



China Aviation Oil (Singapore) Corporation Ltd

中国航油（新加坡）股份有限公司

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

SUSTAINABILITY REPORT 2018

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Fuel for future 为明天加油

SUSTAINABILITY REPORT

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BOARD STATEMENT

At China Aviation Oil (Singapore) Corporation Ltd (“CAO” or “the Group”), success is measured not only by the strength of its financial performance, but also through the value it creates for its stakeholders particularly on the environmental, social and governance (“ESG”) fronts.

CAO’s approach to sustainability is driven by its commitment to be a responsible corporate citizen, and founded in its belief that a focus on value creation for its stakeholders strengthens its business model and that a sound business sustainability plan needs to include strong economic, environmental and social performance with high standards of corporate governance for long-term competitiveness.

As a listed company on SGX, CAO is committed to the Singapore Code of Corporate Governance. The Group recognises the importance of good corporate governance and risk management processes that includes the management of ESG issues critical for a sustainable business. Sustainability across all aspects of the Group’s operations plays a key role in its corporate agenda and strengthens the foundation upon which the Group builds the CAO brand. During the year, CAO has taken steps to enhance and improve its corporate governance through a comprehensive risk review exercise and conducted company-wide internal governance processes review. These measures aim to further strengthen CAO robust corporate governance framework.

The Group’s efforts on the social front continue to focus on its people and customers. CAO is committed to provide its employees with a diverse, equal and safe working environment. In 2018, to drive employee engagement and business growth, CAO’s Board of Directors has initiated a performance incentive scheme to reward employees who have made special contribution to CAO’s business growth and corporate development.

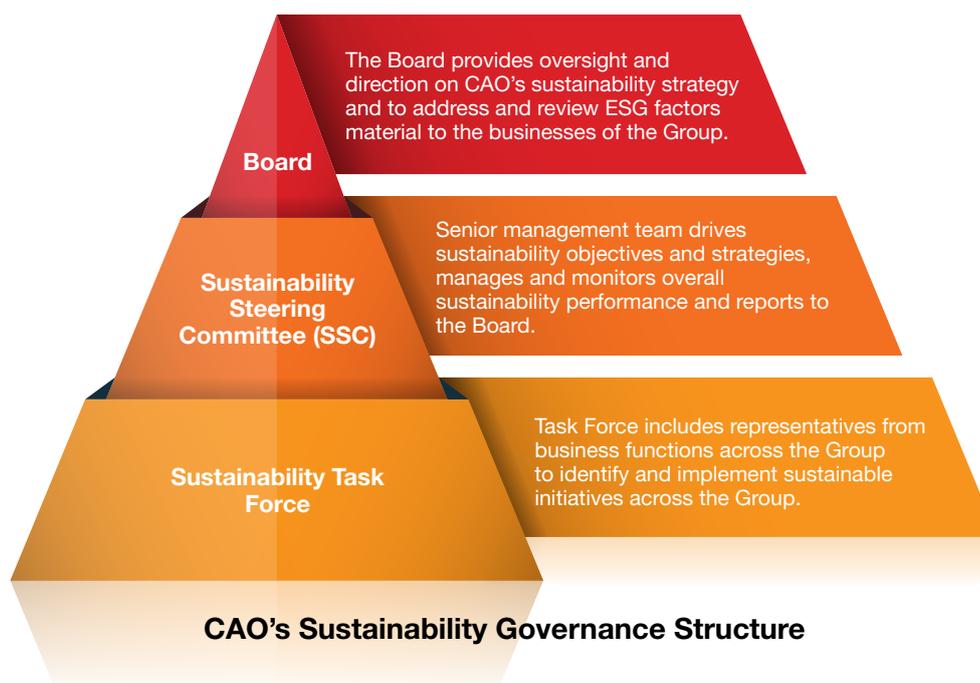
The Group stays relevant to its customers and considers their concerns around health and safety, and privacy in its business practices. Developing an integrated global supply chain remains a key strategic focus and having responsible procurement practices allows CAO to extend positive impacts along the global supply chain and contribute to creating a sustainable ecosystem. During the year, CAO has further improved on its procurement practices to further aligned with the Group’s corporate values of Fairness, Integrity, Innovation and Transparency.

CAO’s 2018 Sustainability Report (“the Report”) continues to apply the key principles of the International Integrated Reporting Council’s (“IIRC”) Integrated Reporting <IR> approach to communicate how the Group drives long-term value creation.

SUSTAINABILITY AND VALUE CREATION

CAO is firmly committed to creating long-term sustainable value for itself, its stakeholders, the communities where it operates as well as the environment. As the Group continuously strives to build and create value, CAO will constantly uphold and ensure that high standards of corporate governance, compliance and internal audit as well as robust risk management are deeply entrenched within the organisation. It is CAO’s fundamental belief that its growth and success must be anchored on key principles of integrity, transparency and accountability and this belief is embedded in the Group’s corporate culture. With this in mind, CAO is keenly aware that success of the Group is measured not just by its financial performance but also the values it creates for its workforce, business partners, the environment and the community at large.

Within the Group, CAO strives to build a dynamic and engaged workforce that allows employees to reach their full potential and support the changing needs of its business landscape. The Group will continue to build on the trust of its customers and business partners through delivering value add and adopting responsible procurement and safe practices. CAO also enhances the well-being of the communities in which we operate through employee volunteerism and support of community organisations for a range of causes. Together, these form the essential building blocks of CAO’s sustainability programme.



SUSTAINABILITY AND RISK MANAGEMENT

CAO upholds a robust strategic risk management model that transcends across its global functions that are designed to assist the Group in achieving its strategic objectives infusing material ESG risk recognition, evaluation and mitigation into business decision-making, thereby enhancing stakeholders' value through risk-adjusted business decisions. In order to stay agile and heighten its competitiveness amid constantly changing market conditions, it is important for CAO to take a proactive and structured approach to identify and manage its significant risks effectively to support the Group's strategic performance. Key business risks range from market risk, credit risk, operation risk, legal risk to finance risk. The Group has embedded strategic risk management into critical decision-making processes and management decisions with regards to business strategy, investments and operations, noting that such ESG issues are in fact strategic risks which may be near or longer-term in nature and reflective of CAO's material sustainability issues. In identifying these material issues, the Group seeks to ensure that pertinent implications of legislative and regulatory changes as well as socio-economic and reputational drivers are effectively and efficiently managed. As a group, CAO will proactively seek to integrate sustainability considerations in its businesses, mitigate risks and continuously improve business operations to achieve value creation for its stakeholders.

CAO has a formal four-tier management and control structure to oversee the execution of its risk management practices. Moreover, CAO's Risk Management Committee ("RMC") continually improves on its risk management policies, guidelines and procedures as well as internal controls to mitigate any improbabilities that may impact the Group's operations and affect its strategic performance.

As part of the Group's risk management, CAO's trading activities encompassing its product portfolio are tracked. During the reporting period, there was no incident of trading limit breach according to the limits as set by the RMC. CAO will continue its commitment to maintain zero incident of trading limit breach in the coming year.

For more details about the risk management structure, strategy and key risks and mitigation, please refer to the Risk Management Section.

ABOUT THIS REPORT

This Report sets out CAO's commitments, governance, policies, performance and targets in respect of managing the environmental and social impacts of the Group during the financial year ended 31 December 2018.

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

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The entities covered in this report are:

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

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

This Report continues to apply the key principles of the IIRC <IR> framework, focusing on CAO's strategy and effective management of key ESG risks and opportunities in order to provide stakeholders with a holistic view on how the company creates value in the long term. This Report also makes reference to the GRI Standards relating to materiality assessment principles and specific performance disclosures. This combined framework approach is aligned to SGX's requirements on sustainability reporting.

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

STAKEHOLDER ENGAGEMENT

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

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



MATERIALITY ASSESSMENT

Defined in 2017, the Group’s material ESG factors with considerations to key stakeholders’ concerns continue to be relevant in 2018. These material ESG factors and related risk identification, evaluation and mitigation continue to be assessed as part of CAO’s robust strategic risk management model and considered in management decision-making.

The following table describes how the management of the Group’s key ESG factors support its corporate strategy and follows the International Integrated Reporting Council’s (“IIRC”) Integrated Reporting <IR> approach to provide a holistic view on how the interrelation between CAO’s business operations and Environmental, Social and Governance (“ESG”) performance indicators leads to value creation in the long term. The materiality approach adopted enabled CAO to focus on ESG issues that are material to its businesses and identified as strategic risks, prioritised review of risk mitigation measures and determined areas for further improvement whilst at the same time enables the Group to identify opportunities for sustainable growth and results performance in relation to its corporate strategy.

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Factor	Context	Policies and Practices to mitigate risks and pursue opportunities	Link to Strategy	Targets, Performance and Value created
Economic				
Economic Performance - Core competitive advantage in jet fuel supply and trading	Jet fuel supply and trading remains as the Group's core business. As the key importer of jet fuel to the Chinese civil aviation industry, the Group is susceptible to the constantly changing demand and supply dynamics in the PRC such as increased domestic oil production capacity.	CAO continues to expand its global jet supply and trading value chain and extend its geographical presence through developing new supply and trade routes and forming new strategic partnerships. CAO has also diversified into other oil products which contributed to the growth of the Group's total supply and trading volume.	CAO envisions to be a constantly innovating global top-tier integrated transportation fuels provider. To realise its long-term strategy, the Group continually fine-tunes its strategic initiatives with its development strategy of "Globalisation, Integration and Asset Investment".	CAO's business sustainability and long-term business strategy has been proactively developed to mitigate macroeconomic risks. CAO will continue to identify and penetrate key global aviation hotspots to diversify its customer base as well as extend the Group's global value chain across Asia Pacific, the United States and Europe.
Economic Performance - Key importer of jet fuel to the PRC	CAO's import into the PRC is a key competitive advantage that contributes to its market share and financial performance. Regulatory changes such as market liberalisation as well as the dynamics of the Chinese economy could materially impact this advantage.	CAO has reinforced its portfolio strengths through both geographic expansion, product and customer base diversification. The Group continues to extend its jet fuel supply and trading activities as well as aviation marketing business outside the PRC. CAO will further develop and optimise its integrated business model and expand its global supply and trading network to penetrate new markets globally.	For more details about CAO's strategic transformation, outlook and key business plans, please refer to the CEO's Message and Operations Review.	In 2018, CAO has successfully completed the acquisition of Navires Aviation Limited in Europe which provides access to North western aviation hubs, namely, Schiphol, Stuttgart, Frankfurt and Brussels. Please refer to the CEO's Message, the Financial Review Section and the Operations Review on how the Group's business expansion and growth plans sustains value created.



Into-plane refuelling operations at Hong Kong International Airport
在香港国际机场为飞机加注

Factor	Context	Policies and Practices to mitigate risks and pursue opportunities	Link to Strategy	Targets, Performance and Value created
Environment				
Environmental Compliance	<p>With rising global demand, the oil and gas sector is facing increasingly stringent environmental laws and regulations.</p> <p>As an active member of the oil and gas global value chain, the Group's expanding global supply and trading operations and investments across multiple jurisdictions faces risk of failure to comply with new regulatory requirements.</p>	<p>The Group continues to build on its Safety, Health and Environment ("SHE") Policy and Guidelines which covers environmental management guidelines with a focus to proactively and responsibly monitor and manage constantly changing environmental compliance requirements. The Group continually strive to foster a safe and environmentally friendly workplace for our stakeholders to ensure our business practices are in compliant with local and international environmental laws and regulations.</p> <p>Business units supported by various departments are required to check local environmental laws and regulations before new market entry as part of a thorough due diligence process. For the Group's operations in Alaska, CAO adopted an Oil Discharge Prevention and Contingency Plan ("ODPCP") that enhanced our policies and practices to reduce our environmental impact, and ensures the Group's compliance with the State of Alaska's oil spill contingency planning requirements.</p>	<p>Compliance is an integral part of the Group's corporate strategy. CAO will continuously uphold high levels of corporate governance and undertake strategic initiatives to further enhance compliance and governance across its businesses.</p>	<p>The Group continues to stay abreast on any changes of relevant environmental laws and regulations and comply with all relevant laws and regulations to avoid any potential non-compliance incidents and ensure smooth operational efficiency.</p> <p>In 2018, no identified incident of non-compliance with environmental laws and regulations in the regions where CAO conducts its business is reported.</p>
Oil Spill Prevention	<p>CAO's businesses and operational environment are subject to various risks including spillage of oil products during transportation and storage that may have immediate and/or long-term environmental impact on the environment.</p>	<p>As a responsible global oil products supplier and trader, CAO takes all reasonable steps to prevent pollution by minimising the occurrence of oil spills in its daily operations. Measures undertaken by CAO include a stringent ship vetting policy with the objective of minimising health, safety and environmental risks. The policy sets up procedures in sourcing data on the Group's chartered vessels and evaluating the potential risks from the ship's overall structural integrity and safety including incident track record to the age of the vessels, required certifications and appropriate procedures for handling and storing oil products. This is further supplemented by the Group's Operational Safety Incident Reporting Guidelines for the reporting of operational incidents. The guidelines cover operational incidents resulting in environmental damage and prescribe the timeline and format for reporting along with follow-up actions required.</p> <p>To limit the intensity or impact of a negative threat or event such as an oil spill, CAO has put in-place a Crisis Management Plan that includes establishment of an Emergency Response Team ("ERT") to proactively manage an emergency in a timely and effective manner.</p>	<p>CAO strives to minimise and mitigate the impact of potential oil spills to protect the surrounding environment. This aligns with the Group's corporate mission to maintain high SHE standards and to conduct businesses in a safe, reliable and efficient manner, with minimal impact on the environment.</p>	<p>CAO continually strives to maintain a clean record of no incidents relating to significant oil spill.</p> <p>During the reporting period, CAO conducted a desktop exercise at its disaster recovery site centred on a simulated oil spill incident scenario with the objective to strengthen ERT's crisis readiness.</p>

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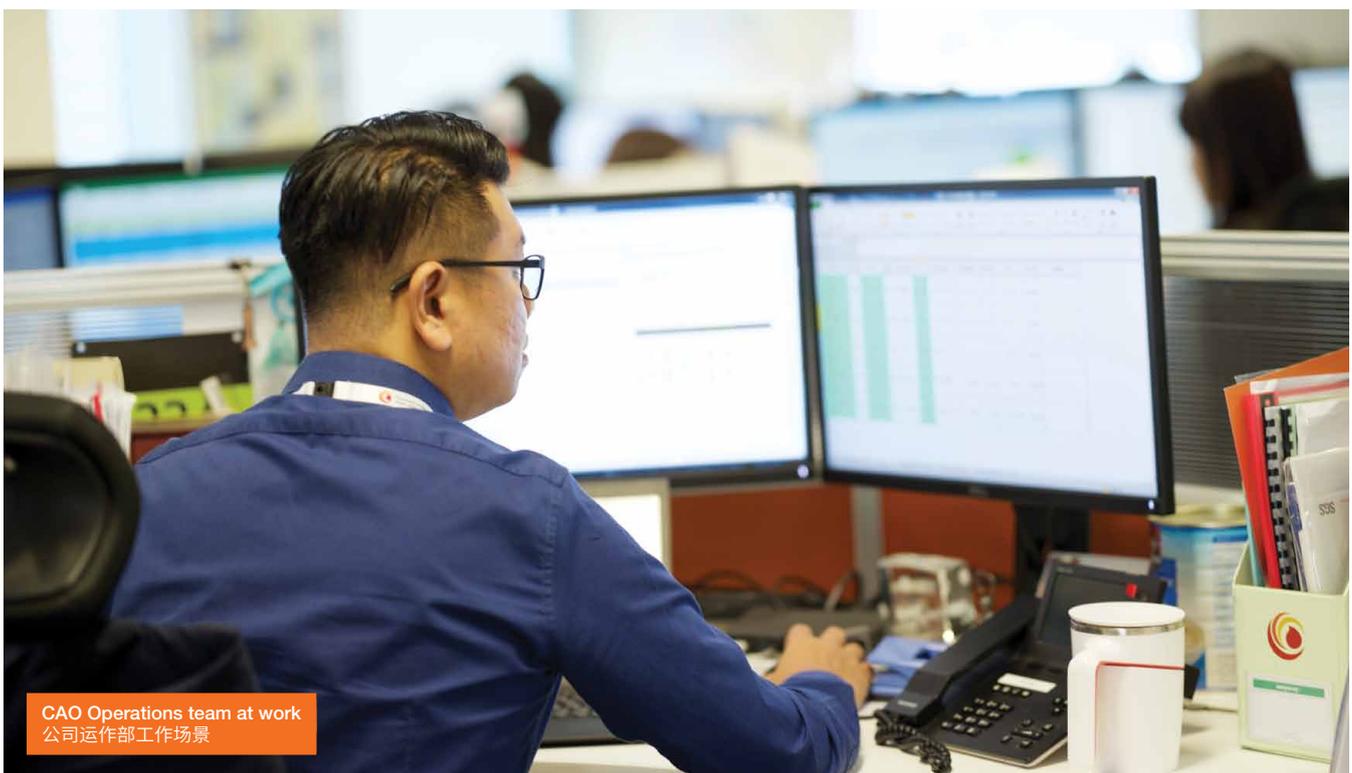
Factor	Context	Policies and Practices to mitigate risks and pursue opportunities	Link to Strategy	Targets, Performance and Value created
Social				
Health & Safety - Workplace Environment	CAO remains committed to provide a safe, secure and healthy environment for all its stakeholders with a continuous focus to achieve zero harm for safety performance which contributes to business profitability.	<p>CAO instils in all employees a safety culture of being responsible and practise safe behaviour at work.</p> <p>The Group's Safety, Health and Environment ("SHE") Policy and Guidelines emphasises the importance of health and safety in the work environment. Beyond adhering to workplace safety guidelines requirements which ensures a safe working environment within the office premises, CAO also holds annual health screenings, pandemic illness updates, mandatory workplace health and safety briefings and fire drills regularly throughout the year to create awareness that keeping the workplace and surrounding environment safe is of paramount importance to CAO work culture and to inculcate a robust SHE culture. Medical and insurance coverage is also provided to all employees.</p> <p>As the travel frequency of the Group's workforce increases in tandem with growing global operations, travel related risks were identified and the Group has in place a monitoring system in accordance with procedures and processes implemented under CAO's Business Continuity Plan ("BCP") such as the tracking of travelling employees.</p> <p>CAO also strives to provide a safe and healthy work environment that is non-threatening, with no harassment, assaults and bullying. Proper grievance handling procedures are also in place to ensure all incidents are resolved in a timely and impartial manner.</p>	Workplace health and safety is of paramount importance to CAO and continues to be the Group's highest sustainability priority in all aspects of its business which is in line with CAO's corporate mission to maintain high SHE standards and conduct businesses in a safe, reliable and efficient manner.	<p>Safety remains as one of the key priority in CAO and the Group aims to maintain zero workplace related injuries for CAO's employees.</p> <p>During the reporting period, there has been zero workplace related fatality or injury for CAO's employees.</p>
Health & Safety - Customer	CAO recognises the importance of its role in ensuring the products that the Group supplies meet the stringent safety and quality requirements of the industry as the safety and quality of the Group's products would affect the safety of the ultimate end customers i.e. the airplane passengers as well as the stakeholders along the jet fuel supply chain.	<p>An important part of the quality requirements relates to the safety aspects of the products that the Group supplies and trades globally.</p> <p>As part of its quality assurance process that includes a set of standardised procedures for the reporting of health and safety incidents, CAO carefully and regularly monitors its facilities and products as well as conducts lab tests to ensure all relevant certifications or licenses are obtained and stringent safety standards are maintained.</p>	To align with the Group's corporate mission to adhere to high SHE standards and to deliver and add value for customers, CAO proactively focuses on providing the best quality products and services.	Recognising customer satisfaction as an important element in value creation, CAO continuously seeks to improve its business practices to ensure that there are no significant incidents of non-compliant products impacting the end customers' health and safety.

