

AUDIT COMMITTEE REPORT



Ms. Chularat Suteethorn
Chairman of the Audit Committee

Dear Shareholders

Appointed by the Board of Directors (the Board), the current Audit Committee (AC) consists of three independent directors, chaired by Ms. Chularat Suteethorn, with Associate Professor Dr. Pasu Decharin and Mr. Chen Namchaisiri as members. All of whom command expertise and experience in economics, accounting and finance, business management, auditing, engineering, energy industry, and petroleum and petrochemical industry. This year, the committee's composition changed with the resignation of Mrs. Suvimol Chrityakierne, who completed her term at the 2018 Annual General Meeting of Shareholders (AGM), and the resignation of General Thanakarn Kerdnaimongkol, effective as from May 1, 2018. The AC composition and qualifications, as well as the directors' qualifications, were considered suitable for reviewing of financial statements' credibility against requirements of the Office of Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET).

The AC independently performed its duties as assigned by the Board and in accordance with its charter while

conforming to SEC and SET's requirements and Best Practices Guidelines for Audit Committees. This year, the AC held seven meetings, including consultations with the executives, the internal auditor, and the external auditor.

In addition, the AC held one non-executive meeting with the external auditor to independently analyze auditor's performance, the internal control system relating to financial statements audit, cooperation from the executives and Corporate Internal Audit Department, audit plans, as well as the external auditor's report.

This year, performance highlights are as follows:

1. Financial Statements:

The AC cooperating with the external auditor and relevant executives, reviewed the quarterly and annual financial statements for Thaioil, both separate and consolidated financial statements. The AC also reviewed the information disclosure and emphasized Key Audit Matters (KAMs) in the external auditor's report. In this regard, the Committee

inquired and reviewed the credibility of estimated figures, the executives' assumptions requiring discretion, disclosure of financial information, and the impacts of financial reporting standards transformation. This is to ensure that financial statements comply with legal requirements and financial reporting standards, and are accurate, creditable, and useful for financial statements users. The external auditors audited financial statements and provided unqualified opinions.

2. Connected Transactions:

In reviewing Connected transactions or those posing potential conflicts of interest with Thairoil and Subsidiaries under SET and SEC's announcements, the Committee concluded that Thairoil and Subsidiaries had observed regular business practices, exercising fairness and sensibility for the maximum benefit of Thairoil and its shareholders. All transactions had secured the approval of the executives or the Board before their execution.

3. Review of Compliance with Laws, Corporate Governance, Risk Management, and Internal Control:

The AC valued managing practices for systematic corporate governance, transparent transaction, as well as related legal and regulatory compliance. The Committee reviewed the efficiency and effectiveness of corporate governance, risk management, and internal control systems by cooperating with the executives and the external auditor. It also examined the report of the risk management results prepared by Corporate Strategic Risk Section and Corporate Internal Audit Department; report on legal and regulatory compliance from Corporate Compliance Department; and report on internal audit outcomes from Corporate Internal Audit Department. Moreover, the Committee ensured that Thairoil monitored

draft legislation under deliberation that could affect the Company so as to be prepared before its promulgation, focusing on proactive approaches by joining relevant discussions and expressing its views before the official promulgation, as well as reviewing and communicating complaint-handling and whistleblowing measures to ensure its clarity and suitability. The AC also recommended the application of online training to drive the awareness of internal control through regular training together with tangible assessment. Finally, the Committee stressed ongoing system development. In addition, the AC valued the Three Lines of Defense together with Integrated Governance, Risk Management, and Compliance (GRC) for proactive prevention integration through the implementation of the SAP GRC system. This system screens and continually monitors irregularities and prevents fraud, covering Procure to Pay, IT General Control, Order to Cash, and Payroll processes. The AC enclosed outcomes of SEC's internal control system adequacy assessment stating Thairoil commands a suitable and adequate internal control system.

4. Internal System Audit Oversight:

Besides reviewing strategic plans, annual and long-term audit plans and executions, audit outcomes, and following up the improvement of significant matters, the AC drove for the development and upgrading of Thairoil's internal audit through its assurance and advice, proactive approach, manpower preparedness, and relentless personnel development to assure that they are capable of efficient and effective audit execution. The Committee also advocated the application as well as the development of technology used in auditing to accommodate swift changes in the Digitalization Age; ensured internal audit's quality assessment; and advocated personnel's

certification acquiring to ensure true professionalism and to be able to keep pace with changes of professional internal audit standards. Finally, the Committee appraised the annual performance of Vice President-Corporate Internal Audit.

5. Appointment of the External Auditor for 2019:

In selecting the external auditor, the AC considered performance outcomes, experience, independency, audit fees, and compliance with SEC and SET's announcements. It nominated to the Board PricewaterhouseCoopers ABAS Ltd. (PwC) as well as the audit fees for the Board's review before tabling to the 2019 Annual General Meeting of Shareholders for approval.

In summary, this year the Audit Committee undertook its duties as assigned by the Board and in accordance with its charter utilizing diverse expertise, and prudence with independency while providing creative comments and advice. It concluded that Thairoil and Subsidiaries value efficient and effective business operation, prepare credible and material financial statements aligning with financial reporting standards, and complete the disclosure of connected transactions with potential conflicts of interest and adequate information. The AC also concluded that Thairoil and Subsidiaries command a sound corporate governance process, an adequate and suitable risk management and internal control; and that it fully comply with related laws and regulations.

The Audit Committee has always received excellent cooperation from the Board of Directors, the executives, the external auditor, and all relevant units.

February 8, 2019

On behalf of the Audit Committee



(Ms. Chularat Suteethorn)

Chairman of the Audit Committee
Thai Oil Public Company Limited