



China Aviation Oil (Singapore) Corporation Ltd
中国航油（新加坡）股份有限公司

A subsidiary of China National Aviation Fuel Group Limited
中国航空油料集团有限公司子公司

SUSTAINABILITY REPORT

可持续发展报告

2019



Fuel for future 为明天加油

Sustainability Report

可持续发展报告

BOARD STATEMENT

China Aviation Oil (Singapore) Corporation Ltd (“CAO” or “the Group”) has consistently remained committed to fulfil its social responsibility as a responsible corporate citizen by constantly upholding the highest standards of corporate governance to improve management transparency and accountability as well as promoting sound and sustainable growth on the environmental, social and governance (“ESG”) fronts.

As the largest physical jet fuel trader in the Asia Pacific region and the key supplier of imported jet fuel to the civil aviation industry of the PRC, the Group also supplies jet fuel to international airports globally and engages in international trading of jet fuel and other oil products with investments in various strategic oil-related businesses. With the Group’s core businesses being energy centric, we are conscious that the Group is constantly engaged in oil and gas related activities, which with its wide range of inherent environmental and social impacts, will inevitably implicate the business, employees, local communities and environment directly or indirectly. The Group recognises that our greatest impact is through our products and services. As such, we focus on continuously innovating to optimise both our business operations as well as the products and services we provide to customers, aligning our corporate strategy to deliver sustainable value creation for our stakeholders.

2019 has been a year fraught with macroeconomic uncertainties such as Brexit, US-China trade conflict and global economy slowdown. Nevertheless, CAO remains firmly committed to harness the Group’s strategic strengths to push forward sustainable business transformation internally and at the same time, focusing on investments aligned to our core business activities to further develop our key growth drivers. In 2019, CAO embarked on the initiative – “Strengthening Operations Management, Streamlining Business Costs, and Driving Growth”, to further improve the Group’s ESG practices on multifaceted aspects including operational streamlining, tightened risk management processes and innovating business costs reduction to sustain long-term growth in shareholder value.

On the social front, CAO recognises our responsibility to ensure the well-being of our employees and customers by supporting and contributing to initiatives that enhance the quality of life in the communities where we work and live. As a supplier, trader and service provider with operations around the world, the safety of our employees, business partners and customers is our number one priority and we are committed to continuously work to reduce the environmental footprint of our operations.

CAO’s Board of Directors (“the Board”) is pleased to share this sustainability report (“Report”) which highlights some of the efforts in the past year to drive sustainable business practices that meet the expectations of our stakeholders.

ABOUT THIS REPORT

CAO’s Sustainability Governance Structure



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CAO's 2019 Report complies with the Singapore Stock Exchange Ltd (the "SGX-ST") "Comply or Explain" requirements for sustainability reporting, and continues to apply the key principles of the International Integrated Reporting Council's ("IIRC") Integrated Reporting <IR> approach to communicate how the Group drives long-term value creation. It also makes reference to the GRI Standards relating to materiality assessment.

This Report sets out CAO's commitments, governance, policies, performance and targets in respect of managing the environmental and social impacts of the Group and its subsidiaries spanning Singapore, Hong Kong, United States and the United Kingdom during the financial year ended 31 December 2019. We have also aligned our material topics with the United Nations Sustainable Developmental Goals ("SDGs").

In determining the scope of this Report, CAO considered the percentage of ownership and level of influence and have included all subsidiaries where CAO has controlling shares of more than 50%. Associates are excluded from this Report due to the absence of direct operational control.

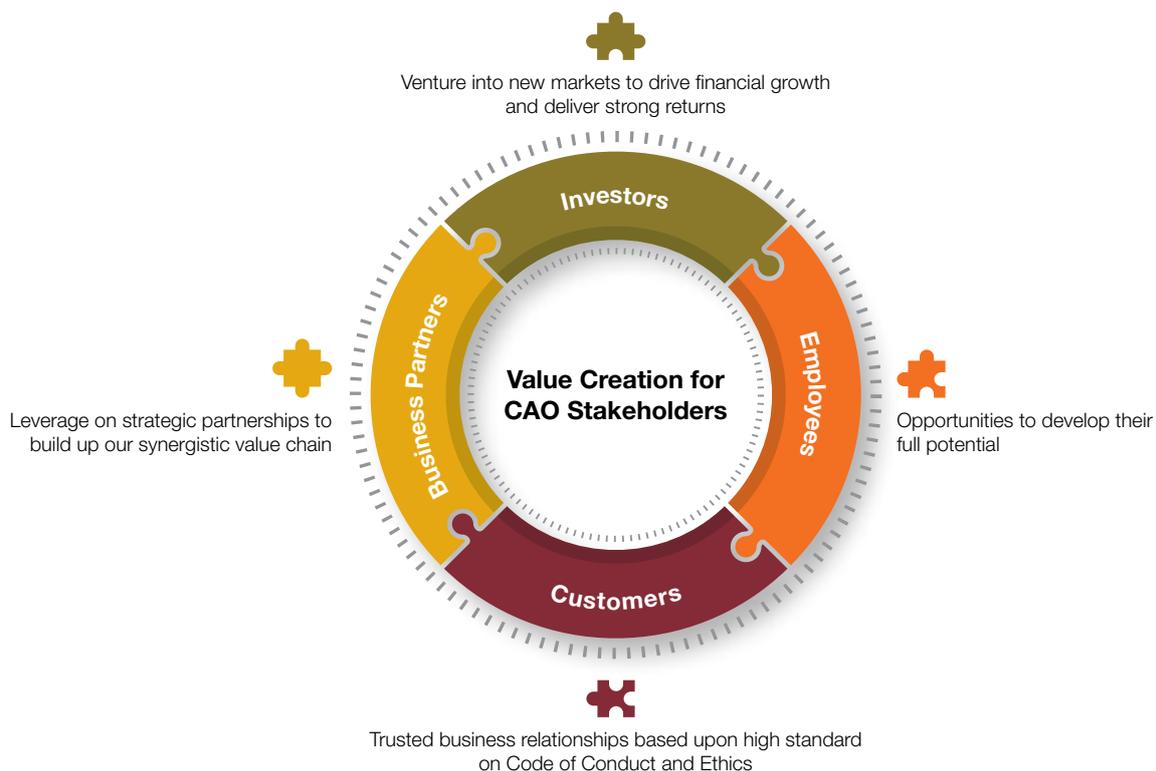
The entities covered in this report are:

1. China Aviation Oil (Singapore) Corporation Ltd (Singapore)
2. China Aviation Oil (Hong Kong) Company Limited (Hong Kong SAR)
3. North American Fuel Corporation (USA)
4. China Aviation Fuel (Europe) Limited (United Kingdom)

This Report and additional corporate information are also available on the Group's website <http://www.caosco.com>.

CAO seeks to continuously improve its sustainability performance and disclosure. We welcome your feedback and comments which can be directed to sustainability@caosco.com.

OUR SUSTAINABILITY APPROACH AND VALUE CREATION



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CAO believes that having engaging conversations and creating value for its various stakeholders are essential to the sustainable success of the Group. CAO's key stakeholder groups and the engagement channels that the Group uses to maintain dialogue with them are summarised in the table below.

Key Stakeholders	Significance to CAO	Modes of Engagement
Investors 	CAO proactively strives to maximise shareholders' returns, and is committed to uphold high standards of corporate governance, prioritising quality and timely communication with investors and analysts as key to transparency and accountability.	Updates of financial results and announcements, business developments, press releases, and other relevant disclosures via SGXNet and company website Annual General Meeting
Employees 	CAO strives to create a diverse and inclusive work environment where all employees feel valued, have the opportunities to grow and are driven to succeed.	Induction programme for new employees Training and development programmes Regular e-mails and meetings Recreational and wellness activities Employee feedback channels Career development performance appraisals
Customers 	CAO seeks to provide quality products and timely delivery on a sustainable basis and strive to exceed customers' expectations.	Regular meetings to communicate updates, including new policies and practices Site visits
Business Partners 	CAO is committed to build on our track record of healthy and safe workplaces that should not compromise the environmental performance in our operations.	Regular meetings with business partners to communicate updates, including new policies and practice Site visits

Awards & Recognition

In 2019, the Group has won the following accolades, reflecting our commitment to corporate responsibility and sustainability.

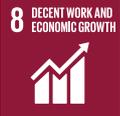
1. Awarded "Most Transparent Company" (Winner in Energy Category) by SIAS, 2019
2. Named "Best-Performing Stock" by The Edge Billion Dollar Club 2019
3. Ranked 48th out of 578 companies on the Singapore Governance and Transparency Index, by The Business Times and the Centre for Governance, Institutions and Organisations
4. Ranked 1695th as "The World's Biggest Public Companies" by Forbes 2019 Global 2000
5. Awarded "Best Risk Management" (Gold Award, Mid Cap Category) by Singapore Corporate Awards 2019

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MATERIALITY ASSESSMENT

In 2019, we reviewed the material ESG topics that we first reported in our 2017 Sustainability Report. In addition, we have considered a range of potential risks by leveraging on our enterprise risk management framework to proactively identify, mitigate and manage our key business risks, and have also aligned our material topics with the SDGs. We have taken into consideration the challenging business landscape, constantly changing global and domestic regulatory development, as well as stakeholders' opinions, and have not made any significant changes in the material topics covered in this report.

Material ESG Topics	CAO Involvement	GRI Disclosures	Our Initiatives	Relevant SDG
Economic Performance	Direct	GRI 201-1 Direct economic value generated and distributed	Proactively develop our business sustainability and long-term business strategy to mitigate macroeconomic risks. Continue to identify and penetrate key global aviation hotspots to diversify its customer base as well as extend the Group's global value chain across Asia Pacific, the United States and Europe.	
Environmental Compliance	Direct	GRI 307-1 Non-compliance with environmental laws and regulations	Comply with relevant laws and regulations to avoid any potential non-compliance incidents and ensure smooth operational efficiency.	
Oil Spill Prevention	Direct, indirect	GRI 306-3 Significant spills	Strive to minimise and mitigate the impact of potential oil spills to protect the surrounding environment. This aligns with the Group's corporate mission to maintain high Safety, Health and Environment ("SHE") standards and to conduct businesses in a safe, reliable and efficient manner, with minimal impact on the environment.	
Health and Safety (Workplace and Customer)	Direct, indirect	GRI 403-2 Hazard identification, risk assessment, and incident investigation GRI 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Maintain high SHE standards and conduct businesses in a safe, reliable and efficient manner. Proactively focus on providing the high quality products and services.	
Diversity and Equal Opportunities	Direct	GRI 405-1 Diversity of governance bodies and employees	Strive to create a diverse and inclusive work environment that promotes and enhances the diversity, experience and abilities of the Group's workforce across all functions across the globe.	
Procurement Practices	Direct	Not applicable	Actively focus on and minimise potential negative reputational impacts in our supply chain.	

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Material ESG Topics	CAO Involvement	GRI Disclosures	Our Initiatives	Relevant SDG
Protection of Sensitive Information	Direct	GRI 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Uphold the Group's high data security standards, CAO remains vigilant on secured communication and protection of its stakeholders' legal rights to privacy and confidentiality.	
Corporate Governance	Direct	GRI 419-1 Non-compliance with laws and regulations in the social and economic area GRI 205-3 Confirmed incidents of corruption and actions taken	High corporate governance standards and robust internal audit processes serve to provide accountability across CAO's business activities to support the realisation of its long-term strategy. No fraud, bribery or corruption will be tolerated.	

This material references Disclosure 201-1 from GRI 201: Economic performance 2016, Disclosure 205-3 from GRI 205: Anti-corruption 2016, Disclosure 306-3 from GRI 306: Effluents and Waste 2016, Disclosure 307-1 from GRI 307: Environmental Compliance 2016, Disclosure 403-2 from GRI 403: Occupational Health and Safety 2018, Disclosure 405-1 from GRI 405: Diversity and Equal Opportunity 2016, Disclosure 416-2 from GRI 416: Customer Health and Safety 2016, Disclosure 418-1 from GRI 418: Customer Privacy 2016, and Disclosure 419-1 from GRI 419: Socioeconomic Compliance 2016.

STRENGTHENING OPERATIONS MANAGEMENT

CAO recognises that sustainability is a responsibility and pre-condition for long-term competitiveness. As such, sustainability governance is needed to ensure high-level accountability and decision-making that allow us to achieve business goals, manage our risks and address the expectations of our stakeholders. In 2019, Management has focused on and placed emphasis with "Compliance as Top Priority, Risk Management of Utmost Importance" to oversee compliance with the Group's established governance structure and policies in each of the Group's operating businesses. In the area of enabling sustainable trading operations, CAO has developed a hedging business policy to mitigate the risks to our business objectives and maximise synergies between business growth and value creation. The implementation of the said policy and strict adherence to the standardised business processes will allow CAO to not only comply with business regulatory requirements but also strengthen the competitiveness of the Group's trading business. CAO is constantly aware of the heightened risks concerning export control regime, anti-bribery and corruption laws due to our global business nature. In line with a core element of our sustainability strategy, CAO has taken actions to improve processes and procedures for the management of trading counterparties to mitigate specific business risks. For more details on CAO risk management structure, strategy and key risks and mitigation, please refer to the Risk Management section.

CORPORATE GOVERNANCE



»»» For 2020, CAO will continue to strive for zero incident of non-compliance with relevant laws and regulations

»»» In 2019, CAO has maintained compliance with relevant laws and regulations, with no major environmental, fraud, corruption and bribery incidents

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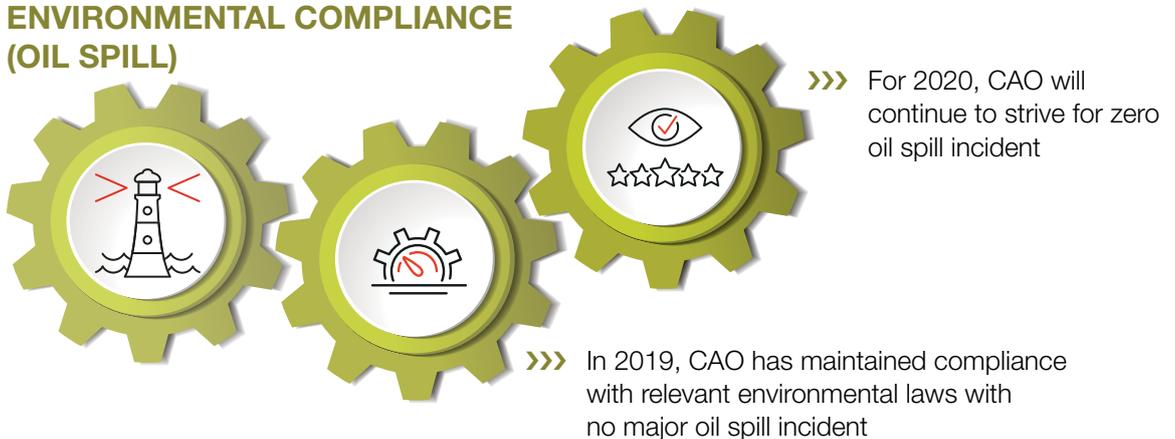
One of the continued priorities of the Group is to always uphold the highest standards of corporate governance and business conduct in order to enhance the interest of our shareholders. In line with the recommendations of the updated Code of Corporate Governance 2018 (“2018 Code”) which was issued by the Monetary Authority of Singapore and SGX Listing rules on strengthening board independence and diversity, CAO has taken steps to align its corporate governance practices with the 2018 Code. In 2019, we are pleased to welcome Mr Teo Ser Luck, Mr Hee Theng Fong and Mr Eugene Leong to CAO’s Board of Directors. Their valuable experience in the planning, development and management of various business arenas will make for insightful discussions, direction setting and decision-making. In addition, CAO has also adopted recommendations by The Institute of Internal Audit to implement the internal audit quality assurance and improvement initiative to enable quality evaluation on the level of internal audit efficiency and effectiveness and seeks to identify opportunities for sustainability integration in the business units. For more details relating to CAO corporate governance matters, please refer to the Statement of Corporate Governance Section.

STREAMLINING BUSINESS COSTS

Amidst the increasingly macroenvironment uncertainties in which CAO continues our business expansion, we have also looked within the group to maximise cost savings that enhance the Group’s profitability. The process streamlining initiative is a consistent step in the Group’s sustainability strategy to manage business costs.

In the past year, we actively collaborated with our global network of trading and shipping counterparties. Notwithstanding CAO’s commitments to environmental sustainability and our end customers’ safety, steps were taken to strengthen our shipping operations with a deep-dive analysis in business costs which include vessel chartering; demurrage; outturn losses to significantly reduce overall operational costs without compromising the quality of our products and services. During the year, CAO has also worked with our supply chain partners, to optimise our oil storage facilities to maximise the returns to shareholders.

ENVIRONMENTAL COMPLIANCE (OIL SPILL)



During the year, CAO has streamlined corporate expenditure across business support functions to increase spend visibility; improve operational efficiency and compliance of business processes. At the same time, the strong support from banking partners has enabled the Group to leverage on our strong centralised cash pool resources to reduce our overall trade financing costs and bank handling fees. Further refinement on streamlining our operating procurement practices and financial expenses when taken together has helped CAO to achieve sustainable cost savings that benefit all our stakeholders.

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DRIVING GROWTH

As CAO continues to make inroads at key geographical locations globally, we recognise that the success of CAO depends on our ability to continue to attract, develop, retain and engage the very best talent. We are committed to a fair, diversified and inclusive working environment that fully leverages our employees' talents where all employees can make a difference and be supported, developed and rewarded for their contributions. CAO takes the responsibility to our employees seriously. We believe in compensating our employees fairly and in compliance with local laws. Please refer to CAO Human Capital Management section for more details.

DIVERSITY AND EQUAL OPPORTUNITY



>>> For 2020, CAO will continue to strive for non-discriminatory recruitment and appraisal practices

>>> CAO has no substantiated incident of discriminatory recruitment and appraisal practices reported in 2019

On the business front, leveraging on the structural reforms of the Chinese oil industry which brought forth business opportunities, the Group's aviation fuel business unit has proactively developed and successfully exported Chinese jet fuel cargoes to North America and Europe markets.

At the same time, leveraging on the integration and establishment of the oil products trading department, CAO continues to develop our other oil products to extend our market participation. By taking advantage of our South Korean storage tanks, and coupled with existing strong business relationship with large Chinese oil refineries, the Group has expanded our crude oil and gasoil supply and trading businesses. Also, the increase in cross-regional arbitrage transactions has effectively raised CAO's market profile and diversified sources of revenue which spurred the Group's global expansion. For more details on CAO outlook and key business plans, please refer to CEO's Message and Operations Review section.

LOOKING AHEAD

CAO will continue to further enhance the competitiveness of the Group's core businesses, and whilst striving to better the Group's financial performance for our shareholders, will also actively work to meet the various expectations of our stakeholders, all of which form the building blocks of foundation for the Group's sustainable growth.



Employees conducting routine checks at TSN-PEKCL Pipeline
员工对管输公司的管线进行常规检查

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董事会声明

中国航油(新加坡)股份有限公司(以下简称“CAO”或“公司”)始终坚持最高的公司治理标准,以提高管理透明度和责任制,促进环境、社会和治理(以下简称“ESG”)方面的健康和可持续发展,从而履行其作为负责任企业公民的社会责任。

作为亚太地区最大的航油实货贸易商,以及中国民航业的主要航油进口供应商,公司还向全球国际机场供应航油,并在从事其它油品国际贸易的同时也投资各种战略油品相关业务。由于CAO核心业务是能源供应与贸易,我们意识到公司不断从事与油品相关的活动将不可避免地直接或间接牵涉到对业务、员工、当地社区和环境的影响。CAO意识到公司最大的影响是通过公司的产品和服务所产生。因此,公司专注于不断创新,以优化CAO的业务运营以及向客户提供的产品和服务,调整企业战略,为利益相关方持续创造价值。

2019年是充满宏观经济不确定性的一年,例如英国脱欧、中美贸易摩擦及全球经济放缓。尽管如此,CAO仍坚定地致力于利用公司的战略优势推进可持续的业务转型,同时也重点关注投资与公司核心业务匹配的项目,进一步实现航油业务和其它油品业务两翼齐飞。作为可持续发展努力的一部分,CAO在“强管理、降成本、促发展”的理念下,多方面进一步改善公司ESG实践,包括精简运营、加强风险管控以及通过降低成本改进措施来维持股东价值的长期增长。

在社会责任方面,CAO意识到我们有责任通过支持并改善工作和生活社区的生活质量,以确保员工和客户的福祉。作为在全球开展业务的供应商、贸易商和服务提供商,公司员工、业务合作伙伴和客户的安全是我们的第一要务,我们不断努力致力于减少运营对环境的影响。

CAO董事会很高兴分享这份可持续发展报告(以下简称“报告”),报告重点介绍了过去一年中公司在推动可持续业务实践方面所做的一些努力,这些实践满足了利益相关方的期望。

关于本报告

CAO的可持续发展治理结构



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CAO的2019年报符合新加坡证券交易所(简称“SGX-ST”)对可持续发展报告“若不遵守就必须解释”的要求,并继续采用国际综合报告理事会(简称“IIRC”)综合报告的主要原则来报告CAO推动创造长期价值的方式。关于重要性评估,本报告还参考了GRI标准。

本报告阐述了截至2019年12月31日财政年度,CAO及香港、美国及英国的子公司对管理环境及社会影响方面的承诺、治理、政策、业绩和目标。我们也将公司的重要ESG因素与联合国可持续发展目标(以下简称“SDGs”)保持一致。

在确定本报告的范围时,公司考虑了股权比例和影响力,并将CAO持有50%以上控股股份的所有子公司纳入本报告范围。因CAO对联营公司的运营没有控制权,所以没有将联营公司纳入本报告范围。

纳入本报告范围的实体包括:

1. 中国航油(新加坡)股份有限公司(新加坡)
2. 中国航油(香港)有限公司(香港特别行政区)
3. 北美航油有限公司(美国)
4. 中国航油(欧洲)有限公司(英国)

关于本报告和其他公司信息,还可登入CAO网站<http://www.caosco.com>查阅。

CAO致力于不断改进可持续发展表现和披露。如果您对本报告有任何意见和建议,欢迎您直接电邮至sustainability@caosco.com。

我们可持续发展的方法和价值创造



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CAO相信,与各利益相关方展开合作并为其创造价值,是公司持续取得成功的关键。下表所列是公司的主要利益相关方,以及CAO与这些利益相关方保持联系的渠道。

主要利益相关方	对新加坡公司的重要性	参与方式
投资者 	CAO积极致力于最大化股东回报,维持良好的公司治理,将与投资者和分析师高效及时的沟通作为提高企业透明度和责任制的关键。	通过SGXNet和公司网站提供最新财务业绩和公告、业务发展、新闻稿和其他相关披露。 常年股东大会
雇员 	CAO努力创造多元化和包容的工作环境,使得员工受重视,有职业发展机会和成功的动力。	新员工入职培训 培训及发展计划 定期电邮和会议 休闲健康活动 员工意见反馈渠道 职业发展绩效审核
客户 	CAO致力于在可持续的基础上提供优质产品并及时交付,努力超越客户的期望。	与客户定期会面以交流最新情况,包括最新政策和实践 实地访问
商业伙伴 	CAO致力于保证健康及安全的工作环境,确保公司运营不会影响环境。	与商业伙伴定期会面以交流最新情况,包括最新政策和实践 实地访问

