



WE SUPPORT



# Communication on Progress (COP) 2012

## IRPC Public Company Limited







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## Message from the President

IRPC Public Company Limited operates its business with conscience over the environment and society at large. Beyond merely bottom-line financial target, the Company gives importance to all of our stakeholders' benefit and each in particular, aiming to balance those for sustainable growth. IRPC strictly complies with legal obligations as well as rules and regulations. IRPC also voluntarily conforms to well-accepted international standards, in relations to human rights, labour, environmental quality and transparency which are in line with the ten principles of the United Nations Global Compact and certainly help uplift the standard of living of the society.

Thus, IRPC, with its promptitude and determination to follow these principles, joined the UN Global Compact on 21st of November, 2011 with a strong ambition to support all parties' sustainable existence.

As a member of UNGC initiative and good corporate citizen, IRPC hereby expresses its strong commitment to conform to these principles. IRPC focus on delivering Green innovation for customers and the global community. We are responsible for superb product quality for superb quality of life and society. We embrace energy efficiency, clean energy consumption and environment-friendly technology. We strive for Human Resources development by means of Knowledge Management. We uplift and strengthen our corporate governance to ensure our transparency through internal control and internal audit procedures.

With readiness and determination, IRPC discloses herewith the report of the Communication on Progress (COP) to the UN Global Compact and its key stakeholders to acknowledge about its policy, action and operation. This commitment will be firmly uphold by IRPC's employees and management.

(Mr. Atikom Terbsiri)

President





## Nature of Business

IRPC is the first fully-integrated petrochemical complex in Southeast Asia. Its refinery and petrochemical plants are situated in IRPC's industrial estate in Tumbon Choeng Nern, Rayong province. The area covers approximately 6,700 rais. Apart from plants in Rayong and back office in Bangkok, IRPC has depots in Samut Prakarn, Ayudhaya and Chumporn provinces, which locate in central and southern parts of Thailand. There are fully equipped with basic infrastructure that supports the operation of the business, comprising of deep-sea ports, petroleum depot, and power plants. IRPC has major stakes in 8 companies that are running 4 synergy business units covering petroleum, petrochemical, ports and assets. IRPC's products has significant market share both domestically and internationally.

## Petroleum Business

The company's oil refinery unit has the total capacity of 215,000 barrels per day. It is the third largest in the country. The refinery produces a various kinds of petroleum products including Naphtha, Gasoline, Diesel and LPG. The lube base plant, which can be categorized as the first in the country in terms of capacity, has total production capacity of 320,000 tons per year, also the asphalt plant has total production capacity of 380,000 tons per year. In addition, the Company developed the lube base oil innovative products called Treated Distillate Aromatic Extract (TDAE) and Residue Aromatic Extract (RAE), which are the formulated rubber process oil with non-carcinogenic substances (Polycyclic Aromatic Hydrocarbon (PAHs)) used to manufacture car tires to enhance safety for users.







## Petrochemical Business

The Company invests in upstream petrochemical products such as Olefins and Aromatics with their capacities of 728,000 and 367,000 tons per year, respectively. They will be further used as raw materials for downstream petrochemical plant. The olefins products such as HDPE and PP with its producing capacity of 615,000 tons per year and the Aromatics products such as ABS, SAN, EPS, and PS with its capacity of 247,000 tons per year have been sold to plastic industries. Currently, The Company is expanding the production of innovative products which can better address customers' demands on environmental-friendly products.

## Port Business

IRPC's port area comprises of two main terminals, which are Liquid & Chemical Terminal and Bulk & Container Terminal. The former is 1,623 meters long, and is divided into 6 sub-wharfs. The latter is 900 meters long and also divided into 6 sub-wharfs. These ports provide a number of facilities and dock services for clients. Above all, the capacity and efficiency of IRPC's ports enhances them to be used as the national strategic reserved ports for Royal Thai Navy especially for emergency circumstances or natural disasters as being the deepest seaports in Thailand.