Factor	Context	Policies and Practices to mitigate risks and pursue opportunities	Link to Strategy	Targets, Performance and Value created
Social				
Diversity and Equal Opportunity	<p>The Group recognises that a fair, diversified and inclusive working environment is integral to the success of CAO and that a diverse workforce with specialised, complementary skillsets, ideas and experiences enriches the workplace and enhances business performance that not only helps to attract and retain talents in the competitive market but also helps to achieve the Group's mission in fostering a people-oriented corporate culture of Fairness, Integrity, Innovation and Transparency where its employees can grow and develop together.</p>	<p>CAO has developed Human Resource ("HR") practices for each location of operation that are aligned with local laws and regulations.</p> <p>In Singapore, the Group also follows the Tripartite Alliance for Fair and Progressive Employment Practices ("TAFEP") that promotes fair and equitable employment practice. CAO upholds this through a variety of measures including non-discriminatory recruitment advertisements, performance appraisal for employees, instilling a code of ethics and establishing an appropriate avenue for employee grievances. CAO also supports the Fair Consideration Framework by the Ministry of Manpower, Singapore, with job openings at CAO made publicly accessible at the Jobs Bank administered by the Workforce Development Agency of Singapore.</p> <p>CAO deploys and promotes all employees in accordance with their competencies, abilities and performance and is committed to give equal opportunities to everyone irrespective of their gender, age, religion and ethnic origin.</p> <p>At the Board level, the Group follows its Corporate Governance Policy on Board composition and balance. More details can be found under the Statement of Corporate Governance.</p>	<p>Guided by the Group's vision, mission and core values, CAO has in place a multi-prong human resource strategy that is aligned to its business objectives to build the required workforce skills base to strengthen its competitive edge for sustainable growth.</p>	<p>To address the business demands of our increasingly global customers and markets, CAO strives to create a diverse and inclusive work environment which promotes and enhances the diversity, experience and abilities of the Group's workforce across all functions across the globe. As at December 2018, the group's total headcount was 105 employees worldwide. Group gender composition is a 42:58 split between men and women. 74 employees are based in Singapore.</p> <p>For more details, please refer to the Human Capital Management section.</p>
Procurement Practices	<p>As a responsible corporate citizen in the global transportation fuels ecosystem, CAO understands the importance of having open and fair procurement practices.</p> <p>Effective and responsible supply chain management is essential to address issues such as trade sanctions etc. to enhance operational efficiency and protect CAO's brand value and reputation.</p>	<p>CAO ensures its tendering and procurement process is conducted in an open, unbiased and just manner by following clear and standardised guidelines that are aligned with the Group's Corporate Values - Fairness, Integrity, Innovation and Transparency.</p> <p>A Procurement Committee comprising Heads of Departments across functions within the Group has been set up and acts as a decision-making body to oversee the tendering process and deliberate business decisions. Within the committee, individual members are assigned with specific roles and responsibilities relating to the tendering process.</p> <p>CAO has an internal counterparties credit on-boarding registration process that conducts checks on the counterparties prior to conducting business with them. As part of this process, anti-money laundering checks are made to ensure that there are no breaches to CAO's Trade Sanctions Policy which supports compliance to international laws on trade sanctions in jurisdictions where the Group operates.</p>	<p>In line with the vision of being a socially responsible company, CAO will proactively focus on minimising the potential negative reputational impact caused in the supply chain.</p>	<p>There is no reported breach of the Group's Trade Sanctions Policy in 2018.</p> <p>During the year, CAO has also enhanced its procurement practices to ensure greater transparency and fairness towards the selection of suppliers or service providers.</p> <p>CAO will continue to maintain zero breaches of the Group's internal tendering and procurement guidelines as well as the Trade Sanctions Policy.</p>

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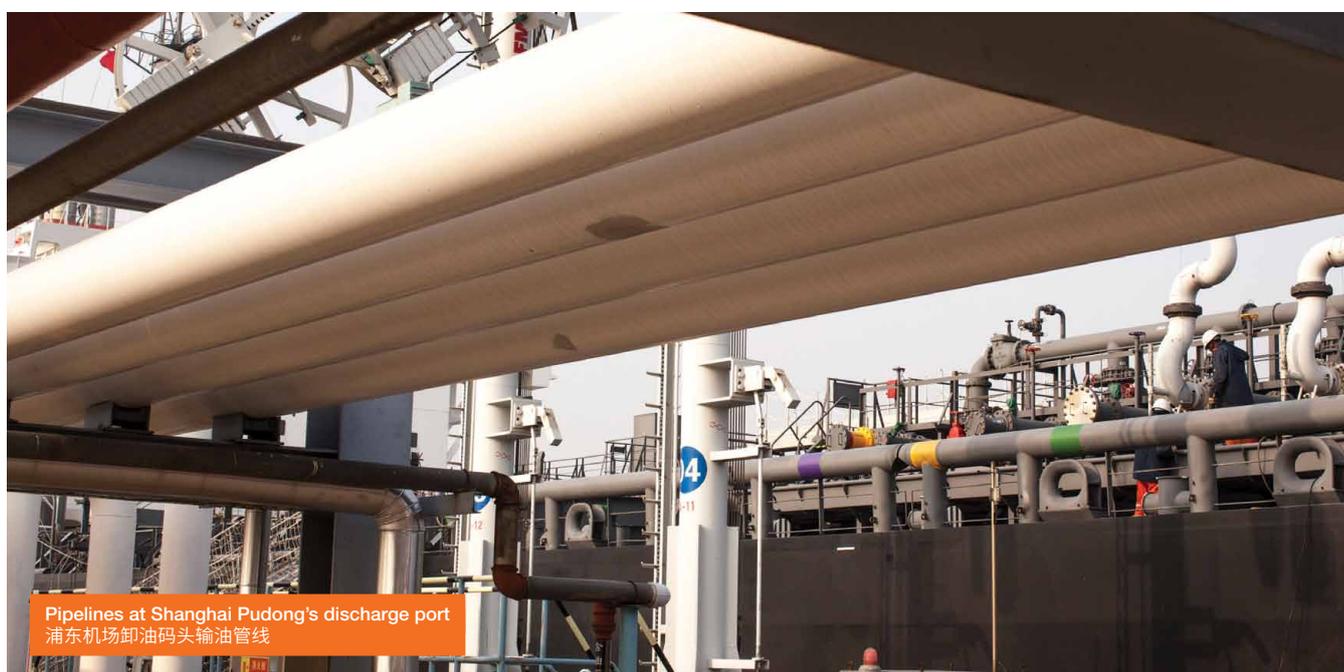
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Factor	Context	Policies and Practices to mitigate risks and pursue opportunities	Link to Strategy	Targets, Performance and Value created
Social				
Protection of Sensitive Information	<p>Managing of vast amount of sensitive information such as personal data, oil price and contractual terms etc. is part of CAO's daily business operations.</p> <p>CAO is conscientious about secured communication and data protection. CAO respects its stakeholders' legal rights to privacy and confidentiality.</p>	<p>CAO adopts a multi-pronged approach to mitigate the security threat faced by many businesses. The CAO Personal Data Protection Policy, developed in response to the Personal Data Protection Act in Singapore sets out the requirements to ensure compliance with the laws and regulations applicable to the CAO Group's collection, use, disclosure, transfer and/or processing of personal data.</p> <p>Further CAO's Code of Conduct and Ethics also specifically require information obtained in the course of conducting business to be treated with utmost care. Employees are required to safeguard confidential information and trade secrets. Unauthorised or unwarranted disclosures would result in disciplinary action and/or escalation to the relevant regulatory bodies.</p> <p>The Group's Data Classification Policy also defines the different classifications of data and the principles for their access, use and safeguarding based on their classification and sensitivity. This policy is based on a "need-to-know" basis in order to protect sensitive information from unauthorised disclosure, use modification and deletion.</p> <p>To the wider audience, CAO's User Privacy Statement Policy governs personal information which is collected through or in connection with its corporate website at www.caosco.com.</p>	<p>To uphold the Group's high data security standards, CAO remains vigilant on secured communication and protection of its stakeholders' legal rights to privacy and confidentiality.</p> <p>It is part of CAO's strategy to build long-term trust and relationships with its stakeholders and it is CAO's policy to comply with relevant laws and regulations to protect stakeholders' privacy and confidentiality.</p>	<p>CAO remains steadfast in safeguarding sensitive information, privacy and confidentiality with zero complaints concerning incidents of leaks, thefts, or losses of sensitive information.</p> <p>In 2018, the Group has not identified any substantiated complaints concerning such breaches.</p> <p>In addition, during the reporting period, to further strengthen ERT's crisis readiness, CAO conducted a desktop exercise at its disaster recovery site centred on a simulated IT hacking incident scenario.</p>



CAO Operations team at work
公司运作部工作场景

Factor	Context	Policies and Practices to mitigate risks and pursue opportunities	Link to Strategy	Targets, Performance and Value created
Corporate Governance				
Compliance and Internal Audit	<p>CAO faces increasing regulatory requirements at national, regional and international levels as the Group continues to diversify its operations and investments across multiple jurisdictions.</p> <p>Failure to mitigate compliance risks would pose reputational risks to the Group and hinder its sustainable growth and development.</p>	<p>CAO takes its corporate governance responsibilities seriously and believes that good governance requires not just a comprehensive set of policies and guidelines but also committed collaboration from members across the Group.</p> <p>CAO continually reviews and improves its global compliance strategy to ensure the Group's policies, practices, guidelines and internal control systems remain relevant and robust.</p> <p>For more details relating to the Compliance and Internal Audit's function and specific compliance related policies and practices, please refer to the Compliance and Internal Audit Section.</p>	<p>High corporate governance standards and robust internal audit processes serve to provide accountability across CAO's business activities to support the realisation of its long-term strategy. This also demonstrates how our corporate values of Fairness, Integrity, Innovation and Transparency are put into practice.</p>	<p>With CAO's ongoing commitment towards achieving zero incidents of non-compliance with relevant laws and regulations, in 2018, CAO has continued to provide compliance related trainings for the Group's workforce to maintain a constant level of awareness and vigilance.</p> <p>During the year, CAO has also embarked on a comprehensive Standard Operating Processes ("SOPs") review to identify and enhance its internal oversight measures to improve the Group's operational processes and internal controls.</p>
Anti-corruption	<p>As a foremost Singapore public listed entity, CAO embraces Singapore's stringent anti-corruption regime and places great focus on its social responsibilities to ensure utmost integrity throughout its business activities and to prevent any improper or illegal behaviour.</p>	<p>CAO adheres to the Committee of Sponsoring Organisations of the Treadway Commission ("COSO") framework which covers compliance risks including anti-corruption and bribery, insider trading and fraud and put in place the necessary safeguards for the Group's business operations.</p> <p>To reinforce the compliance culture across the Group, CAO sets out a Code of Conduct and Ethics, a Gifts and Entertainment Policy as well as annual compliance related trainings to all employees. The Group also has a whistle-blowing channel for reporting and investigating suspicious cases.</p>	<p>CAO believes in creating a fair and transparent environment for its business to thrive. The Group does not tolerate any fraud, bribery or corruption.</p>	<p>The Group always strive to maintain zero incidents on corruption. There were no fraud, corruption and bribery incidents reported in 2018.</p> <p>For more details, please refer to Compliance and Internal Audit Section.</p>



Pipelines at Shanghai Pudong's discharge port
浦东机场卸油码头输油管线

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LOOKING AHEAD

Recognising the increasing challenge that climate change has to CAO's business operations such as customer behaviour and regulatory requirements, CAO adopts a holistic approach in managing its ESG risks and opportunities beyond financial performance which is key to delivering long-term value to its stakeholders. The Group will continue to stay abreast of the latest sustainability trends through continuous training and engagements with industry practitioners and monitor these changing impacts on the business in order to stay resilient and remain competitive in the market.

Disclosure	Annual Report Section	
General Standard Disclosures		
Organisational Profile		
GRI 102-1	Name of the organisation	CAO at A Glance
GRI 102-2	Activities, brands, products, and services	CAO at A Glance
GRI 102-3	Location of headquarters	International Reach
GRI 102-4	Location of operations	International Reach
GRI 102-5	Ownership and legal form	Group Structure
GRI 102-6	Markets served	International Reach
GRI 102-7	Scale of the organisation	Financial Highlights CAO at A Glance International Reach CEO Strategic Report - Operations Review Financial Review Human Capital Management
GRI 102-8	Information on employees and other workers	Human Capital Management
GRI 102-9	Supply chain	Sustainability Report - Procurement Practices
GRI 102-10	Significant changes to the organisation and its supply chain	Chairman's Message CEO's Message
GRI 102-11	Precautionary principle or approach	CAO does not specifically address the precautionary principle
GRI 102-12	External initiatives	Chairman's Message CEO's Message CEO's Strategic Report - Investor Relations Community Engagement
GRI 102-13	Membership of associations	No membership with any industry association.
Strategy		
GRI 102-14	Statement from senior decision-maker	Chairman's Message CEO's Message
Ethics and Integrity		
GRI 102-16	Values, principles, standards, and norms of behaviour	Our Values
Governance		
GRI 102-18	Governance structure	Group Structure Sustainability Report - CAO's Sustainability Governance Structure Compliance and Internal Audit Statement of Corporate Governance
Stakeholder Engagement		
GRI 102-40	List of stakeholder groups	Sustainability Report - Stakeholder Engagement
GRI 102-41	Collective bargaining agreements	No collective bargaining agreement.

Disclosure	Annual Report Section	
GRI 102-42	Identifying and selecting stakeholders	The key stakeholder groups identified either have a significant impact on or are significantly impacted by CAO's sustainability performance.
GRI 102-43	Approach to stakeholder engagement	Sustainability Report - Stakeholder Engagement
GRI 102-44	Key topics and concerns raised	Sustainability Report - Materiality Assessment
Reporting Practice		
GRI 102-45	Entities included in the consolidated financial statements	Financial Review
GRI 102-46	Defining report content and topic boundaries	Sustainability Report - About this Report
GRI 102-47	List of material topics	Sustainability Report - Materiality Assessment
GRI 102-48	Restatements of information	No restatements of material information.
GRI 102-49	Changes in reporting	Sustainability Report - About this Report
GRI 102-50	Reporting period	1 January 2018 - 31 December 2018
GRI 102-51	Date of the most recent report	March 2017
GRI 102-52	Reporting cycle	Yearly
GRI 102-53	Contact point for questions regarding the report	Sustainability Report - About this Report
GRI 102-54	Claims of reporting in accordance with GRI Standards	Sustainability Report - Board Statement Sustainability Report - About this Report
GRI 102-55	GRI content index	Sustainability Report - GRI Index
GRI 102-56	External assurance	No external assurance for this year's sustainability report.
Management Approach		
GRI 103-1	Explanation of the material topic and its boundary	Sustainability Report: Economic Performance Environmental Compliance Oil Spill Prevention Health and Safety Diversity and Equal Opportunity Procurement Practices Protection of Sensitive Information Compliance and Internal Audit Anti-corruption
GRI 103-2	The management approach and its components	
GRI 103-3	Evaluation of the management approach	
Specific Standard Disclosures		
Economic Performance		
Material Factor: Economic Performance		
GRI 201-1	Direct economic value generated and distributed	Financial Highlights Sustainability Report - Economic Performance CEO's Message Financial Review
Environment		
Material Factor: Environmental Compliance		
GRI 307-1	Non-compliance with environmental laws and regulations	Sustainability Report - Environmental Compliance
Material Factor: Oil Spill Prevention		
GRI 306-3	Significant spills	Sustainability Report - Oil Spill Prevention

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Disclosure	Annual Report Section	
Social		
Material Factor: Workplace Health and Safety		
GRI 403-2	Hazard identification, risk assessment, and incident investigation	Sustainability Report - Health and Safety - Workplace Environment
Material Factor: Customer Health and Safety		
GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Sustainability Report - Health and Safety - Customer
Material Factor: Diversity and Equal Opportunity		
GRI 405-1	Diversity of governance bodies and employees	Gender diversity of employees, refer to Sustainability Report Overview - Diversity and Equal Opportunity
Material Factor: Procurement Practices		
N/A	Reported breach of the Trade Sanctions Policy	Sustainability Report - Procurement Practices
Material Factor: Protection of Sensitive Information		
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Sustainability Report Overview - Protection of Sensitive Information
Governance		
Material Factor: Compliance and Internal Audit		
GRI 419-1	Non-compliance with laws and regulations in the social and economic area	Sustainability Report - Compliance and Internal Audit Compliance and Internal Audit
Material Factor: Risk Management		
N/A	Incidents of trading limit breach according to the limits set by the Risk Management Committee (RMC)	Sustainability Report - Sustainability and Risk Management Risk Management
Material Factor: Anti-corruption		
GRI 205-3	Confirmed incidents of corruption and actions taken	Sustainability Report - Anti-corruption Compliance and Internal Audit



CAO employees putting their heads together for team-building exercises
CAO员工积极参与团建活动

董事会声明

中国航油(新加坡)股份有限公司(简称“CAO”或“公司”)相信衡量公司成功的标准不仅是强劲的财务表现,还要通过特别是环境、社会及治理(简称“ESG”)方面为利益相关方创造的价值来衡量。

CAO的可持续发展道路以公司决心成为负责任的企业公民为动力,以致力于为利益相关方创造价值来巩固公司的经营模式为信念,而有效的业务可持续计划需要涵盖强劲的经济、环境和社会表现,以及高标准的公司治理,确保CAO具有长期竞争力。

作为新交所上市公司,CAO致力于遵守新加坡公司治理准则。CAO认识到良好的公司治理和风险管理流程的重要性,包括对可持续业务至关重要的ESG事项管理。可持续发展贯穿CAO业务的所有环节,在企业进程中扮演着关键角色,而且巩固了公司树立品牌的基础。在这一年中,CAO通过风险大排查和 workflows 梳理,采取措施改善内部治理。这些措施有助于进一步加强CAO的公司治理机制。

CAO在社会方面的可持续发展以员工和客户为重心。公司致力于为员工提供多样化、平等和安全的工作环境。在2018财年,为了提高员工的参与度以及推动公司业务发展,CAO董事会推出了绩效奖励计划,奖励为公司业务和发展做出特殊贡献的员工。

CAO重视客户,关注客户对健康与安全,以及业务实践中隐私权的考虑。发展一体化的全球供应链仍是关键战略重点,而负责任的采购实践有助CAO将正面影响延伸至全球供应链,为建立可持续的生态系统做出贡献。过去一年,公司进一步完善采购制度,以符合公平、诚信、创新和透明的企业价值观。

2018年可持续发展报告(简称“报告”)继续采纳国际综合报告理事会(简称“IIRC”)综合报告法的主要原则来报告CAO推动创造长期价值的方式。

可持续发展和价值创造

CAO坚定承诺为自身、利益相关方、运营社区及环境创造长期可持续的价值。在公司不断努力建立和创造价值的过程中,CAO将高标准的公司治理、合规与内审及健全的风险管理文化深植于公司内部。CAO的信念是企业的增长和成功必须建基于诚信、透明和责任担当等基本原则,而且这种信念已体现在公司文化中。因此,CAO清楚地意识到,衡量公司成功与否,不仅要看其财务业绩,还要看它为员工、商业伙伴、环境和整个社会创造的价值。

CAO致力于建立锐意进取的敬业团队,让员工充分发挥潜力,同时满足业务领域不断变化的要求。公司通过产品和服务的增值,采取负责任的采购和安全措施赢得客户和商业伙伴的信任。此外,CAO还通过员工志愿服务以及对社区组织的支持,增进社区的福祉。所有这些努力形成了公司未来可持续发展的基石。

可持续发展和风险管理

CAO团队具有完备全球战略风险管理模型,可以在商业决策中识别、评估重大的ESG风险,并制定风险缓解方案,调整商业决策,加强利益相关者价值,实现公司战略目标。为了在瞬息万变的市场中保持灵活并提高竞争力,公司需要采取主动和结构化的方法,有效识别并管理重大风险,以支持公司的战略绩效,这一点至关重要。CAO的主要业务风险包括市场风险、信用风险、运作风险、法律风险和财务风险。公司将战略风险管理融入商业战略、投资、运营的重大决策程序,因为ESG问题实际上是短期或长期的战略风险,反映了CAO的重大可持续发展事项。在识别这些重大事项的过程中,公司尽力确保有效管理相关法律法规变化产生的影响,并有效管理社会经济和声誉的驱动因素。CAO会在经营中考虑可持续发展,缓解风险,持续改进运营模式,为相关方创造价值。

CAO具备四层管控架构,来监督风险管理实践的执行。此外,公司的风险管理委员会(简称“RMC”)不断完善风险管理政策、指导方针和程序,加强内部风险控制,以减轻影响CAO业务运作和战略绩效的不确定因素。

作为风险管理措施的一部分,CAO要跟踪贸易活动。在本报告期间,根据RMC设定的限额,没有发生违反贸易限额的情况。CAO承诺在未来一年将不出现贸易违约事件。

有关风险管理架构、战略、重大风险及风险防范措施之详情,请参阅风险管理部分。

SUSTAINABILITY REPORT

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关于本报告

本报告阐述了CAO在截至2018年12月31日财政年度,管理环境及社会影响方面的承诺、治理、政策、表现和目标。

在确定本报告的范围时,管理层考虑了拥有权百分比和影响力水平,并将CAO持有50%以上控股股份的所有子公司纳入本报告范围。因CAO对联营公司的运营没有控制权,所以没有将联营公司纳入本报告范围。

纳入本报告范围的实体包括:

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

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

本报告继续采纳IIRC综合报告法的主要原则,专注于CAO的战略和对主要ESG风险和机会的有效管理,向利益相关方全面呈现公司的长期价值创造。本报告还参考了GRI有关重要性评估原则及具体表现披露的标准。这种组合框架方法符合新加坡证券交易所对可持续发展报告的要求。