奖项与认可

在2019年,CAO赢得了以下荣誉,这反映了公司对企业责任和可持续性的承诺。

1. 获得新加坡证券投资者协会(简称“SIAS”)授予2019年“最透明公司奖”(能源组第一名);
2. 获《前沿》周刊颁发2019年亿万新元俱乐部“最佳表现股”(商业组别)奖;
3. 2019年,在新加坡国立大学商学院的治理、机构和组织中心的公司治理与透明指数排名中,在578家公司中名列第48位;
4. 福布斯2019全球企业2000强名列1695位;
5. 获颁新加坡企业大奖组织2019年“最佳风险管理”(金奖,中型企业组别)。



CAO was awarded Best Risk Management (Gold) at Singapore Corporate Awards 2019
CAO获颁2019年新加坡企业大奖的“最佳风险管理”金奖

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重要性评估

2019年,我们回顾了2017年可持续发展报告中首次报告的重要ESG因素。此外,还考虑了一系列潜在风险,通过公司的风险管理框架来主动识别、减轻和管理主要业务风险,将公司重要ESG因素与可持续发展目标结合起来。考虑到充满挑战的商业环境,不断变化的全球和国内监管发展,以及利益相关方的意见,我们并未对本报告中涵盖的ESG因素进行任何重大更改。

重要ESG因素	公司参与方式	GRI披露	实践	相应的SDG
经济表现	直接	GRI 201-1 已产生和分配的直接经济价值	积极开展可持续业务和长期业务战略,以减轻宏观经济所带来的各种挑战。 继续发掘并渗透全球主要航空热点,以扩大客户基础,并将公司的全球价值链伸延至亚太和欧美地区。	8 体面工作和经济增长 
环境合规	直接	GRI 307-1 违反环境法律法规的情况	遵守相关环保法律法规,避免可能发生的违规事件,确保顺利运营,提高效率。	16 和平、正义与强大机构 
防止溢油	直接,间接	GRI 306-3 严重溢油情况	致力于尽量减少潜在溢油事件的影响,以保护周边环境。这与公司坚持安全、健康、环境(简称“SHE”)高标准,以安全、可靠、高效的方式经营业务的使命一致。	14 水下生物 
健康与安全 (工作场所和客户)	直接,间接	GRI 403-2 伤害类别,风险评估与事故调查 GRI 416-2 有关产品和服务影响健康和安全的违规事件	继续以保持SHE高标准为使命,以安全、可靠、有效的方式开展业务。 力求提供高质量的产品和服务。	8 体面工作和经济增长 
多元化与平等机会	直接	GRI 405-1 治理组织和雇员的多样化	努力创造多元化和包容的工作环境,促进和提高全球所有职能部门员工的多样性、经验和能力。	5 性别平等 
采购实践	直接	不适用	积极关注供应链中对声誉的潜在的负面影响并减至最低。	12 负责任消费和生产 
保护敏感信息	直接	GRI 418-1 有关违反客户隐私权和遗失客户资料的实证投诉	维护公司的高标准数据安全,公司对保密通信及其利益相关者的隐私和保密合法权利保持警惕。	16 和平、正义与强大机构 
公司治理	直接	GRI 419-1 社会和经济领域中的违反法律法规的情况 GRI 205-3 经证实的贪污事件及采取的相应行动	严格的公司治理标准和完善的内部审计程序为新加坡公司的所有商业活动提供责任担当,以支持新加坡公司实现长期战略。 绝不容忍任何欺诈、贿赂或贪污行为。	2 零饥饿 

本材料引用‘GRI 201:经济绩效2016’中的披露项201-1,‘GRI 205:反腐败2016’中的披露项205-3,‘GRI 306:污水和废弃物2016’中的披露项306-3,‘GRI 307:环境合规2016’中的披露项307-1,‘GRI 403:职业健康与安全2018’中的披露项403-2,‘GRI 405:多元化与平等机会2016’中的披露项405-1,‘GRI 416:客户健康与安全2016’中的披露项416-2,‘GRI 418:客户隐私2016’中的披露项418-1,以及‘GRI 419:社会经济合规2016’中的披露项419-1。

Sustainability Report 可持续发展报告

强管理

CAO意识到,可持续发展不仅是一种责任,也是企业长期竞争力的前提条件。因此,为了实现业务目标、管控风险并满足利益相关方的期望,公司需要推广可持续性治理,以确保高标准的责任制和决策能力。在2019年,管理层以“合规第一,风控至上”为核心重点来监督每项业务运营中对现有的公司治理结构和政策的守规情况。CAO制定了套期保值方案来规避公司业务的风险,并最大程度地提高业务增长与价值创造之间的协同作用。套保方案的实施和标准化业务流程的严格遵守不仅确保了CAO符合相关的业务管理要求,同时也增强了公司贸易业务的竞争力。随着全球业务的扩大,公司意识到相关出口管制制度,反贿赂和反腐败法律的风险逐渐增大。为符合可持续发展战略的核心要求,公司采取措施改善现有交易对象管理流程,以降低相应的业务风险。有关风险管理结构、战略、重大风险及风险防范措施之详情,请参阅风险管理部分。

公司治理



CAO的主要任务之一是始终坚持高标准的公司治理和商业行为,以提高股东的利益。根据新加坡金融管理局发布的最新《2018年公司治理准则》(简称“2018年准则”)和新交所上市规则中关于加强董事会独立性和多元化的建议,公司已采取措施,尽量符合2018年准则的规定。2019年,公司有幸请到张思乐先生、许廷芳先生和梁子建先生加入CAO董事会,他们在各商业领域的规划、发展和管理方面的宝贵经验将有助于公司在公司治理实践方面得到深入探讨、正确指导和有效决策。与此同时,公司还借鉴了内部审计学会推荐的最佳实践,实施了内部审计质量保证和改进计划,以便能够对内部审计效率和有效性进行质量评估,并寻求可持续的改进机会。有关CAO公司治理方面的更多详细信息,请参阅公司治理声明部分。

降成本

在宏观环境日益不确定的情况下,CAO业务的继续扩展,公司也对内部管理进行了进一步规范,通过精细化管理进一步节省成本,以提高公司的盈利能力。精简业务流程是公司管理业务成本的可持续发展战略步骤之一。

在过去的一年中,公司与全球网络贸易和航运对象积极合作。CAO承诺保护环境、保证终端客户的安全,通过对业务成本的深入分析,包括船舶租赁、滞期费、损耗等相关营业成本,采取措施加强航运业务,在不影响产品和服务质量的前提下,显著降低总体运营成本。这一年内,CAO也与供应价值链伙伴一同积极对现有储罐设施进行优化,从而最大程度地为投资者带来经济回报。

环境合规(防止溢油)



Sustainability Report 可持续发展报告

在这一年中,公司严格控制各个业务支持部门的支出,提供支出可见性、提高运营效率和业务流程的合规性。同时,在银行合作方的大力支持下,公司通过集中现金池资源来降低总体贸易融资成本和银行手续费。通过进一步精简运营采购和财务费用,帮助公司实现了可持续的成本节约,使公司所有的利益相关方受益。

促发展

随着业务进入世界主要区域,我们意识到,CAO的成功取决于继续吸引、发展、留住和聘用优秀人才的能力。公司致力于创造一个公平、多元化和包容性的工作环境,充分发挥员工的才能,让所有员工都能有所作为,并因其贡献而得到支持、发展和奖励。公司对员工认真负责,根据当地法律给予员工公平合理的薪酬。有关更多详细信息,请参阅CAO人才资源管理部分。

多元化和平等机会



在业务方面,借助中国油气的结构性变化,公司航油业务部积极发展并成功出口航油到欧洲和北美等地区。

同时,通过油品贸易部门的成立,CAO继续开发其它油品业务,以稳步扩大公司的市场参与度。通过利用在韩国的储罐,以及与中国大型炼厂牢固的业务关系,公司扩展了原油和柴油的采购和销售方式。同时,通过增加跨地区实货交易有效提高了CAO的整体市场声誉,创造了多种收入来源,从而促进了快速全球发展。有关CAO前景和主要业务计划的更多详细信息,请参阅首席执行官致辞和经营概况部分。

展望未来

CAO将进一步提升公司核心业务的竞争力,在努力为股东创造更好财务业绩的同时,也会充分考虑其他利益相关方的需求,并尽力使其得到满足,为公司的长期可持续发展奠定基础。



CAO is committed to provide employees with high quality learning opportunities for education and skills development
CAO致力于向员工提供高水准的教育培训和技能拓展机会

Financial Review

业绩回顾

OVERVIEW

For the financial year ended 31 December 2019 (“FY2019”), CAO Group achieved total revenue of US\$20.34 billion, slightly lower by 1.30% compared to US\$20.61 billion for the financial year ended 31 December 2018 (“FY2018”). The reduction in oil prices contributed to the decrease of 7.27% in revenue, partly offset by the increase of 5.97% in trading volumes.

Operating profit for the Group at US\$40.90 million in FY2019 was higher than FY2018 by 43.86%, mainly due to higher gross profit derived from jet supply and trading, higher other operating income and lower operating expenses.

The share of results of associates was US\$65.53 million in FY2019, lower by 9.12% compared to US\$72.11 million in FY2018.

The Group's net profit attributable to shareholders in FY2019 was higher by US\$5.97 million or 6.36% at US\$99.83 million. Consequently, Earnings Per Share (“EPS”) was higher at 11.61 US cents compared to 10.91 US cents last year. Return on Equity (“ROE”) decreased 0.15% to 12.45%, mainly attributable to the higher rate of increase in average equity compared to the rate of increase in profits.

The Group generated higher cash from operating activities but the increase in working capital requirements has resulted in lower net operating cash flow of US\$49.89 million in FY2019, compared to net operating cash flow of US\$150.84 million in FY2018. Cash flow from investing activities decreased due to lower dividends received from associates, partly offset by cash used in the acquisition of subsidiaries in FY2018.

The Group is proposing a final one-tier tax exempt ordinary dividend of S\$0.047 per share for FY2019.

Notwithstanding the challenging market conditions and expectations of a slowdown in global economic growth, CAO will stay the course to build on its jet fuel supply and trading network and strategic advantages in the trading of other oil products. The Group will also continue to focus on long-term profitability by seeking opportunities for expansion through investments in synergetic and strategic oil-related assets and businesses.

REVENUE

Total revenue decreased 1.30% to US\$20.34 billion in FY2019. Revenue from supply and trading of middle distillates decreased 9.97% to US\$13.59 billion attributable mainly to the decrease in oil prices. Total supply and trading volumes was 36.93 million tonnes for FY2019, an increase of 5.97% compared to 34.85 million tonnes for FY2018. Jet fuel supply and trading volumes increased 14.10% to 16.27 million tonnes for FY2019, compared to 14.26 million tonnes for FY2018, and accounted for 49.77% of the Group's total revenue in FY2019. Trading volume for other oil products, comprising mainly crude oil and fuel oil, decreased 1.96 million tonnes (11.79%) to 14.67 million tonnes in FY2019 and generated US\$6.75 billion in revenue.

China remains the Group's largest market, accounting for 52.33% of the Group's revenue in FY2019, a decrease of 7.47 percentage points in proportion to the Group's revenue compared to FY2018.

Gross profit increased by 16.93% to US\$58.46 million for FY2019 compared to US\$49.99 million for FY2018, mainly due to higher profits from the jet fuel supply and trading business.

Other operating income was US\$5.82 million for FY2019, an increase of 46.18% compared to US\$3.98 million for FY2018. Of which, bank interest income derived from time deposits placed with banks and financial institutions was US\$6.48 million for FY2019, an increase of 42.06% compared to US\$4.56 million for FY2018.

Total expenses decreased 8.50% to US\$23.37 million for FY2019 compared to US\$25.54 million last year due mainly to lower interest expense.

SHARE OF RESULTS FROM ASSOCIATES

Contributions from the share of results in associates, mainly from Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd (“SPIA”), decreased 9.12% to US\$65.53 million for FY2019 compared to US\$72.11 million for FY2018. Profit contribution from SPIA decreased 9.78% to US\$58.83 million compared to US\$65.21 million last year mainly due to lower revenue and foreign exchange effect.

Financial Review 业绩回顾



The share of profits from Oilhub Korea Yeosu Co., Ltd (“OKYC”) was US\$5.17 million in FY2019 compared to US\$4.78 million in FY2018 due mainly to higher operating income.

Profit contribution from China National Aviation Fuel TSN-PEK Pipeline Transportation Corporation Ltd (“TSN-PEKCL”) was US\$2.54 million for FY2019 compared to US\$2.28 million for FY2018 due mainly to lower operating expenses.

NET PROFIT

The Group’s profit before tax at US\$106.43 million, was higher by 5.86% compared to US\$100.54 million for FY2018 mainly due to the higher gross profits generated, higher bank interest income and lower finance costs partly offset by lower share of results of associates.

Income tax expense was about the same at US\$6.60 million for FY2019 compared to US\$6.68 million for FY2018.

On the back of higher gross profits and the stable contributions from associates, the Group recorded net profit of US\$99.83 million in FY2019, higher by US\$5.97 million or 6.36% compared to US\$93.86 million for FY2018.

FINANCIAL POSITION

The Group continues to maintain a healthy balance sheet in FY2019. As at 31 December 2019, total assets amounted to US\$1.87 billion, compared to US\$1.65 billion as at 31 December 2018 due mainly to the increase in trade and other receivables, contract assets and cash and cash equivalents partly offset by the decrease in inventories.

The Group’s liquidity and debt servicing ability remained strong. As at 31 December 2019, the Group’s cash and cash equivalents were US\$378.78 million, compared to US\$357.69 million as at 31 December 2018, increased by US\$21.09 million. As at 31 December 2019, the Group’s current ratio and quick ratio were 1.45 and 1.39 respectively (31 December 2018: 1.52 and 1.39 respectively). In 2019, Group’s total trade and banking facilities amounted to US\$2.92 billion.

The Group’s net assets stood at US\$834.96 million or 97.07 US cents per share as at 31 December 2019, compared to US\$769.14 million or 89.42 US cents per share as at 31 December 2018, increased by US\$65.82 million and 7.65 US Cents, respectively. The increase in net asset value per share was attributable mainly to the earnings generated in FY2019 less dividends paid in respect of FY2018.

The Group continues to preserve its overall liquidity position to support its growing businesses. The Group’s principal sources of cash flows are from its supply and trading business operations as well as dividends received from its investment in associates.

The Group continues to maintain a healthy bank balance, exercising stringent credit management even as it continues to focus on credit control as well as account receivables and working capital management, while proactively seeking synergistic and strategic asset investment opportunities to diversify and augment its income streams.

ECONOMIC VALUE ADDED

Economic Value Added (“EVA”) profit for FY2019 was US\$48.37 million, an increase of 6.59% or US\$2.99 million from US\$45.38 million for FY2018, mainly due to the increase in net earnings on the back of higher capital employed. Accounting net profits increased 6.36% year-on-year to US\$99.83 million for FY2019, compared to US\$93.86 million for FY2018. To reward shareholders, the Board Directors have proposed a first and final dividend in cash of S\$0.047 per share for FY2019 (FY2018: S\$0.045). The Group will continue to focus on improving efficiency to create value for shareholders and remain prudent in financial management.

Financial Review

业绩回顾

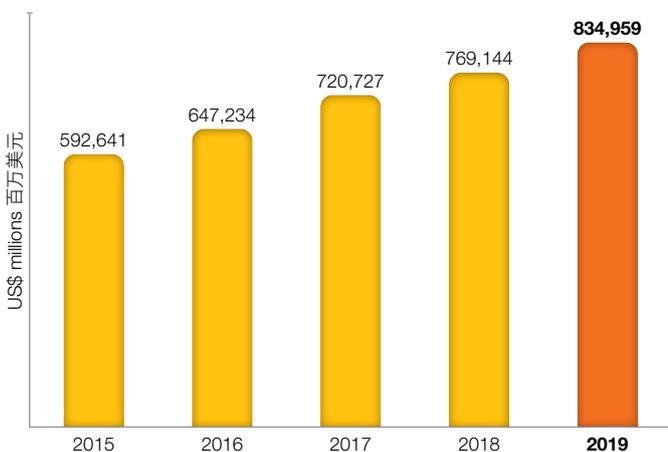
5-YEAR FINANCIAL SUMMARY 五年财务摘要	2015	2016	2017	2018	2019
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INCOME STATEMENT (US\$'000) 损益表(千美元)					
Revenue 营业额	8,987,487	11,703,191	16,267,606	20,611,954	20,343,491
Gross Profit 毛利	35,444	44,050	38,703	49,994	58,456
Associated Companies 联营公司	42,296	66,363	71,534	72,109	65,532
Net Profit Attributable to Equity Holders of the Company (PATMI) 可向股东分配净利润	61,281	86,457	84,927	93,858	99,830

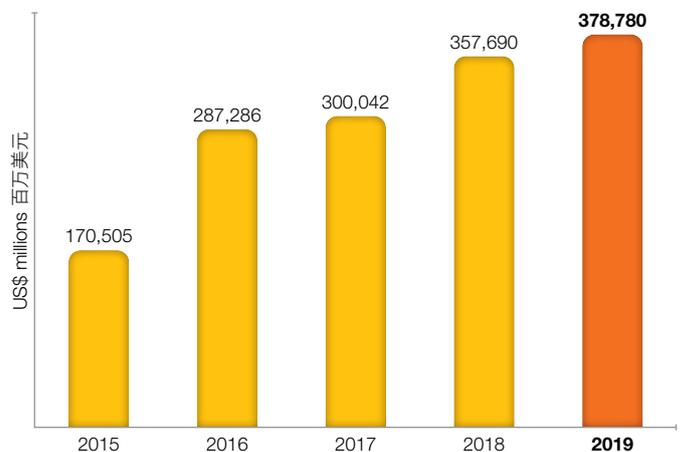
BALANCE SHEET (US\$'000) 资产负债表(千美元)					
Total Assets 总资产	845,517	1,341,970	1,909,809	1,653,568	1,872,945
Total Equity 股东权益	592,641	647,234	720,727	769,144	834,959
Cash and Cash Equivalent 现金及现金等价物	170,505	287,286	300,042	357,690	378,780

FINANCIAL RATIOS 财务比率					
Earnings Per Share (US\$ cents) 每股收益(美分)	7.12	10.05	9.87	10.91	11.61
Net Asset Value Per Share (US\$ cents) 每股净资产(美分)	68.90	75.24	83.79	89.42	97.07
Return on Equity 净资产回报率	10.7%	14.0%	12.4%	12.6%	12.5%
Return on Assets 资产回报率	5.7%	7.8%	5.7%	5.8%	6.1%
Debt Equity Ratio 股本带息负债率	0.0%	15.4%	16.6%	0.0%	0.0%

Total Equity
股东权益



Total Cash & Cash Equivalent
现金及现金等价物



Financial Review 业绩回顾

综述

截至2019年12月31日(“2019财年”),公司总收入为203.4亿美元,相比2018年12月31日(“2018财年”)的206.1亿美元下降1.30%,主要是因为油价下降,收入减少7.27%,贸易量增加5.97%,抵消了部分降幅。

公司2019财年的营业利润为4,090万美元,比2018财年增加43.86%,主要是因为航油供应与贸易带来的毛利增加,其他收入增加和运营费用减少。

2019财年来自联营公司的投资收益为6,553万美元,较上年同期的7,211万美元,下降9.12%。

2019财年可分配给公司股东的净利润为9,983万美元,同比增长597万美元,增幅为6.36%。2019财年的每股净利润为11.61美分,上年同期为10.91美分。净资产收益率(简称“ROE”)下降0.15%至12.45%,主要由于净资产平均增幅率高于利润平均增幅率。

2019财年经营活动产生较高的现金流,但是贸易活动经营占用的资金增加使得2019财年经营活动净现金流入为4,989万美元,2018财年的经营活动现金流入为1.51亿美元。投资活动的现金流入减少,主要是来自联营公司的股息收入下降,部分被2018财年用于收购子公司的现金所抵消。

公司提议2019财年的最终股息为每股0.047新元。

尽管市场条件充满挑战,预期全球经济增长放缓,中航油仍将继续发展其航油供应和贸易网络,以及在其他油品贸易中的战略优势。本公司还将继续通过投资协同和战略性油品相关产业及业务寻求扩张机会,继续专注发展长期盈利能力。

收入

2019财年总收入下降1.30%至203.4亿美元。主要由于油价下降,中馏分供应与贸易收入减少9.97%至135.9亿美元。2019财年供应与贸易总量为3,693万吨,比2018财年的3,485万吨上涨5.97%。航油供应与贸易量从2018财年的1,426万吨增加至2019财年的1,627万吨,涨幅为14.10%,占公司2019财年总收入的49.77%。其他油品贸易量(主要来自于燃料油和原油)在2019财年下降196万吨(11.79%)至1,467万吨,贡献67.5亿美元收入。

中国依然是公司的最大市场,占公司2019财年收入的52.33%,与2018财年的收入相比,占比下降7.47%。

2019财年毛利增长16.93%至5,846万美元,2018财年毛利为4,999万美元,主要是由于航煤供应和贸易盈利较高所致。

2019财年其他经营收入为582万美元,较上年同期为398万美元增加184万美元,增幅为46.18%。2019财年银行存款利息收入为648万美元,较去年同期456万美元增涨42.06%。

2019财年总费用为2,337万美元,相比上年同期的2,554万美元下降8.50%,主要是利息费用减少。

来自联营公司投资收益

2019财年联营公司投资收益为6,553万美元,相比上年同期的7,211万美元下降9.12%,主要是来自上海浦东国际机场航空油料有限公司(简称“浦东航油”)的投资收益减少。2019年来自浦东航油的投资收益为5,883万美元,相比上年同期的6,521万美元下降9.78%,主要是因为收入减少和汇率变化。

2019财年来自Oilhub Korea Yeosu Co., Ltd(简称“OKYC”)的投资收益为517万美元,上年同期为478万美元,主要是因为经营收入较高。

2019财年来自中国航油集团津京管道运输有限责任公司(简称“管输公司”)的投资收益为254万美元,上年同期为228万美元,主要是因为运营费用减少。



CAO employees in a brainstorming session
小组讨论活动

Financial Review 业绩回顾



净利润

2019财年公司税前利润为1.0643亿美元，较2018财年的1.0054亿美元增长5.86%，主要由于毛利和银行利息收入增加，财务费用减少，部分被较低的投资收益抵销。

2019财年所得税费用为660万美元，与上年同期的668万美元持平。

由于毛利较高以及联营公司的收益稳定，2019财年净利润为9,983万美元，比2018财年的9,386万美元，增加597万美元，增幅为6.36%。

财务状况

2019财年公司资产负债状况健康。截至2019年12月31日，总资产为18.7亿美元，上年同期为16.5亿美元，主要是由于应收账款和其他应收账款，合同资产，现金及现金等价物增加，部分被存货减少抵销。

公司的流动性和偿债能力依然稳健。截至2019年12月31日，公司现金和现金等价物为3.79亿美元，截至2018年12月31日是3.58亿美元，增长0.21亿美元。截至2019年12月31日，公司的流动比率和速动比率分别为1.45和1.39（截至2018年12月31日分别为1.52和1.39）。2019年，公司的银行授信额度总额为29.2亿美元。

截至2019年12月31日，公司净资产为8.35亿美元，每股净资产为97.07美分，而截至2018年12月31日，公司净资产为7.69亿美元，每股净资产为89.42美分，分别增加了0.66亿美元和7.65美分。每股净资产的增加主要由于2019年盈利的增加，部分被支付的2018年股息所抵销。

公司继续保持较好的整体流动性水平，支持业务拓展。公司主要的现金来源是供应与贸易业务以及从联营公司收取的红利。

公司继续保持稳健的银行资金，严格管理信用风险，持续关注信用控制、应收账款、流动资金管理，积极寻找有协同性的战略资产投资机会，拓宽收入来源。

经济增加值

2019财年经济增加值（简称“EVA”）为4,837万美元，相比上年的4,538万美元增加299万美元，增幅为6.59%。主要因为净利润增加，在投资资本增加的情况下经济增加值上升。2019财年净利润为9,983万美元，比2018财年的9,386万美元增长6.36%。为了回报股东的支持，董事会提议2019财年派发每股0.047新元的年终股息（2018财年：0.045新元）。公司会继续提高运营效率，保持谨慎的财务管理，为股东持续创造价值。

Risk Management 风险管理

2019 was a year of unprecedented challenges with geopolitical and economic tensions as well as economic volatility increasing the risk profiles of many corporates. In particular, the ever-escalating US-China trade conflict dampened global economic sentiments considerably which inevitably impacted CAO's operations. Given the heightened market uncertainties throughout the year, the Group faced an escalating complexity of various operational risks in 2019 even as regulatory requirements for corporate governance and compliance became more stringent. The oil price fluctuated significantly in 2019 with the Brent Crude averaging US\$54.91 per barrel at the start of the year to peak at US\$74.57 in May before falling back to US\$60.00 per barrel and continued to be volatile for the rest of the year.

