

CORPORATE GOVERNANCE COMMITTEE REPORT



Pol. Gen. Adul Sangsingkeo

Chairman of the Corporate Governance Committee
Thai Oil Public Company Limited

To the Shareholders

The Board of Directors has appointed the Corporate Governance Committee, consisting of three knowledgeable, independent directors, led by Pol. Gen. Adul Sangsingkeo, with Gen. Trisak Indararusmi, and Mr. Thosaporn Sirisumphand as members.

The committee plays several key roles in supporting the Board's duties. It not only defines the policy and guidelines for corporate governance to enable Thairoil's businesses to proceed under corporate governance and internationally accepted ethical standards, but also monitors business to

ensure adherence to such policy and guidelines. It promotes and encourages dissemination and cultivation of values for compliance with corporate governance among all employees to ensure achievement of corporate culture of commitment to fair treatment of stakeholders and exercise of full caliber in Thairoil's interests with integrity, transparency, and accountability.

This year the committee held three meetings and fully performed its duties specified in its charter by endorsing key activities and plans, as summarized below:

1. Approved the year's corporate governance development plan to ensure business alignment with corporate governance principles, developed corporate governance practices on a par with international standards to bolster confidence among shareholders and all stakeholders, and cultivated values for strict compliance with business ethics.
2. Endorsed modification of the policy, regulations, and guidelines for corporate governance by basing it on the recommendations of the Thai Institute of Directors (IOD) following survey outcomes of compliance with corporate governance principles by listed companies in 2011. These included more opportunities for shareholders to propose agenda items and nominate qualified persons for director election by reducing their required shareholding from a minimum of 5% to 1%, as well as term determination for independent directors.
3. Endorsed Thairoil's application to the United Nations Global Compact (UNGC), which will enable it to apply the ten principles of the UNGC—universally accepted for the promotion of good governance for human rights, labor, environment, and anti-corruption—to its business.

In 2012, Thairoil carried out assorted, planned activities and projects with the blessings of the committee to heighten its corporate governance standards by encompassing all stakeholders of Thairoil's business, as summarized below:

Shareholders, Investors, and Analysts: Thairoil held refinery site visits for minor shareholders and analysts to promote their understanding of its business, held quarterly update meetings for analysts, and publicized video-recordings of performance briefings on its website to keep all stakeholders equally informed of its business performance.

Customers: Every year, Thairoil conducts a customer satisfaction survey to improve its service processes, regularly visits and joins planning sessions with customers, strictly honors product purchase/sale agreements, and delivers products of quality required by customers.

Business Partners: Thairoil improved its procedures for the appointment of a price contest panel and the procurement & hiring processes of Thairoil Group to ensure that all business partners are treated fairly, and held "Safety Day" together with its contractors to cultivate awareness and a safety culture among those related to Thairoil's business.

Creditors: Thairoil arranges for dedicated officers to communicate with creditors to ensure creditors of equal access to information, and communicates the corporate governance policy and establishes complaint channels with institutional creditors through letters or emails every year.

Employees: Thairoil includes corporate governance and business ethics principles as part of its employee orientations. It publicizes articles about corporate governance in internal bulletins to stress the principles and significance of corporate governance. By taking part in PTT Group CG Day 2012, Thairoil encouraged and reminded employees of the significance of corporate governance and commitment to business ethics in performing their duties.

Communities, Society, and Environment: For over five decades, Thairoil has constantly taken into account the safety of communities, society, environment, and quality of life of the people. This year it undertook assorted projects to nurture its relations with communities and society, encompassing public health, education, culture, and environment. Examples were the development of a Thairoil Group Health and Learning Center, scholarship awards, and activities and projects on energy and environmental conservation around the refinery and in remote areas without access to public utilities—including a project to farm and rehabilitate coral reefs at Si Chang Island, the Umphang Energy Town in Honor of His Majesty the King's Project in Tak Province, and a project to expand transmission lines from the Huay Poo Ling community hydropower plant in Mae Hong Son Province.

Government Agencies and Related Entities: Thairoil constantly assesses its compatibility with related legislation and sends questionnaires to constantly solicit comments from the public sector about Thairoil's business to identify needs and nurture relations with government agencies and related entities, while cultivating awareness of the responsibility for compliance among employees.

As a result of the clear goals and plans laid down by the Board of Directors, management, and Thairoil Group's employees to upgrade corporate governance standards and ethical practices—which reflect its constant commitment to improving corporate governance—Thairoil received the “excellent” recognition in corporate governance assessment conducted by the IOD for the fourth consecutive years. This year, the Company also received the 2012 Top Corporate Governance Report Awards and Best Corporate Social Responsibility Awards in SET Awards 2012, organized by the Stock Exchange of Thailand (SET). In addition, Thairoil was rated “outstanding” by the Thai Investors Association (TIA) for the quality of its 2012 Annual General Meeting of Shareholders.

The Corporate Governance Committee is convinced that the following crucial factors will support Thairoil's goal achievement of becoming a sustainable entity: commitment and unity of the Board, the management, and all employees to raise corporate governance standards; adherence to business ethics; and business responsibility to society and the environment.

December 18, 2012

On behalf of the Corporate Governance Committee



(Pol. Gen. Adul Sangsingkeo)

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