## Asset Management Business

The Company possesses vacant land plots in Rayong and other provinces, totaling around 10,000 rai. These plots are to be developed into the industrial estate or industrially zoned lands with the focus on being friendly to the communities and environment.

Due to its large scale of business, IRPC is large in terms of number and diversity of employees. It provides opportunity equitably for all employees without discrimination on nationality, age nor sex. Currently, IRPC has totally 4,732 employees. Its mid- to high-level management (ranging from Section Managers to President) comprises of 634 people. Among these, there are 133 female executives or 21%. If classified by age, there are 402 people who are between 20-30 years; 2,503 people of 31-40 years; 1,567 people of 41-50 years and 260 people of 51 years and more. Moreover, IRPC is surrounded by four tumbon (subdistrict) and one municipality; say Choeng Nern, Ban Laeng, Tapong, Na Ta Kwan and Rayong City. Each and everyone are therefore parts of IRPC family, to whom we do care and pay respect in bettering their living condition.

With size and complexity of IRPC's integrated business, policies and activities help drive the society together with the business to mutually achieve sustainable development.





## Vision and Philosophy

IRPC's vision is to become "Top Quartile Integrated Petrochemical Complex in Asia by 2014". The Company consistently innovates superb products and services. We produce petroleum and petrochemical products and relevant services and solutions that best address human being's needs. Under sustainability realm, we are part that takes care of the society and environment locally, nation-wide and globally.

Such intention is then translated into the Company's philosophy "Care-Share-Respect". IRPC accentuates the importance of sustainable growth to achieve the balance of the economy, society and environment. These three main parts should be simultaneously developed. Therefore, IRPC initiates various short-term and long-term projects to take care of residents and the environment around the industrial zone in Rayong, and oil depots in other provinces consistently and continually. Our activities are undertaken by roots of our concerns about life quality betterment, occupational health, pollution elimination, water/air quality treatment, waste management, etc. We hope that people attain the feelings of our "care, share and respect" that we always have towards them.







IRPC takes care of stakeholders not only under normal circumstances but also when unexpected event occurs. The Company jointly with private and public agencies offers help to flood victims in numerous ways. Money and necessary items were directly donated to victims. Plastic resins were given to partners to produce inflatable boats to further distribute to public sector. Big bags were brought to build up temporary flood barriers. Moreover, employees and executives entered into the flooding area to physically help the victims.

Furthermore, IRPC is well aware of the increasingly intensified global warming issues, which now spread more widely and internationally. IRPC is thus determined to develop the environmental quality as an attempt to reduce the carbon emission by investing in and utilizing environmental-friendly technology in accordance with the 'Clean Development Mechanism' (CDM). As an example, IRPC started the Combined Heat Power project (CHP) in producing electricity supplies in 2010. The power plant replaces fuel oil with natural gas. This helps decrease the carbon emission at the amount of 400,000 tons/year. In 2012 IRPC is on the way to register with the United Nations Framework Convention on Climate Change (UNFCCC) to officially accredit our carbon credits.

## Good Corporate Governance and Stakeholder Management Policy

As mentioned that IRPC gives value to the balance of the three parts for growth, all of the activities address these aspects. All Stakeholder groups are taken into consideration in every step of our business operation to align with our 6 CG principles, in compliance with the Stock Exchange of Thailand (SET) and the Securities and Exchange Commission Thailand (SEC) as well as other international standards.

### Good Corporate Governance Principles:

1. Accountability
2. Responsibility
3. Equitable Treatment
4. Transparency
5. Vision to Create Long Term Value
6. Ethics





# Stakeholder Management

The Company has stipulated practices concerning responsibilities towards stakeholders as written in IRPC's CG handbook as follows :

**Employees :** Employees are key stakeholders who drive the company to accomplish the set goal. Having thousands of headcounts, "the Company recognizes that employees are key to success. IRPC focuses on developing our human resources, enhancing happy work environment and reinforcing teamwork culture to strengthen our employees' confidence. ..."