Against a complex and constantly changing environment, CAO relied on its four-tier risk management framework and reporting structure, adhering to the Group's "Compliance as Top Priority, Risk Management of Utmost Importance" business philosophy, to analyse, assess and identify various risks to effectively mitigate and manage the risk exposure faced by the Group's expanding globalised business operations to ensure healthy business growth.

In 2019, the Group continued to strengthen its risk management framework with measures which chiefly included the implementation of (1) a hedging business policy to strengthen the oversight of its derivatives

business; (2) updating of counterparty management policy to improve credit risk controls; (3) standardising contractual clauses for business agreements to reduce contractual risks; and (4) mitigating initiatives from a Enterprise Risk Management ("ERM") review to enhance the overall risk management of the Group.

As part of its risk culture, the Group continues to actively develop and refine its centralised risk control and network support to enable global business growth. The Group's risk management process comprises the following features:

1. risk management framework, policies and processes;
2. risk management strategy;
3. five key risks and mitigation strategies;
4. comprehensive Enterprise Risk Management;
5. market risk management and sensitivity analysis;
6. credit risk management and concentration analysis.

RISK MANAGEMENT FRAMEWORK, POLICIES AND PROCESSES

CAO's risk management framework comprises risk management policies, guidelines, procedures, processes, limits, as well as systems of internal controls, which are put in place to identify, measure and control various risks encountered in our business operations, enabling the Group to quickly respond to constantly changing market conditions.

ROBUST MANAGEMENT CONTROL STRUCTURE 严谨的管理控制架构



Risk Management 风险管理

Our risk management foundation is built upon three pillars namely:

1. four-tier management and control structure;
2. policies, guidelines and control framework;
3. system, process and people.

The Group's four-tier management and control structure is designed to ensure sound governance and oversight over the execution of effective risk management practices for the Group.

At the strategy level, the Board of Directors ("the Board") has principal oversight and responsibility on the effective risk management of the Group with all risk management related issues ultimately reported to the Board.

At the tactical level, the Risk Management Committee ("RMC") oversees strategic risk management issues. The RMC reviews the limits for various types of risks which are subsequently submitted to the Board for review and approval. This review and approval flow also includes new business activities that CAO plans to embark on. Through monthly reports and quarterly meetings, the RMC reviews the various risk metrics that provide an indication on CAO's risk exposures and the manageability of each risk category.

At the management level, the Company Risk Meeting ("CRM") plans and implements risk management controls on the Group's risk exposures such as market, credit, operational, enterprise, compliance and reputational risks. The CRM operates within the delegated authority set at the RMC level and is chaired by the Head of Risk Management, who reports to the management team but has an independent direct reporting line to the RMC.

At the operational level, the Risk Management Department ensures that risk management activities are executed daily and that all risk-related policies, processes and limits are implemented and adhered to. Over the past years, the risk team has defined and built the framework around risk management, identifying, reporting and monitoring the risk profiles of the Group's supply and trading businesses in Singapore, Hong Kong SAR, Los Angeles and London. CAO's global risk team, with professional credentials such as Energy Risk Professional (ERP) and Financial Risk Manager (FRM) by Global Association of Risk Professionals (GARP) and their expertise in credit, market and enterprise risk management, manages and supports appropriate risk management practices in daily operations across the globe, enabling the management team to execute strategic business objectives and achieve performance targets.

RISK MANAGEMENT STRATEGY

The Group's growing oil products portfolio subjects CAO to a number of risks which include exposure stemming from changes to regulatory and operational conditions in certain regions, fluctuations in currencies and volatility in oil prices. To better manage the exposure of the Group's growing business portfolio, CAO has strengthened the credit risk management team as part of an enhanced global credit risk framework to manage growing uncertainties in the Group's key markets.

The Group's management of risk includes identifying key areas of uncertainties and risks that will impact the Group's strategic performance, and have in place the appropriate risk mitigating initiatives to manage them:

- Market risk – is the risk of losses arising from movements in trading positions and market prices;
- Credit risk – is the risk due to uncertainty of counterparty to meet its contractual obligations;
- Operation risk – is the risk arising from operational gaps of both financial and physical operations;
- Legal risk – is the risk of financial and/or reputational loss that can result from lack of awareness or misunderstanding of, ambiguity in, or reckless indifference to, the way law and regulation apply to a company's business; and
- Finance risk – is the risk that a firm will be unable to meet its financial obligations.

In addition to conducting regular market risk stress tests on positions held by the Group, we conducted an enterprise-wide stress test in 2019 based on the impact that an escalating US-China trade conflict scenario can have on CAO. These enterprise-wide stress tests cover various risks in the areas of market, credit, foreign exchange, financing, operations as well as legal and regulatory. Through such stress-testing exercises and its evaluation reports, CAO's Board and management team are regularly updated on the mitigation measures in place to manage the various risks as well as the implications and potential impact on the Group's business operations.

Risk Management 风险管理

No.	Assessed Significant Risks	Mitigation Strategies	Impact
1	Regulatory risk – such as liberalisation of the jet fuel import market in the PRC	<ol style="list-style-type: none"> To establish a diversified portfolio and leverage on the structural advantages of the supply and trading network To improve logistics efficiencies and extend value chain to establish a comprehensive and systematic global jet fuel supply and trading network 	High
2	Trading counterparty credit risk	<ol style="list-style-type: none"> To set appropriate portfolio credit limit for all trading counterparties To conduct annual review on active counterparties To strengthen the credit risk management team To implement credit mitigation measures, such as Letter of Credit, prepayments, credit insurance and so forth To manage credit risk related issues via the Credit Committee under CRM. 	Mid
3	Human resource risk	<ol style="list-style-type: none"> To implement a competitive compensation package To provide competitive employee benefits To implement a career progression & development plan To implement succession plan to address key personnel risks 	Mid
4	Single product strategic risk	<ol style="list-style-type: none"> To adopt product diversification strategy to develop supply and trading capabilities in other oil products Seek to build structural advantages for other oil products through securing supply contracts and investing in synergetic assets to support trading activities 	Mid
5	Investment strategy risk	<ol style="list-style-type: none"> Proactively seek opportunities that offer value add for core jet fuel business with a focus on aviation marketing to support the Group's supply and trading network Continuously refine the Group's investment portfolio through acquisitions and invest in synergistic assets for profitable growth 	Mid

TOP 5 RISKS AND MITIGATION

At CAO, we constantly improve on the risk control systems through adopting best-in-class practices and developing new initiatives to enhance the Group's risk management capabilities. Besides managing key identified business risks on a daily basis, we have also analysed and determined the top five risks in CAO's operating environment in 2019 from an internal assessment standpoint.

COMPREHENSIVE ENTERPRISE RISK MANAGEMENT

Recognising that risk management plays an important role in business sustainability, CAO has adopted ERM practices to identify and manage the diverse risks inherent to the Group's globalised operations. Building on the ERM practices, the risk management team is able to identify, analyse and prioritise key risk factors faced by the Group, and ensures that action plans to mitigate identified risks are executed as planned by respective risk owners from

various business units and functions. The process ensures that key risks are proactively monitored and managed and that appropriate mitigations are put in place.

Under the ERM, the top-down and bottom-up approach is deployed to effect information collection and compilation for the Group's risk register. The Group currently reviews the Risk Register semi-annually. During the review process, each risk entry is quantified based on impact, probability and rank, so as to prioritise significant potential risks for the Group.

Besides the Risk Register being a critical component of ERM, the CRM committee, comprised of management team and business heads, is an important channel for discussing risk-related topics and issues. Through monthly CRM meetings, as well as ad-hoc meetings and e-mail circulation, potential risk factors identified in daily business operations can be discussed and evaluated on a timely basis. For example, at times when a counterparty faces

Risk Management 风险管理

cash flow issues resulting in late payments, the CRM may deliberate and decide whether to halt further commercial dealings with the said trading counterparty.

For the past two years, the stress-testing conducted at the enterprise level, covering various risk categories, has enabled the Group to better understand the possible impact CAO could face in special situations amid a disrupted environment, thus enabling the Group to take appropriate and effective mitigation measures for risk management.

MARKET RISK MANAGEMENT AND SENSITIVITY ANALYSIS

In the area of market risk management, the Risk Management team monitors and analyses the Group's supply and trading activities, maintains comprehensive risk control records and reports daily to the management team as well as relevant business functions.

The Market Value at Risk ("MVaR") is used as a primary tool to measure market risk. All physical and financial contracts are subjected to MVaR limits and valuation of the holding portfolio is monitored on a daily basis. A set of market risk limits, which are delegated by the Board, include Volumetric limits, MVaR, Management Alert Triggers, Stop-

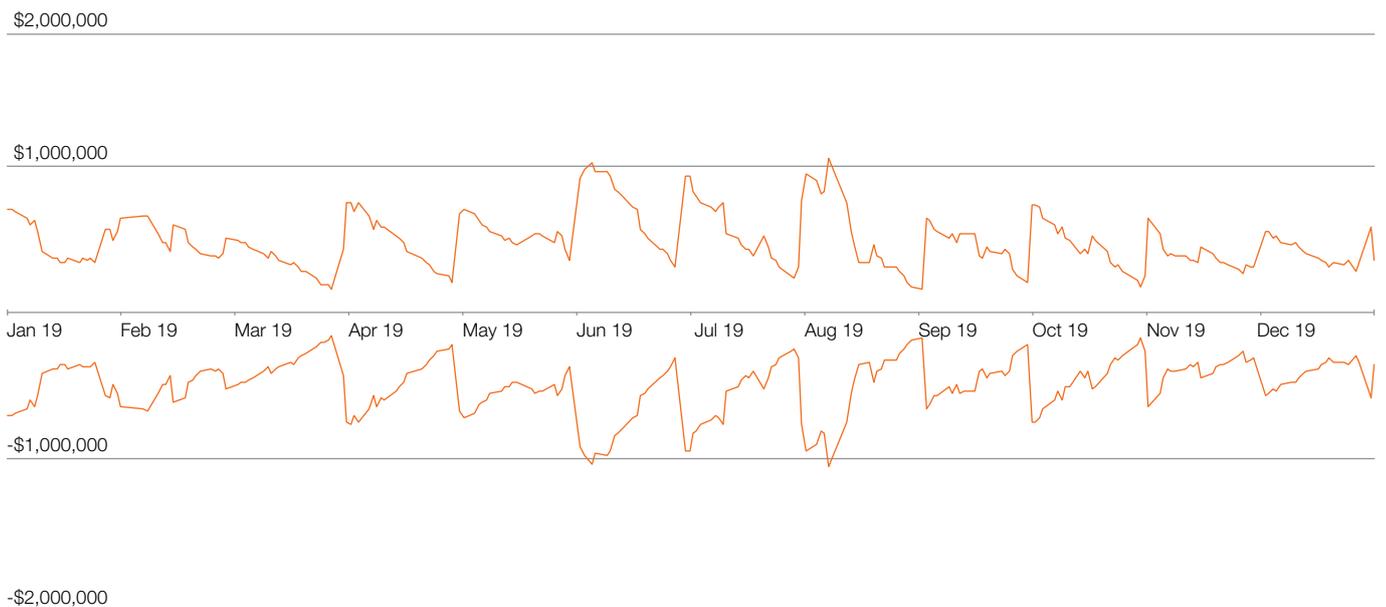
Loss limits and Hedging Ratio which are measured and monitored daily, with back-testing conducted regularly to ensure the suitability of the Group's MVaR model.

To complement the market risk limits, the Risk Management team also conducts market stress tests on the company's trading positions on a regular basis. Using historical scenarios, the Risk Management team simulates in a timely manner the likely impact of the Group's trading positions in times of extreme market conditions. In 2019, a stress test on US-China trade conflict was conducted, which allowed CAO to have timely and deeper insights on the Group's business activities, and enabled the Group to take mitigating actions and countermeasures when necessary.

Notwithstanding the high volatility in the market environment, the Group's risk appetite remains cautious and measured. The daily MVaR utilisation rate, based on a 95% confidence interval, has remained stable, registering an average MVaR utilisation of US\$496,000 in 2019.

To further tighten risk control on the derivatives business, the Group had implemented the hedging business policy in 2019, in which derivative instruments are to be used solely for hedging purposes and any form of speculative activities are strictly prohibited.

2019年公司市场风险值使用情况 2019 MVaR UTILISATION AT COMPANY LEVEL



Risk Management

风险管理



Small group discussions facilitate exchange of ideas and best practices
通过小组讨论促进最佳实践的交流

CREDIT RISK MANAGEMENT AND CONCENTRATION ANALYSIS

Due to the nature of the Group's business operations, credit risk is inherent in the Group's trading business and is a most significant measurable risk faced by CAO.

Credit risk is classified into credit default risk, concentration risk and country risk:

1. credit default risk is the risk of losses arising from a counterparty being unable to pay its obligations in full;
2. concentration risk is the risk posed to a company by any single or group of exposures which have the potential to produce losses large enough to threaten the ability of the company to continue operating as an ongoing concern; and
3. country risk or sovereign risk is the risk of loss arising from a sovereign state freezing foreign currency payments or when defaults on obligations occurs.

To actively manage the Group's credit risk, counterparties' credit worthiness is evaluated periodically based on financial standings, operating and payment track records

as well as conducting background checks. Actual credit terms and limits to be granted are derived based on the information obtained.

Against the backdrop of a volatile operating environment with increasing geopolitical uncertainties in 2019, the Group has continued to maintain a prudent credit risk management practice. The highlights in this area include:

1. conducting special reviews and deep dives on high risk counterparties or industry segments, allowing the Group to adopt pre-emptive measures and actions to avert potential credit events;
2. enhancing counterparty management policy to improve the effectiveness and efficiencies of counterparty management under the Group including conducting a one-off exercise to streamline the Group's list of counterparties to tighten the credit limits of high risk counterparties and improve the overall creditworthiness of the Group's portfolio of counterparties; and
3. updating the credit risk limits framework of the Group to ensure its relevance to the current market conditions to support CAO's continued expansion and further enhance the Group's market presence globally.

Risk Management 风险管理

Our concentration risk profile of account receivables are as follows:

By Country

As of 31 December 2019, the Group's geographical exposure was predominantly mainland China (67.74%) and Singapore (17.30%), which made up 85.05% of the Group's total exposure.

During the fiscal year 2019, the predominant countries were China and Singapore. In tandem with business expansion, the Group's exposure to counterparties outside these two countries has grown steadily over the years as we continue to diversify and rebalance the geographic mix of CAO's business.

By Internal Credit Rating

As of 31 December 2019, in terms of internal credit rating, the Group's exposure was mainly from Grade C1 (28.67%), Grade B1 (24.11%), B2 (8.96%) and A2 (7.48%), which made up around 69.21% of the Group's account receivables position. Letter of Credit ("LC") receivables was about 26.03% of total account receivables.

During the fiscal year, the exposure from these internal ratings of Grade A1 to B2 (including exposures against

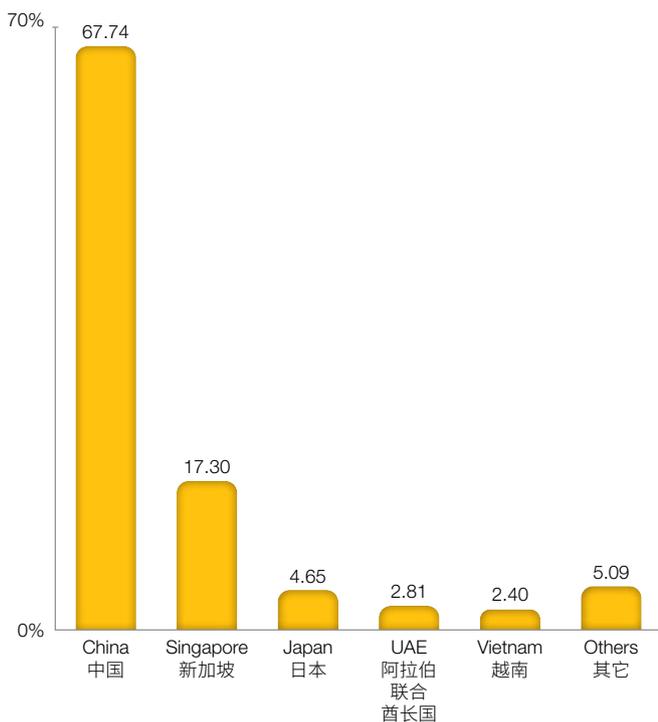
LC) equivalent of investment-grade made up more than 66% of the Group's exposure. The overall portfolio was in good position.

For other non investment-grade credit rating of counterparties, CAO hardly granted any credit lines, and if necessary, the payment terms granted to them are on LC and prepayment basis, which effectively reduced the Group's credit risk exposure.

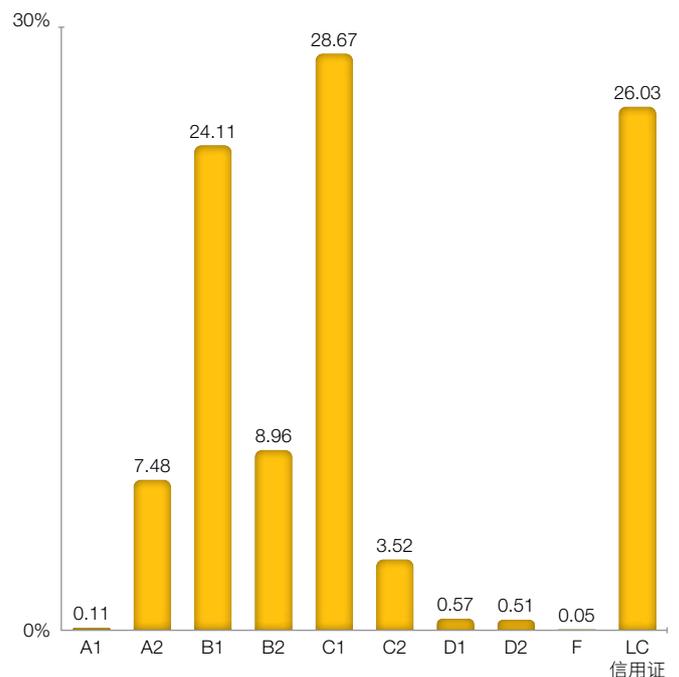
The Group had also employed credit enhancement or mitigation tools where necessary. These included obtaining parental company guarantees, cash collateral, letter of credit from investment-rated banks and off-set clause in contracts. These enhanced measures allowed the Group to be better equipped in managing the risks from daily trading activities.

Risk management in CAO remains an integral part of the Group's strategic and operational management. The Group remains committed to proactively promote a strong culture of risk awareness and will continuously enhance its risk management processes and capabilities to ensure that the Group effectively executes its strategies to realise its strategic targets and deliver sustainable shareholder value.

