

Annual Audit Committee Report for 2017

To: Shareholders of Thaicom Public Company Limited

The Audit Committee of Thaicom PLC was appointed by a resolution of the Board of Directors and consists of four independent directors. Professor Hiran Radeesri was appointed as the Chairman of the Committee while Mrs. Charintorn Vongsbootorn, Professor Samrieng Mekkriengkrai, and Mrs. Patareeya Benjapolchai were appointed as members. During the year, Mr. Prawin Khurawat, who served as the Vice President of Internal Audit from January through November, and Mr. Jiroj Srinamwong, who served as the Acting Vice President of Internal Audit in December were the Secretaries to the committee. The Committee independently undertook its main duties by reviewing the financial statements, corporate good governance, risk management, internal control, internal audit, fraud and unethical behavior prevention and detection, compliance with related laws and regulations including Securities and exchange law, and regulations of Securities and Exchange Commission (SEC) and Stock Exchange of Thailand (SET), efficiency of information technology in relation to financial reporting, and appointment of external auditor and review of audit fee as set forth in the Audit Committee Charter which was approved by the Board of Directors and reviewed in conformity with current business situation.

In 2017, the Audit Committee held a total of 12 meetings. At the end of each year, the Committee conducts performance evaluation for both an entire committee and an individual self-evaluation. The results were on satisfactory level. The significant activities during the year 2017 are summarized below:

- 1. Financial Statements Review:** The committee reviewed the quarterly and annual financial statements of the Company and the companies in the group for the year 2017, including disclosure of information in the notes to financial statements to ensure that the reports were in compliance with the Thai Financial Reporting Standards (TFRS). The committee reviewed significant issues and special items, and obtained sufficient clarification and supporting evidences applied in preparing these reports with Company's management, external auditors and the head of internal audit. The committee reviews business performance of the Company and its subsidiaries on a monthly basis to assess risk factors that may have impacts on the business. The committee requires the head of the accounting department to summarize and report annually on key accounting policies, any changes in accounting policy, impacts from changes in new financial reporting and accounting standards that come into effect on a quarterly basis, and basic assumptions for estimates and judgements. In addition, the committee held a private meeting with the external auditors without the presence of the Company's management to consider sufficiency and appropriate internal control systems and risk-based audit plan covering accuracy and reliability of the Company's financial statements to ensure that the external auditors were able to maintain their independence without constraints imposed upon them.
- 2. Good Corporate Governance and Compliance with Related Laws and Regulations Review:** The committee reviewed the Company's adherence to good corporate governance principles and the Code of Conduct guidelines, including compliance with rules and regulations, and found that the Company's directors, management and staff comply with those requirements. The directors have encouraged management and employees at all levels to consistently and continuously adhere to the Company's Code of Conduct as well as to

comply with rules and regulations. For the year 2017, the Company received a score of “excellent”, or 5 stars, for the 5th consecutive year (Y2013 - Y2017) on the Corporate Governance (CG) Report of listed companies conducted by the Thai Institute of Directors (IOD). Furthermore, the committee reviewed the Company’s connected transactions or transactions that might lead to conflicts of interest, and has instructed the responsible department to report regularly on these issues to the committee. The committee also reviewed the Company’s adherence to relevant laws and notifications as required by Stock Exchange of Thailand and Securities and Exchange Commission of Thailand to ensure that all disclosures were correct, complete, adequate, and reported on a timely basis. The company has opened up various channels for stakeholders to report any fraud, corruption and misconduct via e-mail and an ethical hotline on the Company’s website and intranet in accordance with Company’s Whistle-blowing Policy. The Audit Committee assigns the Office of Internal Audit to consistently review and audit efficiency and effectiveness of company fraud prevention, anti-corruption implementation, good corporate governance and related systems of internal controls and directly report the audit results to the Audit Committee and the Board of Directors for their consideration.