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

利益相关方的参与

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

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



Into-plane refuelling operations at a Chinese airport
在中国机场的航油加注场景

SUSTAINABILITY REPORT

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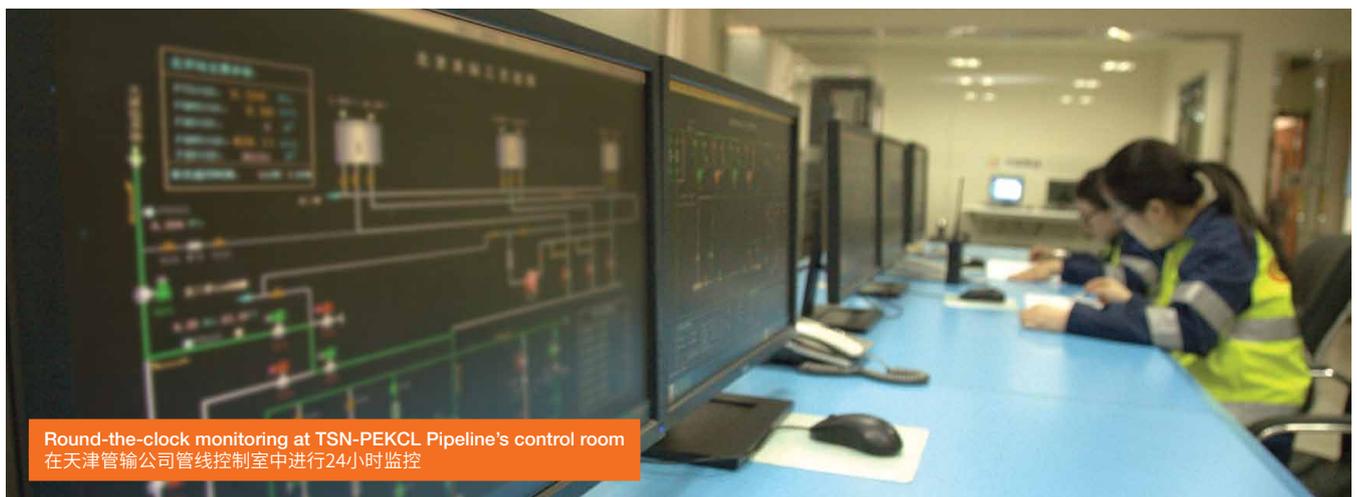
重要性评估

考虑了主要利益相关者的担忧，公司在2017年定义的重要ESG因素在2018年仍然相关。作为公司完善战略风险管理模型的一部分，这些重要ESG因素以及相关风险的确认、评估和减缓将被进行评估，并会在管理决策过程中加以考虑。

下表描述CAO管理层如何管理重大ESG因素以支持企业战略，并采纳了IIRC综合报告法框架，全面呈现了公司的业务运营与ESG绩效指标之间如何相互作用在公司的长期价值创造之上。采纳重要性评估方法能让CAO在专注于对业务有重大影响且构成战略风险的ESG事项，对重大风险点制定缓解方案，决定哪些方面需要进一步改进。CAO也可能在过程中发现符合公司战略的可持续发展机会。



因素	说明	减缓风险及寻找机遇的政策与实践	和战略的联系	目标, 表现, 及价值创造
经济				
经济表现 - 航油供应与贸易的核心竞争力	航油供应与贸易业务仍占公司业务的主导地位。作为中国主要航油进口商, 公司受到中国供需关系变化的影响, 例如国内航油产能提升。	CAO继续扩充全球航油供应与贸易价值链, 并通过发展新的供应与贸易路线及建立新战略伙伴关系。 公司还开展其它油品业务, 促进整体供应与贸易量的增长。	CAO的愿景是成为富有创新精神的全球一流运输燃料一体化方案提供商。为实现长远战略, 公司不断根据“全球化、一体化、实业化”的发展策略完善其战略措施。 有关公司战略转型、展望和主要业务计划的详情, 请参阅首席执行官致辞和经营概况。	公司积极开展业务持续性和长期业务战略以减轻宏观经济所带来的各种挑战。 CAO继续发掘并渗透全球主要航空热点, 以扩大客户基础, 并将公司的全球价值链伸延至亚太和欧美地区。 在2018年, 公司成功完成对欧洲Navires航空有限公司的收购, 并开放进入西北航空枢纽的渠道, 即史基浦, 斯图加特, 法兰克福和布鲁塞尔。 请参阅首席执行官致辞、财务业绩部分和经营概况。
经济表现 - 中国主要航油供应商	中国市场航油进口是公司保持较高市场份额和盈利能力的主要竞争优势。 如果国内市场开放或政策改变可严重影响该优势。	CAO已经通过地理拓展和产品多元化战略增强业务能力。在中国境外开展航油供应与贸易业务和航油营销业务。 公司将进一步发展和优化整合业务模式, 将全球供应与贸易网络拓展到全球新市场。		
环境				
环境合规	随着全球需求的不断增长, 油气行业面临着越来越严格的环境法律法规。作为全球油气行业供应链的成员之一, CAO在积极扩大其在多个司法管辖区的供应和贸易业务及投资, 将面临不符合新环境法律法规的风险。	通过公司的安全、健康、环境(简称“SHE”)政策, 其中涵盖环境管理指引, 积极负责地监测和管理不断变化的环境合规要求, 为利益相关方创造舒适安全并符合当地的环保法律和法规的环境。各部门的不同业务单位在进入新市场之前, 作为详尽的尽职调查, 必须核查当地环保法律法规。对于CAO在阿拉斯加的业务, 公司遵循石油泄漏预防和应急计划(简称“ODPCP”), 加强了减少环境影响的公司政策和实践, 并确保公司遵守阿拉斯加州的石油泄漏应急计划要求。	公司意识到合法合规是公司企业战略的重要环节。公司始终秉承高标准的公司治理, 采取战略措施进一步加强合规和治理。	公司将继续跟进环保相关法律法规的最新变化, 遵守所有相关法律法规, 避免可能发生的不合规事件, 确保顺利运营, 提高效率。 在2018年, 公司运作的区域没有发生任何违反环保法律法规的情况。
防止溢油	作为全球油品供应与贸易商, CAO的运营环境存在多种风险点, 如运输和存储过程中的溢油风险可能对环境造成的即时和长期的破坏。	作为负责责任的全球石油产品供应和贸易商, CAO采取一切合理措施将发生溢油事件减至最低以防止污染。 公司在日常运作制定了一系列的措施, 如验船政策, 该政策目的是将健康、安全和环境风险减至最低。该政策制定程序收集有关船舶的资料, 从评估船舶结构完整性和安全和事故记录到船龄、必要的认证和处理及存储航油产品的适当程序等。这政策结合了公司的生产安全事故报告指引。指引涵盖造成环境破坏的运营事件, 并规定了报告时间和格式以及需要采取的后续行动。 为面对突发事件如漏油事件对公司所可能带来的负面影响, 公司制定了危机管理计划, 其中包括成立应急响应小组。该小组负责及时有效地积极应对突发事件。	CAO致力于尽量减少潜在溢油事件的影响, 以保护周边环境。这与公司坚持SHE高标准, 以安全、可靠、高效的方式经营业务的使命一致。	CAO继续致力于保持有关重大溢油零事故的良好记录。 在报告期间, 公司模拟溢油事故场景, 在灾难恢复场所开展了桌面演习, 目的是加强应急响应小组对响应此类事件的熟悉程度和准备状态。



Round-the-clock monitoring at TSN-PEKCL Pipeline's control room
在天津管输公司管线控制室中进行24小时监控

SUSTAINABILITY REPORT

可 持 续 发 展 报 告

因素	说明	减缓风险及寻找机遇的政策与实践	和战略的联系	目标, 表现, 及价值创造
社会				
健康与安全 - 工作场所环境	CAO致力于为所有利益相关方打造安全、健康的运营环境, 持续确保安全零意外, 推动企业盈利表现。	公司向所有员工灌输对社会负责的文化, 以及安全的工作习惯, 以确保员工的健康和安全。 CAO的安全、健康、环境(简称“SHE”)政策强调工作场所的健康和安全。除了遵守工作场所安全准则要求以提供办公场所的安全工作条件外, 公司还为员工提供定期组织体检、流行病通报、强制的工作场所健康和安全教育、火灾演习, 以培养工作场所和环境安全意识这是公司工作文化的重要组成部分, 也是灌输强劲SHE文化的重要组成部分。公司也为所有员工提供医疗和保险福利。 随着公司全球化业务拓展, 员工出差次数增加, 公司识别了出行相关风险, 并遵照业务持续计划(简称“BCP”)的程序和流程制定监控系统, 如跟踪每个员工的出差进程。 公司致力于杜绝威胁、骚扰、攻击和恃强凌弱现象, 为员工提供一个安全健康的工作环境。CAO也有完善的疏导渠道, 确保所有问题都得到及时公正的解决。	工作场所的安全、健康对公司至关重要, 也是CAO所有业务层面可持续发展的首要任务。公司将保持高标准SHE为使命, 以安全、可靠、有效的方式开展业务。	公司继续致力于保持工作场所相关事故零记录。 在报告期内, CAO没有发生工作场所相关事故。
健康与安全 - 客户	公司认识到在确保供应的产品符合行业严格的安全和质量要求方面的重要性。公司产品的安全和质量将影响终端客户的安全, 即飞行乘客以及航油供应链上利益相关者。	CAO供应和贸易的产品质量是产品安全的重要组成部分。 CAO定期严格监控设施和产品, 并进行实验室测试, 以确保获得所有相关认证或许可证, 并保持严格的安全标准。	为符合公司坚持SHE高标准的承诺, 为客户创造价值的企业使命, CAO力求提供高产品和服务的质量。	CAO对整体客户满意度视为价值创造, 旨在保持其最佳实践, 以确保没有不符合质量要求的产品的重大事故, 从而对公司终端客户的健康和安全生产不利影响。
多元化与平等机会	CAO相信公平、多元化、有包容性的工作环境对公司的成功必不可少, 多元化的团队可以实现技术、观念与经验的互补, 也可以丰富工作场所文化, 提升业务表现。这不仅有助于在竞争激烈的市场中吸引并留住人才, 还有助于实现公司培育以公平、诚信、创新、透明为核心的以人为本企业文化, 使员工与公司共同发展的使命。	CAO为各业务所在地制定人力资源实践, 以配合当地法律法规。 公司遵守新加坡公平就业实践三方联盟(简称“TAFEP”)提出的公平就业实践。雇主承诺, 打造公允公平的工作环境。公司确保按照TAFEP制定的公平就业实践三方指南, 并在各方面贯彻执行, 例如刊登非歧视的招聘广告、定期进行员工绩效评估、灌输道德准则, 并为员工负面情绪提供疏通渠道。公司还遵守新加坡人力部公平考量框架的要求, 在新加坡劳动力发展局管理的职位信息库中公布职位空缺。 CAO支持任人唯贤的原理, 促进全体员工按照他们的能力和表现, 并致力于为大家给予平等的机会, 不论其性别, 年龄, 宗教和种族。 在董事会层面, 公司遵循董事会组成和平衡的公司治理政策。有关详情, 见公司治理报告。	在CAO愿景, 使命和核心价值观的指导下, 公司制定了一项多管齐下的人力资源战略, 该战略与其业务目标保持一致, 以建立所需的劳动力技能基础, 加强其可持续发展的竞争优势。	为了满足日益全球化的客户和市场的业务需求, 公司努力创造多元化和包容的工作环境, 促进和提高员工在全球所有职能部门的多样性、经验和能力。截至2018年12月, 公司的全球员工总数为105名员工, 男女员工的比例为42:58。新加坡本部有74名员工。 有关详情, 请参考人力资源章节。
采购实践	作为全球运输燃料生态系统中负责任的企业, CAO明白开放和公平采购的重要性。 有效和负责任的供应链管理, 有助提高运营效率, 维护公司的品牌价值和声誉。	通过遵循公司公平、诚信、创新和透明的企业价值观, CAO确保按照明确、透明和标准化的指引, 以公开、公平、公正的方式开展招标和采购。 公司成立了由各职能部门负责人组成的采购委员会, 作为决策机构, 监督投标过程和业务决策。在委员会内, 个别成员被指派招标过程有关的具体职责。 公司拥有交易对家信用登记注册的内部流程, 在与他们开展业务之前对交易对家进行检查。作为此过程的一部分, 公司会进行反洗钱检查, 以确保在开展业务的司法管辖区内, 没有违反公司的贸易制裁政策, 以支持遵守有关贸易制裁的国际法律。	具有社会责任感的公司的愿景, 公司积极关注供应链中潜在的负面声誉影响并减至最低。	2018年度内, CAO没有关于违反贸易制裁政策的举报。 此外, 在这一年中, 公司加强了采购实践, 以确保更加透明和公平地选择航油业务外的供应或服务商。 CAO将继续保持公司没有违反内部招标和采购指引及贸易制裁政策的记录。

因素	说明	减缓风险及寻找机遇的政策与实践	和战略的联系	目标, 表现, 及价值创造
社会				
保护敏感信息	<p>CAO在业务运营中的日常事务处理大量敏感信息(如个人数据, 油价和合同条款等)。</p> <p>公司认真对待安全通信和数据保护, 并尊重其利益相关方的隐私权和保密权。</p>	<p>CAO采取多管齐下的方法来缓解许多企业在信息保护方面面临的威胁。措施包括根据新加坡《个人信息保护法》制定个人信息保护政策, 规定了确保遵守适用于公司收集、使用、披露、转让和/或处理个人资料的法律法规的要求。</p> <p>公司的行为和道德准则, 特别要求员工对在开展业务过程中获得的信息采取极其谨慎的态度。员工必须保护机密信息和商业秘密。未经授权或未经授权的披露将导致纪律处分和/或升级到相关监管机构。</p> <p>信息分类政策, 规定信息的不同分类, 并根据信息的分类和敏感度确立接触、使用和保护原则。本政策是基于“需要知道”的原则, 以保护敏感资料不受未经授权的披露、使用、修改及删除。</p> <p>新加坡公司的用户隐私权声明政策管理通过公司网站或与网站相关途径收集的个人信息(见www.caosco.com)。</p>	<p>为了维护公司的数据安全标准, 公司对保密通信及其利益相关者的隐私和保密合法权利保持警惕。</p> <p>这是作为CAO与利益相关者建立长期信任和关系的战略的一部分, 同时也是公司遵守相关法律法规以保护利益相关者的隐私和机密的职责。</p>	<p>公司继续致力于保持没有经证实的违反敏感信息隐私权和保密权的投诉, 也没有敏感信息泄露、被盗或遗失事件的记录。</p> <p>2018年度内, 公司没有发现任何经证实的违反敏感信息隐私权和保密权的投诉事件。</p> <p>此外, 在本报告期间, 为了进一步加强ERT的危机应对能力, CAO在灾难恢复场所进行了桌面演习, 重点模拟了IT黑客事件场景。</p>
公司治理				
合规与内审	<p>随着公司在多个司法管辖区继续多元化经营和投资, 也面临更多国家法律和地区法律法规的合规风险。</p> <p>若不能减缓合规风险, 可能使公司声誉受损, 从而阻碍可持续发展。</p>	<p>CAO非常重视公司治理责任, 相信良好的治理水平有赖于完善的政策和指引, 以及公司上下所有成员的齐心协力。</p> <p>CAO不断检讨并改善全球合规战略, 确保公司政策、实践、准则和内部控制系统切合需要、健全完善。</p> <p>有关合规与内审职能及合规相关具体政策和实践详情, 请参阅合规与内审部分。</p>	<p>严格的公司治理标准和完善的内部审计程序为新加坡公司的所有商业活动提供责任担当, 以支持新加坡公司实现长期战略。同时反映公司如何体现“公平、诚信、创新和透明”的核心价值。</p>	<p>随着公司不断致力于实现零违规法律法规事件, 在2018年, CAO继续为员工提供合规相关培训, 以保持持续的意识 and 警惕。</p> <p>在这一年中, CAO也开展了全面的工作流程梳理, 以确定和加强改进流程和内部控制的制衡机制。</p>
反贪污	<p>作为一家上市公司, CAO采用新加坡严格的反腐败制度, 并高度重视相关社会责任, 以确保所有业务活动保持最高诚信, 禁止任何不当或非法行为。</p>	<p>作为CAO内部控制的一部分, 公司遵循Committee of Sponsoring Organisations of the Treadway Commission (简称“COSO”)的框架, 其中涵盖反贪污、内部交易和欺诈等合规风险。</p> <p>为强化公司内部的合规文化, 公司订立了行为和道德准则、礼物和业务招待政策, 以及每年向全体员工提供的年度合规培训。CAO还设有举报渠道, 供举报及调查可疑案例。</p>	<p>公司相信创造公平和透明的环境可促进业务发展。CAO绝不容忍任何欺诈、贿赂或贪污行为。</p>	<p>CAO时刻努力保持贪污零记录, 在2018年里, 没有任何的贪污事件。</p> <p>有关详情, 请参阅合规与内审部分。</p>



CAO employees brainstorming at work
CAO员工进行头脑风暴会议

SUSTAINABILITY REPORT

可 持 续 发 展 报 告

展望未来

意识到气候变化对CAO业务利益相关者的长期影响,如客户行为的改变和遵守不断增加的监管要求,公司相信,对ESG风险和机遇实施财务业绩以外的整体管理是为提供长期价值至关重要。CAO将继续通过持续培训及与行业从业员的合作,及时了解最新的可持续发展趋势,并监控这些对业务的不断变化的影响,以保持弹性和市场竞争力。

披露	年报相关部分	
一般披露		
公司简介		
GRI 102-1	公司名称	公司简介
GRI 102-2	业务、品牌、产品和服务	公司简介
GRI 102-3	总部所在地	国际触角
GRI 102-4	经营地点	国际触角
GRI 102-5	所有权和法律形式	公司结构图
GRI 102-6	服务的市场	国际触角
GRI 102-7	公司规模	业绩亮点 公司简介 国际触角 首席执行官战略报告 - 经营概况 财务业绩 人力资源管理
GRI 102-8	雇员及其他人员信息	人力资源管理
GRI 102-9	供应链	可持续报告概要 - 采购实践
GRI 102-10	公司及其供应链的重大变更	董事长致辞 首席执行官致辞
GRI 102-11	预防性原则或方法	新加坡公司没有特别讨论该原则
GRI 102-12	外部倡议	董事长致辞 首席执行官致辞 首席执行官战略报告 - 投资者关系 企业社会责任
GRI 102-13	协会会员身份	没有任何行业协会组织会员身份
战略		
GRI 102-14	高级决策者声明	董事长致辞 首席执行官致辞
道德与诚信		
GRI 102-16	价值、原则、标准和行为规范	核心价值观
治理		
GRI 102-18	治理结构	公司结构图 可持续报告概要 - CAO的可持续发展治理结构 合规与内审 公司治理报告

披露	年报相关部分	
利益相关者参与		
GRI 102-40	利益相关群列表	可持续报告概要 - 利益相关方的参与
GRI 102-41	集体谈判协议	没有任何集体谈判协议
GRI 102-42	利益相关方的识别和选择	所识别的主要利益相关方团体对新加坡公司的可持续表现有重大影响, 或受到新加坡公司可持续表现重大影响
GRI 102-43	利益相关方的参与方法	可持续报告概要 - 利益相关方的参与
GRI 102-44	提出的主题和关心的问题	可持续报告概要 - 重要性评估
报告实践		
GRI 102-45	包含于合并财务报表中的实体	财务业绩
GRI 102-46	报告内容和主题界限的界定	可持续报告概要 - 关于本报告
GRI 102-47	重大主题列表	可持续报告概要 - 重要性评估
GRI 102-48	信息的重申	没有重要信息的重申
GRI 102-49	报告的变更	可持续报告概要 - 关于本报告
GRI 102-50	报告期间	2018年1月1日 - 2018年12月31日
GRI 102-51	最新报告发布日期	2017年3月
GRI 102-52	报告周期	每年
GRI 102-53	报告相关问题的联系方式	可持续报告概要 - 关于本报告
GRI 102-54	关于按照GRI标准出具报告的要求	可持续报告概要 - 董事会声明 可持续报告概要 - 关于本报告
GRI 102-55	GRI 内容索引	GRI 内容索引
GRI 102-56	外部鉴证	本年度可持续报告没有外部鉴证
管理方法		
GRI 103-1	关于重大主题及其界限的解释	可持续报告概要: 经济表现 环境合规 防止溢油 健康与安全 多元化与平等机会 采购实践 保护敏感信息 合规与内审 反贪污
GRI 103-2	管理方法及其组成部分	
GRI 103-3	管理方法的评估	
特定标准披露		
经济表现		
重大因素: 经济表现		
GRI 201-1	已产生和分配的直接经济价值	业绩亮点 可持续报告概要 - 经济表现 首席执行官致辞 财务业绩
环境		
重大因素: 环境合规		
GRI 307-1	违反环境法律法规的情况	可持续报告概要 - 环境合规

SUSTAINABILITY REPORT

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披露	年报相关部分	
重大因素: 防止溢油		
GRI 306-3	严重溢油情况	可持续报告概要 - 防止溢油
社会		
重大因素: 工作场所健康与安全		
GRI 403-2	伤害类别, 风险评估与事故调查	可持续报告概要 - 健康与安全 - 工作场所环境
重大因素: 客户健康与安全		
GRI 416-2	有关产品和服务影响健康和安全的违规事件	可持续报告概要 - 健康与安全 - 客户
重大因素: 多元化与平等机会		
GRI 405-1	治理组织和雇员的多样化	可持续报告概要 - 多元化与平等机会
重大因素: 采购实践		
无	违法贸易制裁政策的举报	可持续报告概要 - 采购实践
重大因素: 保护敏感信息		
GRI 418-1	有关违反客户隐私权和遗失客户资料的实证投诉	可持续报告概要 - 保护敏感信息
治理		
重大因素: 合规与内审		
GRI 419-1	社会和经济领域中的违反法律法规的情况	可持续报告概要 - 合规与内审 合规与内审
重大因素: 风险管理		
无	根据风险管理委员会设定的限额, 违反贸易限额的情况	可持续报告概要 - 可持续发展和风险管理 风险管理
重大因素: 反贪污		
GRI 205-3	经证实的贪污事件及采取的相应行动	可持续报告概要 - 反贪污 合规与内审



Handling of oil storage tank valves
开储油罐阀门

FINANCIAL REVIEW



EARNINGS ANALYSIS

The Group's revenue of US\$20.61 billion for the financial year ended 31 December 2018 ("FY2018") was higher by 26.7% compared to US\$16.27 billion for the financial year ended 31 December 2017 ("FY2017"), due mainly to the increase in oil prices which contributed 33.3% to the increase in revenue, partly offset by a 6.6% reduction in trading volume. Revenue from supply and trading of middle distillates increased 20.8% to US\$12.36 billion on the back of higher oil prices.