% of AR Exposure by Place of Incorporation
按注册地划分的应收账款



% of AR Exposure by Internal Credit Rating
按内部信用评级划分的应收款



Risk Management 风险管理

2019年,世界经济经历了前所未有的挑战,地缘政治局势紧张以及经济波动增加了企业所面临的风险。尤其是中美贸易摩擦的持续升级导致全球经济低迷,对市场情绪形成打压,也对CAO的经营与发展造成影响。公司所面临的各项风险复杂程度日益提高,公司治理和合规经营的各项监管要求更加严格。油价在2019年波动显著,布伦特原油价格从年初的每桶54.91美元反弹至5月每桶74.57美元的顶点后又回落至每桶60美元左右反复震荡。

在复杂多变的环境下,中国航油依靠现有的四层风险管理构架和报告机制,坚持“合规第一,风控至上”的理念,及时分析、评估和报告各项风险,有效的管控了国际贸易和企业运营中的各项风险,确保了公司业务整体上平稳和健康发展。

在2019年,公司继续提升了风险管理体系,主要措施包括(一)推进套期保值管理政策的制定与实施,以进一步强化衍生品业务的管理;(二)更新交易对家管理办法,以进一步完善对信用风险的管控;(三)规范贸易业务中相关合同条款的使用,进一步降低了公司的合同风险;(四)完成风险大排查整改落实工作,进一步提升公司整体风险管理水平。

作为风险文化的一部分,公司继续积极开展并不断完善风险的集中管控体制和网络支持体系,以支持我们在全球的业务拓展。公司的风险管控流程主要包括:

1. 风险管理框架、政策和流程;
2. 行业主要风险的管理策略;
3. 五个关键风险及缓解措施;
4. 企业风险管理介绍;
5. 市场风险管理及风险值分析;
6. 信用风险管理及集中度分析。

风险管理框架、政策和流程

公司的全面风险管理框架包括风险管理政策、指引、规程、流程、限额和内控系统;用来识别、评估和控制经营中出现的多种风险,使我们对多变的市場能够做出快速反应。

公司风险管理的三大支柱分别为:

1. 四层管理与控制架构;
2. 政策、指导方针和控制架构;
3. 系统、流程和人员

公司的四层管理与控制架构是为了确保有效的治理,监督风险管理实践的有效执行。

在战略层面,董事会全面掌握公司的风险管理工作。所有风险管理相关事项最终都将汇报给董事会。

在策略层面,风险管理委员会(简称“RMC”)负责监管战略风险管理问题。风险管理委员会对各类风险类型的限额进行审阅并提交董事会进行最终审批,这一审阅并提交审批的流程也包括公司计划开展的新业务。风险管理委员会在月报和季度会议中审查各种风险矩阵,了解公司各类风险的敞口和风险管理难度。

在管控层面,公司风险会议(简称“CRM”)在风险管理委员会授权之下,负责企业全面风险,包括市场、信用、运作、财务守规和信誉等各类风险管控措施的组织 and 实施。CRM主席由风险管理部主管担任,既向管理层负责,同时也有权直接、独立地向风险管理委员会汇报。

在运作层面,风险管理部负责日常风险管理业务的执行,并确保所有与风险相关的政策、流程和限额得到遵守和落实。在过去十年中,风险管理团队设立了风险管控框架,包括识别、汇报和监控集团在新加坡、香港行政特区、洛杉矶以及伦敦的油品供应与贸易业务。新壮大的风险管理团队拥有如全球风险管理专业人士协会(GARP)所认证的能源风险专业证书(ERP)和金融风险管理师(FRM)等专业资质,他们在信用、市场和企业风险的专业知识有效的帮助全球风险管理的日常运营与管理,协助管理层实施并实现战略和经营目标。

风险管理策略

CAO日益增长的多油品业务使公司面临多项风险。这些风险敞口来自有些地区监控管理和运营条件的改变,货币的变动以及油价波动。为了更好地管理公司不断拓展的业务组合,公司不断完善风险管理实践、加强信用风险管理队伍,使公司能够应对关键的环境变化所带来的不确定性。

公司的风险管理包括识别影响公司战略表现的关键不确定因素和风险领域,并且制定相应的风险缓解措施来管理这些风险。

- 市场风险 — 指由于贸易仓位、市场价格的变化带来损失的风险;
- 信用风险 — 指由于对家履约的不确定性带来的风险;
- 运作风险 — 来自财务和实货运作两方面的由于运作环节上的缺失而带来的风险;
- 法律风险 — 指由于意识缺乏和对法规的误解、不明确或不计后果所带来的的财务和/或信誉损失风险;以及
- 财务风险 — 指由于公司无法履行债务所带来的风险。

Risk Management 风险管理

序号	评估的重大风险	采取的管理策略和解决方案	影响程度
1	政策风险 — 如中国航油市场 开放	1. 利用供应与贸易网络的结构优势, 建立多元化业务 2. 提高物流效率和拓展价值链, 建立一个综合机制的全球航油供应与贸易网络	高
2	贸易对家信用 风险	1. 设立恰当的对家总信用限额 2. 每年对活跃对家做复审 3. 增强信用管理团队的人员 4. 实施信用缓解措施, 如信用证、预收款、信用保险等 5. 通过公司风险会下设的信用风险管理小组统一管理信用风险相关事宜	一般
3	人才资源风险	1. 制定具有竞争力的薪酬配套 2. 有竞争力的员工福利 3. 制定人员发展计划 4. 落实接班人计划以解决关键岗位风险	一般
4	单一产品战略 风险	1. 执行产品多元化战略, 开发其他油品的供应与贸易能力 2. 通过寻求供应合同和有投资协同性的资产, 为其它油品建立结构性优势, 支持贸易活动	一般
5	投资战略风险	1. 积极寻找为核心航油业务增值的机会, 以航空市场营销为重点, 支持公司供应与贸易网络 2. 通过收购活动不断完善公司的投资业务, 并投资有利润增长的协同性资产	一般

除了对持仓进行定期的市场风险压力测试之外, 公司在2019年针对中美贸易摩擦升级形势下对公司的影响, 进行了企业范围内的压力测试。这些企业范围的压力测试涵盖了市场、信用、外汇、融资、运作、法律等方面的各类风险; 通过向公司董事会和管理层介绍测试与分析的结果, 使我们能更好地防范此类突发事件对公司经营带来的潜在影响。

五项关键风险及缓解措施

中国航油通过借鉴业内的最佳实践来持续改善公司的风险管理, 通过新的措施加强风险管理能力。在管控主要业务风险之外, 我们也通过企业风险管理方法来排查公司经营中的其它风险。以下是我们通过内部评估所得出的2019年公司经营前五大风险。

企业全面风险管理介绍

认识到风险管理在企业可持续发展中起着重要的作用, CAO采用企业风险管理来识别和管理公司全球业务运作面临的各种风险。通过全面风险管理实践, 风险团队能够识别、分析和评估公司所面临的主要风险因素, 并由各业务部门风险责任人制定并执行相应计划来缓解风险, 确保关键风险得到积极的监控和管理, 并且有适当的缓解措施。

企业风险管理列表通过自上而下和自下而上两种方法来收集并汇总公司风险; CAO目前对企业风险列表每半年进行一次回顾, 在回顾的过程中我们通过量化的方法(影响力和可能性)将每个注册项进行估值和排序, 从而遴选出对公司潜在影响最大的前几大风险。

除企业风险管理形成的风险注册表以外, CAO的公司风险会(简称“CRM”)是讨论风险相关课题的重要平台, 它由公司管理层和业务相关部门主管所组成。通过每月召开的CRM例会, 以及临时会议、电邮流转等形式, 公司日常经营中遇到的任何风险课题都可以得到及时的讨论和评估。例如在某个贸易对家出现现金流问题发生延迟付款时, 公司风险会可以讨论决定是否需要中止与这个对家的任何商业往来。

在最近两年, 我们在企业范围所进行的压力测试使我们能够更好地了解公司在特殊事件和环境会遭遇的可能影响, 从而为更好地防范和缓解这些影响提供了支持。



Transit storage
中转库

Risk Management 风险管理

市场风险管理及风险值分析

在市场风险方面，风险管理部门负责监控和分析公司的供应和贸易活动，保持一个全面的风险控制记录，并且每日向管理层和业务相关者进行汇报。

公司继续用市场风险值（简称“MVaR”）作为衡量市场风险的基本工具。所有实货合约和金融衍生品合约都受市场风险值限额管理，我们每日跟踪持仓价值的变化。董事会授权的一系列市场风险限额，如数量限额、风险值限额、管理层预警限额、止损限额和套期保值比率也在每日跟踪范围内，定期的回溯测试则可以确保公司风险值模型的合适性。

作为对市场风险限额的补充，公司风险管理团队会定期对公司的贸易持仓进行市场压力测试。利用历史数据库中的特殊历史场景，我们能够及时地模拟出公司最近的贸易持仓在极端市场环境下可能受到的影响。2019年我们对中美贸易摩擦进行了压力测试，通过这样的测试，使CAO能够对其业务活动有及时和深入的了解，在必要时采取风险缓解措施。

作为量化技术分析的有效方法，MVaR能通过单一的数据来报告公司的持仓数量、市场波动情况以及不同产品的关联性。以下是2019年我们在公司层面的市场风险值统计情况——从统计数据来看，公司的风险偏好是相对保守的，基于95%置信区间，2019年公司整体的每日市场风险值平均使用率为49.6万美元。

为了进一步控制衍生品业务风险，我们在2019年执行套期保值业务管理政策，该政策要求一切衍生品业务均以套期保值为目的，严格禁止衍生品业务投机行为。

信用风险管理及集中度分析

鉴于公司业务性质，信用风险不可避免，是公司所面临的一项最显著的可衡量的风险。

信用风险可分为信用违约风险，集中度风险和国别风险：

1. 信用违约风险是由于贸易对家无法全额偿还债务而造成损失的风险；
2. 集中度风险是某个公司的一个或一组风险敞口带来的潜在损失，对该公司继续经营能力能够造成威胁的风险；以及
3. 国别风险或主权风险是一个国家冻结外汇支付或不履行其债务而造成损失的风险。

为了积极管理信用风险，公司通过观察其财务状况、运营和付款记录以及进行背景调查对各贸易对家的信用状况做定期评估，根据所获得的信息授予对家合适的信用条款及限额。

鉴于2019年经营环境不稳定，地缘政治形势不确定，公司继续保持审慎的信用风险管理政策。信用风险管理的亮点包括：

1. 为高风险的交易对家或行业进行特别评估及深入研究，让公司能采取先发制人的风险缓解措施和行动，以避免潜在的信用损失事件发生；
2. 优化了公司的交易对家管理政策，成功地提高公司对于交易对家管理的效益。公司也进行了一次性的对家清理，完成了对于高风险对家信用条款和额度的收紧，提高了公司交易对家整体的信用质量；以及
3. 更新了公司的信用风险限额框架，让框架可以与当前的市场情况更加相关，以持续支持公司国际业务规模的发展势头。

我们应收账款的集中度风险状况如下：

根据国家

截止2019年12月31日，根据公司对家的注册地，公司的信用敞口仍主要来自中国大陆（67.74%）和新加坡（17.30%），占总敞口的85.05%。

从整个财年来看，信用敞口主要来自中国大陆和新加坡。公司会继续在这两个地区以外设立的对家寻求合作业务的稳步增长。

根据内部信用评级

截至2019年12月31日，内部信用评级方面，信用敞口主要来自评级为C1（28.67%）、B1（24.11%）、B2（8.96%）和A2（7.48%）级别的贸易对家，占总应收款的69.21%。基于信用证的应收款大约占了总应收款的26.03%。

2019财年，公司对信用评级为A1，A2，B1和B2（包括信用证的敞口）类似于投资级别的对家占总敞口的66%。公司整体的对家信用评级组合处于良好状态。

对其他类似于非投资级别信用评级的对家，公司授予他们的放帐额度有限，也会必要时把付款条件设定为信用证或预收款。这有效地降低了公司的信用风险。

我们也在必要时使用信用增强或风险减缓工具，包括但不限于获取母公司担保、信用保险、现金担保、投资级别银行开具的信用证以及合同中的抵销条款。有了这些强化措施，我们有能力更好地管理日常贸易活动带来的风险。

风险管理是CAO的公司战略和运营管理的核心部分。公司仍致力于积极推进风险意识，并将不断加强风险管理过程和能力，以确保CAO能够有效执行其战略并实现其战略目标，实现可持续发展的股东价值。

Compliance and Internal Audit 合规与内审

At CAO, we are committed to operate responsibly with business practices that are designed to maintain high standards of oversight, accountability, integrity and ethics, while continuously striving for business performance and sustaining long-term growth in shareholder value.

OPERATING RESPONSIBLY

Shaped by the commitment of the Board of Directors (“the Board”) and driven by CAO management team, the Compliance and Internal Audit (“CIA”) function ensures that responsible practices are integrated into the Group’s businesses as a core operating principle, including increasing the effectiveness of internal controls to enhance the efficiency of governance as well as its financial and business operations with suitably designed monitoring measures to support the Group’s business strategies.

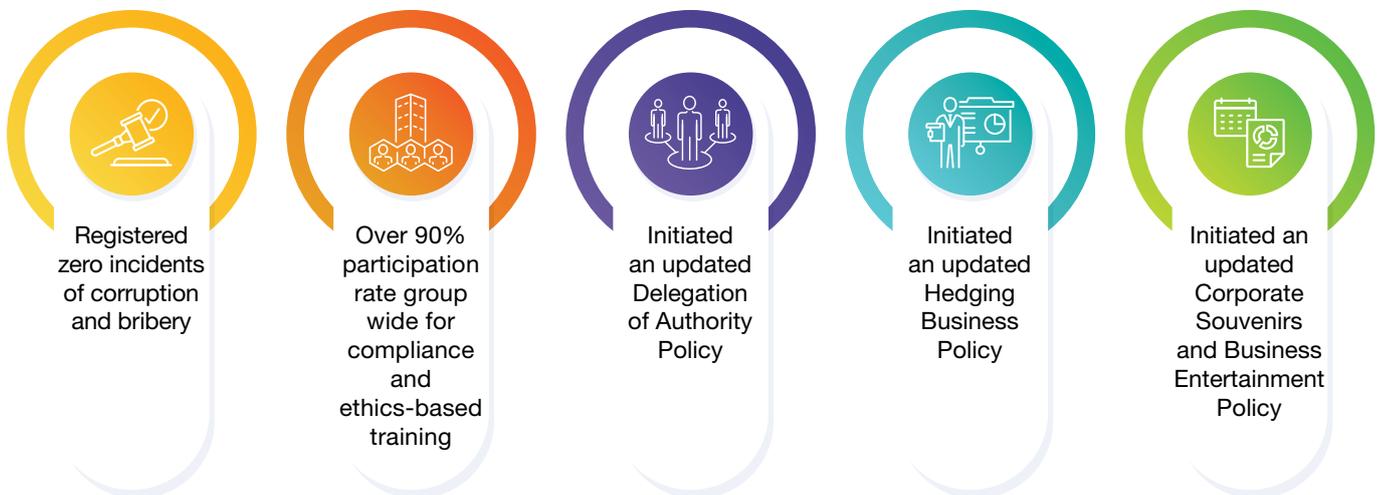
Against the backdrop of constantly changing business landscape, regulatory environment and the introduction of new technologies and inevitable disruptions, the Group continues to focus on reviewing the effectiveness and robustness of its internal controls, procedures and systems to prevent and detect irregularities. CAO’s established system of compliance oversight is aligned with the Committee of Sponsoring Organisations of the Treadway Commission (“COSO”) framework which ensures a systematic and disciplined approach to evaluate and improve the Group’s overall control framework,

including reviewing of Standard Operating Procedures covering delegation of authority and hedging business policies with changes to further strengthen management controls in 2019.

The Group regularly reviews and identifies compliance risks such as anti-trust and competition law, anti-corruption, occupational safety, health and environmental regulations, data protection, insider trading and fraud, and seek to comply with applicable local, and international trade legislations and regulations in the regions that CAO operates through enforcement of internal policies and directives.

To adhere to international trade sanctions regulations, the Group leverages on risk intelligence tools to support its compliance needs to mitigate CAO’s exposure to financial crime, corruption and bribery more effectively. These assessment tools are readily updated to respond to changes in the regulatory landscape, including allowing CAO to conduct in-depth screening of counterparties and constant monitoring of politically exposed persons such as those categorised as heightened risk entities. In situations where the assessment of trade sanction risks require clarification, the CIA team works closely with the legal and risk management teams to evaluate compliance requirements with a focus to integrate compliance actions into daily operations at the business level.

COMMITMENT TO RESPONSIBLE BUSINESS PRACTICES



Compliance and Internal Audit 合规与内审



Oil storage facilities CNAF
CNAF储罐设施

SAFEGUARDING THE INTEGRITY OF OUR BUSINESS

CAO enforces a zero-tolerance policy towards corruption or bribery of any kind. During the year, the Group has also further tightened both the administration and thresholds of policies governing procurement practices as well as souvenirs and business entertainment so as to promote sustainable business engagement with the Group's stakeholders including employees, business partners, suppliers and shareholders appropriately. For CAO, we believe that these measures collectively support the Group's efforts against graft, facilitation payments and any other forms of offer.

To safeguard the integrity of our business, the Group maintains a comprehensive ethics and compliance programme to ensure that employees at all levels across the Group are and remain adequately knowledgeable and skilled through completion of web-based mandatory training to apply legal, regulatory and other compliance requirements in their daily work. The CIA team also introduces additional compliance and ethics-based training, including topics on information security and cyber risk awareness and fraud prevention for all employees. In total, over 90% of CAO global workforce participated in compliance and ethics-based related training in 2019.

STAYING VIGILANT

CAO believes that staying vigilant and being prepared is the best safeguard against possible business disruptions. Recognising the importance of maintaining vital capabilities to continue critical business functions operationally with minimum impact in the event of a crisis, and to maintain a level of operational readiness, CAO has continued to validate its Business Continuity Plan ("BCP") that integrates with the IT Disaster Recovery Plan ("DRP"), establishing the guidelines, structure and support framework necessary to ensure appropriate emergency escalation response, resumption and recovery of key business functions and data resources in a timely manner.

Taking into consideration the potential strategic, operational, financial and reputational business exposure in potential occurrence of significant risk events that may impact CAO, a group wide BCP and DRP exercise was conducted at a pre-determined and identified disaster recovery site, which resulted in a crisis simulation exercise. Key personnel from front office to back-end and support functions were involved in a simulated crisis scenario with concurrent participation from CAO subsidiaries worldwide. The exercise was successfully conducted with minimal downtime for ongoing business applications.

Compliance and Internal Audit 合规与内审



Round-the-clock monitoring at TSN-PEKCL Pipeline's control room
在管输公司的管线控制室中进行24小时监控

CONTINUOUSLY COMMITTED

Beyond its compliance role, the CIA team has the added functional responsibility of administering the yearly internal audit work that seeks to independently evaluate the effectiveness of control measures and governance processes of the Group. The scope of work serves to provide reasonable assurance that appropriate control measures are in place to address significant concerns in its global business environment.

The CIA function plans annual internal audit reviews and the plan is submitted to the Audit Committee for approval, and thereafter, will be implemented and supported by a team of qualified professionals from an international auditing firm. The plan also covers the assessment of the Group's internal control systems including an independent biennial review commissioned to ensure the overall effectiveness of the Group's business practices. The internal audits report on significant audit findings or internal control inadequacies, which might possibly impact Group operations, are submitted to the Audit Committee as well as the Board on a quarterly basis. Corrective actions adopted by management are subsequently monitored for implementation based on agreed timelines.

Reflecting CAO's continued commitment to accountability and integrity in our business practices, the CIA team has set out to benchmark against the Quality Assurance and Improvement Programme ("QAIP") to align the Group's internal audit activities to the Institute of Internal Auditors ("IIA") Standards in 2019. An internal assessment exercise in the form of a questionnaire was conducted to obtain feedback from various stakeholders on the viability and quality of the functional responsibilities of CAO's internal audit activities for sustainable improvement.

It is imperative for CAO to conduct its business in compliance with legislation and regulatory standards, as such, beyond complying with the law, CAO has a whistle-blowing policy with communication channels accessible through the corporate website - www.caosco.com to ensure that concerns from CAO employees or other stakeholders about possible improprieties may be reported, investigated and duly addressed. During the year, there have been no verified issues raised through the whistle-blowing channel.

Compliance and Internal Audit 合规与内审

CAO一直致力于推行负责任的经营管理方式,秉持高水准的监督和责任制度,并积极将企业诚信与道德融入到日常经营。与此同时,公司还在不断追求更优的业绩,确保股东价值能够得到长期可持续增长。

负责任的经营管理

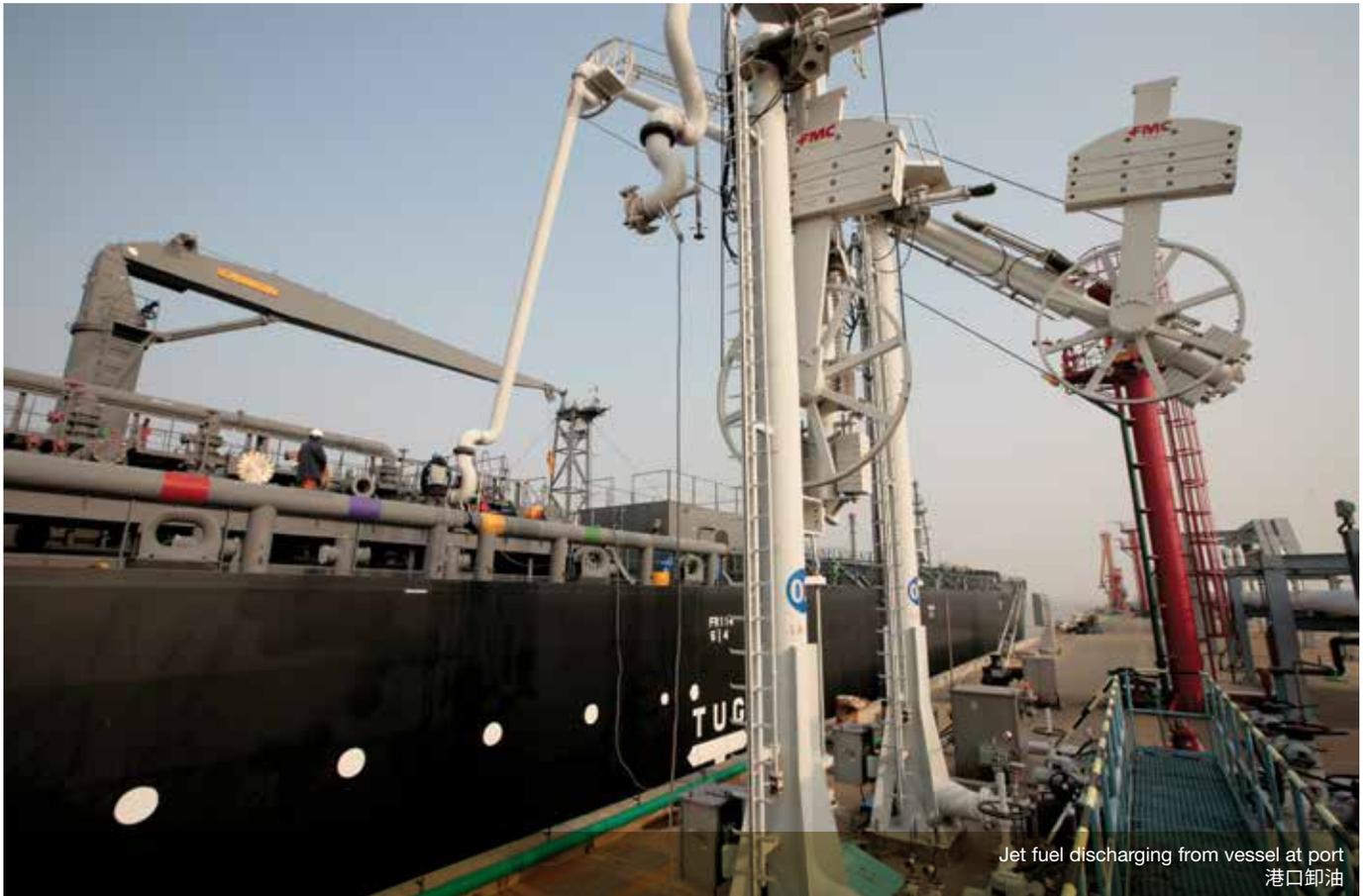
在董事会的指导及CAO管理层的推进下,合规与内审工作确保将负责任的经营理念融入公司业务的核心运作体系,包括增强内部控制的有效性,提高公司治理以及财务和业务运作的效率,通过制定适当的监控措施来支持公司业务策略的落实。

当前市场形势和监管环境不断变化,行业也面临着技术革新等因素带来的冲击。在这样的大背景下,公司紧抓对内控、程序和系统的有效性和稳定性的评估工作,确保其能有效预防和发现违规行为。公司参照Committee of Sponsoring Organisations of the Treadway Commission (简称“COSO”)的框架建议,制定了一整套合规监管体

系,确保以系统性、规范性的方法不断来评估和改进公司的整体内控框架(2019年)。公司梳理了“标准操作流程”,包括改进了授权机制、套期保值政策,以加强公司的管理控制等。

公司定期评估、识别合规领域的风险,范围包括反垄断和竞争、反腐败、职业安全健康和环境条规、数据保护、反内幕交易和欺诈等。通过推行CAO内部政策和指令,确保公司的操作符合其经营所在地所适用的当地和国际贸易法律、法规。

