

## STATEMENT OF CORPORATE GOVERNANCE

In 2021, the constantly evolving COVID-19 situation had continued to exacerbate global economic and geopolitical uncertainties and the fast-changing business landscape had continued to present challenges to the Board of Directors (the “**Board**”) and Management of China Aviation Oil (Singapore) Corporation Ltd (“**CAO**” or the “**Company**”). Nonetheless, the Board and Management of the Company remained firmly committed to ensuring the highest standards of corporate governance as a means of enhancing corporate performance and accountability. To demonstrate its commitment towards excellence in corporate governance, the Company had embraced the Company’s operating philosophy of “Compliance as Top Priority (合规第一), Risk Management of Utmost Importance (风控至上)” and our management philosophy of “Transparency (透明化), Standardisation (规范化) and Refinement (精细化)”. We strive to surpass the 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 of companies (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 updated 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 volatility of the trading business and operating environment.

We confirm that throughout the financial year ended 31 December 2021 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 annual review by an independent third party consultant.

This report primarily describes the Company’s corporate governance practices for the financial year ended 31 December 2021 with specific reference to the 2018 Code and details how we apply the principles and comply with the provisions of the 2018 Code.

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### (A) BOARD MATTERS

#### The Board's Conduct of its Affairs

**Role of the Board:** The Board has overall responsibility for the long-term success of the Company and its value creation. Beyond carrying out its statutory duties, the Board also:

- provides entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- sets the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders of the Company are understood and met;
- establishes a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of the interests of shareholders of the Company and the Company's assets;
- ensures compliance with all applicable laws, regulations, policies, directives, guidelines and internal codes of conduct by the Company, its subsidiaries and associated companies over which the Company has control and their respective management;
- ensures accurate, adequate and timely reporting to, and communication with the shareholders of the Company;
- considers sustainability issues, e.g. environmental and social factors, as part of its strategic formulation;
- identifies the key stakeholder groups and recognises that their perceptions affect the Company's reputation; and
- reviews Management performance.

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 Terms of Reference of the Board sets forth the matters reserved for the Board's decisions, and provides clear directions to Management on matters that must be reviewed and 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.

Some of the matters specifically reserved for the Board's review and approval include:

- (a) the Company's corporate strategies and directions, shareholding structures and corporate governance matters;
- (b) all material acquisitions and dispositions of assets of the CAO Group;
- (c) the annual budgets and operating plans;
- (d) 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;
- (e) dividend distributions;
- (f) any appointment, re-appointment or removal of Chairman of the Board;
- (g) nominations of suitable candidates to the Board of Directors and key management personnel ("**KMP**"); and
- (h) remuneration-related matters such as the framework and policies for determining the remuneration for Non-Executive Directors and the remuneration for Non-Executive Directors and KMP.

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.

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**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 a heterogeneous Board will enable the Company to successfully meet the continual challenges and complexities of businesses and having a diverse set of competencies as a primary resource, will contribute to the achievement of the strategic and commercial objectives of the CAO Group which will include: (i) enhancing corporate reputation through signalling positively to the internal and external stakeholders that the CAO Group emphasises diverse constituencies; (ii) driving better business performance and results; (iii) making corporate governance more effective; (iv) encouraging a wider range of ideas and options and ensuring high quality and responsible decision-making capability; and (v) ensuring sustainable growth and development of the CAO Group.

**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.

During the year under review, the Board Delegation of Authority Management Measures were drawn up to formalise the principles that govern the delegation of authority and to outline the process by which the authority to act and to make decisions is delegated. The objectives of the aforesaid Management Measures include: (i) assigning clear authorities and accountabilities; (ii) creating a sound internal control environment, while facilitating efficient decision making; and (iii) setting out matters specifically reserved for determination by the Board/Board Committees and those matters delegated to the Management, thereby ensuring that decisions made and actions taken are by the appropriate levels.

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.

