



CORPORATE GOVERNANCE COMMITTEE REPORT

Adjunct Professor
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Chairman of the
Corporate Governance Committee
Thai Oil Public Company Limited



To the Shareholders

Thaioil's successful membership qualification for the Dow Jones Sustainability Indices (DJSI) in 2013—an internationally acclaimed yardstick for business operations—spoke volumes for the collective desire and commitment of the Board, executives, and employees to basing businesses on sustainability with proper regard for economic, social, and environmental factors.

The Board set up the Corporate Governance Committee (CG Committee) to define a corporate governance (CG) policy and practical guidelines to ensure that management proceeds on the basis of CG and business ethics; that CG standard assessment is in place for international acceptance; that businesses are properly monitored; and that Thaioil promotes and advocates the publicity and cultivation of business values of CG compliance among all executives and employees before turning the practices into a corporate culture—all these by committing itself to fair treatment of stakeholders and by doing the best on the job for the best interests of the company with integrity, transparency, and accountability. The ultimate goal is to support Thaioil's business sustainability.

The current CG Committee comprised of three qualified independent directors, namely Adj.Prof.Dr. Thosaporn Sirisumphand as chairman, with Pol.Gen. Adul Sangsingkeo and Mr. Thaworn Phanichaphan as members.

In comprehensively undertaking its charter-specified tasks, this year the committee held three meetings to approve and endorse key CG activities and plans, described as follows.

1. Approved CG activity plans for 2014 to enable business to align with CG principles and internationalize CG practices; promote confidence among the shareholders and stakeholders; and stimulate and cultivate values among all employees for their strict conformance to CG and business ethics
2. Endorsed an amendment to the CG policy to be in line with Thaioil's strategies and the 2012 Stock Exchange of Thailand's (SET's) CG guidelines for listed companies through clearer contents classification to encompass REACT principles, namely Responsibility for performance with adequate competence and efficiency; Equitable treatment of all stakeholders; Accountability for decisions and actions, which implies answerable ones; Creation of long-term value; and Transparency of business as well as information disclosure to related parties. The Board approved such policy amendment, which is downloadable from www.thaioilgroup.com.
3. Endorsed Thaioil Group's policy for sustainability management to be in line with the Securities and Exchange Commission's (SEC's) guidelines for information disclosure,

which require listed companies to disclose their policies and actions illustrating social and environmental responsibility. This includes an overall policy, vision, missions, and strategies inserted in the annual information disclosure form (Form 56-1) and the annual report (Form 56-2).

4. Endorsed the Anti-Corruption Policy and Thairoil's sign-up for a certification process for CAC (Private Sector Collective Action Coalition against Corruption) membership to show its commitment to doing business with fairness, integrity, transparency, and responsibility to society and all stakeholders under CG principles and business ethics. To these, Thairoil added practical guidelines about prevention of involvement in fraud. The Anti-Corruption Policy is downloadable from Thairoil's website.

This year, Thairoil executed CG Committee-endorsed activities and projects to upgrade its CG standard, which incorporates all business stakeholders, summarized below:

Shareholders, Investors, and Analysts

It is Thairoil's policy to keep domestic and overseas investors regularly informed of its performance and various data through assorted activities, including an open house for minor shareholders and analysts at the refinery to promote understanding of Thairoil's businesses, meetings with investors and analysts to report on quarterly performance, and meetings with investors on SET's Opportunity Days. This year it added communication channels for shareholders, investors, and analysts through the Investor Relations Web Page, electronic investor relations newsletters, and occasional updates on oil situations and intelligence reports on the state of the industry during critical periods. Besides, Thairoil promoted knowledge among investors through exhibitions at SET's hosted activities every year, including SET in the City and Money Expo, and business

news on its own website to enable all stakeholders to keep updated in an accurate, prompt, and equitable way in both Thai and English.

Customers

Thairoil strictly honored its product purchase agreements and delivered quality products under such agreements, including accurate warranties, and provided customers with opportunities to serve as witnesses in merchandise measurements at their requests, in addition to annually surveying their satisfaction. It informed them about the CG policy concerning treatment of customers, made possible complaint-making, and provided them with useful recommendations. This year, a direct complaint-making channel was added at its website, from which the data received is now linked to the Customer Relations Management – Voice of Customers (CRM-VOC Management) system to speed up the prevention and solution of problems.