**Shareholders:** IRPC attempts to establish trust and confidence in the mind of shareholders and investors, all of which are regarded as the company's owners. "Taking the sustainable growth into account, IRPC is determined to be responsible for and to maximize satisfaction for all shareholders. It aims to make satisfactorily consistent return. It also gives importance to transparent and reliable financial system."

**Customers and the Public:** As written in the handbook, "IRPC focuses on building satisfaction and confidence in the mind of customers and the public in general to receive quality products and services from us at the reasonable price. Moreover, IRPC aims to maintain the strong relationship with them. ..."

**Partners, Competitors, and Business Counter Parties:** IRPC determines in the handbook, saying that "IRPC is conscientious about the equity and honesty in operating the business as well as protects the benefits for partners, Hereby, IRPC's partners must conduct their business in the competition on principles of rules, regulations and ethics. The Company is bound to compete fairly, practice ethically and conduct the process of loaning and repayment justifiably ..."

**Contractors and Subcontractors:** Safety cannot be compromised. IRPC defines the standardized measurements regarding safety during work. Employees or the Company as well as those of contractors and sub-contractors should comply with the same standards under Quality, Safety, Occupational Health and Environment (QSHE).

**Community and Environment:** IRPC takes into account communities, the society, and family of employees, especially those who live in the neighboring areas of IRPC's plant. IRPC takes great leap in reinforcing the quality of the environment and the society. Written in the CG Handbook, "the Company is aware of the safety of the society, environment and people's life quality. Hence, IRPC stresses the importance of the environment conservation and optimal energy utilization. ..."





## UN Global Compact Principles

IRPC operates its business with integrity as it has clearly defined roles and responsibility towards stakeholders. Its activities, consequently, are aligned with the ten principles of the UN Global compact as follows:

### 1. Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses

IRPC is willing to protect human rights in accordance with internationally-recognized standards. It is committed to not getting involved in rights violation. With well aware of the importance and value of every life, the Company contributes to taking care of every person within and outside our plant to enhance his happiness and safety, which are ones of the basic principles for human. The Company issues the stringent control in accordance with the international standards e.g. ISO 26000, WBCSD, OECD, GRI, etc. These reflect our concern upon stakeholders – either employees, contractors/sub-contractors, or community. Activities can be categorized through several dimensions;

**Occupational Health and Safety:** IRPC concerns about employees' safety as well as that of contractors/sub-contractors during their work. Every single operation must be complied with standardized principles such as TIS/BS, OHSAS 18001 (P-D-C-A Model), HAZOP, for instance. Activities that were undertaken are, for example, the Behaviour-Based Safety (BBS) project, the emergency preparedness to cope with chemical leak and fire explosion incidents and accidents, the Zero Accident, and the Approved Contractor List.





**Life Quality Enhancement:** IRPC has continually contributed to improve life quality of employees and several surrounding communities in Rayong. For employees, compensation and benefits are given at the competitive rate in comparison with other companies in the same industry. Health check-up are arranged yearly for both annual regular check-up and for screening risk factors due to their specific operational work. Health insurance is granted to employees and their family. Medical allowance are provided for employee as well as his family. Epidemic disease protection and prevention are provided beyond package specified by laws. Provident fund is also provided. Moreover, the Company aims to build a happy work environment as one of the culture in numerous ways, for example, by allowing employees to set up savings cooperation, variety of recreation and sports club, etc.

For the community, IRPC takes care of the residents living in the neighboring area of our industrial zones in Rayong, Ayudhaya Depot, Phra Pradaeng Depot and Chumporn Depot. Main activities that are arranged annually are medical service clinic, eye-sight check, community career development and scholarship, etc. The Company provide channels to hear opinions and suggestions from the public through IRPC's community learning center, Emergency Control Center (ECC), public hearing/ public scoping (EIA/HIA/EHIA).