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**Meetings of the Board and Board Committees:** Notwithstanding the adoption of half-yearly reporting of financial results of the Company from the financial year ended 31 December 2020, the Board continued to meet on a quarterly basis. The Board met four (4) times in 2021. At the scheduled Board meetings for the financial year 2021, the Board: (i) reviewed and approved the release of the half-year 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 2021 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	
Gong Feng	4	N.A.	N.A.	N.A.	N.A.	N.A.
Teo Ser Luck	4	4	1	N.A.	4	1
Wang Yanjun	4	N.A.	N.A.	N.A.	N.A.	N.A.
Li Yongji <sup>(1)</sup>	2	2	N.A.	N.A.	2	N.A.
Zhang Yuchen <sup>(2)</sup>	4	1	1	2	2	N.A.
Li Runsheng <sup>(3)</sup>	3	3	N.A.	2	N.A.	N.A.
Hee Theng Fong	4	4	N.A.	3	4	1
Conrad Frederick James Clifford <sup>(4)</sup>	2	N.A.	0	1	2	0
Bella Young Pit Lai <sup>(5)</sup>	2	1	N.A.	1	1	N.A.
Eugene Leong Jhi Ghin <sup>(6)</sup>	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Richard Yang Minghui <sup>(7)</sup>	2	2	N.A.	2	N.A.	N.A.
Shi Lei <sup>(8)</sup>	1	N.A.	0	0	0	N.A.
Fu Xingran <sup>(9)</sup>	1	1	1	1	N.A.	1
Jeffrey Goh Mau Seong <sup>(10)</sup>	–	N.A.	–	–	–	–
<b>Number of Meetings Held</b>	4	4	1	3	4	1

### Notes:

- (1) Mr Li Yongji, a CNAF-nominee Director, resigned as a Non-Executive, Non-Independent Director on 1 September 2021. He concurrently relinquished his office as Vice Chairman of the Audit Committee, Vice Chairman of the Risk Management Committee and as a member of the Nominating Committee.
- (2) Mr Zhang Yuchen, a CNAF-nominee Director and a Non-Executive, Non-Independent Director was appointed as the Vice Chairman of the Audit Committee and the Vice Chairman of the Risk Management Committee in place of Mr Li Yongji on 1 September 2021. He concurrently relinquished his office as the Vice Chairman of the Remuneration Committee and as the Vice Chairman of the Nominating Committee. He remained as a member of the Nominating Committee.
- (3) Mr Li Runsheng resigned as a Non-Executive, Independent Director on 30 September 2021. He concurrently relinquished his office as the Chairman of Nominating Committee and as a member of the Audit Committee and the Remuneration Committee.
- (4) Mr Conrad Frederick James Clifford was appointed as a Non-Executive, Independent Director on 19 February 2021 in place of Mr Eugene Leong Jhi Ghin. He was concurrently appointed as the Chairman of the Remuneration Committee and a member of the Nominating Committee and the Risk Management Committee. Mr Clifford resigned as a Non-Executive, Independent Director on 31 December 2021. He concurrently relinquished his office as the Chairman of Remuneration Committee and as a member of the Nominating Committee and the Risk Management Committee.
- (5) Ms Bella Young Pit Lai, a BP-nominee Director, resigned as a Non-Executive, Non-Independent Director on 31 May 2021. She concurrently relinquished her office as a member of the Audit Committee, the Risk Management Committee, the Nominating Committee and the Remuneration Committee.
- (6) Mr Eugene Leong Jhi Ghin, a BP-nominee Director, resigned as a Non-Executive, Non-Independent Director on 19 February 2021. He concurrently relinquished his office as the Chairman of the Risk Management Committee and as a member of the Audit Committee.
- (7) Dr Richard Yang Minghui, a BP-nominee Director, was appointed as a Non-Executive, Non-Independent Director on 31 May 2021 in place of Ms Bella Young Pit Lai. He was concurrently appointed as a member of the Audit Committee and the Remuneration Committee.
- (8) Mr Shi Lei, a CNAF-nominee Director, was appointed as a Non-Executive, Non-Independent Director on 1 September 2021. He was concurrently appointed as the Vice Chairman of the Nominating Committee, Vice Chairman of the Remuneration Committee and as a member of the Risk Management Committee.
- (9) Dr Fu Xingran was appointed as a Non-Executive, Independent Director on 30 September 2021 in place of Mr Li Runsheng. He was concurrently appointed as the Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee.
- (10) Dr Jeffrey Goh Mau Seong was appointed as a Non-Executive, Independent Director on 31 December 2021 in place of Mr Conrad Frederick James Clifford. He was concurrently appointed as the Chairman of the Remuneration Committee and as a member of the Nominating Committee and the Risk Management Committee.

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**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.