Total supply and trading volumes was 34.85 million tonnes for FY2018, a decrease of 6.6% compared to 37.31 million tonnes for FY2017. Jet fuel supply and trading volume decreased 11.5% to 14.26 million tonnes for FY2018, compared to 16.12 million tonnes for FY2017, and accounted for 47.8% of the Group's total revenue in FY2018. Trading volume for other oil products, comprising mainly fuel oil and crude oil, decreased 0.88 million tonnes (5.0%) to 16.63 million tonnes in FY2018 and generated US\$8.25 billion in revenue.

China remains the Group's largest market, accounting for 59.8% of the Group's revenue in FY2018, an increase of 12.4% compared to FY2017.

Gross profit increased by 29.2% to US\$49.99 million for FY2018 compared to US\$38.70 million for FY2017, mainly due to higher profits from the supply of jet fuel to China and higher gains from trading and optimisation activities. The comparatively higher year-on-year gross profit was also due to lower gains from trading and optimisation activities in FY2017 as markets declined to backwardation in 3Q 2017 and further exacerbated by increase in supply and operational costs incurred due to various supply disruptions caused by weather and refineries outages.

Operating profit for the Group at US\$28.43 million in FY2018 was higher than FY2017 by 40.2%, due largely to higher gross profit derived from jet supply and trading, partly offset by higher operating expenses. As a result of higher operating profit and share of results from associated companies, the group's profit before tax at US\$100.54 million was higher by 9.5% compared to US\$91.81 million for FY2017.

Total expenses increased 15.2% to US\$25.54 million compared to US\$22.18 million last year due mainly to higher interest expense, staff cost and rental expense.

The Group generated a net operating cashflow of US\$150.84 million in FY2018, compared to net cash used in operating activities of US\$27.24 million in FY2017. Cashflow from investing activities increased due mainly to higher dividend income from associated companies.

Whilst improving efficiency and operating under an acceptable risk level and vigilant risks control measures, the Group will persist in its global expansion in jet fuel supply and trading network, complemented with trading in other oil products as well as seek opportunities for expansion through investments.

SHARE OF RESULTS FROM ASSOCIATES

Contributions from the share of results in associates, mainly from Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd ("SPIA"), increased 0.8% to US\$72.11 million for FY2018 compared to US\$71.53 million for FY2017. Profit contribution from SPIA increased 1.6% to US\$65.21 million compared to US\$64.17 million last year as SPIA achieved higher operating profit as a result of higher oil price and higher refuelling volumes at Shanghai Pudong International Airport.

The share of profits from Oilhub Korea Yeosu Co., Ltd ("OKYC") was US\$4.78 million in FY2018 compared to US\$4.95 million in FY2017 due mainly to lower revenue from the impact of the reduction in tank storage fees.

Profit contribution from China National Aviation Fuel TSN-PEK Pipeline Transportation Corporation Ltd ("TSN-PEKCL") was US\$2.28 million for FY2018 compared to US\$2.61 million for FY2017 due mainly to fair value amortization adjustment on consolidation.

Share of profit from China Aviation Oil Xinyuan Petrochemicals Co. Ltd ("Xinyuan") decreased by 70.9% to US\$0.17 million due mainly to the decrease in gross profit as a result of lower revenue vis-à-vis higher purchase cost.

FINANCIAL REVIEW



Contribution from the Group's interest in Aviation Fuel Supply B.V. ("AFS"), which was acquired in June 2018, was earnings accretive but immaterial.

The Group's share of loss in CNAF Hong Kong Refuelling Limited ("CNAF HKR") was lower at US\$0.69 million for FY2018 compared to US\$0.80 million for FY2017, an improvement of 13.1% due mainly to higher revenue generated from increased refuelling volumes.

NET PROFIT

The Group's profit before tax at US\$100.54 million was higher by 9.5% compared to US\$91.81 million for FY2017 due principally to the higher gross profit generated in FY2018.

Income tax expense decreased by 2.9% to US\$6.68 million for FY2018 compared to US\$6.88 million for FY2017 due mainly to the absence of one-off tax expenses incurred on the transfer of shareholding in OKYC in FY2017, partly offset by the increase in recognition of deferred tax liabilities on the Company's share of undistributed retained earnings from the associates.

The Group's net profit in FY2018 was higher by US\$8.93 million or 10.5% at US\$93.86 million compared to US\$84.93 million for FY2017. Earnings Per Share ("EPS") was higher at 10.91 US cents for FY2018 compared to 9.87 US cents for FY2017 and the Group's Return on Equity ("ROE") was higher at 12.6% compared to 12.4% in FY2017.

For FY2018, the Group is proposing a final dividend of 4.5 Singapore cents per share.

FINANCIAL POSITION

The Group continued to maintain a healthy balance sheet in FY2018. As at 31 December 2018, total assets amounted to US\$1.65 billion, compared to US\$1.91 billion in FY2017 due mainly to the decrease in accounts receivables and trade inventories.

CAO completed the acquisition of Navires Aviation Limited ("NAL") in June 2018. Through the acquisition, CAO is able to establish into-wing jet supply system at four European airports namely, Schiphol Airport, Brussels Airport, Frankfurt Airport and Stuttgart Airport. There was no material impact on the earnings per share or net tangible

assets per share of the Group for FY2018. NAL was renamed China Aviation Fuel (Europe) Limited ("CAFEU") in July 2018.

The Group's liquidity and debt servicing ability remained strong. As at 31 December 2018, the Group's cash and cash equivalents were US\$357.69 million, compared to US\$300.04 million as at 31 December 2017. As at 31 December 2018, the Group's current ratio and quick ratio were 1.52 and 1.39 respectively (31 December 2017: 1.33 and 1.16 respectively). The Group's total trade and banking facilities amounted to US\$2.94 billion as at end 31 December 2018.

The Group's net assets stood at US\$769.14 million or 89.42 US cents per share as at 31 December 2018, compared to US\$720.73 million or 83.79 US cents per share as at 31 December 2017. The increase in net asset value per share was attributable mainly to the earnings generated in FY2018 less dividends paid in respect of FY2017. The Group continues to monitor its overall liquidity position to support its growing business. The Group's principal sources of cashflows are from its supply and trading business operations as well as dividends received from its investment in associates.

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

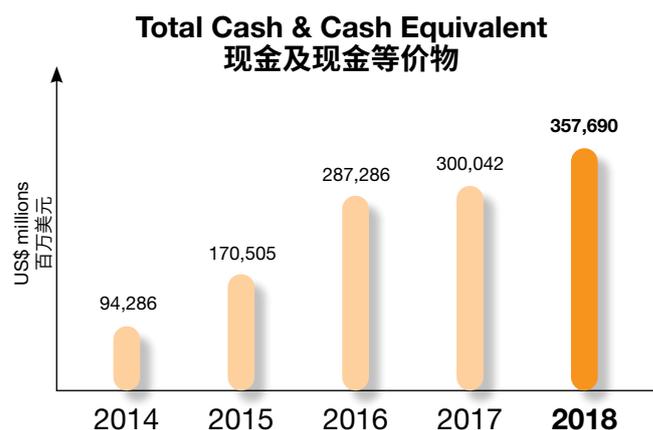
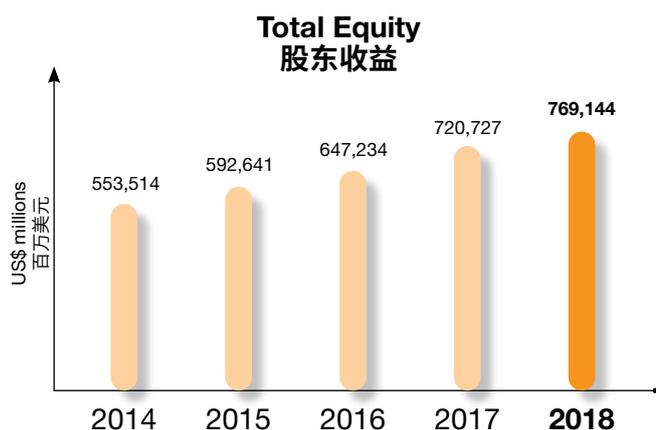
ECONOMIC VALUE ADDED

Economic Value Added ("EVA") profit for FY2018 was US\$45.38 million, an increase of 8.9% or US\$3.70 million from US\$41.68 million for FY2017, mainly due to the increase in net earnings on the back of higher capital employed. Accounting net profits increased 10.5% year-on-year to US\$93.86 million for FY2018, compared to US\$84.93 million for FY2017. To reward shareholders, the Directors have proposed a first and final dividend in cash of 4.5 Singapore cents per share for FY2018 (FY2017: 4.5 Singapore cents). The Group will continue to focus on improving efficiency to create value for shareholders and remain prudent in financial management.

5-YEAR FINANCIAL SUMMARY 五年财务摘要	2014	2015	2016	2017	2018
INCOME STATEMENT (US\$'000) 损益表(千美元)					
Revenue 营业额	17,061,031	8,987,487	11,703,191	16,267,606	20,611,954
Gross Profit 毛利	27,397	35,444	44,050	38,703	49,994
Associated Companies 联营公司	43,194	42,296	66,363	71,534	72,109
Net profit attributable to equity holders of the Company (PATMI) 可向股东分配净利润	49,160	61,281	86,457	84,927	93,858

BALANCE SHEET (US\$'000) 资产负债表(千美元)					
Total assets 总资产	1,378,715	845,517	1,341,970	1,909,809	1,653,568
Total Equity 股东权益	553,514	592,641	647,234	720,727	769,144
Cash and Cash equivalent 现金及现金等价物	94,286	170,505	287,286	300,042	357,690

FINANCIAL RATIOS 财务比率					
Earnings per share (US cents) 每股收益(美分)	5.72	7.12	10.05	9.87	10.91
Net Asset Value per share (US cents) 每股净资产值(美分)	64.35	68.90	75.24	83.79	89.42
Return on Equity 净资产回报率	9.1%	10.7%	14.0%	12.4%	12.6%
Return on Assets 资产回报率	3.5%	5.7%	7.8%	5.7%	5.6%
Debt Equity Ratio 股本带息负债率	0.0%	0.0%	15.4%	16.6%	0.0%



FINANCIAL REVIEW

财 务 业 绩

盈利分析

截至2018年12月31日(“2018财年”),公司总收入为206.1亿美元,相比2017年12月31日(“2017财年”)的162.7亿美元增涨26.7%,主要是因为油价上涨,收入增长33.3%,贸易量减少6.6%,抵消了部分涨幅。由于油价上涨,中馏分供应与贸易收入增长20.8%至123.6亿美元。

2018财年供应与贸易总量为3,485万吨,比2017财年的3,731万吨下降6.6%。航油供应与贸易量从2017财年的1,612万吨下降至2018财年的1,426万吨,降幅为11.5%,占公司2018财年总收入的47.8%。其他油品贸易量(主要来自于燃料油和原油)在2018财年下降88万吨(5.0%)至1,663万吨,贡献82.5亿美元收入。

中国依然是公司的最大市场,占公司2018财年收入的59.8%,同比增加12.4%。

2018财年毛利增长29.2%至4,999万美元,2017财年毛利为3,870万美元,主要是供应中国的航油业务利润和贸易优化业务收益增加。毛利较上年同期有所上升,也是由于2017财年贸易和优化业务的收益减少,市场在2017年第三季度转为现货溢价结构,以及由于天气因素和炼厂大火导致航油供应运作成本增加。

公司2018财年的营业利润为2,843万美元,比2017财年增加40.2%,主要是因为航油供应与贸易带来的毛利增加,部分抵消了较高的运营费用。由于营运利润和联营公司投资收益增加,公司税前利润比2017财年的9,181万美元增长9.5%至1.0054亿美元。

2018财年累计总费用为2,554万美元,相比上年同期的2,218万美元增涨15.2%,主要是利息费用、职工薪酬和租金费用增加。

2018财年经营活动产生的净现金流入为1.5084亿美元,2017财年的经营活动现金为净流出2,724万美元。投资活动的现金流入增加,主要是来自联营公司的股息收入增加。

公司将在可接受的风险水平和警惕的风险控制措施下,继续全球性扩展航油供应与贸易网络,并辅以其他油品,通过投资寻求扩张机会。

来自联营公司投资收益

2018财年联营公司投资收益为7,211万美元,相比上年同期的7,153万美元增涨0.8%,主要来自上海浦东国际机场航空油料有限公司(简称“浦东航油”)的投资收益增加。2018年来自浦东航油的投资收益为6,521万美元,相比上年同期的6,417万美元增涨1.6%,主要由于浦东航油量价齐涨增加公司经营利润。

2018财年来自Oilhub Korea Yeosu Co., Ltd(简称“OKYC”)的投资收益为478万美元,上年同期为495万美元,主要是因为储罐租赁费减少导致收入降低。

中国航油集团津京管道运输有限责任公司(简称“管输公司”)的投资收益为228万美元,上年同期为261万美元,主要是因为公允价值摊销费用调整。

中国航油集团新源石化有限公司(简称“新源公司”)的投资收益减少70.9%至17万美元,主要因为采购成本升高,使得毛利降低。

公司于2018年6月收购AFS为公司贡献了利润,但没有实质性的影响。

中国航油香港供油有限公司(简称“香港供油公司”)的投资收益为亏损69万美元,2017财年为亏损80万美元,减亏13.1%,主要因为供油公司目前的加注量增加的收入尚不足以抵消其行政及财务费用。

净利润

2018年公司税前利润较2017财年的9,181万美元增长9.5%至1.0054亿美元,主要因为毛利增加。

2018财年所得税费用为668万美元,比上年同期的688万美元减少2.9%,主要是由于2017财年OKYC股权转让支付一次性税费支出,这部分被来自于联营公司未分配利润增加确认的递延所得税负债增加所抵消。

公司2018财年净利润为9,386万美元,比2017财年的8,493万美元增长了893万美元,增幅为10.5%。公司2018财年每股净利润(“EPS”)为10.91美分,高于2017财年的9.87美分,净资产收益率(“ROE”)为12.6%,高于去年的12.4%。

公司提议2018财年的最终股息为每股4.5分新元。

财务状况

2018财年公司资产负债状况健康。截至2018年12月31日，总资产为16.5亿美元，2017财年为19.1亿美元，主要是由于应收账款和贸易库存减少。

2018年6月，CAO完成对Navires Aviation Limited (简称“NAL”)的收购。通过此次收购，公司能够在欧洲史基浦机场、布鲁塞尔机场、法兰克福机场和斯图加特机场四个机场建立飞机加注供应系统。这对公司2018财年的每股收益或每股有形资产净额没有实质性影响。NAL于2018年7月更名为中国航油(欧洲)有限公司(简称“CAFEU”)。

公司的流动性和偿债能力依然稳健。截至2018年12月31日，公司现金和现金等价物为3.5769亿美元，截至2017年12月31日是3.0004亿美元。截至2018年12月31日，公司的流动比率和速动比率分别为1.52和1.39(截至2017年12月31日分别为1.33和1.16)。2018年末，公司的总贸易和银行授信额度为29.4亿美元。

截至2018年12月31日，公司净资产为7.6914亿美元，每股净资产为89.42美分，而截至2017年12月31日，公司净资产为7.2073亿美元，每股净资产为83.79美分。每股净资产的增加主要由于2018年盈利的增加，部分被支付的2017财年股息所抵销。

公司继续监控整体流动性水平，支持业务拓展。公司主要的现金来源是供应与贸易业务以及从联营公司收取的股息。

公司的信用情况依然稳健，严格管理信用风险，持续关注信用控制，加强应收账款和流动资金管理，积极寻找有协同性的战略资产投资机会，拓宽收入来源。

经济增加值

2018财年经济增加值为4,538万美元，相比上年的4,168万美元增加370万美元，涨幅为8.9%。主要因为净利润增加，在投资资本增加的情况下经济增加值上升。净利润相比2017财年的8,493万美元增长10.5%至9,386万美元。为了回报股东，董事会提议2018财年每股4.5分新元的股息(2017财年:4.5分新元)。公司会继续提高运营效率，保持谨慎的财务管理，为股东持续创造价值。



Oil storage facilities at CNAF
CNAF储罐设施

RISK MANAGEMENT



The global oil market was beset by turbulence and volatility in 2018. Heightened uncertainty including the US-China trade conflict, US sanctions against Iran, increasing crude output from the United States, Russia and OPEC, as well as credit risks arising from geopolitical conflicts, natural disasters, OPEC negotiations and exchange rate fluctuations impacted the operating environment of CAO. Against a backdrop of volatile oil prices, the Brent Crude rose to US\$85.45 per barrel in October 2018 from US\$67.89 per barrel at the beginning of 2018 and thereafter, fell to US\$53.06 per barrel at year end.

Despite persistent challenges from US-Iran sanctions, trade tariffs arising from US-China trade conflict, geopolitics and a stronger US dollar, the Group maintained a rigorous and proactive approach to risk management. With effective risk management bolstering the operational competitiveness of the Group, CAO once again demonstrated the resilience of its business model while continuing to expand the provision of services to end customers globally and lifted the Group's business performance to deliver a standout performance with record revenue and net profit for FY2018.

FOCUSED AND DISCIPLINED APPROACH

As part of its risk culture, the Group continues to actively develop and refine our centralised risk

control and support network to facilitate global business growth. The Group's risk management process has the following features:

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

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

Our risk management foundation is built upon three pillars namely:

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

Robust Management Control Structure 严谨的管理控制架构



To manage the full range of risks to which it is exposed, CAO relies on its four-tier risk management framework and reporting structure to analyse, assess and identify various risks to effectively mitigate and manage the risk exposure faced by the Group's expanding globalised business operations and ensure continued healthy business growth. The Group's four-tier management and control structure is designed to ensure sound governance and oversight over the execution of effective risk management practices for the Group.

At the strategy level, the Board of Directors has principal oversight and responsibility on the management of the various risks the Group faces. Ultimately, all risk management activities are reported to the Board of Directors ensuring high quality, compliance and effective risk management.

At the tactical level, the Risk Management Committee ("RMC") oversees strategic risk management issues. The RMC sets the limits for various types of risks and approves new activities that CAO plans to embark on. Through monthly reports and quarterly meetings, the RMC reviews the various risk metrics that provide an indication on CAO's risk exposures and the manageability of each risk category.

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

At the operation level, the Risk Management Department ensures that risk management activities are executed daily and that all risk-related policies, processes and limits are implemented and adhered to. Over the years, the risk team has defined and built the framework around risk management, identifying, reporting and monitoring the risk profiles of the Group's supply and trading businesses in Singapore, Hong Kong SAR, Los Angeles and London. CAO's global risk team, with professional credentials such as Energy Risk Professional (ERP) and Financial Risk Manager (FRM) by Global Association of Risk Professionals

(GARP) and their expertise in credit, market and enterprise risk management manages and supports appropriate risk management practices in daily operations across the globe, enabling the management team to execute strategic business objectives and achieve performance targets.

RISK MANAGEMENT STRATEGY

As the Group expands its global footprint, increasing global operations pose a wide range of risks spanning financial, political, operational, social or environmental. These include exposure stemming from changes to regulatory and operational conditions in certain regions, fluctuations in currencies and volatility in oil prices. Against a dynamic and ever-changing environment, CAO continued to strengthen the resilience of its businesses through focused risk management. To better manage the exposure of the Group's growing business portfolio, CAO has continually strengthened the credit risk management team as part of an enhanced global credit risk framework to manage growing uncertainties in the Group's key markets.

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

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

RISK MANAGEMENT



In 2018, the Group continued to improve and strengthen its risk management and internal control processes to better support the global supply and trading activities of its multi-product portfolio, which included jet fuel, fuel oil and crude oil. During the year, the company has initiated and completed an in-depth comprehensive risk and mitigation review to assess company-wide risks and update the Group's enterprise risk register to eliminate possible blind spots and reduce its impact on CAO.

In addition to conducting regular market risk stress tests on positions held by the Group, the risk team conducted enterprise-wide stress tests in 2018 on the impact that an escalating US-China trade conflict and Iran sanctions scenarios may have on CAO. These enterprise-wide stress tests cover various risks in the areas of market, credit,

foreign exchange, financing, operations as well as legal and regulatory. Through such stress-testing exercises and its evaluation reports, CAO's Board of Directors and management team are regularly updated on the mitigation measures in place to manage the various risks and the implications and potential impact on the Group's business operations.