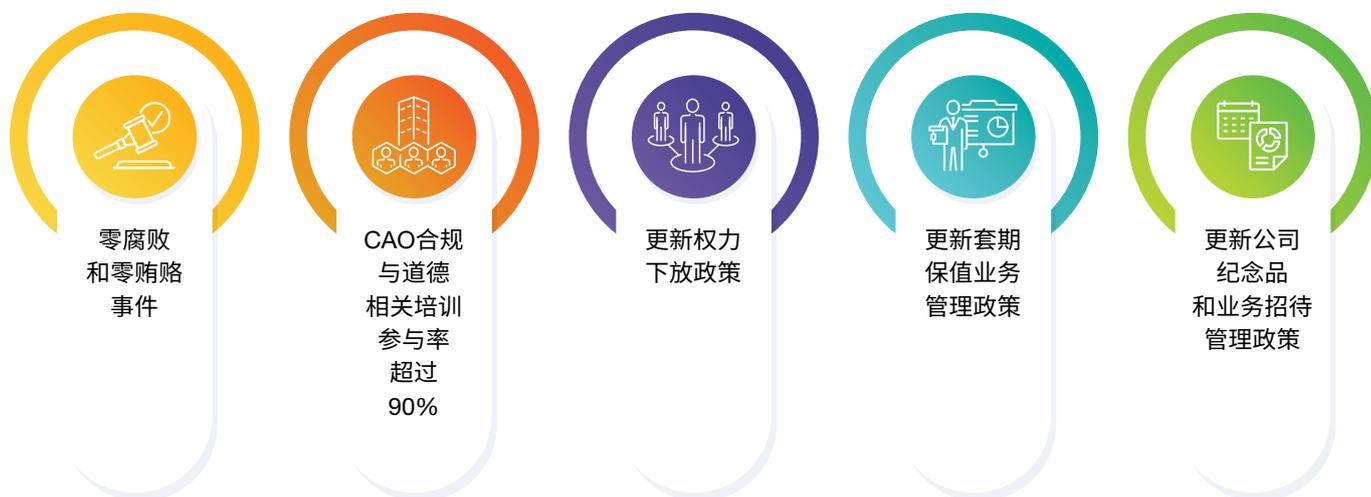
为了遵守国际贸易制裁法规,公司利用风控信息工具来配合合规工作的开展,更为有效地减少在金融犯罪、腐败和贿赂方面的风险。同时配合监管政策的调整,公司还及时更新该评估工具,以便能不断开展更为深入的合规防范工作——如深层次的对家调查,对有政治风险的个人和实体进行风险实时监测。对于制裁相关的商业案例,合规与内审部还会联合法律部、风险管理部一同评估合规要求,并着重将合规贯彻到日常业务与运营之中。



Jet fuel discharging from vessel at port
港口卸油

Compliance and Internal Audit 合规与内审

对商业操守的承诺



维护企业诚信

CAO对任何形式的贪污或贿赂都保持“零容忍”态度。一年来，公司还进一步加强了对公司采购、纪念品和业务招待政策的管理，以促进公司与员工、业务伙伴、供应商及股东等利益相关方的良好、可持续的互动与合作。CAO坚信，这一系列措施将有助于防范受贿、收取好处费等违法利益输送行为。

在维护企业诚信方面，公司推行了一套全面的道德与合规计划，通过强制性网络课程，确保公司各级员工具备工作所需知识和技能，充分了解并熟谙法律、监管和其他合规要求。此外，合规与内审部也经常与员工开展合规与道德领域的其它相关培训，如信息安全、网络风险意识和欺诈防范。2019年，超过90%的CAO全球员工参加了合规与道德相关培训。

保持警惕

CAO深信，时刻保持警惕以及做好防御是防止出现业务中断的最佳措施。公司也意识到，在危机时刻确保关键业务功能受最小冲击并保持运作对公司至关重要。为确保业务可持续，CAO在2019年继续演练和巩固“业务可持续计划”（简称“BCP”）——该方案包括了“信息系统灾难恢复计划”（简称“DRP”）。通过制定指导方针，建立和完善架构来确保CAO能够有效的上报和应对紧急情况，及时恢复、重启关键业务功能和数据资源。

上述BCP和DRP演习是模拟灾难情况，结合潜在重大风险事件对公司战略、运作、财务和声誉方面的影响，在预先确定的灾难恢复地点开展。公司前、中、后台和支持部门的关键人员以及全球子公司均参与了模拟危机演习。通过模拟演习的顺利开展，可将危机事件对业务的干扰程度缩至最小。

坚守承诺

在合规职责以外，合规与内审部也负责年度内部审计工作，即独立评估公司内控措施和管理流程的有效性，旨在监督和合理保证公司已采取适当、合理控制措施来应对全球业务环境中的重大顾虑。

合规与内审部负责制定内部审计的年度工作计划，并将计划提交审计委员会批准。内部审计旨在确保公司运营的整体有效性，主要由国际审计事务所的合格专业人士开展，审计范围涵盖公司的整个内部控制系统，包括两年一度的独立审核等。内审报告将重点关注可能影响公司运营的重大问题发现、内部控制缺陷等，并于每季度提交审计委员会和董事会。公司将按管理层拟定的时间表开展有关问题的整改工作。

为了体现CAO在业务实践中对责任和诚信的一贯承诺，合规与内审部借鉴“国际内部审计师协会”（简称“IIA”）标准，在2019年开展“质量保证和改进计划”（简称“QAIP”）以提升公司的内部审计工作。该计划下，通过问卷形式向各利益相关方征求对CAO内审工作可行性和质量的反馈，以实现可持续改进。

CAO坚持在合法合规的前提下开展业务。为了更严格地约束企业行为，CAO制定了举报政策，CAO员工或其他利益相关方可以通过公司网站www.caosco.com上公布的渠道实施举报。所举报的任何不当行为都会得到及时调查和解决。本年度，公司未收到来自举报渠道的任何有依据的举报事项。

Human Capital Management 人才资源管理



CAO's long-term business success pivots on a highly skilled and productive workforce. As such, the central task of the Human Resources ("HR") function is to provide the best possible support for the growth of the Group's businesses globally. In 2019, the Group continued to step up on its "People Strategy", with the focus on streamlining, standardising and strengthening the Group's HR processes to enhance performance management structure and establish new digital HR systems and tools with the aim to facilitate business performance and support the sustainable growth of the business.

OUR HR APPROACH

Focused on the Group's management principle of "Transparency, Standardisation and Refinement", salient HR work in 2019 included enhancing HR digital tools such as initiating the web-based Office Automation ("OA") platform, enabling the HR function to offer effective and standardised services such as performance evaluation, leave management, career development and training digitally in a shared system group-wide. The OA initiative formed a critical backbone to the management process as it not only ensured accountability but also empowered

and engaged employees more efficiently, allowing them to gain a better understanding of their talent, capacity to learn as well as align opportunities at work with individual skill sets.

DEVELOPING TALENT

Against a backdrop of strong competition for talent in the human capital markets where CAO operates, the Group sees its talent pool as an essential component to capture business opportunities and development. The Group conscientiously seeks to attract, develop and retain the best human resources with fair, transparent and competitive remuneration packages, offering continued training, career development and advancement opportunities. At CAO, we value the knowledge, experience and creativity of our talent pool and looks to accord due recognition and reward according to individuals as well as team performance.

In line with the Group's people strategy to retain high performing talents, over 10% of CAO's global employees, regardless of race, gender, age as well as nationality, have been identified for further development and advancement through opportunities across the Group's global business units, functional disciplines and operations in the past year. These include employee promotions as well as secondments at subsidiaries and associated companies across the Group's international platform in Asia Pacific, North America and Europe. Through partnerships with universities and educational institutions, CAO also offers internship opportunities in functional units such as the compliance and internal audit division to cultivate and hone prospective hires on an ongoing basis. With such internships, the Group endeavours to equip the workforce of the future with business know-how and demonstrates our commitment to foster a diverse and inclusive workforce wherever we operate.

In an ever-changing and dynamic work environment, CAO encourages and offers learning and skills upgrading opportunities to employees at all levels to equip them with the necessary knowledge and technical skills to grow their capabilities and position them for professional growth within CAO even as it addresses business challenges on an ongoing basis. CAO HR regularly organises lunchtime training sessions which are specially tailored to impart and refresh related professional and industry knowledge cross departments to help employees in support roles further understand CAO's business activities. HR's learning and development initiatives are also complemented by specific workshops to meet and address local operational know-how and requirements.

Human Capital Management 人才资源管理

PERFORMANCE AND REWARDS MANAGEMENT

In 2019, CAO introduced Mercer's International Position Evaluation ("IPE") methodology to better align the Group's compensation policy and practices within and across its global operations. At CAO, employees are provided with transparent remuneration packages that are competitive and in line with market conditions wherever we operate. Our pay practices are based on the value of the job and are designed to include a performance bonus system that is geared toward the Group's long-term sustainability and success.

CAO operates in an environment that is constantly changing, requiring the HR function to be agile and respond quickly to industry developments and keep pace with statutory framework on employment laws and labour guidelines on an ongoing basis. In addition to fair monetary remuneration, the HR team regularly reviews existing offerings to employees to adapt its practices in a proactive and timely manner. During the year, the HR team worked on the HR manual extensively with welfare benefits enhanced to better cater to employees' needs in line with the Group's business objectives in the best possible manner. At the same time, the HR team also put

in place the "Expatriate Management Manual" covering work conduct, job tenure, visa management, travel and leave, compensation and benefits, performance appraisal to be aligned with the Group's management approach of "Transparency, Standardisation and Refinement".

ENGAGING OUR PEOPLE

Utilising a wealth of communication channels to foster employee engagement and create a vibrant workplace, CAO's corporate culture is built on its core values of fairness, integrity, innovation and transparency. To promote work-life balance, CAO HR actively supports a healthy lifestyle initiative which allows employees to leave the workplace early every Thursday to participate in active sports.

To foster a positive and inclusive workplace culture, CAO HR also avails multiple communication channels and platforms to encourage employee engagement and communication through regular town hall meetings with the management team to obtain employee feedback and suggestions. Led by HR and comprising representatives from all departments, a corporate culture committee conducts regular brainstorming sessions to continually



Teambuilding activities strengthen camaraderie
团队建设活动增强公司员工凝聚力

Human Capital Management 人才资源管理



CAO employees at a dragon boat race
公司员工参与龙舟赛活动

promote corporate culture within CAO through activities such as festive celebrations, e.g. Lunar New Year and Dragon Boat Festival, birthday celebrations, sports tournaments and marathons. In November 2019, the Group's annual team-building activity was convened with the central theme of "Hand in Hand for Tomorrow", which resulted in high participation rate from Singapore-based employees who were actively involved during the team-building activities aimed at promoting a sense of belonging to further strengthen inter-division communication and cohesiveness within the Group. Through collaborative team-building activities, the Group's core values of fairness, integrity, innovation, and transparency was amplified, motivating employees to continue individual growth and development together with CAO. Through fostering fair and sustainable HR practices, CAO has further enhanced cohesion and engagement of employees. The total turnover rate in 2019 decreased 1% compared to the year before.

CORPORATE SUSTAINABILITY THROUGH HUMAN RESOURCES

CAO values and attaches high priority to provide an optimal workplace environment for our employees. We are committed to continuously improve our occupational health & workplace safety initiatives in compliance with the Group's Safety, Health & Environment ("SHE") policy & guidelines which is well supplemented by a comprehensive insurance coverage comprising medical, travel and accident related benefits, ensuring our adherence with applicable laws and regulations. To this end, the Group has taken various measures to ensure that there are no workplace fatalities and occupational incidents during the past year. CAO believes a safe and healthy workplace environment improves employees' productivity and enhances cohesiveness, which will foster a healthy and strong team to work towards achieving the Group's sustainability and strategic goals collectively.

Human Capital Management 人才资源管理

CAO的长期成功建立在高技能和高效率的人才队伍之上。因此，人力资源部（简称“HR”）的主要任务是为公司全球业务的增长提供最好的支持。2019年，公司继续加强其“以人为本策略”，聚焦于梳理、标准化和强化公司的人力资源管理流程，加强绩效管理结构并建立新的信息化人力资源系统和工具，以促进经营绩效并支持业务的可持续增长。

公司的人才资源管理

本着“透明化、规范化、精细化”的管理理念，2019年的主要人力资源工作，包括增强人力资源信息化工具，例如公司通过启动办公自动化（简称“OA”）系统，对绩效评估、休假管理、职业发展和培训实现了有效且标准化的线上评估。OA系统是管理过程的关键，它不仅确保了责任到位，而且更有效地增强员工参与度，让他们更好地了解自己的才能、学习能力，并将工作机会与个人技能结合起来。

人才发展

在公司运营的人力资本市场上，对人才的竞争非常激烈。人才是突破挑战寻求机遇的关键！CAO不仅以公平、透明且具有竞争力的薪酬政策吸引优秀人才也积极提供培训、职业发展和晋升的机会，以吸引、激励和留住人才。CAO重视人才的知识、经验和创造力，并按个人和团队的表现给予适当的嘉许和激励。

为了符合公司留住高效人才的战略，在过去的一年，CAO有10%以上的全球员工，不论种族、性别、年龄和国籍，已通过公司在全球的业务单位、各部门和运作团队，得到进一步发展和提升的机会，包括员工晋升，以及外派到公司在亚太、北美和欧洲国际平台上的子公司和关联公司。通过与大学和教育机构合作，CAO也为高校学生提供在合规与内审部实习的机会，以持续培养和磨练潜在员工。通过这些实习机会，公司努力为未来的员工提供业务知识，从而体现公司致力于在运营所在地培育多元化和包容性员工队伍的承诺。

在不断变化的动态环境中，CAO鼓励并为各级员工提供学习和技能提升的机会，以使员工具备必要的知识和技能，在公司不断应对业务挑战的同时，培养员工的能力、支持员工的职业发展。HR也定期举办晚间培训课程，专门向员工传授和更新相关的专业和行业知识，增进员工对公司业务的了解。HR的学习和发展计划也包括组织专题研讨会以便补充及满足公司运营所在地的运营技术需求。

员工绩效与薪酬管理

2019年，CAO引入美世IPE评估系统，对公司及其子公司开展岗位价值评估和内部职级梳理，确保与公司内部和全球

业务的薪酬政策和标准保持一致。CAO在其运营所在地为员工提供透明的、有竞争力的、符合市场条件的薪酬方案。公司的薪酬标准建立在工作价值上，并包含绩效奖金制度，以符合公司的长期可持续发展和业务成功。

在CAO的运作环境不断变化下，人力资源部对市场须有一定的敏锐度，能够根据行业发展所需，及时应对市场变化，以符合就业法和劳工指导方针的法定框架。除了公平的薪酬外，HR还定期更新现有的员工福利并及时主动进行调整。这一年，HR不断完善和丰富总部和子公司人力资源手册，提升福利待遇，既达到公司的业务目标又满足员工的需要。与此同时，HR还编制完成外派人员管理手册，对外派人员的工作纪律、工作任期、证照管理、差旅探亲、薪酬福利和绩效考核等方面进行了详细说明和具体规范，实现了对外派人员管理的透明化、规范化、精细化。

增强员工参与度

CAO通过畅通企业的内部沟通渠道，提供丰富的文娱生活平台和组织企业文化活动，不断使员工内化公平、诚信、创新、透明的核心价值观。CAO人力资源部积极支持健康生活方式，公司在每周四实行工作与生活平衡计划，鼓励员工提前下班并积极参与体育活动。

为了营造积极和包容的工作文化，CAO人力资源部也搭建多种沟通渠道和交流平台，包括在员工大会开设了“管理层与员工面对面”环节，征集员工的意见和建议。公司还设有企业文化小组。这一小组由HR牵头、各部门代表组成，定期举行头脑风暴会议，通过节日庆祝活动，如迎春团拜会、端午龙舟、生日庆祝、体育赛事和马拉松等，不断提升公司的文化氛围。2019年11月，公司开展团队拓展训练，以“携手走向明天”为主题，新加坡员工积极参与团队建设活动，加强员工之间的沟通、理解、协作和信任，提升公司的凝聚力、团队协作和执行能力，活动过程体现出公司“公平、诚信、创新、透明”的核心价值观，感染和启发员工团结一致，精诚合作，向着公司的目标共同迈进。2019年总离职率较2018年下降1%。

努力打造人力资源、实现企业可持续发展

CAO一直将员工的健康和作为公司的管理的优先考量。我们以完善的安全、健康和环境（简称“SHE”）政策和方针不断改善我们的职业健康和工作场所安全。为此，CAO为员工提供了各种团体保险计划，包括医疗、差旅、意外及工伤保险，确保遵守适用的法律法规。2019年，CAO多措并举，确保办公场所未发生安全事故或意外。CAO深信一个健康及安全的环境可以提高员工的工作效率，增强员工的凝聚力，进而激励员工朝着CAO可持续发展和战略目标而努力。

Community Engagement 投身社会公益

Responsible corporate citizenship is firmly anchored in CAO's corporate social responsibility ("CSR") outreach programme where our social commitment is based on the Group's corporate expertise and objectives, focused on education and the environment. As a company, CAO remains committed to contribute meaningfully to create positive impact on the communities and the environment where our employees live and work.

COMMUNITY IMPACT

As part of our CSR outreach programme, the Group has focused on projects that will create a lasting impact on specific target groups and offer learning opportunities for participating partners and CAO employees.

Since 2010, CAO has been involved with Beyond Social Services' pre-school facility – Healthy Start Child Development Centre ("HSCDC"), offering assistance and availing access to quality social and pre-school educational opportunities to the less privileged children from Singapore's Bukit Merah and Redhill neighbourhood. In 2019, to enrich the learning experience of the HSCDC pre-schoolers and foster the development of their life skills, CAO volunteers together with 32 pre-schoolers, went on a field trip to KidZania, an interactive indoor theme park where they had fun role-playing professions such as firemen, pilots, cooks and doctors through hands-on experience.

ENHANCING COMMUNITIES

Over the years, CAO has been seeking and partnering local organisations to pursue green initiatives that aim to create and raise environmental consciousness in local



Cultivating green habits at a composting workshop
公司员工通过参与厨余堆肥环保讲座增长环保意识



CAOHK and CNAF HKR volunteers participated in a coastal clean-up activity in Hong Kong's Pak Shui Wun Beach
香港公司与香港供油公司的志愿者积极参与香港白碗海滩清洁活动

communities. Reflecting our commitment towards CSR, the Group supports a diverse range of eco-initiatives in the areas of environmental sustainability as well as training and education.

In 2019, CAO continues to raise awareness about practising an environmentally sustainable lifestyle and collaborated with Green Nudge, a social enterprise with an environmental focus, and organised a lunchtime environmental awareness workshop on composting to inculcate socially responsible ways of recycling food waste. A total of 16 CAO employees participated in the green workshop. In 2019, we have also underscored our commitment towards a more sustainable environment by rolling out a group-wide Zero Waste – Bring Your Own ("BYO") initiative to encourage waste reduction in our day-to-day activities.

Over in Hong Kong SAR, the CAOHK team together with members of our associated company, CNAF HKR, partnered with Green Council, a non-profit environmental organisation, to organise a clean-up expedition at Pak Shui Wun Beach, along the Port Shelter coast in Sai Kung, to promote environmental care and protection. At the non-gazetted beach, 13 garbage bags' worth of rubbish such as plastic bottles, styrofoam and other debris were collected at the voluntary clean-up.

SUSTAINABILITY COMMITMENT

At CAO, we continuously drive operational excellence by running the Group's businesses responsibly to sustain performance and foster economic development everywhere we operate. Notwithstanding a challenging business climate in 2019, the Group remains committed to being a responsible corporate citizen through supporting vibrant volunteer opportunities, social improvement efforts and charitable causes, contributing to global communities and the environment sustainably.

Community Engagement 投身社会公益

在CAO, 负责任的企业公民意识深深扎根在公司的企业文化之中。公司始终秉持着对社会负责的态度, 自觉履行企业社会责任(简称“CSR”), 以自身的专业知识及企业目标, 专注于儿童教育及环保活动, 力求为社区与环境作出贡献、创造积极的影响力。

社区的影响

作为企业社会责任活动推广的一部分, 公司专注在能为特定目标群体创造持久影响的项目上, 为参与方和CAO员工提供学习机会。

自2010年, CAO与彼岸社会服务的学前儿童分支机构——健康起点儿童发展中心(简称“HSCDC”)合作, 为来自新加坡武吉美拉和红山区的弱势儿童提供支持, 帮助他们获得高质量的社会和学前教育机会。2019年, CAO的志愿者带领32名HSCDC的小朋友一起游玩圣淘沙趣志尼亚乐园。在这个互动式的室内主题公园, 小朋友通过各种有趣的角色扮演如消防员、飞行员、厨师和医生, 体验职场工作的真实情景, 增长生活技能。

增强地企和谐

多年来, CAO积极与当地环保组织合作开展环保活动, 提高当地社区的环保意识。为了体现公司对企业社会责任

的关注, CAO在环保、培训和教育等领域积极支持一系列生态环保倡议。

2019年, CAO继续提倡可持续生活方式的意识, 与环保组织Green Nudge合作, 向员工灌输对社会负责的生活方式, 组织了回收厨余制作堆肥的午餐时间环保讲座。共有16名CAO员工参加了环保讲座。为了加强对环境保护的倡议, CAO在2019年推出了全公司范围内的“零废弃——环保便携餐具(简称“BYO”)”计划, 鼓励减少日常活动中的浪费。

在香港特别行政区, 香港公司团队协同联营公司——香港供油公司, 与非盈利环保组织“环保促进会”合作, 在西贡牛尾海沿岸的白水湾海滩开展清洁活动, 以推广环境保护。在这个无人管辖海滩, 香港志愿者团队携手清理海滩, 在此次活动中共收集满满13大袋垃圾, 其中包括塑料瓶、泡沫胶和其他垃圾。

践行可持续发展承诺

CAO以负责任的态度经营公司业务, 在公司运作的各个地区保持业绩并促进其经济发展, 从而不断推进公司的卓越运营。尽管2019年的商业环境充满挑战, 公司仍致力于成为负责任的企业公民, 积极支持各项志愿活动、社会改善和公益事业, 为全球社区和环境的可持续发展做出贡献。



CAO volunteers spending time with HSCDC pre-schoolers at KidZania
公司志愿者与HSCDC的小朋友同游趣志尼亚乐园

Corporate Governance at a Glance

Express Disclosure Requirements – Principles and Provisions of the 2018 Code	How has the Company complied?
General	
Description of the corporate governance practices of the Company with reference to both the Principles and Provisions, and how the Company's practices conform with the Principles. Variations from Provisions are acceptable to the extent that the Company explicitly states and explains its practices are consistent with the aim and philosophy of the Principle in question	Yes. Refer to pages 91 and 96
Provision 1.2	
The induction, training and development provided to new and existing Directors	Refer to page 94
Provision 1.3	
Matters that require Board approval	Refer to pages 91 and 92
Provision 1.4	
Names of the members of the Board Committees, the terms of reference of the Board Committees, any delegation of the Board's authority to make decisions and a summary of each Board Committee's activities	Refer to pages 96 to 107
Provision 1.5	
The number of meetings of the Board and Board Committees held in the year as well as attendance of every Board member at these meetings	Refer to page 93
Provision 2.4	
The board diversity policy and progress made towards implementing the board diversity policy	Refer to page 92
Provision 4.3	
Process for the selection, appointment and re-appointment of Directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates	Refer to pages 97 to 98
Provision 4.4	
Where the Board considers a Director to be independent in spite of the existence of a relationship which may affect his or her independence, the nature of the Director's relationship and the reasons for considering him or her as independent should be disclosed	None

Corporate Governance at a Glance

Express Disclosure Requirements – Principles and Provisions of the 2018 Code	How has the Company complied?
Provision 4.5	
The listed company directorships and principal commitments of each Director, and where a Director holds a significant number of such directorships and commitments, the Nominating Committee’s and Board’s reasoned assessment of the ability of the Director to diligently discharge his or her duties are disclosed	Refer to pages 18 to 26 and 98
Provision 5.2	
How the assessments of the Board, its Board Committees and each Director have been conducted, including the identity of any external facilitator or its connection, if any, with the Company or any of its Directors	Refer to pages 98 to 99
Provision 6.4	
The Company discloses the engagement of any remuneration consultants and their independence	Refer to page 100
Provision 8	
Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration, and the relationship between the remuneration, performance and value creation	Refer to pages 100 to 102
Provision 8.1	
The Company discloses the policy and criteria for setting remuneration, as well as names, amounts and breakdowns of remuneration of: (a) each individual director and the CEO; and (b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel	Refer to page 101
Provision 8.2	
Names and remuneration of employees who are substantial shareholders of the Company, or are immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000. The disclosure states clearly the employee’s relationship with the relevant Director or the CEO or substantial shareholder	None. Refer to page 102

Corporate Governance at a Glance

Express Disclosure Requirements – Principles and Provisions of the 2018 Code	How has the Company complied?
Provision 8.3	
The Company discloses all forms of remuneration and other payments and benefits, paid by the Company and its subsidiaries to Directors and key management personnel of the Company, and also discloses details of employee share schemes	Refer to pages 100 to 102
Provision 9.2	
Whether the Board has received assurance from (a) the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company’s operations and finances; and (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Company’s risk management and internal control systems	Refer to page 106
Provision 11.3	
Directors’ attendance at general meetings of the shareholders held during the financial year	Refer to page 110
Provision 12.1	
The steps taken to solicit and understand the views of the shareholders	Refer to pages 109 to 110
Provision 13.2	
The strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period	Refer to page 109

Statement of Corporate Governance

In the midst of unprecedented geopolitical and global economic uncertainties and the fast-changing business landscape which continued to present daunting challenges to the Board of Directors (the “**Board**”) and Management of China Aviation Oil (Singapore) Corporation Ltd (“**CAO**” or the “**Company**”), the Board and Management of the Company remained committed to embracing the highest standards of corporate governance and in keeping with the Company’s corporate philosophy of transparency and integrity. We strive to surpass the minimum requirements of openness, integrity and accountability prescribed by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and the Code of Corporate Governance 2018 (the “**2018 Code**”). Good corporate governance has become a fundamental part of our corporate culture and business practices of the CAO group (the “**CAO Group**”) and in ensuring the continued strong performance of our businesses and maintaining investor confidence which underpin the sustainable, long-term growth of our businesses and shareholder value.