**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.

Despite the ongoing coronavirus situation in 2021, comprehensive director familiarisation sessions for newly appointed Directors who joined the Board in 2021 were arranged whenever practicable. The purpose of the familiarisation sessions would be 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 these newly appointed 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 Gong Feng, Mr Shi Lei, Mr Zhang Yuchen, Mr Conrad Frederick James Clifford, Dr Richard Yang Minghui and Dr Fu Xingran to attend the LED Programme conducted by SID, within one year of their respective date of 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, continuing professional development programmes were organised for Directors to ensure that all Directors are updated on important market developments in the industry relevant to the business of the CAO Group 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 on "Carbon Market Insights" conducted by Ernst & Young LLP Singapore. 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 the 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. The Company has also made arrangements for Directors to conveniently access selected courses from the Thomson Reuters e-learning portal. These courses included: (1) "Information Security and Cyber Risk Awareness"; (2) "Cyber Resilience"; and (3) "Introduction to Corporate Social Responsibility and ESG Investing".

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**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.

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 have 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 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, five (5) are nominated by substantial shareholders and are deemed as non-independent. The four (4) Independent Directors namely, Mr Teo Ser Luck, Mr Hee Theng Fong, Dr Fu Xingran and Dr Jeffrey Goh Mau Seong constitute about forty-four percent. (44%) 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 the Non-Executive Directors in September 2021 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 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 2021, Mr Teo Ser Luck, Mr Hee Theng Fong, Dr Fu Xingran and Dr Jeffrey Goh Mau Seong 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.



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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 directors' profiles can be found in "Board of Directors" section of the Annual Report.

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 decision 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. The Independent Directors of CAO met in November 2021 at a meeting chaired by the Lead Independent Director without the presence of the other Directors and the Management.

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### 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. As at the date of this report, the Nominating Committee comprises five (5) members, the majority of whom, including its Chairman, are Independent Non-Executive Directors:

### Nominating Committee

Fu Xingran <sup>(1)</sup>	Chairman
Shi Lei <sup>(2)</sup>	Vice Chairman
Teo Ser Luck	Member
Zhang Yuchen <sup>(3)</sup>	Member
Jeffrey Goh Mau Seong <sup>(4)</sup>	Member

**Note:**

- (1) Dr Fu Xingran was appointed as Chairman on 30 September 2021 in place of Mr Li Runsheng.  
 (2) Mr Shi Lei was appointed as Vice Chairman on 1 September 2021 in place of Mr Zhang Yuchen.  
 (3) Mr Zhang Yuchen stepped down as Vice Chairman but remained as a member on 1 September 2021.  
 (4) Dr Jeffrey Goh Mau Seong was appointed as a member on 31 December 2021 in place of Mr Conrad F.J. Clifford.

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

The Nominating Committee held one (1) meeting in 2021 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:

- the review of the structure, size and composition of the Board and the Board Committees;
- the review of the succession plans for the Board Chairman, Directors and Chief Executive Officer;
- 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;
- the review of the training and professional development programmes of the Board;
- the appointment and re-appointment of all Directors (including alternate Directors, if any);
- the review and confirmation of the independence of each Director; and
- 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.



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In the course of the year, Dr Richard Yang Minghui, a BP-nominee Director was appointed as a Non-Executive, Non-Independent Director of the Company in place of Ms Bella Young Pit Lai in May 2021 and Mr Shi Lei, a CNAF-nominee Director, was appointed as a Non-Executive, Non-Independent Director of the Company in place of Mr Li Yongji in September 2021. Prior to the respective appointments of Dr Richard Yang Minghui and Mr Shi Lei, Nominating Committee had considered the relevant evaluation criteria in the Internal Guidelines when assessing the suitability of Dr Richard Yang Minghui and Mr Shi Lei 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 respective appointments of Dr Richard Yang Minghui and Mr Shi Lei as Non-Executive, Non-Independent Directors of the Company. The Board had considered the recommendations of the Nominating Committee and the backgrounds, qualifications and experiences of Dr Richard Yang Minghui and Mr Shi Lei respectively and approved the respective appointments of Dr Richard Yang Minghui as a Non-Executive, Non-Independent BP-nominee Director of the Company and Mr Shi Lei as a Non-Executive, Non-Independent CNAF-nominee Director of the Company.