TOP 5 RISKS AND MITIGATION

At CAO, we constantly improve on the risk control systems through adopting best-in-class practices and developing new initiatives to enhance the Group's risk management capabilities. Besides managing key identified business risks on a daily basis, the Group also analysed and determined the top five risks in CAO's operating environment in 2018 from an internal assessment.

No.	Assessed Significant Risks	Mitigation Strategies	Impact
1	Trading counterparty credit risk	<ul style="list-style-type: none"> i. Set appropriate portfolio credit limit for all trading counterparties ii. Conduct annual review on active counterparties iii. Strengthen the credit risk management team iv. Implement credit mitigation measures, such as Letters of Credit, prepayments, credit insurance, etc v. Credit Committee assesses credit risk associated with the Group's counterparties, setting internal limits and monitoring exposures 	High
2	Regulatory risk - such as liberalisation of the jet fuel import market in the PRC	<ul style="list-style-type: none"> i. To establish a diversified portfolio and leverage on the structural advantages of the supply and trading network ii. To improve logistics efficiencies and extend value chain to establish a comprehensive and systematic global jet fuel supply and trading network 	Mid
3	Human resource risk	<ul style="list-style-type: none"> i. Implements a competitive compensation package ii. Provides competitive employee benefits iii. Implements a career progression & development plan for employees iv. Implements succession plan to address key personnel risks 	Mid
4	Single product strategic risk	<ul style="list-style-type: none"> i. Adopts product diversification strategy to develop supply and trading capabilities in other oil products ii. Seeks to build structural advantages for other oil products through securing supply contracts and investing in synergetic assets to support trading activities 	Mid
5	Investment strategy risk	<ul style="list-style-type: none"> i. Proactively seek opportunities that offer value add for core jet fuel business with a focus on aviation marketing to support the Group's supply and trading network ii. Continuously refine the Group's investment portfolio through acquisitions and invest in synergistic, earnings accretive assets 	Mid

COMPREHENSIVE ENTERPRISE RISK MANAGEMENT

Recognising that risk management plays a critical role in business sustainability, CAO has adopted Enterprise Risk Management (“ERM”) practices to identify and manage the various types of risks the Group’s globalised operations is exposed to. Building on the ERM practices, the risk management team is able to identify, analyse and prioritise key risk factors faced by the Group, and develop action plans to mitigate identified risks. On an ongoing basis, CAO risk team ensures that these mitigating action plans are executed as planned by respective risk owners from various business units and functions. This elaborate process ensures that key risks are proactively monitored and managed and that appropriate mitigations are put in place.

Under the ERM, the top-down and bottom-up approach is deployed to effect information collection and compilation for the Group’s risk register, which is reviewed semi-annually. During the review process, each risk entry is quantified based on impact and probability and ranked, so as to prioritise significant potential risks by order of importance.

Besides the Risk Register being a critical component of ERM, the Company Risk Management (“CRM”) committee, comprised of senior management team and heads from various business functions, is an important channel for discussing risk-related topics and issues. Through monthly CRM meetings, as well as ad-hoc ones and e-mail

circulation, potential risk factors identified in daily business operations are discussed and evaluated on a timely basis.

MARKET RISK MANAGEMENT AND SENSITIVITY ANALYSIS

In the area of market risk management, the Risk Management team monitors and analyses the Group’s supply and trading activities, maintains comprehensive risk control records and reports on a daily basis to the management team.

The Market Value at Risk (“MVaR”) is used as a basic tool to measure market risk. All physical and financial contracts are subject to MVaR limits and valuation of the holding portfolio is monitored on a daily basis. A set of market risk limits, which are delegated by the Board, include Volumetric limits, MVaR, Management Alert Triggers and Stop-Loss limits which are measured and monitored daily, with back-testing conducted regularly to ensure the suitability of CAO’s MVaR model.

To complement the market risk limits, the Risk Management team also conducts market stress tests on the company’s trading positions on a regular basis. Using historical scenarios from the database, the Risk Management team can simulate in a timely manner the likely impact of the Group’s recent trading positions in times of extreme market conditions. These stress-testing exercises allow CAO to have timely and deeper insights of business activities, enabling the Group to take preventive steps when necessary.

2018 MVaR UTILISATION 2018年全年公司市场风险值使用情况



RISK MANAGEMENT



Our commitment to business excellence is driven by our unwavering focus on strong corporate governance and prudent risk management
我们始终践行稳健的公司治理与审慎的风险管理, 致力于企业卓越经营

Notwithstanding the high volatility in the market environment, the Group's risk appetite remained cautious and measured. The daily MVaR utilisation rate, based on a 95% confidence interval, has remained stable, registering an average MVaR utilisation of US\$383,000 in 2018.

CREDIT RISK MANAGEMENT AND CONCENTRATION ANALYSIS

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

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

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

To actively manage credit risk, counterparties' credit worthiness is evaluated periodically based on their financial standings, operating and payment track record as well as stringent background checks. Actual credit terms and limits to be granted are derived based on information obtained.

Notwithstanding the volatile operating environment and global macroeconomic uncertainties, the Group has continued to maintain prudent credit risk management practices with tightened measures in place including:

- i. conducting deep-dive reviews on high risk counterparties or industry segments, allowing the Group to adopt pre-emptive measures and actions to avert potential credit events;
- ii. developing in-house accounts receivables monitoring and reporting system for aviation marketing customers to better support the growth of aviation marketing business within the Group; and
- iii. enhancing the credit insurance coverage to better support the Group's expanding global business activities through mitigation of potential credit losses.

Our concentration risk profile of accounts receivables are as follows:

By Country

As of 31 December 2018, our geographical exposure was predominantly Singapore (69.4%), followed by China (23.6%), and Hong Kong SAR (1.9%), which made up more than 95% of the Group's total exposure.

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

By Internal Credit Rating

As of 31 December 2018, in terms of internal credit rating, the Group's exposure was mainly from Grade B1 (19.2%) and Grade B2 (39.2%) counterparties, which made up 58.4% of our exposure.

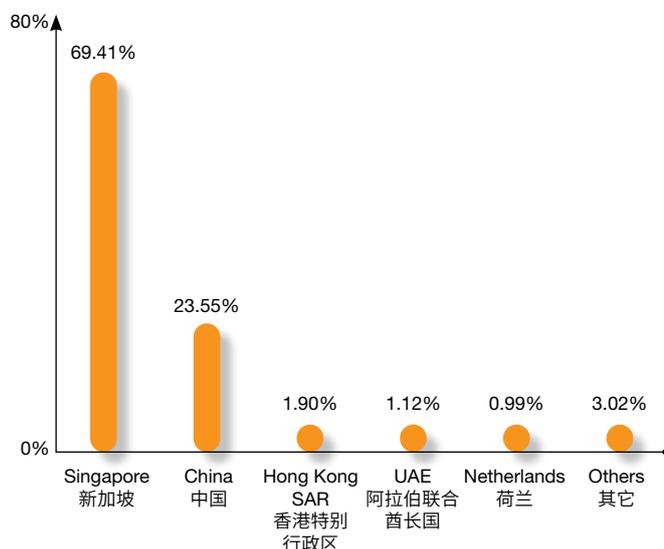
During the fiscal year, the exposure from these internal ratings of Grade A1 to B2 equivalent of investment-grade made up more than 58% of the Group's exposure. The overall portfolio was in good position.

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

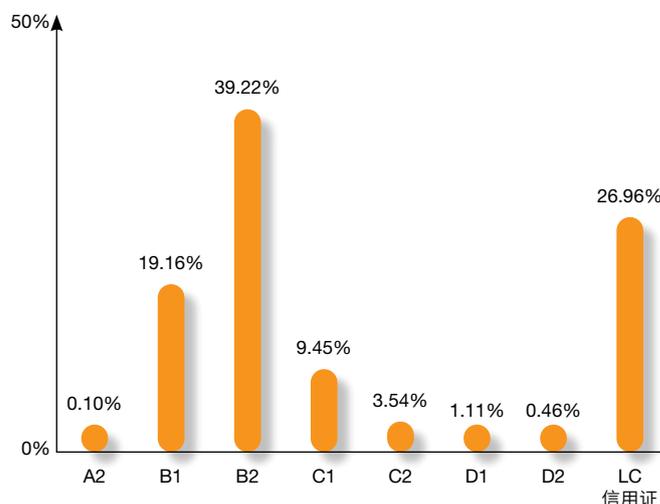
The Group also employed credit enhancement or mitigation tools where necessary. These included obtaining parental company guarantees, cash collateral, letter of credit from investment-rated banks and off-set clause in contracts. Such enhanced measures allowed the Group to be better equipped in managing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

Risk management in CAO remains an integral part of the Group's strategic and operational management. The Group is committed to further inculcate a risk awareness culture, continuously enhance its risk management processes and capabilities, to ensure that the Group's organisational structure remains robust and efficient, in order that CAO remains well-positioned for profitable growth.

AR Exposure by Country
按国家和地区划分的应收帐款



AR Exposure by Internal Credit Rating
按内部信用评级划分的应收帐款



RISK MANAGEMENT

风 险 管 理

2018年,国际油品市场形势错综复杂,市场持续震荡波动。CAO的整体经营环境充满各种不确定因素,中美贸易摩擦,美国经济制裁伊朗,美国、俄罗斯及石油输出国组织原油增产,加上信用事件时有发生——地缘政治事件、自然灾害、石油输出国组织谈判和汇率变化,油价在2018年波动显著。2018年,布伦特原油价格从年初的每桶67.89美元升至10月每桶85.45美元的顶点后又大幅下跌至年末每桶53.06美元。

尽管面临各种外部事件的持续挑战,如美国制裁伊朗、中美关税贸易摩擦、地缘政治危机、美元走强等,但公司在风险管理方面继续贯彻严格与积极的态度。在风险管理对公司竞争力的有效支持下,CAO再次证明了其商业模式的韧性,继续扩大在全球的终端客户服务网络,并最终在2018年呈现强劲的业绩,营业收入和净利润创新高。

集中化管理

作为风险文化的一部分,CAO继续积极开展并改善集中化风险控制与支持网络,以支持公司在全球的业务拓展。公司的风险管控流程主要包括:

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

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

公司风险管理的三大支柱分别为:

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

对于公司所面对的各层风险,CAO依靠现有的四层风险管理构架和报告机制,及时分析、评估和报告各项风险,有效的管控了国际贸易和企业运营中的各项风险,确保了公司业务整体上平稳和健康发展。公司的四层管理与控制架构确保了公司的有效治理,监督风险管理实践的有效执行。

在战略层面,董事会全面掌握公司的风险管理工作。所有风险管理相关事项最终都将汇报给董事会,确保风险管理工作高质量、合规范以及有效果。

在策略层面,风险管理委员会(简称“RMC”)负责监管战略风险管理问题。风险管理委员会设定各种风险类型的限额,并且审批公司计划开展的新业务。风险管理委员会在月报和季度会议中审查各种风险矩阵,了解公司各类风险的敞口和风险管理难度。

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

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

风险管理策略

随着公司在全球范围内业务的增长,包括金融、政治、运营、社会或环境等方面的风险也不断增加。这些风险敞口来自有些地区监控管理和运营条件的改变,货币的变动以及油价波动。面对变幻莫测的市场环境,公司继续通过加强风险管理来巩固业务。为了更好地管理公司不断拓展的业务组合,公司不断完善风险管理实践、加强信用风险管理队伍,使公司能够应对关键的环境变化所带来的不确定性。

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

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

在2018年,公司持续优化风险管理架构,对多产品业务的全球供应与贸易提供了有力的支持,并通过风险管控流程的强化,推进航油、燃料油和原油的国际贸易业务。同时,公司完成了风险大排查工作,对公司整体风险状况进行了全面、细致的评估,进一步完善公司的风险列表,设立合理的应对策略,消除风险管控中的盲点。

除了对持仓进行定期的市场风险压力测试之外,公司在2018考虑到中美贸易摩擦不断升级和美国针对伊朗经济制裁的场景,进行了企业范围内的压力测试。这些企业范围的压力测试涵盖了市场、信用、外汇、融资、运作、法律等方面的各类风险;通过向公司董事会和管理层介绍测试与分析的结果,使我们能更好地防范此类突发事件对公司经营带来的潜在影响。

五项关键风险及缓解措施

CAO通过借鉴业内的最佳实践来持续改善公司的风险管理,通过新的措施加强风险管理能力。在管控主要业务风险之外,我们也通过企业风险管理方法来排查公司经营中的其它风险。以下是我们通过内部评估所得出的2018年公司经营前五大风险。

企业全面风险管理

鉴于风险管理在企业可持续发展中的关键作用,CAO采用企业风险管理来识别和管理公司全球业务运作面临的各种风险。通过全面风险管理实践,风险团队能够识别、分析和评估公司所面临的主要风险因素,并由各业务部门各自的风险负责人制定计划以降低风险,确保缓解措施到位,关键风险得到持续、积极、有效的监控和管理。

企业风险管理注册表通过自上而下和自下而上两种方法来收集信息、汇总成为公司风险注册表;该企业风险注册表每半年进行一次更新。注册表中每个注册项通过对影响力和可能性的量化进行估值和排序,从而遴选出对公司潜在影响最大的前几大风险。

除企业风险管理形成的风险注册表以外,CAO的公司风险会(简称“CRM”)是讨论风险相关课题的重要平台,它由公司管理层和业务相关部门主管所组成。通过每月召开的CRM例会,以及临时会议、电邮流转等形式,公司日常经营中遇到的任何风险课题都可以得到及时的讨论和评估。

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

RISK MANAGEMENT

风 险 管 理

市场风险管理及风险值分析

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

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

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

作为量化技术分析的有效方法, 市场风险值(简称“MVaR”)能通过单一的数据来报告公司的持仓数量、市场波动情况以及不同产品的关联性。以下是2018我们在公司层面的市场风险值统计情况——从统计数据来看, 公司的风险偏好是相对保守的, 基于95%置信区间, 2018年公司整体的每日市场风险值平均使用率为38.3万美元。

信用风险管理及集中度分析

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

信用风险可分为信用违约风险, 集中度风险和国
家风险:

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

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

鉴于2018年经营环境不稳定, 地缘政治形势不确定, 公司继续保持审慎的信用风险管理政策, 采取了以下措施:

- i. 为高风险的交易对家或行业进行特别评估及深入研究, 让公司能采取先发制人的风险缓解措施和行动, 以避免潜在的信用损失事件发生;
- ii. 由公司内部研发了航空营销客户的应收账款监控和汇报系统, 以支持公司的航空营销业务的
增长; 以及
- iii. 优化信用保险覆盖范围, 通过减少潜在的信用损失, 支持公司日益扩展的全球业务活动。

我们应收账款的集中度风险状况如下:

根据国家

截至2018年12月31日, 根据对家公司的注册地, 我公司的信用敞口仍主要来自新加坡(69.4%), 中国(23.6%)和香港特别行政区(1.9%), 占总敞口95%以上。

从整个财年来看, 信用敞口主要来自中国、新加坡和香港特别行政区。公司会继续在这三个地区以外设立的对家寻求合作业务的稳步增长。

根据内部信用评级

截至2018年12月31日, 内部信用评级方面, 信用敞口主要来自于评级B1(19.2%)和B2(39.2%)级别的贸易对家, 占总敞口58.4%。

2018财年, 公司对信用评级为A1, A2, B1和B2类似于投资级别的对家占总敞口的58%, 公司整体的对家信用评级组合处于良好状态。

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

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

风险管理是CAO的公司战略和运营管理的重要组成部分。公司仍致力于持续提升风险意识, 并将不断加强风险管理过程和能力, 以确保公司治理结构稳定有效, 业绩稳步发展。

COMPLIANCE AND INTERNAL AUDIT



In a dynamic and increasingly complex business environment, safe, responsible and transparent business practices are essential to growing sustainably as an international enterprise. CAO recognises the growing expectations of shareholders, investors, customers and employees and is committed to maintain business operations and reputational resilience as we work to deliver sustainable business performance whilst ensuring integrity and compliance in everything we do.

LEADING THE WAY

CAO's Board of Directors recognises that good governance is instrumental in driving progress, and under the mandate of the Board of Directors and led by CAO management team, the Compliance and Internal Audit ("CIA") function supports the Group's business activities through increasing the effectiveness of internal controls to enhance the effectiveness of governance as well as its financial and business operations with suitably designed monitoring measures and sustainably responsible business practices to drive the Group's competitiveness and secure the long-term development of CAO.

The Sustainability Task Force ("STF"), comprised of representatives from business functions across the Group and CIA function have been and continue to be an important driver in promoting ethical behaviour and inculcating corporate values amongst CAO employees. The Group has established a sound system of compliance oversight based on the Committee of Sponsoring Organisations of the Treadway Commission ("COSO") framework approach to develop and monitor the effectiveness of its internal controls, keeping pace with a complex and evolving regulatory environment as CAO's global business footprint grows. In parallel to our efforts to strengthen the fundamentals of our business, CAO constantly work to identify and comply with applicable local, and international trade legislations and regulations in regions where CAO operates, and at the same time, continually strengthen the management of compliance risks such as anti-trust and competition laws, anti-corruption, occupational safety, health and environmental regulations, data protection, insider-trading and fraudulent activities against the Group.

Through a comprehensive set of Standard Operating Procedures ("SOPs") that serves as a system of checks and balances on the

Group's operational processes and business activities worldwide, these guidelines and established standards ensure responsible business practices through standardisation and consistent implementation of processes or procedures within the Group globally. The SOPs are periodically reviewed by auditors for compliance with organisational and business requirements. During the year, the CIA team has conducted an extensive SOPs review exercise spanning across business functions to further streamline the Group's internal processes and procedures for improved transparency, efficiency and effectiveness.

With the escalation of global trade tensions and increased regulatory uncertainty in 2018, the Group stepped up its compliance approach during the year. In particular, attention was focused on adherence to international trade sanctions regulations, leveraging on risk intelligence tools to enhance compliance strategy to address financial crime, bribery, and corruption. These tools allowed CAO to conduct in-depth screening of trade counterparties and provide real-time monitoring of politically exposed persons including heightened risk individuals and entities to facilitate timely response in a constantly changing regulatory landscape. In situations where the assessment of trade sanction risks for example require clarification, the CIA team works together with the legal and risk management teams to evaluate compliance requirements with a focus to integrate compliance actions into daily operations at the business level.

CAO's compliance culture permeates across the entire Group and is embedded in the Group's corporate values of Fairness, Integrity, Innovation and Transparency, which forms the basis on which its Code of Conduct and Ethics is built upon and applies to all CAO employees, irrespective of country and regional entities and business functions. The Code is supplemented by internal policies and measures which help to provide detailed guidelines on responsible and reliable business conduct.

As CAO enlarges its global presence, the Group faces a wider array of business and compliance risks, including those associated with bribery and corruption. Nonetheless, we stand by our corporate values of Fairness, Integrity, Innovation and Transparency, regardless of what might be seen as customary or acceptable in any given

COMPLIANCE AND INTERNAL AUDIT

合 规 与 内 审



CAO continuously strives to ensure that our operational standards are benchmarked to the best in the industry
CAO始终坚持以行业最高标准为标杆

market. In 2018, the Group further tightened both the administration and thresholds of its Corporate Gifts and Entertainment Policy so as to promote sustainable business engagements with the Group's stakeholders including employees, business partners, suppliers and shareholders appropriately. In addition, the Group has also increased focus and worked to improve areas such as general business procurement practices and enhanced due diligence processes on relevant service providers and agents to ensure a fair procurement process with the highest level of transparency in dealing with vendors and, at the same time, strengthen the Group's compliance requirements. CAO believed that these measures collectively support the Group's efforts against kickbacks, facilitation payments and any other forms of offer.

The Group's whistle-blowing channel is accessible through the corporate website - www.caosco.com to ensure that concerns may be reported,

investigated and duly addressed. During the year, there have been no issues raised through the whistle-blowing channel.

To bolster CAO employees' awareness of the Group's compliance requirements, the CIA team has in place an interactive web-based training program to ensure that employees at all levels across the Group are and remain adequately knowledgeable and skilled to apply legal, regulatory and other compliance requirements in their daily work. Other information sharing sessions such as Lunch & Learn workshops are also organised to address common issues frequently encountered by CAO employees in their daily work. In total, over 80% of CAO global workforce participated in compliance related training in 2018.

In line with the Board of Directors' commitment to maintain high ethical standards which are integral to CAO's corporate identity and business, the Group has in place internal management directives,

guidelines and policies, which crystallise CAO's business practices that are geared towards the accomplishment of the Group's strategic targets while ensuring a high level of compliance, governance and internal controls.

STAYING AHEAD

Beyond its compliance role, the CIA team has the added functional responsibility of administering the yearly internal audit work that seeks to independently evaluate the effectiveness of control measures and governance processes of the Group. The team aims to provide reasonable assurance to the Group's management team that appropriate control measures are in place to address significant concerns in its global business environment. In recognition of the central importance of the CIA function, the head of Compliance and Internal Audit reports directly to the management team as well as the Audit Committee directly on the implementation and progress of compliance and internal audit matters including compliance violations and audit findings.