- 3. Risk Management Review:** The Company has a Risk Management Committee which is responsible for establishing policy, procedures and criteria for risk assessment and risk management for the whole group of companies including quarterly review of sufficiency of policy and effectiveness of company risk management system whereby the results are reported to the Board of Directors, the Audit Committee and the Executive Committee for the risks pertaining to strategy, finance and financial reporting, operations and compliance risk. The committee reviewed and monitored the Thaicom Group of Companies’ risk management systems, including the actions taken by all businesses to mitigate significant risk to acceptable levels as per company risk appetite on a quarterly basis. The committee also recommended and reviewed all overseas subsidiaries and business units to conduct proper risk assessment and risk management in alignment with the COSO risk management framework with support from the corporate risk management unit in order to allow them to have knowledge and understanding of proper risk management. In 2017, all the Company’s subsidiaries and related companies with operations in oversea conducted and completed risk assessment and risk management.
- 4. Internal Control Systems and Internal Audit Review:** The committee reviewed results of the Company’s internal control system through monthly, quarterly and yearly internal audit reports from the Internal Audit department and annually assessed compliance with the evaluation form for the adequacy of internal control system of the Securities and Exchange Commission (SEC) and found that the internal control system of the company was appropriate and fit for purpose for Thaicom’s business operations. This view was reflected by the Company’s external auditor who reported that no material irregularities were found in the Company’s financial statements. With significant reliance upon information technologies and related risk exposure for the Company in this area, the committee emphasized that the Company should develop and implement preventive control measures in relation to the risk of cyberattacks on the Company’s IT systems, which resulted in development of IT preventive control measures and enhancement of the Company’s IT security to mitigate the foreseeable risk.

The Audit Committee further urged the management team to continually provide proper education and training for all staff regarding IT security risk in order to raise awareness. Apart from IT security training, this year the Company also promoted good corporate governance, code of conduct and risk management through e-learning to raise awareness and understanding among employees in those areas and to develop preventive control measures continually. Additionally, a Control Self-Assessment (CSA) system was also implemented and adopted for Company's business units including subsidiaries and country representative offices overseas.

For the internal audit area, the committee also reviewed the Company's internal audit scope and long-term and annual risk-based audit plans previously approved, and found that the activities undertaken achieved the Key Performance Indicators (KPI) set for the year. Additionally, the committee conducted its annual review of the Internal Audit department's expenditure and investment budgets and manpower requirements, and recommended that the Internal Audit department should further focus on enhancing proactive preventative audits with a risk-based approach. The Company's reporting line for Internal Audit has been appropriately established by having it report directly to the Audit Committee. The Audit committee is the body who directly conducts performance appraisal for the Head of Internal Audit in order to assure that the Internal Audit department carries out its activities independently and honestly, for the benefit of the Company

- 5. Fraud and Unethical Behavior Prevention and Detection Review:** The committee performed a quarterly review of fraud complaints case by case, including a review of the sufficiency of internal control systems to prevent fraud risk and unethical behavior exposure for the company. Results of the review during the year 2017 showed that, under the Company's Whistle-blowing Policy, there were three complaints that had been made throughout the year with one case was pending from the previous year. The complaints were duly investigated, and it was found that all four cases of the complaints were not related to fraud incident. In all cases, the procedures laid out in the Company's Whistle-blowing and Misconduct and Fraud Investigation Policies were strictly followed to ensure due protection for the parties who submitted the complaints.

- 6. Appointment of External Auditor and Review of Audit Fee for the year 2018:** The committee worked with the management team to consider the selection of external auditors and audit fees for the year 2018 through auditors' experiences, knowledge, expertise, independence, previous year performance and other adding value services including proposed fees in comparison with that of previous year and volume of work. After which, the committee agreed to recommend the Board of Directors to propose in the Annual General Meeting of Shareholders to appoint auditors from Deloitte Touche Tohmatsu Jaiyos Co., Ltd. to be the Company's auditor for the third year. The proposed auditors are Mr. Chavala Tienpasertkij, Certified Public Accountant License No.4301 (being the Company's external auditor and certified the Company's audit report for two consecutive years (Y2016 and Y2017)) and/or Mr. Suphamit Techamontrikul, Certified Public Accountant License No.3356 and/or Mr. Permsak Wongpatcharapakorn, Certified Public Accountant License No.3427 wherein anyone is eligible to conduct audit engagement and express opinion to the financial reports of the Company. For the year 2018, the audit fee for Thaicom would amount to Baht 1.86 million and the aggregate audit fee of

Thaicom's group of companies amounted to Baht 9.59 million. The audit fee is comprised of the fees for the companies that were incorporated in Thailand, amounting to Baht 3.89 million, and fees for the companies incorporated abroad, amounting to USD 84 thousand and AUD 1.14 hundred thousand (equivalent to Baht 5.70 million). The total audit fee of Thaicom group of companies was increased from previous year, which was Baht 7.76 million approximately to Baht 1.83 million.

Based on the reports and findings of the responsible parties described above, the committee is confident that the Company's internal control system is sufficient and effective and that the annual financial statement is correct and thorough in accordance with financial reporting standards.



(Prof. Hiran Radeesri)

Chairman of the Audit Committee

On behalf of the Audit Committee

25 January 2018