Floor</li> <li>Income from meeting room rentals</li> <li>Income from office building rentals and services provided by EnCo (a subsidiary of PTTEP)</li> <li>Total income</li> <li>Accounts receivable</li> </ul>	2.66 0.06	<ul style="list-style-type: none"> <li>Conditions and price setting follow normal business operations, at an arm's length basis for non-related persons or operations.</li> </ul>
		Mercury analysis fees for PTTEP SP Gas Processing Plant <ul style="list-style-type: none"> <li>Total expenses</li> <li>Accounts payable</li> </ul>	0.0083 0.0012	<ul style="list-style-type: none"> <li>Conditions and price setting follow normal business operations, at an arm's length basis for non-related persons or operations.</li> </ul>
PTT Natural Gas Distribution Company Limited (PTT NGD)	<ul style="list-style-type: none"> <li>PTT, the Company's major shareholder, holds more than 10% of PTT NGD's registered and paid-up capital.</li> </ul>	Income from the following services: <ul style="list-style-type: none"> <li>Income from service charges for the management's drivers based on in the agreement between PTT NGD and PTTEP Services (a subsidiary of PTTEP)</li> <li>Income from office building rental and services provided by EnCo (a subsidiary of PTTEP)</li> <li>Total income</li> <li>Accounts receivable</li> </ul>	0.18 0.01	<ul style="list-style-type: none"> <li>Conditions and price setting follow normal business operations, at an arm's length basis for non-related persons or operations.</li> </ul>

Connected Company	Relationship	Transaction	Value (Unit: Million USD)	Pricing Policy and/or Reason
PTT Retail Business Company Limited (PTTRM)	PTT, the Company's major shareholder, holds more than 10% of PTTRM's registered and paid-up capital.	Income from office building rental and services provided by EnCo (a subsidiary of PTTEP) ▪ Total income ▪ Accounts receivable	0.03 0.0017	▪ Condition and price setting follows normal business operations at an arm's length basis for non-related persons or operations.
		Expenses for drinking water for EnCo (a subsidiary of PTTEP) ▪ Total expenses ▪ Accounts payable	0.000042 -	▪ Conditions and price setting follow normal business operations, at an arm's length basis for non-related persons or operations.
PTT Tank Terminal Company Limited (PTT Tank)	PTT, the Company's major shareholder, holds more than 10% of PTT Tank's registered and paid-up capital.	Income from office building rentals and services provided by EnCo (a subsidiary of PTTEP) ▪ Total income ▪ Accounts receivable	0.0204 0.0003	▪ Conditions and price setting follow normal business operations, at an arm's length basis for non-related persons or operations.
Trans Thai-Malaysia (Thailand) Limited (TTM)	PTT, the Company's major shareholder, holds more than 10% of TTM's registered and paid-up capital.	Income from the following services: ▪ Income from warehouse rentals at Songkhla base ▪ Income from office building rentals and services provided by EnCo (a subsidiary of PTTEP) ▪ Total income ▪ Accounts receivable	0.01 0.01	▪ Conditions and price setting follow normal business operations, at an arm's length basis for non-related persons or operations.
PTT International Trading Pte. Ltd. (PTTT)	PTT, the Company's major shareholder, holds 100% of PTTT's registered and paid-up capital.	Expense from oil price hedging contracts ▪ Total expenses ▪ Accounts payable	3.83 -	▪ Conditions and price setting follow normal business operations, at an arm's length basis for non-related persons or operations.
PTT International Trading London Ltd. (PTTT LDN)	PTT, the Company's major shareholder, holds 100% of PTTT LDN's registered and paid-up capital.	Petroleum product sales: crude oil ▪ Total income ▪ Accounts receivable	55.93 -	▪ Conditions and price setting follow normal business operations, at an arm's length basis for non-related persons or operations.
PTT Regional Treasury Center (PTT RTC)	PTT, the Company's major shareholder, holds 100% of PTT RTC's registered and paid-up capital.	PTTGL Investment Limited (PTTGLI), a subsidiary of PTTEP, signed a loan contract with PTT RTC under the following conditions: ▪ Contract period of 6 years and 10 months ▪ Expiration date is July 2, 2024. ▪ Interest rates refer to the LIBOR plus Interest Rate Spread which are in line with market rates. ▪ Loans outstanding ▪ Interest expenses	38.81 1.63	▪ Conditions and price setting follow normal business operations, at an arm's length basis for non-related persons or operations with the financial support of all PTTGLI's shareholders proportionately.