The CIA function plans periodic internal audit reviews and the scheduled plan is submitted to the Audit Committee for approval annually. The approved audit reviews will be conducted by a team of qualified professionals from an international auditing firm covering the assessment of the Group's internal control systems including an independent biennial review commissioned to ensure the overall effectiveness of the Group's business practices. The internal audits report on significant findings, internal control deficiencies and systems weaknesses, which might possibly impact Group operations, and are submitted to the Audit Committee as well as the Board of Directors on a quarterly basis. Corrective actions are subsequently implemented within a reasonable time frame.

STAYING VIGILANT

CAO believes that staying vigilant and being prepared for adverse business scenarios are the best safeguards against possible business disruptions. Also, maintaining vital capabilities to continue critical business functions operationally with minimum impact in the event of a crisis

is imperative for the Group. To manage a level of operational readiness, CAO has in place a group-wide Business Continuity Plan ("BCP") that integrates with the IT Disaster Recovery Plan ("DRP"), establishing the guidelines, structure and support framework necessary to ensure appropriate emergency escalation response, resumption and recovery of key business functions and processing resources in a timely manner coupled with effective communication channels among the Group's key management team and employees globally.

Against a backdrop of ever-changing business environment, potential strategic, operational, financial and reputational impact from potential, direct and indirect incidents such as oil spills and cyber-security breaches that may affect CAO are considered and reviewed on a regular basis. During the year, CAO conducted a group-wide BCP and DRP drill with a desktop simulated crisis exercise at a pre-determined and identified disaster recovery site. CAO senior management team, together with key personnel from front office to back-end and support functions were involved in the simulated crisis scenario with concurrent participation from CAO subsidiaries worldwide. The exercises were successfully conducted with minimal downtime for ongoing business applications.

Following the improvements and enhancements to the compliance framework and processes in 2018, the Group is focused and committed to ensuring consistency in business practices application and effectiveness of internal controls processes wherever we operate. Guided by our corporate values and Code of Conduct, CAO will strive to ensure that compliance is a central pillar of our management and an integral part of our corporate culture whilst maintaining the highest level of ethical integrity as we work towards sustainable growth.

COMPLIANCE AND INTERNAL AUDIT

合规与内审



CAO encourages small group discussions amongst employees to facilitate exchange of ideas and best practices
公司积极鼓励员工小组讨论以促进最佳实践的交流

在不断变化且日益复杂的商业环境中，安全、负责任和透明的商业实践对国际企业的持续成长至关重要。鉴于股东、投资者、客户和员工对公司的期望越来越高，公司致力于保持良好的业务运营和声誉，同时确保公司所做的每件事都保持诚信和合规。

合规为导向

CAO董事会认识到良好的公司治理有助于推动进步，在董事会的授权和CAO管理层的领导下，合规与内审（简称“CIA”）部通过增加内部控制的有效性，提高治理以及财务和业务运作的效率，通过设计适当的监控措施和可持续、负责任的业务实践支持公司的业务活动，提升公司的竞争力并确保长期发展。

可持续发展工作组（简称“STF”）由公司各业务部门和合规与内审部的代表组成，工作组将一如既往地促进员工道德行为和灌输企业价值方面发挥重要的推动作用。公司参照Committee of Sponsoring Organisations of the Treadway Commission（简称“COSO”）组织框架，制定了较为完善的合规监管体系，发展并监控内部控制的有效性，在CAO全球业务增长的情况下，也能跟上复杂多变的监管环境。CAO在努力加强业务基础管理，深入认识并遵守经营所在地适用的当地和国际贸易法律法规的同时，也不断加强合规风险管理，如反竞争法、反贪污、职场安全、健康和环境法规、数据保护、内幕交易以及对公司的欺诈活动。

公司通过实施一套完整的标准操作程序（简称“SOPs”），为其全球的运营程序和业务活动提供监管和制衡，通过在全球执行标准统一的操作程序，

这些指导方针和已有标准能确保其业务实践对社会负责。审计师会对SOPs进行定期审阅，检查是否符合企业和业务的合规要求。本年度，合规与内审部全面回顾了多个业务部门的SOPs，进一步精简内部程序，以提高透明度和效率。

2018年，随着全球贸易紧张局势升级和监管不确定性增加，公司加大了合规力度。公司特别关注遵守国际贸易制裁法规，借助风险情报工具加强合规战略，以应对金融犯罪、贿赂和腐败。这些工具有助于CAO对贸易对象进行深入筛查，并对政治敏感人物，包括高风险个人和实体进行实时监测，以便在不断变化的监管环境中及时做出反应。在某些情况下，合规与内审部与法律部和风险管理部会一同评估贸易制裁风险，审阅相关的合规要求，并将合规操作融入到日常的业务运营。

CAO的合规文化深植于整个公司，渗透在企业价值，即公平、诚信、创新和透明当中，构成了行为和道德准则的基础，并适用于CAO在任何国家和地区的实体和业务部门的所有员工。内部政策及措施对负责任及可靠的业务行为提供详细的指引，进一步补充了准则。

随着CAO扩大其全球业务，公司面临着更大的业务和合规风险，包括贿赂和腐败的相关风险。尽管如此，公司坚持公平、诚信、创新和透明的企业价值观，无论市场将什么视为常规或惯例。2018年，公司进一步收紧了公司礼品和招待政策的管理和门槛，以促进与公司利益相关者的可持续业务合作，其中包括员工、业务伙伴、供应商和股东。此外，公司还加

强重点并努力改善一般业务采购实践、增强对相关服务商和代理的尽职调查流程等领域,以确保公平的采购流程以及最高水平的透明度,同时加强公司的合规要求。CAO相信这些措施都有助于公司杜绝回扣、促进支付以及任何其他形式的要约。

任何人可以通过公司外网www.caosco.com进行举报,公司将进行调查和处理。本年度,没有任何人通过举报渠道向公司提出问题。

为了提高CAO员工对合规要求的意识,合规与内审部设计并实施互动式网络培训项目,确保公司上下的各级员工在日常工作中,能充分了解并熟练运用法律、监管和其他合规要求。此外,公司也举办其他信息分享会,例如午餐学习会,探讨员工在日常工作中遇到的常见问题。2018年,超过80%的CAO全球员工参加了合规培训。

高道德标准是CAO企业形象和业务不可或缺的一部分,为了符合董事会保持高道德标准的承诺,公司制定了内部管理指令、指导方针和政策,确保在完成公司战略目标的同时,保持高水平的合规、治理和内部控制。

防范性合规理念

除了合规职责外,合规与内审部还要负责年度内部审计工作,独立评估公司控制措施和治理过程的有效性。部门旨在向公司管理层提供合理保证,确保已采取适当的控制措施,解决其全球业务环境中的重大问题。鉴于合规与内审职能的重要性,部门主管直接向公司管理层以及审计委员会报告,报告内容包括有关合规与内审工作的实施和进展、违规行为以及审计意见等。

合规与内审部计划定期进行内部审计,并每年将计划提交审计委员会批准。获批准的审计将由国际审

计公司的合格专业人士开展,评估公司内部控制系统,包括两年一度的独立审核,以确保公司业务实践的整体有效性。内审报告会指出可能影响公司运营的重大问题发现、内部控制缺陷和制度弱点等,将按季度提交审计委员会和董事会。公司将在合理的时间范围内实施纠正措施。

保持警惕

CAO坚信,保持警惕并对不利的业务情况做好防范工作是防止出现业务中断的最佳保障。此外,公司的当务之急是,在发生危机的情况下,保持关键业务运作的重要能力,将影响降到最低。为了保持业务运作的风险应对水平,CAO制定了包含IT灾难恢复计划(简称“DRP”)在内的全公司范围业务持续性计划(简称“BCP”),建立了指引、结构和支持框架,包括事故上报程序、关键业务部门的重启和恢复、对资源的使用,以及公司全球范围内管理团队和员工的紧急沟通渠道。

在不断变化的业务背景下,对于潜在、直接和间接事件,例如可能影响CAO的漏油和网络安全漏洞,公司将定期考虑和回顾对策略、运作、财务和声誉方面的潜在影响。本年度,CAO在预先确定的灾难恢复地点,开展了全公司范围内的业务持续性计划和灾难恢复计划的模拟桌面危机演习。CAO高管、前台、后台和支持部门的关键人员以及全球子公司同时参与了模拟危机演习。这些演习的成功开展,使危机事件对业务的干扰时间缩短到最小。

在2018年改进并增强合规框架和流程之后,公司致力于确保业务实践应用的一致性和内部控制流程的有效性。在公司价值观和行为准则的指引下,CAO将致力于确保合规是公司管理的核心支柱以及企业文化的重要组成部分,并在公司迈向可持续发展的过程中保持最高水平的道德操守。



Oil storage facilities at CNAF
CNAF储罐设施

HUMAN CAPITAL MANAGEMENT

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We are committed to a corporate culture of Fairness, Integrity, Innovation and Transparency where our people can grow and develop together with the company
我们致力于建设以公平、诚信、创新和透明为核心的企业文化，使员工与公司一同成长

At CAO, we see our people and culture as critical and valuable assets. At the core of the Group's human capital management is a people-focused strategy to develop and strengthen the Group's talent pool as well as to cultivate a safe and inclusive corporate culture where employees can positively contribute to the sustained growth of the Group. We firmly believe that the Group's long-term growth and success is fundamentally based on our employees' integrity, commitment, professionalism and their unwavering resolve to deliver strong and sustainable performance.

OPTIMISING ORGANISATIONAL STRUCTURE FOR STRATEGIC TRANSFORMATION

CAO aims to establish and position itself as a high performance organisation to enable the Group to be successful in an increasingly competitive business environment. In 2018, to improve the efficiency of the Group's corporate structure, the organisation was realigned and the business portfolio was repositioned to enhance the competitiveness of CAO. The Jet Fuel Supply, Jet Fuel Trading and Aviation Marketing business units were merged to form the Aviation Fuel Business unit. This decision was made to pivot the Group's strategic focus clearly on its core jet fuel business,

combining the procurement, supply, trading as well as sales and marketing functions to form an integrated centralised value chain, ensuring a unified approach to better derive competitive regional advantage spanning Singapore, Hong Kong SAR, North America and Europe, maximising value creation. Other oil products segment including gasoil, fuel oil and crude oil now comprise the Other Oil Products Trading business unit, leveraging on market synergies to improve access to new markets and customers to achieve profitable growth. Concurrently, we have also streamlined the administration of the Group through consolidation of middle and back office functions. The Business Development function is now Corporate Development and Investments and covers strategic planning, investments and operations to drive the Group's operational competitiveness and corporate transformation efforts. Investor Relations and Administration functions have been merged to form Corporate Affairs to improve administrative efficiency and facilitate back office management. Through the extensive optimisation of the Group's organisational, business and operation structures, CAO seeks to enhance and strengthen its business competitiveness for further growth.

MOTIVATING OUR PEOPLE

For CAO's corporate sustainability, the motivation, talent, experience and performance of our employees is an essential element for the Group's continued growth and competitiveness. Engaged employees are what will make CAO successful, and to foster a diverse, collaborative and mutually supportive workplace, we strive to provide various activities and initiatives to engage CAO employees throughout the year.

Against the backdrop of increasing business demands and to support the wide-ranging processes at CAO across all business units and functions globally, the Office Automation ("OA") implementation project was initiated in mid 2018. The centralised OA platform is rolled out to facilitate global employee communication and engagement, cultivate peer to peer collaboration and enhance administration efficiency. An OA mobile app was also introduced to provide employees work flexibility and at the same, enhance overall productivity of the workforce. The Group also utilises multiple channels and platforms to communicate and provide regular updates on the Group's business performance to employees at quarterly town hall meetings, conduct regular surveys to obtain feedback and suggestions from employees, share and disseminate latest corporate development information through the OA intranet.

To ensure that CAO's corporate values of Fairness, Integrity, Innovation and Transparency are tangible and feasible in our everyday business operations, all new employees are required to undergo a comprehensive orientation programme to get acquainted with the Group's businesses and operations as well as the Group's vision and corporate culture. Led by HR, the corporate culture committee comprising representatives across business functions develop an active social calendar for CAO workforce, with a variety of employee activities, such as weekly physical exercise, sports or marathon participations, calligraphy and team-building workshops, festive gatherings such as dragon boating, to encourage cross-departmental interaction and communication, instil a sense of belonging and foster cohesiveness amongst employees. Recognising only healthy and motivated employees can ensure the continued success of the Group

and to create a positive and inclusive workplace culture, CAO work-life initiatives in 2018 included setting up a staff canteen for the Singapore office to promote healthy eating at work.

DEVELOPING & MANAGING A GLOBAL TALENT POOL

In view of constantly changing business needs, continuing professional development forms an integral part of the Group's HR approach aimed at developing skilled employees. CAO supports our employees through a wide range of training and skills upgrading opportunities made available in many forms, including technical-based, soft skills learning and development workshops, seminars and external job specific as well as professional programmes, ensuring that the internal talent bench remains strong and is continually strengthened so as to sustain business performance.

Training is a key pillar of the Group's HR policy and is the foundation of CAO's strategy to develop CAO employees, enabling the Group to establish a right balance of core competencies and capabilities for the sustainability of the Group. Talented individuals are also encouraged to take responsibility for their own career development and to challenge themselves in their everyday work. In 2018, CAO continued to invest in the training of our employees and Singapore based employees received a total of 546 hours of training for the year.

RECOGNISING AND REWARDING PERFORMANCE

CAO has established a fair and transparent remuneration policy that is tied to a set of business performance indicators outlined by the Board of Directors to ensure the long term success of the Group. To maintain the Group's competitive advantage globally, we constantly seek to attract, motivate and reward talents based on their performance and contribution to the Group's business performance. An external consultancy firm was engaged during the year for salary benchmarking against industry as well as the overall market. In 2018, CAO's compensation strategy was reviewed with CAO employees' remuneration aligned with internal parity and market benchmarks to ensure appropriate incentives for high achievers.

HUMAN CAPITAL MANAGEMENT

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CAO employees dragon boat rowing at Marina Bay
公司员工在滨海湾划龙舟

Beyond competitive remuneration, CAO strives to develop and nurture the skill base of our employees, both for their own personal career progression as well as for the Group's continued success. A performance appraisal system has been in place and is constantly enhanced to identify and ensure that the core competencies of employees are aligned with the Group's strategic targets. Employees and their immediate superiors are encouraged to discuss and review their annual work objectives and job performance periodically, and are required to formally review employees' performance bi-annually. During these performance appraisals, competence gaps are noted and appropriate training needs are identified and discussed openly with employees to support employee development, reinforcing a shared understanding of performance expectations and business demands. In 2018, to reward outstanding employee performance, the Group initiated a Board Incentive award for CAO employees whose efforts and contribution impact the performance of the company, and whose exceptional performance creates value for the Group, or whose exceptional achievement is of strategic value to CAO, ensuring that employees are continually motivated and engaged to contribute to the growth of the Group.

DIVERSITY & EQUAL OPPORTUNITIES

A fair, diversified and inclusive workplace is integral to CAO's success and the Group constantly strives to develop a diverse workforce with specialised, complementary skillsets, ideas and experiences that not only enriches the workplace and enhances business performance but also

creates an inclusive working environment where all employees feel valued, have opportunities to advance and are driven to succeed.

Headquartered in Singapore, the Group's HR practices adhere to the Tripartite Alliance for Fair and Progressive Employment Practices ("TAFEP") that promotes fair and equitable employment practices. We affirm our commitment to competitive workplace practices and our HR policies are aligned to the guidelines formulated by TAFEP. Transparent processes are in place for the recruitment and promotion of employees to ensure that all decisions are based on clear performance criteria. We also deploy a variety of measures including non-discriminatory recruitment advertisements, regular performance appraisal for employees, instilling a code of ethics and establishing an appropriate avenue for employee grievances to promote best practices in workplace initiatives within the Group. CAO also supports the Fair Consideration Framework by the Ministry of Manpower, Singapore, with job openings at CAO made publicly accessible at the Jobs Bank administered by the Workforce Development Agency of Singapore.

CAO is committed to equal opportunity and treatment for all employees. The Group deploys and promotes all employees in accordance with their competencies, talent and performance, irrespective of race, gender, age, religion and any other characteristics protected under the law. As at end December 2018, the group has a total headcount of 105 employees worldwide, out

of which 74 employees are based in Singapore. Employees based outside Singapore accounted for 29.5% of the workforce. In Singapore, the gender composition is approximately a 41:59 split between men and women, out of which 53% of the workforce fell within the 30 to 40 age group, 13% of the employees were below the age of 30, 26% in the 41 to 54 age group and 8% were above 55 years old.

BUILDING A SUSTAINABLE WORKFORCE

CAO attaches the highest priority to provide an optimal workplace environment for our global workforce.

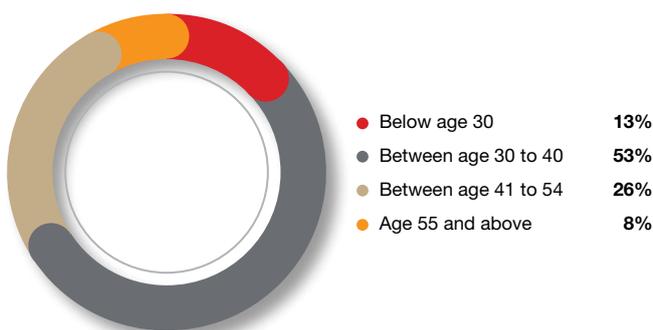
Protecting the health and safety of our employees and business partners at work is of central importance at CAO. We believe that accidents and injuries are preventable and we are determined to prevent them by promoting a culture where safety is an integral part of every business decision across the Group. Our Safety, Health & Environment (“SHE”) Policy & Guidelines emphasises the importance of occupational health and workplace safety in the workplace environment and serves to instil in all employees a shared responsibility and accountability for safe behaviour and workplace practices. Annual health screenings, pandemic illness updates, mandatory workplace health and safety briefings and fire drills are held regularly throughout the year to create awareness that keeping the workplace and environment safe is of paramount importance to the CAO work culture and to reinforce a robust SHE culture. In 2018, there were zero fatalities and occupational diseases involving CAO employees in our corporate office. Additionally, CAO also strives to provide a safe and healthy work environment that is non-threatening,

with no harassment, assaults and bullying. Proper grievance handling procedures are also in place to ensure all incidents are resolved in a timely and impartial manner.

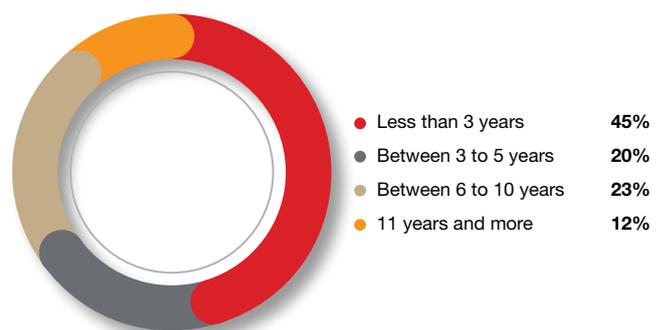
In line with corporate sustainability, all employees are expected to upkeep a high standard of integrity in matters of conduct at all times in accordance with CAO’s Code of Ethics. We believe that conducting our business dealings in an upright manner is instrumental to the continued growth and success of the Group, and as such demand employees to be mindful and avoid improper circumstances and actions that might give the appearance of wrongdoing which could discredit themselves, co-workers or CAO.

CAO attaches great importance to safeguarding the personal information of our employees, respecting their right to privacy. In accordance with the Personal Data Protection Act (“PDPA”) which came into force in 2014, the Group has in place a Personal Data Protection policy set out to safeguard the proper management, use and disclosure of personal data of employees. With rising incidences of data breaches in recent times and in light of the amount of data and personal information transmitted over the Group’s networks continuing to increase, the Group regularly reviews its PDPA policy and processes including data security preventive measures to ensure employees are informed and educated on the purpose of their given consent and that the Group undertakes considerable measures to protect the privacy of employees at all times. Access to employee data remains limited to only those that have a legitimate business need or to fulfill a legal requirement.