During the course of the year, the Nominating Committee commenced the search for prospective candidates identified from a number of sources which included referrals from directors' contacts, industry partners and candidates identified through the Board Appointment Services of the SID. The members of the Nominating Committee/Independent Directors conducted interviews with identified candidates to assess and ascertain their suitability for appointment as Independent Directors of the Company to fill the casual vacancies in the Board following the resignation of Mr Li Runsheng and Mr Conrad F.J. Clifford in September 2021 and December 2021 respectively. Following careful consideration and assessment, Dr Fu Xingran and Dr Jeffrey Goh Mau Seong were shortlisted as 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 Dr Fu Xingran as an Independent Director of the Company on 30 September 2021 in place of Mr Li Runsheng who stepped down as an Independent Director in support of board renewal following his tenure as an Independent Director of the Company of more than six (6) years. Similarly, following consideration and assessment, the Nominating Committee submitted its recommendations to the Board for approval of the appointment of Dr Jeffrey Goh Mau Seong as an Independent Director of the Company on 31 December 2021 in place of Mr Conrad F.J. Clifford who stepped down as an Independent Director due to his heavy principal commitments following his overseas posting to the Head Office of International Air Transport Association in Geneva. The Board had considered the recommendations of the Nominating Committee and the background, qualifications and experiences of each of Dr Fu Xingran and Dr Jeffrey Goh Mau Seong. After having confirmed the independence of each of Dr Fu Xingran and Dr Jeffrey Goh Mau Seong, the Board approved the appointment Dr Fu Xingran as an Independent Director of the Company on 30 September 2021 and the appointment of Dr Jeffrey Goh Mau Seong as an Independent Director of the Company on 31 December 2021.

**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 28<sup>th</sup> AGM to be held on 27 April 2022, Mr Teo Ser Luck and Mr Hee Theng Fong are due for retirement by rotation and would be eligible for re-election.

## STATEMENT OF CORPORATE GOVERNANCE

In accordance with Regulation 100 of the Company's Constitution, Dr Richard Yang Minghui and Mr Shi Lei who were appointed as Non-Executive, Non-Independent Directors of the Company on 31 May 2021 and 1 September 2021 respectively, and Dr Fu Xingran and Dr Jeffrey Goh Mau Seong, who were appointed as Non-Executive, Independent Directors of the Company on 30 September 2021 and 31 December 2021 respectively, 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 28<sup>th</sup> 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.

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 in November 2021.

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.

## STATEMENT OF CORPORATE GOVERNANCE

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.

As at the date of this report, the Remuneration Committee comprises five (5) members, the majority of whom, including its Chairman, are Independent Non-Executive Directors:

#### Remuneration Committee

Jeffrey Goh Mau Seong <sup>(1)</sup>	Chairman
Shi Lei <sup>(2)</sup>	Vice Chairman
Fu Xingran <sup>(3)</sup>	Member
Hee Theng Fong	Member
Richard Yang Minghui <sup>(4)</sup>	Member

#### Note:

- (1) Dr Jeffrey Goh Mau Seong was appointed as Chairman on 31 December 2021 in place of Mr Conrad F.J. Clifford.
- (2) Mr Shi Lei was appointed as Vice Chairman on 1 September 2021 in place of Mr Zhang Yuchen.
- (3) Dr Fu Xingran was appointed as a member on 30 September 2021 in place of Mr Li Runsheng.
- (4) Dr Richard Yang Minghui was appointed as a member on 31 May 2021 in place of Ms Bella Young Pit Lai.

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

During the year, the Company used the "Total Remuneration Survey" for the Energy Trading Industry purchased from Mercer as a reference for benchmarking purposes. Mercer and its consultants are independent and are not related to the Company or its Directors.

Broadly, remuneration for the CEO/ED and five (5) KMPs for the financial year ended 31 December 2021 is based on the Company's performance as well as individual performances, and the remuneration for Non-Executive, Independent 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, which is based on a framework comprising basic fees and additional fees for serving on the Board Committees and undertaking additional services for the CAO Group. Fees paid or payable to Independent Directors consider factors such as effort, 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.

## STATEMENT OF CORPORATE GOVERNANCE

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

- Each independent director will receive a base fee ("**Base Fee**").
- The Chairman of the Audit Committee ("**AC**") will receive additionally two-thirds of the Base Fee ("**AC Chairman's Fee**").
- The Chairman of the Risk Management Committee ("**RMC**") will receive additionally two-thirds of the Base Fee ("**RMC Chairman's Fee**").
- Chairman of the Remuneration Committee ("**RC**") and the Chairman of the Nominating Committee ("**NC**") will each receive additionally one-half of the Base Fee.
- 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.
- Non-Executive, Non-Independent Directors, and Executive Directors will not be entitled to receive fees.
- The Lead Independent Director will receive additionally a fixed fee of S\$30,000.