Connected Company	Relationship	Transaction	Value (Unit: Million USD)	Pricing Policy and/or Reason
Global Power Synergy Company Limited (GPSC)	<ul style="list-style-type: none"> <li>PTT, the Company's major shareholder, holds 22.58% of GPSC's registered and paid-up capital.</li> </ul>	Income from office building rentals and services provided by EnCo (a subsidiary of PTTEP) <ul style="list-style-type: none"> <li>Total income</li> <li>Accounts receivable</li> </ul>	0.47 0.0613	<ul style="list-style-type: none"> <li>Conditions and price setting follow normal business operations, at an arm's length basis for non-related persons or operations.</li> </ul>
PTT Global LNG Company Limited (PTTGL)	<ul style="list-style-type: none"> <li>PTT, major shareholder of PTTEP and PTTGL, hold 50% of PTTGL's registered and paid-up capital.</li> <li>PTTEP, PTTGL's major shareholder, holds 50% of PTTGL's registered and paid-up capital.</li> </ul>	Income from the following services: <ul style="list-style-type: none"> <li>Income from accounting, tax and financial operations services provided by PTTEP</li> <li>Income from financial services provided by PTTEP Treasury Center Company Limited (a subsidiary of PTTEP)</li> <li>Income from the Company's personnel seconded to PTTGL</li> <li>Income from service charges for management's drivers based on the agreement between PTTGL and PTTEP Services (a subsidiary of PTTEP)</li> <li>Income from meeting room rentals</li> <li>Income from subleasing office areas of approximately 320 sq.m.</li> <li>Income from providing utilities and other services</li> <li>Total income</li> <li>Accounts receivable</li> </ul>	0.69 0.07	<ul style="list-style-type: none"> <li>Conditions and price setting follow normal business operations, at an arm's length basis for non-related persons or operations.</li> </ul>
PTTGL Investment Limited (PTTGLI)	<ul style="list-style-type: none"> <li>PTT, major shareholder of PTTEP and PTTGL, hold 50% of PTTGL's registered and paid-up capital.</li> <li>PTTEP, PTTGL's major shareholder, holds 50% of PTTGL's registered and paid-up capital.</li> <li>PTTGL, the major shareholder of PTTGLI, holds 100% of PTTGLI's registered and paid-up capital.</li> </ul>	PTTEP Treasury Center Company Limited (a subsidiary of PTTEP) signed a loan contract with PTTGLI under the following conditions: <ul style="list-style-type: none"> <li>Contract period of 6 years and 10 months</li> <li>Expiration date is July 2, 2024.</li> <li>Interest rates refer to the LIBOR plus Interest Rate Spread which are in line with market rates.</li> <li>Loans outstanding</li> <li>Interest income</li> </ul>	77.62 3.27	<ul style="list-style-type: none"> <li>Conditions and price setting follow normal business operations at an arm's length basis for non-related persons or operations with the financial support of all PTTGL's shareholders proportionately.</li> </ul>

Connected Company	Relationship	Transaction	Value (Unit: Million USD)	Pricing Policy and/or Reason
		<p>The Company and subsidiaries signed contracts with PTTGLI for the following services:</p> <ul style="list-style-type: none"> <li>Accounting, Tax and Financial Operations services provided by PTTEP</li> <li>Financial services provided by PTTEP Treasury Center Company Limited</li> </ul> <p> <ul style="list-style-type: none"> <li>Total income 0.04</li> <li>Accounts receivable 0.0042</li> </ul> </p>		<ul style="list-style-type: none"> <li>Conditions and price setting follow normal business operations, at an arm's length basis for non-related persons or operations.</li> </ul>
PTT LNG Company Limited (PTTLNG)	<ul style="list-style-type: none"> <li>PTT, the Company's major shareholder, holds 100% of PTTLNG's registered and paid-up capital.</li> </ul>	<p>Income from office building rentals and services provided by EnCo (a subsidiary of PTTEP)</p> <ul style="list-style-type: none"> <li>Total income 0.08</li> <li>Accounts receivable 0.0008</li> </ul>		<ul style="list-style-type: none"> <li>Conditions and price setting follow normal business operations, at an arm's length basis for non-related persons or operations.</li> </ul>
PTT Oil and Business Company Limited (PTTOR) (Formerly is PTTRB.)	<ul style="list-style-type: none"> <li>PTT, the Company's major shareholder, holds 100% of PTTOR's registered and paid-up capital.</li> </ul>	<p>Purchase of petroleum products and related expenses</p> <ul style="list-style-type: none"> <li>Total expenses 23.58</li> <li>Accounts payable 1.15</li> </ul>		<ul style="list-style-type: none"> <li>Conditions and price setting follow normal business operations, at an arm's length basis for non-related persons or operations.</li> </ul>
		<p>Income from office building rental and services provided by EnCo (a subsidiary of PTTEP)</p> <ul style="list-style-type: none"> <li>Total income 0.70</li> <li>Accounts receivable 0.48</li> </ul>		<ul style="list-style-type: none"> <li>Conditions and price setting follow normal business operations, at an arm's length basis 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, 2018 as summarized above and considered them to be indispensable, fair and justifiable in terms of conditions and prices, 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 any 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 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 procedure 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 the 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 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, and 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 be treated equally and in their interests, in accordance with 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 these transactions include normal business, office building-leasing, and supporting business transactions, which can be summarized as follows:

(1) Sales of petroleum products and purchases 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.