Business Partners

The Company has improved Thairoil Group's hiring and procurement processes along with the rules and criteria for appointing price contest panels to make such processes transparent, give them checks and balances, and ensure that all its business partners are treated fairly. It held meetings with major business partners and staged relations activities with them to clarify CG policies and measures, as well as establishing complaint channels for violations of the CG policy and proper relations. A plan has been devised and experimented for CSR criteria application to business partner selection. This year, Thairoil partnered with Air Liquide (Thailand) Co., Ltd., and East Water Plc. in conducting CSR activities under the CSR-DIW Project of the Ministry of Industry, where a piped-water storage pool was dug for

Wat Laem Chabang School. As a result, Thairoil won two awards, namely a CSR-DIW award in recognition of an entity that continuously conformed to standards and a CSR-DIW Advanced 5 (also known as CSR-DIW in Supply Chain). The acclaim illustrated sustainable co-existence among communities, business partners, and Thairoil.

To avoid and prevent practices potentially leading to violations of Thairoil's policy of putting customers and business partners on equal footing, Thairoil has now initiated the practice of sending requests to all of them, seeking cooperation by not giving to its employees any gift, high-value token, or entertainment during the New Year's festive season.

Creditors

Responsible people were appointed to directly keep creditors informed to ensure that each of them received the same information. Besides, quarterly meetings provided them with Thairoil's performance, while serving as opportunities to clarify its policies and a complaint channel.

Employees

Thairoil initiated a project for all executives and employees of Thairoil Group to issue an online conflicts of interest report to promote their expression of transparency in performing duties, promote morality and legality, and responsibility for their actions, in addition to improving job efficiency with transparency and fairness in line with Thairoil's CG principles. It also publicized CG articles and news in its internal bulletins and CG e-newsletters to promote understanding and underscore the criticality of CG among employees. Its employee orientation contains elements of CG principles, business ethics, reporting of conflicts of interest, and anti-corruption so that employees may master and recognize the criticality of CG from day one.

Communities, Society, and the Environment

Thairoil's explicit business policy takes into account sustainable and safe growth in tandem with communities, society, and the environment. This year, it ran assorted projects promoting relations with communities around the refinery, encompassing activities on public health, education, culture, and the environment at the Thairoil Group's Health and Learning Center for Communities at Sriracha District, Chonburi. It applied the energy know-how, skills, and experience in developing national society through a variety of projects, including the Ban Mae Jo Hydropower Project, located at Mae Taeng District of Chiang Mai. This project promoted security of power supply for communities apart from establishing knowledge sources and an ecotourist site, promoting chemical-free farming to constantly improve the community quality of life. Another was a project to manage household waste resulting from the production of rubber sheets and household waste by a system of biogas household ferment pits at Mak Noi Island, Phang-Nga. Along with Thaksin University, Phatthalung Campus, the project promoted chemical-free vegetables for community quality of life and hygiene. A prototype island for sustainable community energy was created with a biogas system for the entire island and integrated energy consumption diversity.

Government Agencies and Related Entities

Thairoil assessed its compliance with applicable laws and monitored emerging law promulgation, hand-in-hand with regular cultivation among employees of awareness of the responsibility for compliance. In addition, it cooperated with external parties in sharing certain business data, knowledge, and experience upon request.

Apart from membership of DJSI achieved this year, it won international and national recognition for CG excellence as follows:

International Awards

- >> “Asia’s Outstanding Company on Corporate Governance” at the Corporate Governance Asia Recognition Awards 2013, hosted by Corporate Governance Asia Magazine
- >> “The Strongest Adherence to CG”, hosted by Alpha Southeast Asia Magazine, based on a survey of leading Southeast Asian companies with outstanding financial management, CG, CSR, and Investor Relations
- >> A Gold award under “The Asset Excellence in Management and Corporate Governance Awards 2013”, presented by Hong Kong-based The Asset Magazine.

National Awards

- >> An Excellent SET Award 2013 under “Outstanding Listed Companies for CG Reporting”
- >> “Corporate Governance: Top 50 Publicly Listed Companies – Thailand” against the ASEAN CG Scorecard.

Thanks to these awards from distinguished international institutions, the Corporate Governance Committee is convinced that the collective efforts and commitment shown by the Board, the management, and employees will enable Thairoil to develop, promote, and elevate its CG standard and business ethics in tandem with CSR and environmental responsibility activities for sustainability. Should this be achieved, shareholders, stakeholders, society, and the nation would benefit from business efficiency and sustainability.

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On behalf of the Corporate Governance Committee



(Adjunct Professor Dr. Thosaporn Sirisumphand)

Chairman of the Corporate Governance Committee
Thai Oil Public Company Limited