CAOSG EMPLOYEE AGE STRUCTURE
CAOSG 员工年龄结构



CAOSG EMPLOYEE BY YEARS OF SERVICE
CAOSG 员工服务年限



HUMAN CAPITAL MANAGEMENT

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CAO employees at a team-building event
CAO员工参与团队建设活动

在CAO，我们视员工和企业文化为宝贵的资源和财富。以人为本是公司人力资源管理的核心策略，员工成长是公司发展的基础，公司致力于为员工营造包容和谐的企业文化，让员工能够持续为公司的发展作出积极贡献。我们坚信，一支拥有诚信、高度敬业、专业且富有决心的团队能帮助公司走的更远。

优化组织架构，推动公司战略转型升级

CAO旨在成为一个高绩效的企业，使公司能够在竞争与日俱增的商业环境中不断获得成功。2018年，为了优化公司的管理结构从而提高运行效率，公司进行了业务部门重组，以产品划分部门。航油供应、航油贸易和航空市场销售部合并为航油业务部，目的是将公司的战略重点放在其核心的航油业务上，同时将采购、供应、贸易、销售和营销职能结合起来，形成一个集中价值链体系，从而更好地获得跨新加坡、香港行政特区、北美和欧洲地区的竞争优势，最大限度地创造价值。其它油品部门包括柴油、燃料油和原油，通过借助市场协同效应，增加进入新市场、获得新客户的可能，从而实现利润增长。此外，我们还通过合并中、后台部门，降低了管理成本。业务发展部更名为企业管理与投资发展部，其职能涵盖战略规划、投资和运营，以推动公司的运营竞争力和企业转型为目的。投资者关系和行政部也合并为投资者关系与行政事务部，主要职能是提高行政效率，

强化后台管理。公司通过全面优化组织、业务及运营架构，不断加强其业务竞争力。

激发员工活力

CAO要可持续发展，重视员工的动力、才能、经验和表现是公司价值增长和保持竞争力的必备要素。敬业的员工是公司成功的关键，为营造多元化、协同互助的工作环境，在过去的一年中，公司通过组织各类活动，提高员工的参与度。

在业务量不断增长的背景下，CAO在全球子公司及本部各部门推行标准化工作流程，并于2018年年中启动办公自动化(简称“OA”)项目。为加强全球员工的业务沟通和活动参与度，我们推出了OA平台，解决了协同办公和管理能效不足的问题。公司还推出了一款OA移动应用，实现了员工远程即时办公的目标，提高了员工外出时的工作效率。此外，公司亦透过多个渠道和平台，增强信息流通性，定期向员工公布公司业绩报告，同时进行回访，及时获取员工的反馈和建议，并通过OA内部网络分享和传播最新的企业发展信息。

为确保CAO公平、诚信、创新和透明的企业理念渗入到日常工作中去，新员工均须接受全面的入职培训，以熟悉公司的业务和运营体系，了解公司的愿景和

企业文化。由人力资源部门牵头,与不同业务部门代表组成的企业文化委员会为公司员工组织丰富的业余文化生活和多元化的活动,例如每周的体育锻炼、马拉松竞赛、书法学习、团队建设工作坊、节庆聚会、划龙舟等,鼓励跨部门的互动及沟通,增强员工归属感,提高凝聚力。我们意识到只有健康和积极的员工才能确保公司的持续发展,因此,公司在2018年发起了工作与生活计划,包括为新加坡公司设立员工食堂,提倡工作时的健康饮食。

发展全球化的人才队伍

鉴于不断变化的业务需求,人才专业化是公司人力资源策略的一个重要部分,旨在培养技能精专的员工。CAO为员工提供多项专业培训和技能提升机会,包括以技术、软技能学习及发展为本的工作坊、研讨会、外部专题讲座和课程,以确保公司有充足的人才队伍储备,以此维持公司长久发展的需要。

培训是公司人力资源政策的重要支柱,也是CAO人才战略的基础。公司倡导员工对自己的职业发展负责,并鼓励在日常工作中不断挑战自我。2018年,CAO持续对员工培训进行投入,新加坡公司员工全年共接受培训546小时。

绩效奖励

CAO制定了公平、透明的薪酬政策,并与董事会制定的一系列经营业绩指标挂钩,以确保公司的长久发展。为了保持公司在全球的竞争优势,我们积极吸纳人才,根据年度表现和对公司业绩的贡献实施激励。此外,公司还雇用了外部顾问将CAO的薪酬水平与业界及整体市场水平进行对标。2018年,公司对员工薪酬战略进行评估,将公司内部薪酬水平和市场基准水平挂钩,以确保对高绩效员工给予应有的激励。

除了具有竞争力的薪酬,CAO还致力于为员工搭建能力培训和潜力开发的平台,不仅提升员工的职业技能也推动公司的整体成功。公司鼓励员工和直属上司定期回顾年度工作表现,直属上司每半年回顾员工表现,总结取得的成绩和需要改进的地方。在绩效评估过程中指出有待改进之处,并与员工坦率探讨需要的培训,以支持员工的职业发展,加强对业绩预期和业务需求的共同理解。2018年,为奖励优秀员工,公司设立了董事会奖励金,奖励对公司绩效有所努力和贡献的员工,确保员工不断受到激励并愿为公司的发展做出更大贡献。

多元化和平等机会

一个公平、多元化和包容性的工作环境对CAO的成功必不可少,公司不断努力建设一支多元化、具备专业、拥有经验的员工队伍,不仅提高了企业绩效,还创造了一个包容的工作环境,让所有员工都感到被重视,有晋升的机会和成功的动力。

公司总部位于新加坡,其人力资源实践遵循“公平与进步就业实践三方联盟”(简称“TAFEP”),促进公平公正的工作环境。我们坚定于对竞争性工作实践的承诺,并拥有与TAFEP制定的指导方针一致的人力资源政策。公司也在各方面进行努力,如刊登非歧视的招聘广告、定期进行员工绩效评估、灌输道德准则并及时疏导员工负面情绪。CAO支持新加坡人力部的公平考量框架,同时在新加坡劳动力发展局的职业库公开了CAO空缺职位信息。

CAO致力于为所有员工提供平等的机会和待遇。公司根据员工的能力、才干和工作表现,不分种族、性别、年龄、宗教信仰和其他受法律保护的特征,对所有员工进行调配和提拔。截至2018年12月底,公司在全球拥有105名员工,其中新加坡团队有74名员工。在新加坡境外工作的员工占员工总数的29.5%。在新加坡公司,男女的性别比例约为41:59,其中30岁以下占13%,30-40岁年龄段占53%,41-54岁年龄段占26%,55岁以上占8%。

建设可持续发展的队伍

CAO为全球员工提供了一个优良的工作环境。

在CAO,我们密切关注员工和业务伙伴的安全与健康。安全是公司每个商业决策的重要部分,我们相信通过提倡这种文化可以预防事故和伤害。公司的安全、健康、环境(简称“SHE”)政策强调工作和场所的安全,并号召所有员工培养安全的工作习惯,对自己的行为负责。公司每年会定期组织体检,进行流行病通报,举行火灾演习,以此培养员工安全意识。在2018年,公司办公场所未发生职业病危害或安全事故。此外,CAO还致力于杜绝威胁、骚扰和侵害现象,为员工提供一个健康安全的工作环境。CAO也有完善的疏导渠道,确保所有的问题都得到及时公正的解决。

为满足公司的可持续发展要求,所有员工必须遵守CAO的行为道德准则,在任何时候都要保持高水准的操守。我们相信,诚信可靠地进行商业交易,有助于公司的持续成长和成功。因此,我们要求公司员工时刻保持警觉,避免任何不当行为影响自己、同事或公司的声誉。

CAO非常重视个人信息的保护。随着新加坡个人信息保护法于2014年生效,CAO制定了个人信息保护政策(简称“PDPA”),规定员工个人信息的合理管理、使用和披露。近年来数据泄露事件越来越频繁,加上公司在网络上传输的数据和个人信息不断增加,公司定期审查其PDPA政策,加强数据安全预防措施,确保员工了解个人信息许可授权的目的。公司也采取了多种方法保护员工的隐私,只有在有合理的商业需要或有法律要求的情况下才可以获得员工信息。

COMMUNITY ENGAGEMENT

投身社会公益

Committed to responsible corporate citizenship and doing good for the communities where we do business, CAO is dedicated to responsible social actions as we believe that profitable and responsible operations enhance the well-being of the communities in which we operate. By embarking on social initiatives that ensure the vitality and sustainability of our Corporate Social Responsibility (“CSR”) outreach programme, the Group strives to contribute meaningfully and create positive impact on the communities and environment where we live and work.

COMMUNITY IMPACT

Over the past nine years, the Group has actively driven its CSR outreach programme by collaborating with government bodies, non-government organisations and community groups with sound track record in respective fields to foster positive engagement through supporting charitable and social causes we believe in.

CAO has been involved with Beyond Social Services’ pre-school facility - Healthy Start Child Development Centre (“HSCDC”), offering assistance and availing access to quality social and pre-school educational opportunities to the less privileged children from Singapore’s Bukit Merah and Redhill neighbourhood estates since 2010. In 2018, CAO volunteers together with 51 HSCDC pre-schoolers, went on a field trip to the S.E.A. Aquarium at the Marine Life Park on Sentosa island where the pre-schoolers had fun learning about marine life and the underwater world.

To boost the impact of its societal initiatives, the Group is also committed to educational programmes that contribute to the sustainable development of the oil trading industry. For 2018, CAO supported the International Trading Programme at Nanyang Technological University of Singapore and its range of initiatives that include the continued development of a talent pipeline for the sector, sharing of knowledge through dialogues, seminars as well as providing internships for students in the programme.

SUSTAINABLE ENVIRONMENT

In the face of growing and significant environmental challenges, CAO is resolute and committed to grow its business sustainably and be a responsible energy company through creating and raising environmental consciousness in the communities.



CAO encourages active participation by employees in community outreach events
CAO鼓励员工积极参与社区公益活动

CAO actively supports green initiatives that drive environmental conservation and sustainability in eco-outreach and carbon reduction initiatives, including partnering with National Parks Board (“NParks”) of Singapore to organise biodiversity preservation activities such as tree-planting at Sungei Buloh Wetland Reserve and weeding and removing of wild creepers in the forested areas at Admiralty Park in urban Singapore over the years. Additionally, through collaboration with airline industry partners, the Group also supports the advancement of green aviation to provide cleaner and more efficient biofuel to airline customers.

To bolster environmental protection and conservation awareness amongst CAO employees, in December 2018, CAO collaborated with Paper Carpenter, a cardboard design carpentry agency, and organised a workshop to promote and encourage environmentally sustainable lifestyle practices. A total of 21 CAO employees participated in the green workshop.

SUSTAINABILITY COMMITMENT

As the Group continues to enlarge its global footprint, CAO is committed to operate our businesses responsibly and seek sustainable ways to create synergistic value by supporting vibrant volunteer opportunities, social improvement efforts and charitable causes; for ours is a commitment toward a sustainable future in the communities where we operate.

CAO在开展业务的过程中, 不忘履行企业公民责任, 努力在公司运营所在社区回馈社会。公司致力于负责任的社会行为, 并坚信创效益和负责的业务活动能够促进所处区域经济社会的和谐发展。通过开展丰富多彩以及可持续的企业社会责任(简称“CSR”)活动, 公司力求为社区与环境作出贡献, 创造积极的影响。

社区的影响

过去九年, 公司积极推进企业社会责任活动, 通过与政府机构、非政府组织以及在各自领域具良好信誉的社会团体的合作, 积极参与和推行公益活动, 回馈社会。

自2010年起, CAO与彼岸社会服务中心合作, 为该中心的学前儿童中心——通过健康起点儿童发展中心(简称“HSCDC”)为来自新加坡武吉美拉和红山区的弱势儿童提供支持, 帮助他们获得高质量的社会和学前教育机会。2018年, CAO的志愿者带领51名HSCDC的小朋友赴圣淘沙海底世界的水族馆郊游, 通过参观水族馆, 培养小朋友对海底世界的兴趣, 增长他们的海洋生物知识。

为了加强其社会责任倡议的影响, 公司也十分重视促进油品贸易领域可持续发展的教育事业。2018年, CAO支持新加坡南洋理工大学全球贸易项目及一系列活动, 包括为行业培养储备人才, 通过交流、

研讨会分享行业知识, 同时在项目运行期间为学生提供实习机会。

打造可持续发展的环境

面对日益严重的环境挑战, CAO坚持持续推进可持续的业务发展, 通过开展形式多样的环保实践活动在业务所在社区促进和提高环境意识, 履行环境保护义务, 树立负责任的能源企业形象。

多年来, CAO积极支持绿色环保倡议, 推动环境保护、生态持续性和低碳计划, 包括与新加坡国家公园局(简称“NParks”)合作组织生物多样性保护活动, 比如双溪布洛湿地保护区的植树活动、新加坡海军部公园的除草活动。此外, 通过与航空公司伙伴合作, 支持绿色航空的发展, 为航空公司客户提供更清洁有效的生物燃料。

为提高公司员工的环保意识, 2018年12月, CAO与纸板设计木工公司纸匠合作举办纸艺环保讲座, 提倡环保, 鼓励可持续的绿色生活方式。共有21名CAO员工参与环保讲座。

坚持可持续发展

随着公司继续扩大其全球足迹, CAO将一如继往秉持责任发展理念, 推进志愿服务、践行环保实线、参与社会公益活动, 寻求可持续渠道创造协同价值, 为我们开展业务的各个地区, 营造可持续发展的未来。



At CAO, we believe that cultivating a green mindset among our employees will spur them to adopt a sustainable lifestyle
我们相信, CAO推行绿色环保理念, 有利于员工养成可持续的生活方式

CORPORATE GOVERNANCE AT A GLANCE

Guideline	Questions	How has the Company complied?
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	Yes. Refer to page 106
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	Not Applicable
Board Responsibility		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	Refer to page 107
Members of the Board		
Guideline 2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees?	Refer to pages 106 and 107
	(b) Please state whether the current composition of the Board provides diversity on each of the following - skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.	Refer to "Board of Directors" Section of the Annual Report
	(c) What steps has the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?	Refer to pages 106 to 114
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	Refer to pages 112 and 113
Guideline 1.6	(a) Are new directors given formal training? If not, please explain why.	Refer to pages 108 and 109
	(b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?	Refer to pages 108 and 109
Guideline 4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?	Refer to page 112
	(b) If a maximum number has not been determined, what are the reasons?	Not Applicable
	(c) What are the specific considerations in deciding on the capacity of directors?	Refer to page 112
Board Evaluation		
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?	Refer to pages 113 and 114
	(b) Has the Board met its performance objectives?	Yes

Guideline	Questions	How has the Company complied?
Independence of Director		
Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Refer to pages 109 and 110
Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	None Not Applicable
Guideline 2.4	Has any independent director served on the Board for more than nine (9) years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	Yes. Two (2) independent directors, Dr Wang Kai Yuen and Mr Ang Swee Tian have served for more than nine (9) years from the date of their first appointment. Refer to page 110
Disclosure on Remuneration		
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/ bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Yes. Refer to page 117
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S\$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? (b) Please disclose the aggregate remuneration paid to the top five (5) key management personnel (who are not directors or the CEO).	Yes. Refer to pages 117 and 118 Refer to page 117
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	None. Refer to page 118

CORPORATE GOVERNANCE AT A GLANCE

Guideline	Questions	How has the Company complied?
Guideline 9.6	<p>(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.</p> <p>(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?</p> <p>(c) Were all of these performance conditions met? If not, what were the reasons?</p>	<p>Refer to page 118</p> <p>Refer to page 118</p> <p>Yes</p>
Risk Management and Internal Controls		
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	Refer to pages 114 and 115
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	Internal audit function is outsourced. Refer to page 124
Guideline 11.3	<p>(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.</p> <p>(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?</p>	<p>Refer to page 122</p> <p>Refer to page 122</p>
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.	Refer to page 189 of the Annual Report

Guideline	Questions	How has the Company complied?
	<p>(b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.</p>	<p>The Audit Committee undertook the review of the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit services provided by them and the fees paid to them. The non-audit fees which represented less than fifty per cent. (50%) of the total annual audit fees, mainly comprised limited financial review on associates and tax advisory services. The external auditors had evaluated the scope of the non-audit services prior to the commencement of the engagement for the provision of non-audit services and had concluded that the non-audit services were permissible under the independence requirements set out in the Code of Professional Conduct and Ethics of Accountants (Public Accountants) Rules. In addition, additional safeguards were put in place by the external auditors to reduce the threat of independence to an acceptable level.</p> <p>Having considered the foregoing, the Audit Committee is satisfied with the independence of the external auditors.</p>
Communication with Shareholders		
Guideline 15.4	<p>(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?</p> <p>(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?</p> <p>(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?</p>	<p>Yes. Refer to page 125</p> <p>Yes. Refer to page 125</p> <p>Refer to pages 125 and 126</p>
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	Not Applicable

STATEMENT OF CORPORATE GOVERNANCE

In the midst of geopolitical and global economic uncertainties and the fast-changing business landscape which continues to present new and ongoing challenges to the Board of Directors (the “**Board**”) and Management of China Aviation Oil (Singapore) Corporation Ltd (“**CAO**” or the “**Company**”), the Board and Management of the Company remained committed to embracing the highest standards of corporate governance and in keeping with the Company’s corporate philosophy of transparency and integrity. We strive to surpass the minimum requirements of openness, integrity and accountability prescribed by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and the recommendations of the Code of Corporate Governance (the “**2012 Code**”). Good corporate governance has become a fundamental part of our corporate culture and business practices of the CAO group (the “**CAO Group**”) and in ensuring the continued strong performance of our businesses and maintaining investor confidence which underpin the sustainable, long-term growth of our businesses and shareholder value.

Since the adoption of the CAO Corporate Governance Policy in August 2012 which corporate governance principles and guidelines are devised in line with the principles and guidelines set out in the 2012 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 the light of changing legal and regulatory requirements and volatilities of the trading business and operating environment. In the light of the Code of Corporate Governance of 2018 (the “**2018 Code**”) which took effect from 1 January 2019, the Company has initiated the internal process of reviewing and amending the CAO Corporate Governance Policy to align the same with the 2018 Code.

We confirm that throughout the financial year ended 31 December 2018 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 2012 Code.

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

This report primarily describes the Company’s corporate governance practices for the financial year ended 31 December 2018 with specific reference to the 2012 Code and details how we apply the principles and comply with the provisions of the 2012 Code.

(A) BOARD MATTERS

THE BOARD’S CONDUCT OF ITS AFFAIRS

Principle 1

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

Commentary

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

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

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

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

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

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

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

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

Some of the businesses that the Board transacts include:

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

Key matters that are specifically reserved for the Board's consideration and decision include, but are not limited to, corporate planning, material acquisitions and disposals of assets, corporate or financial restructuring, formulation of any dividend policy or the change of such dividend policy, declaration of dividends, interested person transactions and any appointment, re-appointment or removal of the Chairman of the Board.

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

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.

An annual review and assessment on the adequacy of existing terms of reference of each of the Board Committees had been carried out by the respective Board Committees, taking into consideration the recommendations of the 2018 Code.

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

Meetings of the Board and Board Committees: The Board met four (4) times in 2018. At the scheduled quarterly Board meetings for the financial year 2018, the Board: (i) reviewed and approved the release of the quarterly and full-year results; (ii) discussed reports by Management relating to major corporate activities; (iii) approved the annual budget; and (iv) reviewed the performance of the CAO Group's businesses. When Directors cannot be physically present, telephonic attendance and conference via audio-visual communication at Board and Board committee meetings are allowed under the Company's Constitution. The number of meetings of the Board and Board Committees held in 2018 as well as the attendances of each Board member at these meetings are disclosed below:

Name of Director	Board Meetings	Board Committee Meetings				Independent Directors' Meeting
		Audit	Nominating	Remuneration	Risk Management	
Xi Zhengping	4	N.A.	N.A.	N.A.	N.A.	N.A.
Wang Kai Yuen	4	4	2	4	N.A.	1
Wang Yanjun ¹	4	N.A.	N.A.	N.A.	N.A.	N.A.
Li Yongji	4	4	2	4	4	N.A.
Li Runsheng	4	4	2	4	N.A.	1
Ang Swee Tian	4	4	2	4	4	1
Bella Young Pit Lai	4	N.A.	2	4	N.A.	N.A.
Meng Fanqiu ¹	3	N.A.	N.A.	N.A.	N.A.	N.A.
David Windle ²	4	4	N.A.	N.A.	4	N.A.
Feng Hai ³	-	N.A.	-	N.A.	-	N.A.
Chan Yat Chung ⁴	-	-	N.A.	N.A.	-	N.A.
Number of Meetings Held	4	4	2	4	4	1

Notes:

- 1 Mr Wang Yanjun, an Executive Director and a CNAF-nominee Director, was appointed as the Chief Executive Officer on 12 September 2018 in place of Mr Meng Fanqiu.
- 2 Mr David Windle, a BP-nominee Director, resigned as a Non-Executive, Non-Independent Director on 1 November 2018 and had concurrently relinquished his office as Chairman of the Risk Management Committee and as a member of the Audit Committee.
- 3 Mr Feng Hai, a CNAF-nominee Director, was appointed as a Non-Executive, Non-Independent Director on 1 November 2018. He was concurrently appointed as Vice Chairman of the Nominating Committee and as a member of the Risk Management Committee.
- 4 Mr Chan Yat Chung, a BP-nominee Director, was appointed as a Non-Executive, Non-Independent Director on 1 November 2018 in place of Mr David Windle. Mr Chan was concurrently appointed as the Chairman of the Risk Management Committee and a member of the Audit Committee.

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

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

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

Comprehensive Director familiarisation sessions were arranged for Mr Li Yongji and Mr Wang Yanjun who joined the Board in February 2018 and for Mr Feng Hai and Mr Chan Yat Chung who joined the Board in November 2018. The purpose of the familiarisation sessions was to familiarise them with the business activities, strategic direction, policies and corporate governance practices of the CAO Group. Areas covered included 2020 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, Directors' Duties and Continuing Listing Obligations and Governance Structure, Policy and Practices of the CAO Group. These sessions also provided opportunities for the aforesaid Directors to get acquainted with senior management, and also foster better rapport and communications with Management.