**Volunteer Spirit:** IRPC's employees and management have been encouraged to initiate numerous projects to contribute needy items for human beings. Projects are such to provide clean water and computers to Wat Plauk Ket School, to promote familial warmth at Tesbal Wat Pak Nam School, to improve lights and electricity system in the computer room at Ban Chaweuk School, etc. More importantly, during crisis IRPC becomes a part that cures the hardship of the people. For instance, during the inundation in the previous year, management and employees – either residing in Rayong and Bangkok – together with students from IRPC Technology School (IRPCT) handed helps to flood victims by entering to the site and donating survival bags, donating money and necessary items, setting up a center to fill up flood-barrier sand bags at IRPC's learning center. With cooperation with subsidiaries' employees and Rayong residents of around 3,000 people, over 300,000 sand bags were filled up.





## 2. Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

For IRPC, complying with labour laws is merely fundamental actions. Our labour is kept away from hiring children and other forced labour. Employees are selected and treated with equality and without discrimination. No discrimination occurs either due to prejudice against race, nationality, religion, sex, age, social status, disabled, political views, etc. By contrast, the Company is geared towards developing labour skills, educating and enhancing employees' career path. Moreover, IRPC has clear policy to not getting involved with companies or organizations that breach human and labour rights.

IRPC enhances labour rights by several means with dynamics of developing our human resources. It maintains the pay rate and the benefits at the competitive rate. It develops capabilities and competency of employees continually. It provides continual recognition. It upholds the freedom of employee's association and empowers collective bargaining of the unions.

**Compensation and Benefits:** IRPC is one of the leading companies in Thailand that provides fair compensation and welfare at a competitive rate. Other benefits granted to employees are annual medical check-up, health insurance, provident fund (at a rate of 5-10% of employee's salary. Such rate is beyond what set by law.)





**Skills and Competency Development:** IRPC encourages our employees to develop their skills and competency effectively and continually. In 2011, the Company arranged training and developing sessions for employees to improve core competency and leadership competency, career development and leadership development. It encourages employees to participate in training courses that are beneficial to themselves as well as the company. Developing its human resources is developing the most valuable resources of the organization. Regarding assessment, IRPC provides justified and explainable methods of performance appraisal. It implements the Performance Management System (PMS), which weighs against targets of the company or of employees (KPIs) once a year. It also uses the competency assessment in conjunction with KPIs for performance appraisal and promotion with fairness. Such dynamics stimulate employees to develop themselves continuously.

**Recognition:** IRPC is determined to increase the capabilities of all employees as well as to encourage their will. The “IRPC Recognition Presidential Awards” is therefore initiated. Such awards pull out employees’ capabilities and participation in innovating the betterment for organization and quality of life at large.

**Unions:** IRPC gives importance to employees’ “voice”. Consequently, 8 unions are set up. The unions include executives and non-executives, belonging to IRPC and its subsidiaries. Concerns and opinions raised by employees are valuable; as a result, IRPC listens to these voices and attempts to improve to meet employees’ expectation and alleviate their life quality.





### 3. Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

IRPC has long managed to protect the environment. As aware of the importance of the environment and natural resources, it takes step in mitigating the effects that might occur due to the production processes. It does prevent and improve the quality of the environment by our corporate QSHE master plan (long-term) and implementation plan (short-term and annually). IRPC holds top rank in carbon reduction in Thailand. Furthermore, it becomes a leading petrochemical producer that manufacture environmental-friendly petrochemicals. It strictly complies with laws and international standards such as ISO14001, CSR-DIW, GHS, REACH, ROHs, etc.