Since the implementation of the 2018 Code, the CAO Corporate Governance Policy have been reviewed to ensure that the corporate governance principles and guidelines are devised in line with the principles and guidelines set out in the 2018 Code (the “**CAO Corporate Governance Policy**”). Ongoing concerted efforts have been made by relevant departments mandated with the responsibility to oversee the adoption of the CAO Corporate Governance Policy in their practices, processes and operations. The corporate governance practices of the CAO Group and the CAO Corporate Governance Policy are reviewed regularly and are continually fine-tuned and enhanced to ensure that they remain relevant and effective in light of the changing legal and regulatory requirements and volatilities of the trading business and operating environment.

We confirm that throughout the financial year ended 31 December 2019 and at the date of issue of this Statement of Corporate Governance, the Company is in substantial compliance with the provisions of, and applied the principles set out in the 2018 Code.

With the view to preserving and growing shareholder value through strong and effective corporate governance, the Board has put in place a set of well-defined and sound systems of internal controls and processes which the Company voluntarily subjects them to biennial review by an independent third party consultant.

This report primarily describes the Company’s corporate governance practices for the financial year ended 31 December 2019 with specific reference to the 2018 Code and details how we apply the principles and comply with the provisions of the 2018 Code.

(A) BOARD MATTERS

The Board’s Conduct of its Affairs

Role of the Board: The Directors are collectively responsible to the Company’s shareholders for the long-term success of the CAO Group and for its overall strategic direction, its values and its governance. They provide the Company with the core competencies and the leadership necessary for the CAO Group to meet its business objectives within the framework of its systems of internal controls and processes.

All members of the Board are aware of their responsibility to take decisions objectively which promote the success of the CAO Group for the benefit of shareholders.

The CAO Corporate Governance Policy sets forth the matters reserved for the Board’s decision, and provides clear directions to Management on matters that must be approved by the Board. In addition, Management has the responsibility for overseeing the implementation by the CAO Group’s operating subsidiaries of the policies and strategy set by the Board, and for creating the framework for their successful day-to-day operation.

Statement of Corporate Governance

Some of the businesses that the Board transacts include:

- (a) setting, reviewing and approving corporate strategies, annual budgets and financial plans;
- (b) reviewing the adequacy and integrity of the Company's internal controls, risk management systems, financial reporting systems and monitoring the performance of the CAO Group and the Management;
- (c) ensuring that the CAO Group and Management comply with all laws, regulations, policies, directives, guidelines and internal code of conduct;
- (d) considering and approving the nominations of suitable candidates to the Board of Directors; and
- (e) ensuring accurate, adequate and timely reporting to, and communication with shareholders.

Key matters that are specifically reserved for the Board's consideration and approval include corporate planning, material acquisitions and disposals of assets, corporate or financial restructuring, formulation of any dividend policy or the change of such dividend policy, declaration of dividends, interested person transactions, any appointment, re-appointment or removal of the Chairman of the Board,

Apart from matters specifically reserved for Board's consideration and decision, the Board will approve transactions exceeding certain threshold limits, whilst delegating authority for transactions below those limits to Board Committees and the Management for approval.

Composition of the Board: At the date of issue of this Statement of Corporate Governance, the Board comprises eight (8) Non-Executive Directors and the Chief Executive Officer/Executive Director (the "**CEO/ED**"). All Independent Directors as well as those nominated by the two (2) major shareholders, namely China National Aviation Fuel Group Limited ("**CNAF**") and BP Investments Asia Limited ("**BP**"), were appointed on the strength of their expertise, experience and stature.

The Board is composed of members who are diverse in terms of education, skills, regional and industry experience, geographical origin, interpersonal skills, race, gender and age. Details including the academic and professional qualifications and major appointments of each Director are provided under the "Board of Directors" section of this Annual Report.

The Board recognises and embraces the importance of Board diversity which aims to cultivate a broad spectrum of demographic attributes and personal characteristics in the boardroom, leveraging on differences in thought, perspective, knowledge, skill, regional and industry experience, cultural and geographical background to ensure that the Company retains its competitive advantage.

The Board has put in place Internal Policy Guidelines on Board Diversity to provide guidance to the Nominating Committee in reviewing and assessing the appropriate mix of diversity, skills, experience and expertise required on the Board and the Board Committees of the Company, and the extent to which the required skills and core competencies are represented on the Board. In carrying out its responsibilities in accordance with the said Internal Policy Guidelines on Board Diversity, the Nominating Committee will take into account the Company's diversity objectives as well as the need to maintain flexibility to effectively address Board renewal and succession planning at Board level and to ensure that the Company continues to attract and retain highly qualified individuals to serve on the Board and Board Committees.

The Board believes that developing a heterogeneous Board will contribute to the achievement of its strategic and commercial objectives which will include: (i) driving better business performance and results; (ii) making corporate governance more effective; (iii) encouraging a wider range of ideas and options and ensuring high quality and responsible decision-making capability; and (iv) ensuring sustainable growth and development of the CAO Group.

In terms of gender diversity, the Company has one (1) female Director on the Board. The female gender therefore represents approximately 11.1% of the total Board membership. In terms of age diversity, two (2) Directors are in their sixties, six (6) Directors are in their fifties and one (1) Director is in his forties, representing approximately 22.2%, 66.7% and 11.1% of the total Board membership respectively.

Statement of Corporate Governance

Delegation of Authority to Board Committees: To ensure the efficient discharge of its responsibilities and to provide independent oversight of Management, various Board committees namely, the Audit Committee, the Nominating Committee, the Remuneration Committee and the Risk Management Committee have been constituted with clear written terms of reference. Each Committee has the authority to examine issues relevant to their terms of reference and to make recommendations to the Board for action. The ultimate responsibility and decision on all matters still lies with the Board.

To optimise operational efficiency, the Company regularly reviews and updates its financial authorisation and approval limits for purchases and expenses requisitions as well as expenses/fees relating to costs of sales (within and outside the approved full-year budget) in tandem with the business operational needs.

Meetings of the Board and Board Committees: The Board met four (4) times in 2019. At the scheduled quarterly Board meetings for the financial year 2019, the Board: (i) reviewed and approved the release of the quarterly and full-year results; (ii) discussed reports by Management relating to major corporate activities; (iii) approved the annual budget; and (iv) reviewed the performance of the CAO Group's businesses. When Directors cannot be physically present, telephonic attendance and conference via audio-visual communication at Board and Board committee meetings are allowed under the Company's Constitution. The number of meetings of the Board and Board Committees held in 2019, as well as the attendances of each Board member at these meetings, are disclosed below:

Name of Director	Board Meetings	Board Committee Meetings				Independent Directors' Meeting
		Audit	Nominating	Remuneration	Risk Management	
Xi Zhengping	4	N.A.	N.A.	N.A.	N.A.	N.A.
Teo Ser Luck ⁽¹⁾	3	2	1	1	2	1
Wang Kai Yuen ⁽²⁾	1	2	–	1	N.A.	–
Wang Yanjun	4	N.A.	N.A.	N.A.	N.A.	N.A.
Li Yongji	3	4	N.A.	2	N.A.	N.A.
Feng Hai	4	N.A.	1	N.A.	4	N.A.
Li Runsheng	4	4	1	2	N.A.	1
Hee Theng Fong ⁽³⁾	3	2	1	1	N.A.	1
Ang Swee Tian ⁽⁴⁾	1	2	–	1	2	–
Bella Young Pit Lai	4	N.A.	1	2	N.A.	N.A.
Chan Yat Chung ⁽⁵⁾	3	3	N.A.	N.A.	4	N.A.
Eugene Leong Jhi Ghin ⁽⁶⁾	–	–	N.A.	N.A.	–	N.A.
Number of Meetings Held	4	4	1	2	4	1

Notes:

- (1) Mr Teo Ser Luck was appointed as a Non-Executive, Independent Director on 24 April 2019 in place of Dr Wang Kai Yuen. He was concurrently appointed as the Lead Independent Director, Chairman of the Audit Committee and a Member of the Nominating Committee, Remuneration Committee and Risk Management Committee.
- (2) Dr Wang Kai Yuen retired as Deputy Chairman and Lead Independent Director at the 25th Annual General Meeting held on 24 April 2019. He concurrently relinquished his office as the Chairman of the Remuneration Committee and as a Member of the Audit Committee and Nominating Committee.
- (3) Mr Hee Theng Fong was appointed as a Non-Executive, Independent Director on 24 April 2019 in place of Mr Ang Swee Tian. He was concurrently appointed as the Chairman of the Remuneration Committee and a Member of the Nominating Committee and Audit Committee.
- (4) Mr Ang Swee Tian retired as an Independent Director on 24 April 2019. He concurrently relinquished his office as the Chairman of the Audit Committee and as a Member of the Remuneration Committee, Nominating Committee and Risk Management Committee.
- (5) Mr Chan Yat Chung, a BP-nominee Director, resigned as a Non-Executive, Non-Independent Director on 1 November 2019. He concurrently relinquished his office as the Chairman of the Risk Management Committee and a member of the Audit Committee.
- (6) Mr Eugene Leong Jhi Ghin, a BP-nominee Director, was appointed as a Non-Executive, Non-Independent Director on 1 November 2019 in place of Mr Chan Yat Chung. He was concurrently appointed as the Chairman of the Risk Management Committee and a Member of the Audit Committee.

Quarterly Meetings of Board and Board Committees, Independent Directors' Meeting and Annual General Meeting: Meetings of the Board and Board Committees, Independent Directors' Meeting and the Annual General Meeting of the Company for each year are scheduled some time in the month of July in the preceding year to facilitate the Directors' individual administrative arrangements in respect of any competing commitments.

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Director Familiarisation Programme: A formal letter is sent to newly appointed Non-Executive Directors upon their appointment explaining their duties and obligations as a Director as well as the governance policies and practices of the CAO Group. In addition, the formal letter of appointment sets out their expected time commitment and make clear that, by accepting the appointment, they are confirming that they are able to meet the expectations of their role. They are also required to disclose their other significant commitments to the Board prior to their appointment and to give notice of any subsequent changes.

Comprehensive and tailored training is provided for all new Directors appointed to the Board as part of their orientation to ensure that they are familiar with (i) the Company's strategic objectives and the nature and scope of its operations; (ii) the Board's role and the governance structure and processes of the Company; (iii) Directors' duties and responsibilities under statute and common law; (iv) applicable legal requirements and other regulatory requirements; (v) broad overview on the rules of SGX-ST Listing Manual; and (vi) the CAO Corporate Governance Policy. Facility visits to our associated companies' premises are also arranged to enable newly appointed Directors to acquire an understanding of the CAO Group's business operations.

Comprehensive Director familiarisation sessions were arranged for Mr Teo Ser Luck and Mr Hee Theng Fong who joined the Board in April 2019 and for Mr Eugene Leong Jhi Ghin who joined the Board in November 2019. The purpose of the familiarisation sessions was to familiarise them with the business activities, strategic direction, policies and corporate governance practices of the CAO Group. Areas covered included the Corporate Strategy and Investments, Oil Trading and Aviation Marketing Businesses of the CAO Group, Risk Management Framework, Policies and Practices, Overview of the Financial Performance of the CAO Group, Investor Relations Activities, Compliance and Internal Audit function, Directors' Duties and Continuing Listing Obligations and Governance Structure, Policy and Practices of the CAO Group. These sessions also provided opportunities for the aforesaid Directors to get acquainted with senior management, and also foster better rapport and communications with Management.

For any Director who has no prior experience as a director of a listed company, arrangements will be made for him or her to attend the Listed Entity Director ("**LED**") Programme conducted by the Singapore Institute of Directors ("**SID**") within a year of his or her appointment. Accordingly, the Company had arranged for Mr Eugene Leong Jhi Ghin to attend the LED Programme conducted by SID, within one (1) year of his appointment as a Director of CAO.

Continuing Professional Development of Directors: In line with CAO's Policy on Director Orientation and Professional Development adopted by the Board since November 2012, continuing professional development programmes were organised for Directors to ensure that all Directors are updated on important market developments in the energy industry and issues which may have a significant impact on the businesses, financial and operational matters of the CAO Group. These programmes are conducted by external advisers, experts or senior management and these included a Board Information Session relating to "Outlook for Global Crude oil and Refined Products Markets" conducted by Asia S&P Global Platts. The Company also provides the Board with updates on developments in laws and regulations or changes in regulatory requirements and financial reporting standards, which are relevant to or may affect the CAO Group's businesses. The Directors have been periodically updated on various aspects of the CAO Group's operations through briefings, informal discussions and meetings with Management. As part of the Company's continuing professional education for Directors, the Company circulates to the Board articles, reports and news releases issued by the SGX-ST which are relevant to the CAO Group's businesses. Also, wherever applicable, meetings are arranged for the Directors to meet with relevant experts on issues which impact the CAO Group's operating environment. In addition, the Directors are encouraged to attend appropriate relevant external programmes such as those conducted by SID or seminars organised by the SGX-ST or other professional institutions, at the Company's expense. The Directors may also, at any time, request further information or meetings with Management on the CAO Group's operations.

Directors' Disclosure of Interests: The Board has established the Board of Directors Conflict of Interest Policy (the "**Board Conflict of Interest Policy**") which is adjunct to the Company's overarching commitment to high levels of integrity and transparency. The Board Conflict of Interest Policy provides guidance and assistance to the Board in identifying and disclosing actual and potential conflicts of interest, and to help ensure the avoidance of any conflicts of interest where necessary.

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All Directors are required to officially disclose their interests in the Company including any interested person transactions with the Company. To facilitate a comprehensive disclosure by Directors and the CEO/ED of the Company of any interests arising from multiple or cross directorships, shares or equity ownership interests etc., a revised letter template for the general disclosure of interests by Directors and the CEO/ED has been devised for use by Directors and the CEO/ED. As a further commitment of the Board to transparent disclosure, management and monitoring of existing and potential conflicts of interest, a "Conflict of Interest Disclosure Form" by Directors and key management personnel ("**KMP**") of the Company has been devised to facilitate adequate and timely disclosures by Directors and KMP.

Any Director who has an interest that may present a conflict between (a) his or her obligation with the Company and his or her personal business or other interests; and/or (b) the interests of the appointing major shareholder and the interests of the Company on which he or she serves, will either recuse himself or herself from participating in the deliberations and voting on the matter or declare his or her interest and abstain from decision-making.

All Directors practise good governance by updating the Company about changes to their interests in a timely manner.

Board Composition and Guidance

Composition of Independent Directors on the Board: Of the nine (9) members on the Board, six (6) are nominated by substantial shareholders and are deemed as non-independent. The three (3) Independent Directors namely, Mr Teo Ser Luck, Mr Li Runsheng and Mr Hee Theng Fong constitute one-third of the Board. Currently, at least two (2) Independent Directors are resident in Singapore. These two (2) Independent Directors are Mr Teo Ser Luck and Mr Hee Theng Fong. None of the nine (9) Board members is related to one another.

Independent Element of the Board: The Nominating Committee assesses and determines the independence of a Director upon appointment and on an annual basis. The Nominating Committee takes into consideration CAO's Internal Policy Guidelines on Directors' Test of Independence which set out the process for considering the independence of Directors of the Company (the "**Directors' Test of Independence Policy**"). The Directors' Test of Independence Policy (i) specifies the materiality thresholds and independence criteria which the Nominating Committee will use to assess the independence of a Director; (ii) identifies the information that the Company will collect from Directors to enable the Nominating Committee to assess the independence of Directors; and (iii) outlines the basis of disclosure to shareholders of the assessment of the independence of Directors, including the disclosure of any relationships that may be perceived to affect the independence or objectivity of a Director.

The Nominating Committee carried out the review on the independence of each non-executive Director in September 2019 by taking into consideration the Directors' Test of Independence Policy and the information collected from each Director through the completion by each Director of a confirmation of independence checklist. The Director is required to declare any circumstances in which he or she may be considered non-independent. The Nominating Committee will then review the confirmation of independence checklist by applying the Directors' Test of Independence before affirming the independence of a Director.

In the Form of Director's Declaration for 2019, Mr Teo Ser Luck, Mr Li Runsheng and Mr Hee Theng Fong had each confirmed that there were neither any circumstances that could have materially interfered with his exercise of unfettered and independent judgment nor were there any occurrence of any circumstances where the interests of CAO might not be best served by the interests of the major shareholders of CAO. All have demonstrated their independence in character and judgement in discharging their duties and responsibilities as Directors of the Company and their ability to act in the best interests of the Company. This is evident from the minutes of the proceedings of the Board and Board Committees where they had expressed individual viewpoints and objectively scrutinised and sought clarifications from the Management, employees, external auditors and internal auditors of CAO as they considered necessary.

The Board accepted the Nominating Committee's views and affirmed the independence of these Directors.

The composition of the Board is reviewed annually by the Nominating Committee. The Nominating Committee is satisfied that the Board comprises Directors who as a group possess the necessary calibre, experience and core competencies for effective decision-making. Individual director's profiles can be found in "Board of Directors" section of the Annual Report.

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All Singapore-listed companies are required to comply with Provision 2.2 of the 2018 Code which stipulates that Independent Directors should make up a majority of the Board where the Chairman is not independent. In this regard, considering that the rationale of Provision 2.2 of the 2018 Code is basically intended to prevent any one (1) major shareholder from dominating the decision-making process of the Board where the Chairman of the Board and the Chief Executive Officer are both nominated by the same major shareholder and notwithstanding that the Chairman of the Board is not an Independent Director of the Company, there already exists an appropriate level of checks and balances in the management and operation of the Company via the Shareholders' Agreement as the composition of the Board of Directors of the Company presently comprises representatives from its two (2) major shareholders namely, CNAF and BP. Matters requiring the Board's approval are discussed and deliberated with participation from each member of the Board and the decisions are based on collective decision without any individual or small group of individuals influencing or dominating the decision-making process. In addition, the Company had appointed a Lead Independent Director from amongst the Independent Directors of the Company. Hence, considering that the safeguards for a balanced Board are already in place, the Board is of the view that it would be appropriate to maintain the present Board composition of the Company for the foreseeable future.

Separate Role of Chairman and CEO: The Chairman, with the assistance of the Lead Independent Director, is primarily responsible for overseeing the overall management and strategic development of the Company. With the assistance of the Company Secretary, the Chairman schedules Board meetings and ensures that all procedures and good governance practices are complied with. The CEO/ED consults both with the Chairman and the Lead Independent Director for their views on the agenda for Board meetings.

The CEO/ED executes the Board's decisions and is responsible for the day-to-day running of the Company's business, making operational decisions for the Company and implementing the Company's business, direction, strategies and policies.

The Chairman regularly consults with the Lead Independent Director as well as other members of the Board and Board committees on major issues. As such, the Board believes there are adequate safeguards in place against having a concentration of power and authority in a single individual.

The Chairman and the CEO/ED are not related to each other.

The list of responsibilities of the Chairman and the CEO/ED is available for inspection at the Company's registered office.

Regular Meetings of Independent Directors: In accordance with the CAO Corporate Governance Policy, the Independent Directors of CAO meet at least once a year, without the presence of the other Directors, to discuss any matters relevant to the CAO Group, such as its investment criteria, risk management and internal controls, risk appetite and risk tolerance, performance of management, Board communication and performance, and strategic issues. Led by the Lead Independent Director, the Independent Directors of CAO held their meeting on 30 October 2019 without the presence of the other Directors. The Independent Directors of CAO discussed issues relating inter alia to, assessing the completeness, adequacy and timeliness of information provided by Management to the Board of Directors to enable them to make informed decisions to discharge their duties and responsibilities.

Board Membership

Composition of Nominating Committee and Terms of Reference: The Nominating Committee was established by the Board to make recommendations for all Board appointments. The Nominating Committee comprises five (5) members, the majority of whom, including its Chairman, are Independent Non-Executive Directors:

Nominating Committee

Li Runsheng	Chairman
Feng Hai	Vice Chairman
Teo Ser Luck	Member
Hee Theng Fong	Member
Bella Young Pit Lai	Member

Statement of Corporate Governance

The Chairman of the Nominating Committee is not associated with any substantial shareholder of the Company.

The Nominating Committee held one (1) meeting in 2019 where it met to discuss and review (i) the independence of Non-Executive Directors; (ii) Board Performance Evaluation; and (iii) the Nominating Committee Annual Self-Assessment Findings. The Nominating Committee had also reviewed and approved several other matters under its remit via email circulation.

The responsibilities of the Nominating Committee include:

- (a) the review of the structure, size and composition of the Board and the Board Committees;
- (b) the review of the succession plans for the Board Chairman, Directors and Chief Executive Officer;
- (c) the development of a transparent process for evaluating and the performance of the Board, its Board Committees and non-executive Directors, including assessing whether the non-executive Directors are able to commit enough time to discharge their responsibilities and the maximum number of listed company Board representations which a Director may hold;
- (d) the review of the training and professional development programmes of the Board;
- (e) the appointment and re-appointment of all Directors (including alternate Directors, if any);
- (f) the review and confirmation of the independence of each Director; and
- (g) the review of the management structure of key operating subsidiaries of the Company and evaluation of the performance of key management personnel of these key operating subsidiaries, as and when proposed by any Director.