The remuneration of Directors payable for the financial year ended 31 December 2021 is set out below:

Name of Director	Fee (\$)	Basic/ Fixed Salary and Allowance (\$)	Variable/ Performance Bonus (\$)	Others (\$)	Long-Term Incentives (\$)	Total (\$)
<b>Executive Director</b>						
Wang Yanjun <sup>(1)</sup> (CEO/ED)	0	232,620	90,986	46,732	0	370,338
<b>Non-Executive Directors</b>						
Gong Feng <sup>+</sup> (Chairman)	0	N.A.	N.A.	N.A.	N.A.	0
Teo Ser Luck (Lead Independent Director)	138,000	N.A.	N.A.	N.A.	N.A.	138,000
Li Yongji <sup>+</sup>	0	N.A.	N.A.	N.A.	N.A.	0
Zhang Yuchen <sup>+</sup>	0	N.A.	N.A.	N.A.	N.A.	0
Li Runsheng	74,794.52	N.A.	N.A.	N.A.	N.A.	74,794.52
Hee Theng Fong	108,000	N.A.	N.A.	N.A.	N.A.	108,000
Conrad Frederick James Clifford <sup>(2)</sup>	86,575.34	N.A.	N.A.	N.A.	N.A.	86,575.34
Bella Young Pit Lai <sup>+</sup>	0	N.A.	N.A.	N.A.	N.A.	0
Eugene Leong Jhi Ghin <sup>+</sup>	0	N.A.	N.A.	N.A.	N.A.	0
Richard Yang Minghui <sup>+</sup>	0	N.A.	N.A.	N.A.	N.A.	0
Shi Lei <sup>+</sup>	0	N.A.	N.A.	N.A.	N.A.	N.A.
Fu Xingran <sup>(3)</sup>	25,205.47	N.A.	N.A.	N.A.	N.A.	25,205.47
Jeffrey Goh Mau Seong <sup>(4)</sup>	0	N.A.	N.A.	N.A.	N.A.	0

### Notes:

- The total remuneration of Mr Wang Yanjun shown above includes the 2020 variable bonus paid during the financial year 2021 and excludes the 2021 variable bonus payable during the financial year 2022.
  - Mr Conrad F. J. Clifford was appointed as a Non-Executive, Independent Director on 19 February 2021. He was concurrently appointed as Chairman of the Remuneration Committee in place of Mr Hee Theng Fong who stepped down as the Chairman of the Remuneration Committee and was appointed as the Chairman of the Risk Management Committee.
  - Dr Fu Xingran was appointed a Non-Executive, Independent Director on 30 September 2021 in place of Mr Li Runsheng who resigned on the same date. He was concurrently appointed as the Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee.
  - Dr Jeffrey Goh Mau Seong, was appointed as a Non-Executive, Independent Director on 31 December 2021 in place of Mr Clifford who resigned on the same date. Dr Goh was concurrently appointed as Chairman of the Remuneration Committee and a member of the Nominating Committee and the Risk Management Committee.
- + Non-Executive, Non-Independent Directors of the Company do not receive Directors' fees.

## STATEMENT OF CORPORATE GOVERNANCE

Remuneration Bands	Name of Key Management Personnel	Base/Fixed Salary (%)	Variable Bonus (%)	Allowances & Other Benefits (%)	Long-Term Incentives (%)	Total (%)
<b>S\$500,001 – S\$750,000</b>	Elizza Ding	75.0	22.3	2.7	0.0	100.0
<b>S\$250,000 – S\$500,000</b>	Xu Guohong	65.0	23.5	11.5	0.0	100.0
	Doreen Nah	73.5	23.0	3.5	0.0	100.0
	Koh Jia Mian	71.5	21.0	7.5	0.0	100.0
<b>Below S\$250,000</b>	Guo Feng	69.7	12.5	17.7	0.0	100.0
<b>Total Remuneration of Five (5) Key Management Personnel<sup>(1)</sup></b>	<b>S\$1,787,858</b>					

(1) The remuneration disclosed for the KMP includes the 2020 variable bonus paid during the financial year 2021 and excludes the 2021 variable bonus payable during the financial year 2022.