#### Quality, Safety, Occupational Health and Environmental Management (QSHE):

IRPC undertakes measurements to control and improve the environment quality. In 2011 IRPC invested in a system for pollution prevention and mitigation. IRPC earned extra income of 26 million Baht from waste management. Regarding consumption of fuels, IRPC uses low-sulfur fuels and natural gas so that it can reduce sulfur dioxide emission. It reduces effluent discharge and recycles water. It controls and mitigates volatile organic compounds (VOCs) emissions by installing RTO (Regenerative Thermal Oxidizer) and VRU (Vapor Recovery Unit). It implements an international-standard VOC emissions inventory and manages the VOCs in operating areas. It develops GHS-based safety data sheets for chemicals, launches the behaviour-based safety (BBS) project, develops employee e-Health Books and adopts a chemical spill forecast program. It operates the quality management with QCC activities, leading to about 560 million Baht saved in 2011. It set up an air monitoring board in front of the IRPC industrial zone, the Ban Laeng District administrative organization and the Ban Kon Nong health station. This board represents an additional channel for informing communities about air quality and other information.





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**Greenhouse Gas (GHG) Emission Reduction:** IRPC is leading in managing and reducing GHG emission in Thailand. It operates the Clean Development Mechanism (CDM) by running a cogeneration power plant called the Combined-Heat and Power project (CHP). The project allows IRPC to be the largest organization that reduces carbon emission in Thailand for its reduction of almost 400,000 tons per year. It also leads IRPC to be granted “Crown Standard” award from Thailand Greenhouse Gas Management Organization (TGO). In 2012 IRPC is under the process of registering the certified approval from UNFCCC. Moreover, IRPC is improving the internal process or in-process CSR by implementing the protection strip, which is tree fence planted around IRPC’s border. The project is undertaken in 2011 and 2012 to plant 220,000 trees on a 240-rai land plot. This area stretches over 8 km. It therefore reinforces cultivation of saplings by surrounding communities. Approximately 7,500 trees have been planted in 2011.

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**Energy Management:** IRPC has an efficient system of energy management which therefore enhances an optimal utilization. Energy conservation center is internally founded to control and increase the efficiency of energy consumption by setting up KPIs throughout the production units and throughout the whole organization.

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**Air Quality and Odor Control:** IRPC systematically manages, monitors, prevents and improves the air quality. For example, it provides air quality monitoring station in accordance with the international standards ISO 14001. There are altogether 80 stations. IRPC develops air monitoring system for continuous 24-hour monitoring. In addition, the result will be reported to the ECC immediately to further communicate to the management and related parties to prepare for readiness via mobile phone SMS alert. The alerts will be sent when ratio exceed the minimum limit so that the immediate remedy be made before the effects spread to the communities. For prevention, as said, IRPC selects to utilize low-sulfur fuels and reduces sulfur dioxide emissions as well as reduces nitrogen dioxide emission.





**Figure: ECC's Communication Channel Flow**

**Water Management:** IRPC has set up the committee that is responsible for water management to reinforce systematic water management within IRPC group. For example, management are recycling used water, building water reservoir, setting up a 10-year master plan (2010-2019) and directing a goal to reduce water consumption. For example, IRPC implements to reduce loss of water in cooling tower, and reduce loss of deionized water of utilities system 1 (UT1), three units of water treatment, internal control range, etc.

**Waste Management:** IRPC undertakes waste management processes. Description and volume of waste must be reported from every plant to manage waste effectively. After that, waste will be brought to reuse and recycle in accordance with acceptable methods applied in the industry. At the same time, pollution is prevented to reduce risk in health and environmental damage. Waste dealers are also assessed to ensure that wastes are treated by the proper means.





**Green Industrial Estate:** IRPC is determined to enhance the ambient of harmonious living between industry companies and communities. This aim leads to the ideology of land development to establish a green industrial estate in Ban Kai district, Rayong. Currently, the project is under EIA-HIA process.

**CSR Activities:** IRPC has undertaken environmental measurements through CSR activities. Activities are such the protection strip, mangrove restoration, Giant Clams conservation, etc. All activities gained cooperation from employees at all levels. Under the scheme “volunteer spirit”, the Company aims to embed the mind of voluntary services to all employees through the whole organization.