Board Nomination Process for the Selection and Appointment of New Independent Directors: The Nominating Committee will generally apply the Internal Guidelines for Selection and Appointment of Independent Directors of CAO (the “**Internal Guidelines**”) for the process of identifying, evaluating and selecting suitable candidates for appointments as new Independent Directors of the Company. In considering the overall balance of the Board’s composition, the Nominating Committee will give due consideration to the selection and evaluation criteria set out in the Internal Guidelines, having regard to the normally accepted nomination criteria which include but not limited to (i) the appropriate background, experience, industry knowledge or ability to acquire that knowledge, professional skills and qualifications; (ii) demonstrated, willingness to devote the required time, including being available to attend meetings of the Board and Board Committees; and (iii) high levels of personal and professional integrity as well as business ethics.

In the case of selection and appointment of CNAF-Nominee Directors and BP-Nominee Directors, the Nominating Committee will not apply the Internal Guidelines. However, with regard to the nominations received from either CNAF or BP for the appointment and/or replacement of their respective nominee Directors, the Nominating Committee may apply the relevant evaluation criteria in the Internal Guidelines when assessing their suitability in complementing the core competencies of the Board at that time.

Early in the course of the year, the Nominating Committee commenced the search for prospective candidates identified from a number of sources. The Chairman of the Board, Chairman and Vice Chairman of the Nominating Committee, together with Management, met up with four (4) identified candidates through referrals from directors’ contacts and recommendation from the Chinese Embassy in Singapore, to assess and ascertain their suitability for appointment as Independent Directors of the Company to fill the casual vacancies in the Board after the retirement of Dr Wang Kai Yuen and Mr Ang Swee Tian from the Board after the conclusion of the 2019 Annual General Meeting of the Company scheduled in April 2019. Following careful consideration and assessment, Mr Teo Ser Luck and Mr Hee Theng Fong were shortlisted as potential candidates for appointment as Independent Directors of the Company. The Nominating Committee had considered the relevant evaluation criteria in the Internal Guidelines when assessing their suitability in complementing the core competencies of the Board. Following consideration and assessment, the Nominating Committee submitted its recommendations to the Board for approval of the appointment of Mr Teo and Mr Hee as Independent Directors of the Company. The Board had considered the recommendations of the Nominating Committee and the background, qualifications and experiences of each of Mr Teo and Mr Hee respectively. After having confirmed the independence of Mr Teo and Mr Hee, the Board approved the appointments of Mr Teo and Mr Hee as Independent Directors of the Company whose appointment took effect on 24 April 2019 immediately after the conclusion of the 2019 Annual General Meeting of the Company.

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In the course of the year, Mr Eugene Leong Jhi Ghin, a BP-nominee Director, was appointed as a Non-Executive, Non-Independent Director of the Company in place of Mr Chan Yat Chung. Prior to Mr Leong's appointment, Nominating Committee had considered the relevant evaluation criteria in the Internal Guidelines when assessing Mr Leong's suitability in complementing the core competencies of the Board. Following consideration and assessment, the Nominating Committee submitted its recommendations to the Board for approval of the appointment of Mr Leong as a Non-Executive, Non-Independent Director of the Company. The Board had considered the recommendations of the Nominating Committee and the background, qualifications and experiences of Mr Leong and approved the appointment of Mr Leong as a Non-Executive, Non-Independent BP-nominee Director of the Company.

Directors' Multiple Directorships in Listed Companies: In line with the Board adopted guiding principles for the determination of a specified maximum number of listed board representations. Directors of CAO should not, as a general guide, hold more than six (6) board representations in listed companies (the "**Maximum Number of Listed Board Representations**"). In addition, the following considerations are also taken into account:

- (i) where the individual also holds a full-time executive position; and
- (ii) where the individual is a full-time independent director.

All Directors of the Company have complied with the requirement on the Maximum Number of Listed Board Representations.

The Nominating Committee had reviewed each Director's external directorships as well as the Director's attendance and contributions to the Board. Despite the multiple directorships of some Directors, the Nominating Committee is satisfied that all of the Directors of the Company have complied with the requirement on the Maximum Number of Listed Board Representations. The Nominating Committee is also satisfied that the Directors spent adequate time on the Company's affairs and have carried out their responsibilities.

Retirement by Rotation and Re-election of Directors: Pursuant to Regulation 94 of the Company's Constitution, one-third of the members of the Board of Directors shall retire by rotation at every annual general meeting of the Company (the "**AGM**") and these Directors may offer themselves for re-election, if eligible. For the 26th AGM to be held on 4 June 2020, Dr Xi Zhengping and Mr Li Runsheng are due for retirement by rotation and would be eligible for re-election.

In accordance with Regulation 100 of the Company's Constitution, Mr Teo Ser Luck and Mr Hee Theng Fong who were appointed as Independent Directors of the Company on 24 April 2019 and Mr Eugene Leong Jhi Ghin, who was appointed as a Non-Executive, Non-Independent Director of the Company on 1 November 2019, will each hold office as Directors until the next annual general meeting of the Company and will be eligible for re-election under Regulation 100 at the 26th AGM.

Board Performance: The Nominating Committee evaluated the performance of each Director and the effectiveness of the Board as a whole. The Board has, through the Nominating Committee, implemented a formal process annually for assessing the effectiveness of the Board as a whole, each of its Board Committees and individual Directors (the "**Overall Board/Board Committees' Performance Evaluation**"). The Overall Board/Board Committees' Performance Evaluation entailed the completion by each member of the Nominating Committee of a Board assessment and effectiveness questionnaire (the "**Board Evaluation Questionnaire**").

The elements of the Board Evaluation Questionnaire included questions on (i) the Board's composition; (ii) Board's access to information prior to Board meetings and on an ongoing basis to enable them to properly discharge their duties and responsibilities as Directors; (iii) the expertise and experience of each member of the Board; (iv) the conduct of proceedings of meetings, participation and contributions to the Board both inside and outside of Board meetings; (v) the assessment of the performance benchmark for assessing the performance of the Board as a whole and in ensuring the continued return for shareholders; and (vi) the standard of conduct in preventing conflicts of interest and the disclosure of personal interests and abstention from voting where appropriate.

A summary of the assessment ratings on each of the elements of the Board Evaluation Questionnaire by each member of the Nominating Committee for last three (3) preceding years was also sent to the members of the Nominating Committee.

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Each member of the Nominating Committee would first carry out his own assessment and evaluation of the performance of the Board as a whole and its Board Committees using the Board Evaluation Questionnaire.

A general summary of the assessment ratings on each of the elements of the Board Evaluation Questionnaire by each member of the Nominating Committee will be collated by the Company Secretary for the Nominating Committee's deliberation and consensus at its Nominating Committee Meeting held on 31 October 2019.

During the year, each of the Board committees also conducted an annual self-evaluation to assess its effectiveness as a whole and explored ways to further enhance its effectiveness.

The Nominating Committee is satisfied with the current compositions and performances of the Board and the Board Committees, both individually and as a whole.

Access to Information

Information Flow: The Company has put in place enhanced communication processes between the Board and Management in terms of information flow.

Agenda for meetings and all Board papers for discussions are circulated to Directors at least ten (10) calendar days in advance so that the Directors are prepared for the meetings. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed. Management and senior executives of the Company would be present during the Board meeting or Board Committee meeting, as the case may be, to present their proposals or to answer any questions that Board members may have.

The Board as a whole as well as individual Directors have direct access to Management represented by senior executive officers of the Company and the CAO Group. The Management provides the Directors with monthly updates on the operational and financial performance of the CAO Group, and also responds to regular questions from the Board or individual Directors in a timely manner.

Where the Board deems it necessary, the Board can obtain independent advice from external consultants. This enhances the Board's ability to discharge its functions and duties.

All Board members have direct access to and the advice and services of the Company Secretary. The Company Secretary attends all Board and Board Committee meetings and assists the respective Chairman of the Board/Board Committees in ensuring that Board/Board Committee papers, procedures and the applicable laws and regulations are adhered to.

Information about the Company and the CAO Group are freely available to each Board member. Management will promptly supply any additional information that the Board requires.

The Board also has ready access to external professionals for consultations.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies/Level and Mix of Remuneration/Disclosure on Remuneration

Remuneration Committee: The Board has established a Remuneration Committee to consider and to make recommendations on remuneration matters for the Directors and KMP of the CAO Group. Apart from ensuring consistencies with good practices, the Remuneration Committee is also mindful of the need to ensure that the Company and the CAO Group are able to attract and retain good Directors and senior executives to the business.

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The Remuneration Committee comprises five (5) members, the majority of whom, including its Chairman, are Independent Non-Executive Directors:

Remuneration Committee

Hee Theng Fong ⁽¹⁾	Chairman
Li Yongji	Vice Chairman
Li Runsheng	Member
Teo Ser Luck ⁽²⁾	Member
Bella Young Pit Lai	Member

Note:

(1) Mr Hee Theng Fong was appointed as Chairman on 24 April 2019 in place of Dr Wang Kai Yuen.

(2) Mr Teo Ser Luck was appointed as a member on 24 April 2019 in place of Mr Ang Swee Tian.

The Remuneration Committee assists the Board and Management by assessing and making remuneration recommendations for the Executive Directors and KMPs of the Company that are appropriate and proportionate to the sustained performance and value creation of the Company, in line with the strategic objectives of the Company.

In the discharge of its responsibilities, the Remuneration Committee may, as it deems appropriate, seek expert advice from an external international human resource consultancy firm. During the year, the Company used the “2019 Global Job Scoring System” and “2019 Singapore Mercer Benefits Monitor” for the Energy & Trading Industry purchased from Mercer, as references for benchmarking purposes. Mercer and its consultants are independent and not related to the Company or any of its Directors.

Broadly, remuneration for the CEO/EO and five (5) KMPs for the financial year ended 31 December 2019 is based on the Company’s and individual performances and the remuneration for Non-Executive Directors in the form of fees is based on responsibilities and memberships in the Board and its committees.

All Independent Directors of the Company are paid Directors’ fees, subject to the approval of shareholders at the AGM. Directors’ fees comprise a basic fee and fees in respect of service on the Board Committees. All Non-executive, Non-Independent Directors of the Company do not receive Directors’ fees.

The structure for the payment of Directors’ fees for Non-Executive Directors is based on a framework comprising basic fee and additional fees for serving on the Board Committees and also undertaking additional services for the CAO Group. Fees paid or payable to Independent Directors take into account factors such as effort and time spent, and responsibilities of these Directors. The CEO/ED does not receive Directors’ fees for his Board directorships with the Company or within the CAO Group.

Details on the existing Directors’ fee structure are set out below:

- a. Each independent director will receive a base fee (“**Base Fee**”).
- b. The Chairman of the Audit Committee (“**AC**”) will receive additionally two-thirds of the Base Fee (“**AC Chairman’s Fee**”).
- c. The Chairman of the Risk Management Committee (“**RMC**”) will receive additionally two-thirds of the Base Fee (“**RMC Chairman’s Fee**”).
- d. Chairman of the Remuneration Committee (“**RC**”) and the Chairman of the Nominating Committee (“**NC**”) will each receive additionally one-third of the Base Fee.
- e. Members of AC, RC, NC and RMC will each receive 50% of the respective AC Chairman’s Fee, RC Chairman’s Fee, NC Chairman’s Fee and RMC Chairman’s Fee.
- f. Non-Executive, Non-Independent Directors and Executive Directors will not be entitled to receive fees.
- g. The Lead Independent Director will receive additionally a sum equivalent to the Base Fee.

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The remuneration of Directors payable for the financial year ended 31 December 2019 is set out below:

Name of Director	Fee (\$)	Basic/ Fixed Salary and Allowance (\$)	Variable/ Performance Bonus (\$)	Others (\$)	Long-Term Incentives (\$)	Total (\$)
Executive Director						
Wang Yanjun ⁽¹⁾ (CEO/ED)	0	232,620	89,239	0	0	321,859
Non-Executive Directors						
Xi Zhengping (Chairman)	0	N.A.	N.A.	N.A.	N.A.	0
Teo Ser Luck ⁽²⁾ (Lead Independent Director)	100,203	N.A.	N.A.	N.A.	N.A.	100,203
Wang Kai Yuen ⁽³⁾	45,330	N.A.	N.A.	N.A.	N.A.	45,330
Li Yongji	0	N.A.	N.A.	N.A.	N.A.	0
Feng Hai	0	N.A.	N.A.	N.A.	N.A.	0
Li Runsheng	79,824	N.A.	N.A.	N.A.	N.A.	79,824
Hee Theng Fong ⁽⁴⁾	55,112	N.A.	N.A.	N.A.	N.A.	55,112
Ang Swee Tian ⁽⁵⁾	31,731	N.A.	N.A.	N.A.	N.A.	31,731
Bella Young Pit Lai	0	N.A.	N.A.	N.A.	N.A.	0
Eugene Leong Jhi Ghin ⁽⁶⁾	0	N.A.	N.A.	N.A.	N.A.	0
Chan Yat Chung ⁽⁷⁾	0	N.A.	N.A.	N.A.	N.A.	0

- (1) The total remuneration of Mr Wang Yanjun shown above excludes the 2019 variable bonus payable for the financial year 2019. The quantum of the said 2019 variable bonus will be determined during the financial year 2020, in accordance with the Company's bonus framework policy approved by the Remuneration Committee and the Board.
- (2) Mr Teo Ser Luck was appointed as an Independent Director on 24 April 2019. He was concurrently appointed as the Lead Independent Director, the Chairman of the Audit Committee and a Member of the Nominating Committee, Remuneration Committee and Risk Management Committee.
- (3) Dr Wang Kai Yuen retired as a Director at the AGM on 24 April 2019. He concurrently relinquished his office as the Deputy Chairman, the Lead Independent Director, the Chairman of the Remuneration Committee and a Member of the Nominating Committee and Audit Committee.
- (4) Mr Hee Theng Fong was appointed as an Independent Director on 24 April 2019. He was concurrently appointed as the Chairman of the Remuneration Committee and a Member of the Nominating Committee and Audit Committee.
- (5) Mr Ang Swee Tian retired as a Director at the AGM on 24 April 2019. He concurrently relinquished his office as the Chairman of the Audit Committee and a Member of the Nominating Committee, Remuneration Committee and Risk Management Committee.
- (6) Mr Eugene Leong Jhi Ghin, a BP- nominee Director, was appointed as a Non-Executive, Non-Independent Director on 1 November 2019 in place of Mr Chan Yat Chung.
- (7) Mr Chan Yat Chung, a BP-nominee Director, resigned as a Non-Executive Director, Non-Independent Director on 1 November 2019.

Remuneration Bands	Name of Key Management Personnel	Base/Fixed Salary (%)	Variable Bonus (%)	Allowances & Other Benefits (%)	Long-Term Incentives (%)	Total (%)
S\$500,001 – S\$750,000	Elizza Ding	85	14	1	0	100
	Owen Wong ⁽¹⁾	91	9	0	0	100
S\$250,000 – S\$500,000	Xu Guohong	74	26	0	0	100
	Zhang Xingbo	75	25	0	0	100
	Doreen Nah	79	20	1	0	100
Total Remuneration of five (5) key management personnel⁽²⁾	S\$1,883,102					

- (1) The remuneration disclosed comprises secondment fees paid to BP Singapore Pte Ltd ("BPS") pursuant to a secondment agreement between CAO and BPS.
- (2) The remuneration disclosed for Key Management Personnel (other than Mr Owen Wong who is a BP secondee) includes the 2018 variable bonus paid during the financial year 2019 and excludes the 2019 variable bonus payable during the financial year 2020. The quantum of the said 2019 variable bonus will be determined during the financial year 2020, in accordance with the Company's bonus framework policy applicable for KMPs approved by the Remuneration Committee and the Board.

Statement of Corporate Governance

There are no employees in the CAO Group who are immediate family members of the Chairman or any of the Directors during the financial year ended 31 December 2019. "immediate family member" means the spouse, child, adopted child, step child, brother, sister and parent.

The remuneration of the CAO Group's five (5) KMP takes into consideration the pay and employment conditions within the same industry and is performance-related.

The remuneration package of Directors and key management personnel include the following:

Basic/fixed salary – The basic salary (exclusive of statutory employer contributions to Central Provident Fund) for the CEO/ED and each KMP were approved by the Remuneration Committee and endorsed by the Board, taking into account the performance of the individual for the financial year 2019, the inflation price index and information from independent sources on the pay scale for similar jobs in a selected group of comparable organisations.

Variable/Performance – The CAO Group operates a bonus scheme for all employees including the CEO/ED. The criteria for the bonus scheme are the level of profit achieved from certain aspects of the CAO Group's business activities against targets, together with an assessment of the Company's and individual's performance during the year. The remuneration disclosed above for the CEO/ED and the five (5) KMPs included the 2018 variable bonuses in relation to profit targets achieved for the Company's oil trading activities during the financial year 2018.

Others – Benefits in kind such as statutory employer contributions to Central Provident Fund, employer's contributions to social security funds for CNAF seconded personnel, private medical cover and car are made available where appropriate and consistent with common industry practices.

(C) ACCOUNTABILITY AND AUDIT

Accountability

The Board, with the assistance of the Audit Committee, reviewed all financial statements of the Company and the CAO Group. The Board is accountable to shareholders and always aims to present a balanced and understandable assessment of the Company's and the CAO Group's financial position and prospects to shareholders on a timely basis. The quarterly, half-year and full-year results were announced or issued within the mandatory period. The Board also ensures that timely announcements of other matters as prescribed by the SGX-ST Listing Manual requirements and other relevant rules and regulations are made.

Board members are provided with management accounts on a monthly basis. Such reports keep the Board informed, on a balanced and understandable basis, of the CAO Group's performance, financial position and prospects and consist of the consolidated profit and loss accounts, analysis of sales, operating profit, pre-tax and attributable profit by business segments compared against the budgets, together with explanation given for significant variances for the month and year-to-date.

The Board had put in place an external audit policy (the "**CAO External Audit Policy**") which provides guidance on the application of the 2018 Code as well as CAO Corporate Governance Policy in relation to the provision of external audit services for the CAO Group.

The Audit Committee, in accordance with its terms of reference, reviews the performance of the external auditors on an annual basis. In reviewing the performance of the external auditors, the Audit Committee will focus on the quality and rigour of the audit (e.g. assessment of the effectiveness of the external audit through levels of errors identified, accuracy in handling key accounting audit judgments and response to queries from the Audit Committee); quality of audit services provided, the audit firm's internal quality control procedures, relationship with internal auditors and the Company; and the independence and objectivity of the external auditors.

In line with the prevailing regulatory requirements of the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China, which has jurisdiction over CNAF, which is a state-owned enterprise of the People's Republic of China, and over the Company as CNAF's subsidiary, the same audit firm should not be retained for more than five (5) consecutive full-year audits.

Statement of Corporate Governance

During the financial year 2019, the Board, through the Audit Committee, Deloitte & Touche LLP (“**Deloitte**”) and internal auditors, BDO LLP (“**BDO**”), scrutinised Management’s conduct of the Company’s and the CAO Group’s business processes and financials. Each area of the Company and the CAO Group was audited on an ongoing basis to ensure that the Company and the CAO Group maintain good corporate practices and governance and financial integrity.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board recognises the importance of sound internal control and risk management practices. In this regard, the Board affirms that it is responsible for the CAO Group’s systems of internal control and risk management system and had established the Risk Management Committee.

The Risk Management Committee comprises three (3) members, all of whom are Non-Executive Directors:

Risk Management Committee

Eugene Leong Jhi Ghin ⁽¹⁾	Chairman
Feng Hai	Member
Teo Ser Luck ⁽²⁾	Member

Note:

- (1) Mr Eugene Leong Jhi Ghin was appointed as the Chairman of the Risk Management Committee in place of Mr Chan Yat Chung on 1 November 2019.
(2) Mr Teo Ser Luck was appointed a member of the Risk Management Committee in place of Mr Ang Swee Tian on 24 April 2019.

The Risk Management Committee assists the Board and the Company in fulfilling its oversight and approval responsibilities relating to risk management policies and framework which shall include, among others, the review of market risk, credit risk, operational and compliance risks associated with trading activities, technology risk (including information security risk and cybersecurity risk), reputational risk and other risk concerns (other than in relation to financial reporting and financial-related risks and controls).

The Risk Management Committee had delegated the day-to-day management of the risks of the Company and the CAO Group to the Company Risk Meeting, which operates within the delegated authority set by the Risk Management Committee from time to time. The Company Risk Meeting comprises the Head of Risk Management (a BP-seconded), senior Management and relevant functional heads (i.e. from Trading, Operations, Finance and Legal), and meets once a month as well as on an ad hoc basis when required. The Chairman of the Company Risk Meeting, who is the Head of Risk Management, directly reports to the Chief Financial Officer (“**CFO**”).

The Risk Management Department of the Company ensures that the risk management activities have been executed daily. The Risk Management Department is responsible for, among others:

- (i) ensuring that risk management activities have been executed daily; and
- (ii) all risk-related policies, processes and limits are implemented and adhered to.

The Head of Risk Management may also report directly to the Risk Management Committee for important matters or concerns relating to the risk management policies and framework of the CAO Group.

The Risk Management Report is found on pages 68 to 73 of the Annual Report.

Statement of Corporate Governance

The key responsibilities of the Compliance and Internal Audit Department include inter alia:

- (a) review and evaluation of compliance issues across the CAO Group;
- (b) monitoring of new and existing laws and regulations as well as keeping abreast of the status of all relevant compliance activities;
- (c) acting as a channel of communication between compliance investigators and concerned parties;
- (d) setting policies and periodic checks to prevent any unethical or illegal conduct within the CAO Group;
(5) responding to violation of regulations, policies, rules and standards of conduct within the CAO Group;
(6) coordination of compliance activities such as providing training to staff of the CAO Group;
- (e) overseeing the annual internal audit for the CAO Group which includes preparation of internal audit schedules including short/long term audit plans, reviewing the annual/quarterly internal audit reports to the Management and the Audit Committee;
- (f) integration and establishment of the CAO Group's internal control framework, policies, processes and systems across the Company, its subsidiaries and associates;
- (g) facilitating and assisting the CAO Group functional heads in formulating policies, operational processes and systems. Ensure that the policies, processes and systems are efficient in implementation and aligned with regulatory requirement;
- (h) establishing and maintaining the CAO Group's Business Continuity Plan;
- (i) establishing and ongoing review of the CAO Group's SOP's templates to ensure proper departmental ownership of each processes and changes; and
- (j) evaluating the system of internal controls for new projects and business activities and analysis on the impact of such activities on the CAO Group and where necessary, provide recommendations and develop programmes for improvement.

The Head of Compliance and Internal Audit reports directly to the CFO. The Head of Compliance and Internal Audit may also report directly to the Audit Committee for important matters or concerns relating to the system of internal controls of the CAO Group.

As part of the CAO Group's efforts to ensure all employees of the CAO Group stay relevant and informed of the dynamic business environment and uphold core ethics and values that are essential to the long-term success of the CAO Group, the Compliance and Internal Audit Department arranged for all employees of the CAO Group to participate in the mandatory e-learning course modules relating to (1) Fraud Prevention; (2) Information Security; (3) Trade Sanctions; (4) Anti-Bribery & Anti-Corruption; and (5) Code of Ethics via the Thomson Reuters' online learning portal.