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 2021. "Immediate family member" means the spouse, child, adopted child, stepchild, brother, sister, and parent.

The remuneration of the CAO Group's five (5) KMP takes into consideration the pay and employment conditions in 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 2021, 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 variable bonuses in relation to business performance targets achieved for the Company during the financial year.

**Others** – Benefits in kind such as statutory employer contributions to Central Provident Fund, employer's contributions to social security funds for CNAF seconded personnel and other short-term benefits 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 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.

## STATEMENT OF CORPORATE GOVERNANCE

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 adopted a Financial Audit Management Measures (the "**Financial Audit Management Measures**") which had been drafted in accordance with the requirements of the Singapore Companies Act 1967, the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities, the Listing Manual of SGX-ST, 2018 Code and Corporate Governance Policy of CAO. The Financial Audit Management Measures will serve to further strengthen financial supervision, regulate the annual audit of financial statements, improve the quality of accounting information as well as enhance the level of financial management of the CAO Group. 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 may undertake the financial audit of the CAO Group for not more than five (5) consecutive financial years. For audit firm with good audit quality track record, the Company may request for extension of engagement of the same audit firm and obtain approval from the Audit Committee and the Board, but the number of years of consecutive financial audits shall not exceed eight (8) financial years. The audit firm extending its year of consecutive audits beyond five (5) financial years will be required to change the engagement partner and the signing certified public accountant from the sixth year onwards.

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.

During the financial year 2021, 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.

As at the date of this report, the Risk Management Committee comprises five (5) members, all of whom are Non-Executive Directors:

#### Risk Management Committee

Hee Theng Fong	Chairman
Zhang Yuchen <sup>(1)</sup>	Vice Chairman
Teo Ser Luck	Member
Shi Lei <sup>(2)</sup>	Member
Jeffrey Goh Mau Seong <sup>(3)</sup>	Member

#### Note:

- (1) Mr Zhang Yuchen was appointed as Vice Chairman on 1 September 2021 in place of Mr Li Yongji who stepped down as Vice Chairman on the same date.
- (2) Mr Shi Lei was appointed as a member on 1 September 2021.
- (3) Dr Jeffrey Goh Mau Seong was appointed as a member on 31 December 2021 in place of Mr Conrad F.J. Clifford who resigned as a Director on the same date.



## STATEMENT OF CORPORATE GOVERNANCE

In line with the Risk Management Committee's remit of overall risk management, the Risk Management Committee coordinates the management of major risks under the respective oversight responsibility of the Audit Committee, the Nominating Committee and Remuneration Committee. The Audit Committee, the Nominating Committee and the Remuneration Committee will notify the Risk Management Committee of any material risk matters and report them to the Board after reaching a consensus.

The Risk Management Committee assists the Board and the Company in ensuring adequate measures are in place to manage all material risks (including 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 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 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, senior Management and relevant functional heads (i.e. from Trading, Operations, Finance and Legal & Compliance), and meets at least once a year 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**") but also has an independent direct reporting line to the Risk Management Committee.

The Risk Management Report is found on page 78 of the Annual Report.

The adequacy and effectiveness of the system of internal controls of the CAO Group is subject to a periodic review by the Internal Auditors of the Company which is outsourced to BDO and supported by the Compliance team of the Legal & Compliance Department. The key responsibilities of the Compliance function include inter alia:

- (1) review and evaluation of compliance issues across the CAO Group;
- (2) monitoring of new and existing laws and regulations as well as keeping abreast of the status of all relevant compliance activities;
- (3) acting as a channel of communication between compliance investigators and concerned parties;
- (4) 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;
- (7) 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;
- (8) integration and establishment of the CAO Group's internal control framework, policies, processes and systems across the Company, its subsidiaries and associates;
- (9) 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;
- (10) establishing and maintaining the CAO Group's Business Continuity Plan;
- (11) establishing and ongoing review of the standard operating templates of the CAO Group to ensure proper departmental ownership of each processes and changes; and
- (12) 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.

## STATEMENT OF CORPORATE GOVERNANCE

The Head of Legal & Compliance reports directly to the CEO. The Head of Legal & Compliance 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 Legal & Compliance Department arranged for all employees of the CAO Group to participate in the mandatory e-learning course modules relating to (1) Anti-Bribery and Anti-Corruption: Managing Third Parties; (2) Conflicts of Interest-Game-Based Assessment; (3) Information Security and Cyber Risk Awareness; (4) Anti-Money Laundering and Counter-Terrorist Financing; (5) Fraud Prevention; and (6) Insider Trading-Game-Based Assessment via the Thomson Reuters' online learning portal. In addition, the Legal & Compliance Department conducted two (2) in-house training sessions namely, (1) Law and Jurisdiction Clauses and General Dispute Management Arising from Contracts; and (2) Trade Sanctions.