**Environmental-Friendly Petrochemical Products:** Due to great awareness of the society and environment, IRPC is determined to innovate environmental-friendly products to address consumers’ needs. Green products are Green ABS and wood plastic composite, for example. Green ABS is a form of plastic resin with natural rubber replacing synthetic rubber. This allows to decrease the use of imported butadiene while support local rubber agriculture. In 2011, IRPC received the National Innovation Awards and Thailand’s National Innovation Awards 2011 (Economics) (the second runner-up) from the Ministry of Science and Technology. Wood Plastic Composite comprises of wood powder mixed with plastic resin to be used in molding. Its advantage property is durable, long-lasting against mist, recyclable. Thus, it can substitute real wood. As a result, it helps reduce deforestation.





## 4. Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Transparency and governance are material in IRPC operation. The Company aims to firmly establish fairness, integrity and justification in management system. It thus sets up the corporate governance principles to reinforce the Board of Directors, management and employees to conform to such guidance of their roles and responsibilities. If violation is found, legal investigation processes shall be made prior to punishment.

With regards to the corporate governance, IRPC complies with relevant standards and principles. The structure of Board committees and organization are well organized to balance authorization. Four sub-committees are appointed by the Board of Director to assist screening special issues prudently and efficiently to stabilize the business operation and reinforce good

corporate governance. This aims to enhance transparent operation at all levels and fair treatment towards every group of stakeholders. Business actions and decisions can be audited and checked independently and efficiently to prevent risks of corruption. IRPC has directed the corporate governance in several dimensions as follows:





**Internal Control and Audit:** IRPC has stressed the importance of internal control for all levels, ranging from the Board committee, management and through to employees. The internal control process comprises of appointing the Audit Committee (to audit and check the reliability of the corporate financial report of IRPC and its subsidiaries), internal control, internal audit, risk management and external audit (by internationally-accepted audit firms in Thailand).

**Conflicts of Interest:** The CG Board has defined the policy on conflicts of interest in the corporate governance handbook and complied with SEC's recommendations on the guideline to approve the directors to engage in the trade agreements between IRPC or its subsidiaries and the directors, the management, or related persons, in compliance with the modified Securities Act. In approving connected transactions, the Board has monitored the conformity to the regulations and procedures with prudence, reason, transparency and independence, taking into account IRPC's best interests. The directors or the management involved in the transaction that may cause conflicts of interest cannot participate in the decision of that particular transaction and this is to be duly noted in writing in the meeting report.

According to IRPC's CG handbook, connected transactions can be categorized as six items. These are normal transaction, normal transaction support, short-term leased/ leasing assets, other assets/ services, financial support to subsidiaries/ joint ventures, and other connected transactions. The directors and the management must report the connected transactions annually. In considering the approval of connected transactions, the Board has arranged for information disclosure of vested interests, values of the transactions, comments of independent directors, and other necessary information so that the directors/shareholders can decide for IRPC's benefit.





**Gift- and Benefit-Receiving Policy:** The Company has defined policy of receiving asset, gift, or other benefits from external parties in the CG handbook. Persons can take asset, gift, or other benefits from others if it lawful or legitimate. However, one cannot request or take asset, gift, or other benefits from contractors, sub-contractors, customers, business partners/ traders, joint venture companies, or other parties who are related to IRPC's business in any case, to prevent misleading decisions of the business operation.

**Whistle-Blowing and Complaints:** IRPC institutes channels for whistle-blowing or complaint-making that stakeholders are or may be affected by the damage caused by IRPC's operation, or employees involving in unlawful or dishonest acts, corruption, and careless act, by submitting the case via post, email, or website, or directly contacting the office at the address given in the annual report and website.

## Outcomes for the World

With our commitment, IRPC attempts to operate its business on a strong basis of the balance between the three parts, in accordance with the UN Global Compact ten principles. Its acts have been complied with rules, regulations and standards concerning the human rights, labour, environment and anti-corruption schemes. It further needs to conform to the commitments made with the UN Global Compact on being one of the corporate citizens that contributes the happiness and harmony back to the society, starting by the surrounding communities, regional and nation-wide areas towards the world at large.