In July 2019, the Company conducted a business continuity plan cum IT disaster recovery plan exercise ("**BCP/IT Disaster Recovery Exercise**") at its off-site disaster recovery site involving participants from cross-functional departments. The objective of the BCP/IT Disaster Recovery Exercise is to increase familiarity with the Company's established guidelines, structure and support framework necessary to ensure appropriate emergency escalation response, resumption and recovery of key business functions and processing resources in a timely manner coupled with effective communication channels among the CAO Group's key management team and employees globally.

Following the completion of the comprehensive risk review exercise undertaken during the financial year 2018, the Risk Management team took the lead in carrying out the post-completion comprehensive risk review follow-up work, which involved strategically combining the action plans from the aforesaid risk review exercise with the key work objectives of the respective departments so as to improve the Company's management system in a targeted way to enhance the overall risk management. A detailed summary report on 2018 Comprehensive Risk Review Follow-Up was submitted to the Risk Management Committee and the Board for information during the financial year 2019.

With the assistance of the Audit Committee and the Risk Management Committee, the Board reviews the adequacy and integrity of those control systems from time to time. Corporate Policy on Anti-Money Laundering Measures, including the appointment of an Anti-Money Laundering Compliance Officer, together with other trading related policies such as Out-of-Office Dealing Policy, Telephone Taping/Instant Messaging/Mobile Phone Policy, Deal Entry Policy, CAO Group Trade Sanctions Policy and CAO Group Corporate Guarantee Policy had been endorsed by the Risk Management Committee and relevant departments had also been mandated with the responsibility to oversee the adoption of the aforesaid policies in their practices, processes and operations.

Statement of Corporate Governance

The internal audit function of the CAO Group, which is outsourced to BDO, assists the Audit Committee and the Board in evaluating the internal control systems and processes, financial and accounting matters, compliance and business and financial risk management. The Audit Committee's responsibilities in the CAO Group's internal controls are complemented by the work of the outsourced Internal Auditors, BDO, the Compliance and Internal Audit department, the Risk Management department and the Legal department.

Based on the audit reports, internal control systems review report and management controls in place, the Audit Committee is satisfied that the internal control systems provide reasonable assurance that assets are safeguarded, that proper accounting records are maintained and financial statements are reliable.

In line with the Singapore Standards on Auditing issued in July 2015, the Company's external auditors, Deloitte, will disclose key audit matters in the auditor's reports on the financial statements which include matters that were of most significance in the audit of the financial statements for the financial year ended 31 December 2019 (the "**Key Audit Matters**").

Significant financial reporting matters (including the Audit Committee's perspectives on the Key Audit Matters) are summarised below:

Key Audit Matters	Audit Committee's commentary on its review of the Key Audit Matters and decisions made
<p>Revenue recognition</p> <p>Recognition of revenue and purchases have been identified as a risk primarily due to:</p> <ul style="list-style-type: none"> complexity in the timing of recognition for trades with deliveries occurring on or around year end as a result of the extent of the Group's distribution network and varying shipping terms with customers; and risk of potential deliberate misstatement of the CAO Group's trading positions by failing to report the trades entered or failing to record the trades accurately or on a timely basis. <p>The details of the CAO Group's revenue are disclosed in Notes 3.14 and 21 to the financial statements.</p>	<p>The Audit Committee regularly discussed with management and the external auditors on the standard operating procedures and controls in place to ensure reasonableness regarding timeliness, completeness and accuracy of accounting records and reporting. The Audit Committee has considered the reasonableness of the internal controls and procedures on the CAO Group's operating effectiveness. The Audit Committee has also considered the audit procedures performed by the external auditors and noted that no misstatements were uncovered by the external auditors.</p>
<p>Valuation of derivatives, trading inventories and open physical contracts</p> <p>The valuation of derivatives, trading inventories and open physical contracts requires significant management judgement in applying the appropriate valuation methodology and incorporating of any contract specific terms including the use of valid and appropriate price index.</p> <p>The valuation techniques and the inputs used in the fair value measurements of the financial instruments are disclosed in Note 28.</p>	<p>The Audit Committee received regular briefings on the CAO Group's internal controls and compliance. The internal auditors also conducted a review of the Company's system of internal controls and no significant observations were noted. The Audit Committee has considered the reasonableness of the controls in place over the valuation of derivatives, trading inventories and open physical contracts. It evaluated and was satisfied that the valuation methodology and inputs used in the valuation were reasonable.</p>

In addition, BDO which had been engaged to conduct a review of the internal control systems and processes of the CAO Group will highlight any internal control weaknesses which have come to their attention in the course of their review. Any such audit findings noted during the audit by external auditors or internal control weaknesses noted during the review by BDO, and recommendations in relation thereto, if any, by the external auditors and BDO respectively, are reported to the Audit Committee.

Statement of Corporate Governance

In accordance with Provision 10.2 of the 2018 Code, the Audit Committee reviewed the written assurance ("**Letter of Assurance**") from the CEO/ED and CFO on the financial records and the financial statements of the Company for the financial year ended 31 December 2019. The Letter of Assurance provides reasonable assurance to the Board that (1) the financial records of CAO for the financial year ended 31 December 2019 have been properly maintained; (2) the financial statements and the accompanying notes comply with the Singapore Financial Reporting Standards (International) in all material respects; (3) the financial statements and accompanying notes provide a true and fair view of the financial position and performance of CAO and its subsidiaries; and (4) the integrity of the financial statements is founded on a sound system of risk management and internal control; and (5) the risk management and internal control system is operating efficiently and effectively in all material respects.

In accordance with Provision 9.2 of the 2018 Code, the Board was provided the Letter of Assurance from the CEO/ED and CFO confirming that the financial records have been properly maintained and the financial statements give a true and fair view of the CAO Group's operations and finances. The Letter of Assurance from the CEO/ED and CFO also confirmed the adequacy and effectiveness of the CAO Group's risk management and internal control systems.

Based on the internal controls established and maintained by the CAO Group, work performed by the internal and external auditors, and reviews performed by management and various Board Committees, the Board, with the concurrence of the Audit Committee, is of the opinion that the CAO Group's system of internal controls addressing financial, operational, compliance, informational technology controls and risk management systems, were adequate as at 31 December 2019 to provide reasonable assurance for achieving the following objectives:

- (a) effectiveness and efficiency of operations;
- (b) reliability of financial reporting; and
- (c) compliance with applicable laws and regulations.

The Board noted that the system of internal controls provides reasonable, but not absolute, assurance that the CAO Group will not be affected by any event that could be reasonably foreseen as it strives to achieve its business objectives and goals. In this regard, the Board also noted that no system can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.

AUDIT COMMITTEE

Composition of the Audit Committee: The Audit Committee comprises five (5) members, all of whom are Non-Executive Directors and the majority, including its Chairman, consists of Independent Directors:

Audit Committee

Teo Ser Luck ⁽¹⁾	Chairman
Li Yongji	Vice Chairman
Li Runsheng	Member
Hee Theng Fong ⁽²⁾	Member
Eugene Leong Jhi Ghin ⁽³⁾	Member

Note:

(1) Mr Teo Ser Luck was appointed as the Chairman of the Audit Committee in place of Mr Ang Swee Tian on 24 April 2019.

(2) Mr Hee Theng Fong was appointed as a member of the Audit Committee in place of Dr Wang Kai Yuen on 24 April 2019.

(3) Mr Eugene Leong Jhi Ghin was appointed as a member of the Audit Committee in place of Mr Chan Yat Chung on 1 November 2019.

Roles of the Audit Committee: The Audit Committee held four (4) meetings in 2019 where it met with external and internal auditors to review both the Company and the CAO Group's financials and audit reports. A key issue for discussion is the financial statements and announcements made by the Company to shareholders. The members of the Audit Committee, collectively, have expertise or experience in financial management and are qualified to discharge the Audit Committee's responsibilities.

The Audit Committee met with both the external and internal auditors at least once without the presence of the Management.

Statement of Corporate Governance

The Audit Committee assists the Board and the Company in fulfilling its oversight responsibility relating to inter alia, the integrity of the Company's financial statements and financial reporting processes and the Company's system of internal accounting and financial controls, the review of the adequacy and effectiveness of the Company's risk management and internal controls (in relation to financial reporting and other financial-related risks), the adequacy of the scope, resources and performance of the internal audit function, the annual independent audit of the Company's financial statements, the engagement of external auditors and their remuneration, and the evaluation of their qualifications, independence, objectivity and performance.

The Audit Committee reviewed the quarterly and annual financial statements for the financial year 2019 and the integrity of financial reporting of the Company, including the accounting principles, for recommendation to the Board for approval. The Audit Committee also reviewed and approved the plans of the internal auditors and external auditors to ensure that such plans adequately cover, in particular, significant internal controls of the Company relating to financial, operational and compliance-related matters. Significant issues are discussed at Audit Committee meetings.

The Audit Committee has full authority to investigate into any matter within its terms of reference, including any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations.

The Audit Committee has full access to and co-operation of the Management. The Audit Committee also has full discretion to invite any Director or executive officer from the Company or the CAO Group to attend its meetings. The Audit Committee has full access to both external and internal auditors. Where required, the Audit Committee is empowered to obtain external legal advice or such other independent professional advice as the Audit Committee deems necessary.

The Audit Committee monitors all interested person transactions, including transactions under the general mandate on Interested Person Transactions approved by shareholders at the AGM held in April 2019, and conflict of interest situations including transactions, procedures or actions taken which may raise issues about the Management's integrity.

The Audit Committee also evaluates the scope and results of internal audit reports as well as Management's responses to the findings of the internal audit reports. For further discussions about internal audit, please see section (D) INTERNAL CONTROLS.

The Audit Committee has also conducted an annual review of non-audit services and is satisfied that the nature and extent of such services provided by Deloitte will not prejudice their independence and objectivity before confirming their re-nomination.

The Board had proposed to re-appoint Deloitte & Touche LLP as auditors of the Company for the financial year 2020.

As part of the Company's ongoing efforts in promoting and upholding high standards of corporate governance as well as maintaining the highest levels of probity and behaviour amongst its workforce, enhancements were made to the existing Whistleblowing Policy of the Company (the "**Revised CAO Whistleblowing Policy**") to ensure its effective functioning. These enhancements included inter alia, clearer guidance relating to the Company's approach and stance on whistleblowing and the means by which whistleblowers can raise serious concerns of any allegations of wrongdoing as well as more explicit indication of the kinds of conduct which might be considered reportable concerns. Under the Revised CAO Whistleblowing Policy, whistleblowers may report any reportable concerns pertaining to any form of misconduct affecting the CAO Group, its customers, partners, suppliers and other stakeholders, via a dedicated email address: whistle_blowing@caosco.com which will be accessed by the Receiving Officers who shall be such person or persons as the Audit Committee may designate from time to time.

Statement of Corporate Governance

A summary of the Revised CAO Whistleblowing Policy can be accessed from the Company's external website. Under the Revised CAO Whistleblowing Policy, all reportable incidents will be reviewed within a reasonable time-frame, and after due consideration and inquiry, a decision will be taken on whether to proceed with a detailed investigation. Guidance and direction will be sought from the Management of the Company on the appropriate course of action. Where a reportable incident relates directly or indirectly to any member of the Management, that member of the Management shall abstain from participating in the deliberations relating thereto. Management shall then submit all reported concerns including recommended action (if any) to the Chairman of the Board and/or the Audit Committee for their guidance. The Chairman of the Board and/or the Audit Committee shall decide as to whether the Company should proceed with the investigation of the complaint or whether no further action is considered necessary. In the event that the Chairman of the Board and/or the Audit Committee shall decide that an investigation should proceed, an adhoc investigation taskforce shall be established and the members of such adhoc investigation taskforce shall comprise relevant personnel recommended by the Management and approved by the Chairman of the Board and/or the Audit Committee.

The Company had established and implemented the Crisis Management and Business Continuity Plan, Fraud Control Plan and an Enterprise Risk Management Framework and Process. The Crisis Management and Business Continuity Plan provides the CAO Group with a structured process for limiting the intensity or impact of negative threat or event to its employees, products, services, investments, financial stability and reputation.

The Fraud Control Plan comprises periodic fraud risk assessments on the Company which is subject to review from time to time.

The Enterprise Risk Management Framework and Process ensures that the Company has a structured approach and framework to regularly assess its enterprise-wide risks. Enterprise Risk Assessments are conducted on a regular basis to identify and deliver an inventory of key risks for the Company and to develop a list of key risk indicators that can help the Company monitor and mitigate its key risks.

In addition, other existing policies, internal guidelines and/or processes and procedures have been put in place by the Company and these include the Strategy and Investment Governance Standards & Strategy and Investment Governance Committee, IT Policy & Practice, Jet Fuel Marketing Policy, Safety, Health and Environment Policy, Contracts/Documents Review Policy and Procedures.

The Company has put in place an employee handbook which includes a code of business conduct and ethics for employees.

Internal Audit

Both the Board and the Audit Committee agree that it is important to have a strong professional internal audit function to enhance their ability to manage risk and safeguard shareholders' interest. It has been determined that the best approach is to engage independent professional auditors to discharge this function and such, BDO has been retained as the Internal Auditors of the CAO Group.

During the financial year, BDO reviewed the Company's processes and procedures on a continual basis to ensure compliance with the best corporate governance practices. It also reviewed interested person transactions on a quarterly basis. The Audit Committee is satisfied that BDO had adequate resources to perform its functions and had appropriate standing within the Company.

BDO had presented their internal audit plan 2019 to the Audit Committee. The Audit Committee adopted the audit plan for 2019.

As the Internal Auditors of the CAO Group, BDO had conducted its internal audits in accordance with BDO's global internal audit methodology which is aligned with the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

Statement of Corporate Governance

(D) COMMUNICATION WITH SHAREHOLDERS

Investor Relations and Shareholder Communication

The CAO Group is committed to providing regular, effective and fair communication with its shareholders and the investment community.

Over the years, the Company has won recognition from investors, the media etc., for its proactive approach to shareholder communication and transparency. During the financial year 2019, the Company was awarded with the “Most Transparent Company” (Winner in Energy Category) by Securities Investors Association of Singapore, the “Best Risk Management” (Gold Award, Mid Cap Category) by Singapore Corporate Awards 2019 as well as named “Best Performing Stock” (Commerce Category) by The Edge Billion Dollar Club, 2019 .

The Company, through the Investor Relations team and senior management, maintained active working relationships with domestic and international brokerage firms, investment banks and the media.

In order to: (i) cultivate wider investing public’s familiarity with the CAO Group; (ii) increase global awareness and appreciation of CAO’s business strategy, corporate developments, growth strategies and financial performance; and (iii) enhance the quantity and quality of analysts’ research, CAO expanded its channels of communication with the international investment and financial community. Increased interactions were conducted through international conferences, face-to-face meetings, teleconferences, earnings briefings and corporate access events which were webcast globally across international financial markets.

The Company reviews an analyst’s report for factual accuracy of information that is within the public domain but does not provide forward guidance for analysts’ earnings estimates, and will not comment on their conclusions, earnings estimates, or investment recommendations.

As a matter of internal policy, the Company will not deny an analyst or investor access to information on the basis of a negative recommendation or a decision no longer to hold the Company’s securities. The Company shall not attempt to influence an analyst to change his or her recommendations by exerting pressure through other business relationships.

The Investor Relations Department publishes and maintains a list on the Company website showing names of analysts and firms providing coverage.

Channels of communication with retail investors were made through email correspondence and telephone calls as well as participation in investor conferences. During the year, the Company also participated in several corporate profile seminars for both retail and institutional investors, including investor education seminar organised by SGX-ST.

The Company also engages the media and investment community through news releases and media/analysts briefings after each announcement of the CAO Group’s financial results.

To assist members of the Board to gain a current understanding of the views of institutional shareholders, the Board receives at each its scheduled quarterly meetings, (i) an investor relations and corporate communications report which cover a wide range of matters including a commentary on the perception of the Company and views expressed by the investment community, media reports, share price performance and analysis, share ownership analysis, highlights of recent investor relation activities; and (ii) a half-yearly peer companies analysis report which provides a detailed analysis and evaluation on the benchmarking exercise with identified peer companies to provide the Board with a better understanding of CAO’s position within the industry as well as identify gaps and learning points.

In addition, the Board adopted the Internal Guidelines on Issuance of Profit Guidance or Profit Warning Announcements which purpose is to allow market expectations to adjust to the likelihood that the Company will either not be living up to an earlier profit guidance, and/or to avoid an earnings shock, negative impact on the share price, sell-off of the Company’s shares and/or volatility of trading in the Company’s shares, when the financial results are announced.

Statement of Corporate Governance

Conduct of Shareholder Meetings

All shareholders of the Company are treated fairly and equitably to facilitate the exercise of their ownership rights.

At each AGM, shareholders are encouraged to participate in the question and answer session. The Board of Directors, senior management, the external auditors, internal auditors and the Company Secretary are present to respond to shareholders' questions.

Where there are items of special business to be transacted at the AGM, comprehensive explanatory notes will be sent together with the notice of the AGM.

Each issue or matter requiring the approval of shareholders of the Company is submitted as a single item resolution. To ensure transparency, the Company conducts electronic poll voting for shareholders/proxies present at the meeting for all the resolutions proposed at the general meeting. Votes cast for or against and the respective percentages on each resolution will be tallied and displayed live on screen immediately at the general meeting. The total number of votes cast for or against the resolutions and the respective percentages are also announced after the general meeting via SGXnet.

A shareholder who is not a "relevant intermediary" may appoint up to two (2) proxies during his or her absence, to attend, speak and vote on his or her behalf at general meetings. Shareholders who are "relevant intermediaries" such as banks, capital markets services licence holders which provide custodial services for securities and the Central Provident Fund ("**CPF**") Board, are allowed to appoint more than two (2) proxies to attend, speak and vote at general meetings. This will enable indirect investors including CPF investors, to be appointed as proxies to participate at general meetings of the Company.

The Company Secretary prepares minutes of shareholders' meetings, which incorporates substantial comments or queries from shareholders and responses from the Board and Management. These minutes can be accessed from the Company's external website.

Shareholders also have the opportunity to communicate their views and discuss with the Board and Management matters affecting the Company after the general meetings.

The Constitution of the Company can be accessed from the Company's external website.

Dividend Policy

The dividend policy of the Company (the "**CAO Dividend Policy**") sets out the guiding principles for dividend distribution by the Company (the "**Guiding Principles**"). The Guiding Principles included inter alia, maintaining a consistent baseline dividend payout ratio which constitutes thirty percent (30%) of the Company's annual consolidated net profits attributable to shareholders commencing from financial year 2016.

In approving or reviewing a dividend policy or making its recommendations on the timing, amount and form of any future dividends, the Board takes into consideration, among others:

- (a) the expected future capital requirements and growth opportunities available to the CAO Group;
- (b) net earnings of the CAO Group; and
- (c) any regulatory approvals and/or where applicable, approvals required from third parties (e.g. banks and other financial institutions) as appropriate.

A summary of the CAO Dividend Policy can be accessed from the Company's external website.

Statement of Corporate Governance

DEALINGS IN THE COMPANY'S SECURITIES

In line with the recommended best practices on dealings in securities set out under Rule 1207(18) of the SGX-ST Listing Manual, the Company has issued a directive to all employees and directors not to deal in the Company's securities on short-term considerations and to abstain from dealing with the Company's securities for a period commencing two (2) weeks before the announcement of the results of the first three (3) quarters and one (1) month before the announcement of the full year results and ending on the date of the announcement of the relevant results.

INTERESTED PERSON TRANSACTIONS

Shareholders have approved the renewal of the general mandate for interested person transactions of the CAO Group on 24 April 2019 (the "**IPT Mandate**"). The IPT Mandate sets out the levels and procedures to obtain approval for such transactions. Information regarding the IPT Mandate is available on the Company's website at www.caosco.com. All business units are required to be familiar with the IPT Mandate and report any such transactions to the Finance Department. The Finance Department keeps a register of the CAO Group's interested person transactions.

Information on interested person transactions for 2019 is found under "Supplementary Information" on page 194.

REVIEW OF SYSTEM OF INTERNAL CONTROLS

As part of the Company's ongoing process of ensuring effectiveness of its system of internal controls, the established system of internal controls of the Company would be subject to biennial review by an independent external reviewer with appropriate experience in corporate governance and risk management processes.

With the assistance of BDO, the Company conducted a review of the Company's system of internal controls (the "**Review of System of Internal Controls**"). Based on the findings from the Review of System of Internal Controls, the Company was generally in conformity with Committee of Sponsoring Organizations of the Treadway Commission (the "**COSO**") Internal Controls Integrated Framework. Risks identified (none of which were rated as high risk) are highlighted in the Risk Assessment section in its report. No other exceptions were noted with respect to internal controls and counter-measures reviewed in the scope of the engagement. However, BDO had recommended several areas of improvement so as to fully conform to the requirements under the COSO internal controls framework. Accordingly, Management had carefully considered these recommendations from BDO and had taken the necessary actions to implement the same as appropriate.

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Appendix

(1) Charter of Lead Independent Director

The Company shall have a Lead Independent Director who shall be an independent director as defined under the 2018 Code.

Purpose

In circumstances where the Chairman of the Board of Directors is not independent, the Board of Directors of the Company considers it to be useful and appropriate to designate a Lead Independent Director to coordinate the activities of the independent directors of the Company and performing such other duties and responsibilities as the Board may determine from time to time.

Duties and Responsibilities

In addition to the duties of Board members as set forth in the 2018 Code, the specific duties and responsibilities of the Lead Independent Director shall be as follows:

Function as Principal Liaison with the Chairman and Senior Management

- Act as the principal liaison between the Independent Directors of the Company and the Chairman of the Board, and between the Independent Directors of the Company and senior management.

Call Meetings of Independent Directors

- Has the authority to convene meetings, as appropriate, among the Independent Directors of the Company and to ensure that Independent Directors have adequate opportunities to meet and discuss issues in sessions of the Independent Directors without the presence or participation of management.

Preside at Meetings

- Preside at any meetings held among the Independent Directors of the Company.

Approve Appropriate Provision of Information to the Board and the Board Committees

- Review the quality, quantity and timeliness of the information submitted to the Board and Board Committees.
- Advise and assist the Chairman on the meeting agenda items.
- Advise the Chairman and facilitate Board's approval of the number and frequency of meetings of the Board and Board Committees (including any special meetings of the Board) as well as meeting schedules to ensure that there is sufficient time for discussion of all agenda items.

Initiate Actions to Address any Concerns on Corporate Compliance Matters

- Has authority to initiate actions, for and on behalf of the Independent Directors of the Company, to address any concerns on corporate compliance matters including the engaging of external advisers and consultants, even at the displeasure of the Management or majority shareholders of the Company.

Function as Principal Liaison in Shareholder Communication

- Respond directly to the shareholders of the Company, questions and comments that are directed to the Lead Independent Director or to the Independent Directors of the Company as a group, with such consultation with the Chairman of the Board and the other Non-Independent Directors, as the Lead Independent Director may deem appropriate.



China Aviation Oil (Singapore) Corporation Ltd

中国航油（新加坡）股份有限公司

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