In August 2021, the Company conducted a virtual business continuity plan cum IT disaster recovery plan exercise ("**BCP/IT Disaster Recovery Exercise**") via Zoom involving participants from cross-functional departments of the CAO Group. The objective of the BCP/IT Disaster Recovery Exercise was to assess the Company's business continuity resilience of its key business processes (i.e. front-office to back-end support) through a simulated scenario.

With the assistance of the Audit Committee and the Risk Management Committee, the Board reviews the adequacy and integrity of the internal control systems and processes of the Company 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.

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 Risk Management Department and the Legal & Compliance 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 2021 (the "**Key Audit Matters**").

## STATEMENT OF CORPORATE GOVERNANCE

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

Significant Matters	Audit Committee's commentary on its review of the Key Audit Matters and decisions made
<p><b>Revenue recognition</b></p> <p>Recognition of revenue and purchases have been identified as a risk primarily due to:</p> <ul style="list-style-type: none"> <li>complexity in the timing of recognition for trades with deliveries occurring on or around year end as a result of the extent of the CAO Group's distribution network and varying shipping terms with customers; and</li> <li>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.</li> </ul> <p>The details of the CAO Group's revenue are disclosed in Notes 3.14 and 20 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 as well as their audit findings, and noted that no misstatements were uncovered by the external auditors.</p>
<p><b>Valuation of derivatives, trading inventories and open physical contracts</b></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 Notes 26 and 28 to the financial statements.</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 as well as the internal auditors' audit findings. 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.

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 2021. The Letter of Assurance provides reasonable assurance to the Board that (1) the financial records of CAO for the financial year ended 31 December 2021 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; (4) the integrity of the financial statements are 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.

## STATEMENT OF CORPORATE GOVERNANCE

In accordance with Provision 9.2(a) of the 2018 Code, the Board received a 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. In accordance with Provision 9.2 (b) of the 2018 Code, the Board also received a Letter of Assurance from the CEO/ED, other members of the Management team and the Head of Risk Management, that the CAO Group's risk management and internal control systems are adequate and effective as at 31 December 2021 to address financial, operational, compliance and information technology risks.

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 and the Risk Management Committee, is of the opinion that the CAO Group's internal controls and risk management systems are adequate and effective as at 31 December 2021 in addressing financial, operational, compliance and information technology risks 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 and risk management 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, losses, fraud or other irregularities.

### AUDIT COMMITTEE

**Composition of the Audit Committee:** As of the date of this report, 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	Chairman
Zhang Yuchen <sup>(1)</sup>	Vice Chairman
Hee Theng Fong	Member
Fu Xingran <sup>(2)</sup>	Member
Richard Yang Minghui <sup>(3)</sup>	Member

#### Note:

- (1) Mr Zhang Yuchen was appointed as Vice Chairman of the Audit Committee on 1 September 2021 in place of Mr Li Yongji who resigned as a Director on the same date.
- (2) Dr Fu Xingran was appointed as a member of the Audit Committee on 30 September 2021 in place of Mr Li Runsheng who resigned as a Director on the same date.
- (3) Dr Richard Yang Minghui was appointed as a member of the Audit Committee on 31 May 2021 in place of Ms Bella Young Pit Lai who resigned as a Director on the same date.

**Roles of the Audit Committee:** The Audit Committee held four (4) meetings in 2021 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.

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.

## STATEMENT OF CORPORATE GOVERNANCE

The Audit Committee reviewed the quarterly and annual financial statements for the financial year 2021 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 auditor and external auditor 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 2021, 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 2022.

The Company implemented the Revised CAO Whistleblowing Policy which 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 dedicated email addresses: [whistle\\_blowing@caosco.com](mailto:whistle_blowing@caosco.com) and [auditcommittee\\_whistleblowing@caosco.com](mailto:auditcommittee_whistleblowing@caosco.com).

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 ad hoc investigation taskforce shall be established and the members of such ad hoc 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.

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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 Administrative Measures for Records and Archives (which replaced the Documents Retention Policy), Contracts/Documents Review Policy and Procedures, Appropriate Use of Information Technology Policy, Revised CAO Whistleblowing Policy, Administrative Measures for the Formulation of Internal Policies and Procedures, Remuneration Policy, Revised Investor Relations Policy, etc.

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 as 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 regular 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 2021/2022 to the Audit Committee. The Audit Committee adopted the audit plan for 2021/2022.

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.

## (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 many accolades from the investment community for its proactive approach to shareholder communication and transparency. During the financial year 2021, whilst many award events were cancelled in view of the COVID-19 pandemic, the Company was again ranked by analysts covering the stock as a "Top Singapore Small Cap Jewels" in view of its strong fundamentals and standing in the Singapore equity market, following the Company's "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 in prior years.

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 2021 despite the challenges posed by the Covid-19 pandemic, communicating via tele-conferencing and video-conferencing whilst working from home for most parts of an extremely challenging year.



## STATEMENT OF CORPORATE GOVERNANCE

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 continued its outreach through expanded channels of communication with the international investment and financial community. Increased interactions were conducted through international virtual conferences, face-to-face video meetings, teleconferences, tele-earnings briefings and corporate access webcasts which were broadcast 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 correspondences and telephone calls as well as participation in investor virtual conferences. During the year, the Company also participated in several corporate profile seminars for both retail and institutional investors virtually, including investor education seminar organised by SGX-ST.

The Company also engages the media and investment community through news releases and earnings briefings after the announcement of the CAO Group's full year financial results.

To assist members of the Board to gain a current understanding of the views of institutional shareholders, the Board receives (i) a half-yearly 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 relations activities; and (ii) a 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.

### Conduct of Shareholder Meetings

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

In view of the COVID-19 pandemic, the 27<sup>th</sup> Annual General Meeting (the "**AGM 2021**") was held via electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "**Temporary Measures**"). Shareholders of the Company participated in the AGM 2021 by attending the live audio-visual webcast or live audio-only stream, submitting questions in advance of the AGM 2021 and/or appointing the Chairman of the AGM 2021 as proxy to attend, speak and vote on their behalf at the AGM 2021. The Company addressed and responded to all substantial and relevant questions submitted by shareholders prior to, or at the AGM 2021. Minutes of the AGM 2021, which included the responses to substantial and relevant questions from shareholders addressed during the AGM 2021, were published on the external website of the Company.

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Due to the evolving COVID-19 situation in Singapore, the 28<sup>th</sup> Annual General Meeting (the “**AGM 2022**”) to be held in April 2022 will continue to be held via electronic means pursuant to the Temporary Measures. Alternative arrangements relating to attendance at the AGM 2022 via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions in advance of the AGM 2022, addressing of substantial and relevant questions at the AGM 2022 and voting by appointing the Chairman of the meeting as proxy at the AGM 2022, are set out in the Company’s announcement dated 31 March 2022.

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.

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 Board (“**CPF**”), 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 and SRS Investors, to be appointed as proxies to participate at general meetings of the Company.

At each AGM, the CEO/ED or his designate delivers a presentation on the financial performance of the Company for the financial year under review. Directors and the Management are in attendance to address queries and concerns about the Company. The Company’s external auditors and internal auditors also attend the AGM. Shareholders are informed of the voting procedures and rules governing the meeting.

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

Following the Company's announcement in April 2020 that it would discontinue with quarterly reporting and would move to semi-annual reporting of its unaudited consolidated financial statements, the Company amended its existing "Guidelines for Dealings in Securities by Directors and Employees of China Aviation Oil (Singapore) Corporation Ltd and its subsidiaries (the "**Internal Guidelines**") to reflect the embargo period for dealing with the shares of Company would commence from "two weeks before the announcement of CAO's results for the first half of the financial year, or one month before the announcement of CAO's results for the second half and full financial year..." instead of "two weeks before announcement of CAO's results for each of the first three quarters of its financial year, or one month before the announcement of CAO's results for its full financial year...". 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 half of the financial year 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 28 April 2021 (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](http://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 2021 is found under "Supplementary Information" on page 204.

### 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 annual review by an independent external reviewer with appropriate experience in corporate governance and risk management processes.

A review of the Company's system of internal controls (the "**Review of System of Internal Controls**") was conducted for the financial year 2021 by BDO. 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. 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.

# STATEMENT OF CORPORATE GOVERNANCE

## 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.