Continuing Professional Development of Directors: In line with CAO's Policy on Director Orientation and Professional Development adopted by the Board since November 2012, continuing professional development programmes were organised for Directors to ensure that all Directors are updated on important market developments in the energy industry and issues which may have a significant impact on the businesses, financial and operational matters of the CAO Group. These programmes are conducted by external advisers, experts or senior management and these included: (i) a Board Information Session relating to (a) "Enterprise Risk Management" conducted by KPMG Consulting Pte Ltd; (b) "Recent Changes in International Financial Reporting Standards and its Implications on CAO's Financial Performance" conducted by Deloitte & Touche LLP; and (iii) a Board Information Session relating to "Recent Key Changes to the Singapore Code of Corporate Governance and SGX-ST Listing Rules" conducted by Allen & Gledhill LLP.

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 key management personnel 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 Balance

Principle 2

There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and Substantial Shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Commentary

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

STATEMENT OF CORPORATE GOVERNANCE

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

The Nominating Committee carried out the review on the independence of each non-executive Director in September 2018 by taking into consideration the Directors' Test of Independence Policy and the information collected from each Director through the completion by each Director of a confirmation of independence checklist. The Director is required to declare any circumstances in which he or she may be considered non-independent. The Nominating Committee will then review the confirmation of independence checklist by applying the Directors' Test of Independence Policy before affirming the independence of a Director.

Under the 2012 Code and in accordance with the CAO Corporate Governance Policy, the Nominating Committee is tasked with the responsibility to undertake a "particularly rigorous review" of a director's independence after he or she has served on the Board for a continuous period of nine (9) years or longer term from the date of his or her first appointment. If the Nominating Committee decides to regard such a director independent, the Nominating Committee shall disclose its explanation in the Company's annual report. As of the date of this report, Independent Directors namely, Dr Wang Kai Yuen and Mr Ang Swee Tian, each held office for more than nine (9) years. At the time of the Nominating Committee's review on the independence of each non-executive Director of the Company, the Form of Directors' Declaration relating to the Director's Independence had been modified to facilitate the Nominating Committee's assessment of the independent status of the aforesaid long-tenured Independent Directors of the Company. These questions require the long-tenured Independent Directors of the Company to consider and provide their inputs and/or comments reaffirming their ability to make unfettered independent business judgements.

In the Form of Director's Declaration for 2018, both Dr Wang Kai Yuen and Mr Ang Swee Tian had confirmed that there were neither any circumstances that could have materially interfered with their 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. This is evident from the minutes of the proceedings of the Board and relevant Board Committees over the past years, where each of Dr Wang Kai Yuen and Mr Ang Swee Tian had expressed his individual viewpoints and objectively scrutinised and sought clarifications from the Management, employees, external auditors and internal auditors of CAO as he considered necessary.

Both 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 and its shareholders generally. The Board accepted the Nominating Committee's view 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 Guideline 2.2 of the 2012 Code and make the necessary Board composition changes at the annual general meeting following the end of financial years commencing on or after 1 May 2016. In this regard, considering the rationale of Guideline 2.2 of the 2012 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. In addition, the Company had appointed the Lead Independent Director, who is also concurrently the Deputy Chairman of the Board.

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.

Chairman and Chief Executive Officer

Principle 3

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Commentary

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

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

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

Regular Meetings of Independent Directors: In accordance with the CAO Corporate Governance Policy, the Independent Directors of CAO meet at least once a year, without the presence of the other Directors, to discuss any matters relevant to the CAO Group, such as its investment criteria, risk management and internal controls, risk appetite and risk tolerance, performance of management, Board communication and performance, and strategic issues. Led by the Deputy Chairman/Lead Independent Director, the Independent Directors of CAO held their meeting on 1 November 2018 without the presence of the other Directors. The Independent Directors of CAO discussed the key changes in the 2012 Code, consequential amendments to the SGX-ST listing rules and implications on CAO. The Independent Directors also discussed issues relating to Board renewal and the recommended tenure for Independent Directors as well as the localisation and internationalisation of employees of the CAO Group.

Board Membership

Principle 4

There should be a formal and transparent process for the appointment of new Directors to the Board.

Commentary

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

Nominating Committee

Li Runsheng	Chairman
Feng Hai ¹	Vice Chairman
Wang Kai Yuen	Member
Ang Swee Tian	Member
Bella Young Pit Lai	Member

Note:

¹ Mr Feng Hai was appointed as Vice Chairman on 1 November 2018 in place of Mr Li Yongji.

STATEMENT OF CORPORATE GOVERNANCE

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

The Nominating Committee held two (2) meetings in 2018 where it met to discuss and review (i) the independence of Non-Executive Directors; (ii) Board Performance Evaluation; and (iii) the Nominating Committee Annual Self-Assessment Findings. The Nominating Committee had also reviewed and approved several other matters under its remit via email circulation.

The responsibilities of the Nominating Committee include:

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

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

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

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 25th AGM to be held on 24 April 2019, Dr Wang Kai Yuen and Mr Ang Swee Tian are due for retirement by rotation and would be eligible for re-election.

To support Board renewal and to uphold the highest standards of corporate governance, Dr Wang Kai Yuen and Mr Ang Swee Tian, who have each served the Board beyond nine (9) years from the date of their respective first appointments, have expressed their intention not to seek re-election as Directors at the 25th AGM. Accordingly, upon Dr Wang Kai Yuen's retirement as a Director of the Company, he would concurrently relinquish his office as Deputy Chairman and Lead Independent Director, Chairman of the Remuneration Committee, Member of the Audit Committee and Member of the Nominating Committee. Upon Mr Ang Swee Tian's retirement as a Director of the Company, he would concurrently relinquish his office as Chairman of the Audit Committee, Member of the Risk Management Committee, Member of the Remuneration Committee and Member of the Nominating Committee. Having considered the current Board composition of the Company against the desired capabilities of the Board taking into account the Company's current circumstances and future expectations, and based on the review and the general selection and evaluation criteria set out in the Internal Guidelines, the Nominating Committee had commenced the search for prospective candidates identified from a number of sources, including but not limited to director or management contacts or shareholder recommendations.

In line with the Internal Guidelines, Nominating Committee and the Chairman of the Board would be conducting interviews with the selected candidates to ascertain their suitability and the Board would be updated on the selection process. When the Nominating Committee had identified and selected suitable candidates, recommendations would be made to the Board on the appointment of the same as soon as possible.

In accordance with Regulation 100 of the Company's Constitution, Mr Feng Hai and Mr Chan Yat Chung, who were appointed as Non-Executive, Non-Independent Directors of the Company on 1 November 2018, each will 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 25th AGM.

Board Performance

Principle 5

There should be a formal assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.

Commentary

Board Performance: The Nominating Committee evaluated the performance of each Director and the effectiveness of the Board as a whole.

Since the adoption of the CAO Corporate Governance Policy in 2012, the Board has, through the Nominating Committee, implemented a formal process annually for assessing the effectiveness of the Board as a whole and its Board Committees (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**").

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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.

To further enhance the long-term performance of the Board and its Board Committees, a separate process for the review of the performance of individual (non-executive) directors was also adopted (the "**Individual Board Member Performance Evaluation**") and conducted on an annual basis concurrently with the Overall Board/Board Committees' Performance Evaluation.

The Individual Board Member Performance Evaluation was conducted using the 360-Degree Board Member Evaluation Form. The 360-Degree Board Member Evaluation Form was designed to facilitate the assessment of each individual (non-executive) Board member in areas such as "Leadership", "Strategic Thinking", "Board Contribution" and "Governance".

The 360-Degree Board Member Evaluation Form was emailed to Directors individually by separate emails and each Board member was required to complete the 360-Degree Board Member Evaluation Form for each of the other non-executive Directors, on an anonymous basis.

A general summary of (i) the assessment ratings on each of the elements of the Board Evaluation Questionnaire by each member of the Nominating Committee; and (ii) the results of assessment and evaluation of the 360-Degree Board Member Evaluation Form for each non-executive Director of CAO, will be collated by the Company Secretary for the Nominating Committee's deliberation and consensus at its Nominating Committee Meeting held in November each year.

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

Principle 6

In order to fulfil their responsibilities, Directors shall be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Commentary

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

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

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

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

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

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

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

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

Level and Mix of Remuneration

Principle 8

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the company; and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Disclosure on Remuneration

Principle 9

Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Commentary

Remuneration Committee: The Board adopted the recommendations of the 2012 Code and established a Remuneration Committee to consider and to make recommendations on remuneration matters for the Directors and key management personnel of the CAO Group. Apart from ensuring consistencies with good practices, the Remuneration Committee is also mindful of the need to ensure that the Company and the CAO Group are able to attract and retain good Directors and senior executives to the business.

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

Remuneration Committee

Wang Kai Yuen	Chairman
Li Yongji ¹	Vice Chairman
Li Runsheng	Member
Ang Swee Tian	Member
Bella Young Pit Lai	Member

Note:

¹ Mr Li Yongji was appointed as Vice Chairman on 5 February 2018 in place of Dr Luo Qun.

The Remuneration Committee assists the Board and Management by assessing and making remuneration recommendations for the Executive Directors and key management personnel of the Company.

In the discharge of its responsibilities, the Remuneration Committee has sought expert advice from an external international human resource consultancy firm.

Broadly, remuneration for the CEO/EO and five (5) key management personnel for the financial year ended 31 December 2018 is based on the Company's and individual performances and the remuneration for Non-Executive Directors in the form of fees is based on responsibilities and memberships in the Board and its committees.

Non-executive Directors 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.

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

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

- a. Each director will receive a base fee ("**Base Fee**").
- b. The Chairman of the Board will receive twice the amount of the Base Fee ("**Board Chairman's Fee**").
- c. The Deputy Chairman will receive 75% of the Board Chairman's Fee.
- d. The Chairman of the Audit Committee ("**AC**") will receive additionally two-thirds of the Base Fee ("**AC Chairman's Fee**").
- e. The Chairman of the Risk Management Committee ("**RMC**") will receive additionally two-thirds of the Base Fee ("**RMC Chairman's Fee**").
- f. Chairman of the Remuneration Committee ("**RC**") and the Chairman of the Nominating Committee ("**NC**") will each receive additionally one-third of the Base Fee.
- g. 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.
- h. Executive Directors will not be entitled to receive fees.
- i. The Lead Independent Director will receive additionally a sum equivalent to the Base Fee.

Directors' fees which were payable to non-executive Directors nominated by CNAF and BP were previously paid to CNAF and BP or their nominated companies respectively. As a gesture of their continued support to the Company, both CNAF and BP had decided not to accept any Directors fees payable to their respective nominee Directors from the financial year 2017.

The remuneration of Directors payable for the financial year ended 31 December 2018 is set out below:

Name of Director	Fee (\$)	Basic/Fixed Salary and Allowance (\$)	Variable/ Performance Bonus (\$)	Others (\$)	Long-Term Incentives (\$)	Total (\$)
Executive Directors						
Wang Yanjun ¹ (CEO/ED)	0	225,600	0	35,330	0	260,930
Meng Fanqiu ² (CEO/ED)	0	188,000	155,842	25,030	0	368,872
Non-Executive Directors						
Xi Zhengping (Chairman)	0	N.A.	N.A.	N.A.	N.A.	0
Wang Kai Yuen (Deputy Chairman/ Lead Independent Director)	145,134	N.A.	N.A.	N.A.	N.A.	145,134
Li Yongji ³	0	N.A.	N.A.	N.A.	N.A.	0
Zhao Shousen ³	0	N.A.	N.A.	N.A.	N.A.	0
Luo Qun ⁴	0	N.A.	N.A.	N.A.	N.A.	0
Feng Hai ⁵	0	N.A.	N.A.	N.A.	N.A.	0
Li Runsheng	79,824	N.A.	N.A.	N.A.	N.A.	79,824
Ang Swee Tian	101,595	N.A.	N.A.	N.A.	N.A.	101,595
Bella Young Pit Lai	0	N.A.	N.A.	N.A.	N.A.	0
Chan Yat Chung ⁶	0	N.A.	N.A.	N.A.	N.A.	0
David Windle ⁶	0	N.A.	N.A.	N.A.	N.A.	0

- ¹ Mr Wang Yanjun was appointed as Executive Director/Vice President on 5 February 2018. He was appointed as Chief Executive Officer in place of Mr Meng Fanqiu on 12 September 2018. The total remuneration of Mr Wang Yanjun shown above excludes the 2018 variable bonus payable for the financial year 2018. The quantum of the said 2018 variable bonus is being considered by the Remuneration Committee and will be decided and recommended for the Board's endorsement during the financial year 2019.
- ² Mr Meng Fanqiu resigned as Chief Executive Officer/Executive Director on 12 September 2018. His total remuneration includes the 2017 variable bonus paid during the financial year 2018.
- ³ Mr Li Yongji, a CNAF-nominee Director, was appointed as Non-Executive, Non-Independent Director in place of Dr Zhao Shousen on 5 February 2018.
- ⁴ Dr Luo Qun, a CNAF-nominee Director, resigned as a Non-Executive, Non-Independent Director on 5 February 2018.
- ⁵ Mr Feng Hai, a CNAF-nominee Director, was appointed as Non-Executive, Non-Independent Director on 1 November 2018.
- ⁶ Mr Chan Yat Chung, a BP-nominee Director, was appointed as a Non-Executive Director, Non-Independent Director in place of Mr David Windle on 1 November 2018.

Remuneration Bands	Name of Key Management Personnel	Base/Fixed Salary (%)	Variable Bonus (%)	Allowances & Other Benefits (%)	Long-Term Incentives (%)	Total (%)
S\$300,000 - S\$550,000	Owen Wong ¹	88	12	0	0	100
	Elizza Ding ²	73	25	2	0	100
S\$250,000 and below	Xu Guohong	88	0	12	0	100
	Zhang Xingbo	70	18	12	0	100
	Doreen Nah ³	60	38	2	0	100
Total Remuneration of five (5) key management personnel⁴	S\$1,474,423					

- ¹ The remuneration disclosed comprises secondment fees paid to BP Singapore Pte Ltd ("BPS") pursuant to a secondment agreement between CAO and BPS.
- ² Ms Elizza Ding ceased to be a BP secondee since 1 March 2018.
- ³ The remuneration disclosed for Ms Doreen Nah is prorated from the date of her inclusion as a key management personnel.
- ⁴ The remuneration disclosed for key management personnel (other than Mr Owen Wong who is a BP secondee) includes the 2017 variable bonus paid during the financial year 2018 and excludes the 2018 variable bonus payable during the financial year 2019. The quantum of the said 2018 variable bonus is being considered by the Remuneration Committee and will be decided and recommended for the Board's endorsement during the financial year 2019.

STATEMENT OF CORPORATE GOVERNANCE

There are no employees in the CAO Group who are immediate family members of the Chairman or any of the Directors during the financial year ended 31 December 2018. “immediate family member” means the spouse, child, adopted child, step child, brother, sister and parent.

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

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

Basic/fixed salary - The basic salary (exclusive of statutory employer contributions to Central Provident Fund) for the CEO/ED and each key management personnel were approved by the Remuneration Committee and endorsed by the Board, taking into account the performance of the individual for the financial year 2018, 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) key executives included the 2017 variable bonuses payable in relation to profit targets achieved for the Company’s oil trading activities during the financial year 2017.

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

(C) ACCOUNTABILITY AND AUDIT ACCOUNTABILITY

Principle 10

The Board should present a balanced and understandable assessment of the company’s performance, position and prospects.

Commentary

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

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

The Board had put in place an external audit policy (the “**CAO External Audit Policy**”) which provides guidance on the application of the 2012 Code as well as CAO Corporate Governance Policy in relation to the provision of external audit services for the CAO Group.

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

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

During the financial year 2018, 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

Principle 11

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Commentary

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

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

Risk Management Committee

Chan Yat Chung ¹	Chairman
Feng Hai ²	Member
Ang Swee Tian	Member

Notes:

- ¹ Mr Chan Yat Chung was appointed as Chairman of the Risk Management Committee in place of Mr David Windle on 1 November 2018.
- ² Mr Feng Hai was appointed a member of the Risk Management Committee in place of Mr Li Yongji on 1 November 2018.

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:

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

The Head of the Risk Management Department, a BP-seconded, reports directly to the Risk Management Committee. 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), and meets once a month as well as on an ad hoc basis when required. The Chairman of the Company Risk Meeting, who is the Head of Risk Management, directly reports to the CFO but also has an independent direct reporting line to the Risk Management Committee.

The Risk Management Report is found on page 80 of the Annual Report.

STATEMENT OF CORPORATE GOVERNANCE

The key responsibilities of the Compliance and Internal Audit Department 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 (the "BCP");
- (11) establishing and ongoing review of the CAO Group's SOP's templates 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.

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

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

In September 2018, the Company conducted a desktop emergency response team ("ERT") exercise at its off-site disaster recovery site involving participants from cross-functional departments. The ERT exercise centred on two (2) business scenarios: (i) a simulated oil spill incident; and (ii) an IT hacking incident with the objective of strengthening ERT's crisis readiness.

As part of the CAO Group's ongoing efforts to improve and heighten risk awareness, a comprehensive risk review exercise was conducted during the financial year by a dedicated team comprising representatives from various departments namely, Risk Management, Compliance and Internal Audit, Legal, IT and Administration. The purposes of the aforesaid comprehensive risk review exercise included (i) strengthening the internal procedures and processes and bringing its risk mitigating capabilities to new heights to enhance its foresight to embedded risks in the businesses of the CAO Group; and (ii) minimising the possibilities of any major incidents.

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

As discussed under Principle 13, the internal audit function of the CAO Group which is outsourced to BDO assists the Audit Committee and the Board in evaluating the internal control systems and processes, financial and accounting matters, compliance and business and financial risk management. The Audit Committee's responsibilities in the CAO Group's internal controls are complemented by the work of the outsourced Internal Auditors, BDO, the Compliance and Internal Audit department, the Risk Management department and the Legal department.

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

In line with the Singapore Standards on Auditing issued in July 2015, the Company's external auditors, Deloitte, will disclose key audit matters in the auditor's reports on the financial statements which include matters that were of most significance in the audit of the financial statements for the financial year ended 31 December 2018 (the "Key Audit Matters").

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

Key Audit Matters	Audit Committee's commentary on its review of the Key Audit Matters and decisions made
<p>Revenue recognition</p> <p>Recognition of revenue and purchases have been identified as a risk primarily due to:</p> <ul style="list-style-type: none"> complexity in the timing of recognition for trades with deliveries occurring on or around year end as a result of the extent of the Group's distribution network and varying shipping terms with customers; and risk of potential deliberate misstatement of the Group's trading positions by failing to report the trades entered or failing to record the trades accurately or on a timely basis. <p>The details of the CAO Group's revenue are disclosed in Notes 3.13 and 17 to the financial statements.</p>	<p>The AC 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. AC has considered the audit procedures performed by the external auditors and noted that no misstatements were uncovered by the external auditors.</p>
<p>Valuation of derivatives, trading inventories and open physical contracts</p> <p>The valuation of derivatives, trading inventories and open physical contracts requires significant management judgement in applying the appropriate valuation methodology and incorporating of any contract specific terms including the use of valid and appropriate price index.</p> <p>The valuation techniques and the inputs used in the fair value measurements of the financial instruments are disclosed in Note 27.</p>	<p>The AC received regular briefings on the 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 AC considered the reasonableness of the controls in place over the valuation of derivatives, trading inventories and open physical contracts. It evaluated and was satisfied that the valuation methodology and inputs used in the valuation were reasonable.</p>

STATEMENT OF CORPORATE GOVERNANCE

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.

The CEO/ED and CFO at the financial year-end have provided a written assurance to the Board that:

- (i) 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;
- (ii) the effectiveness of the CAO Group's risk management and internal control systems.

Based on the internal controls established and maintained by the CAO Group, work performed by the internal and external auditors, and reviews performed by management and various Board Committees, the Board, with the concurrence of the Audit Committee, is of the opinion that the CAO Group's system of internal controls addressing financial, operational, compliance, information technology controls and risk management systems, were adequate as at 31 December 2018 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 notes that the system of internal controls provides reasonable, but not absolute, assurance that the CAO Group will not be affected by any event that could be reasonably foreseen as it strives to achieve its business objectives and goals. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.

Audit Committee

Principle 12

The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

Commentary

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

Audit Committee

Ang Swee Tian	Chairman
Li Yongji ¹	Vice-Chairman
Wang Kai Yuen	Member
Li Runsheng	Member
Chan Yat Chung ²	Member

Notes:

(1) Mr Li Yongji was appointed as Vice Chairman of the Audit Committee in place of Dr Zhao Shousen on 5 February 2018.

(2) Mr Chan Yat Chung was appointed as a member of the Audit Committee in place of Mr David Windle on 1 November 2018.

Roles of the Audit Committee: The Audit Committee held four (4) meetings in 2018 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 reviewed the quarterly and annual financial statements for the financial year 2018 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 2018, 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 2019.

The Company has put in place a suitable whistle blowing policy and procedure, by which staff of the CAO Group as well as other persons such as suppliers of the CAO Group (the "**Stakeholders**") may, in confidence, raise genuine concerns about possible improprieties regarding financial reporting or other matters (the "**CAO Whistle-Blowing Policy**"). The CAO Whistle Blowing Policy provides for an anonymous channel to Stakeholders to raise any such concerns to the Company without fear of reprisal. Any such concerns raised will be investigated at the discretion of the Investigating Committee set up under the CAO Whistle-Blowing Policy.

In this regard, a summary of the CAO Whistle Blowing Policy can be accessed from the Company's external website and a dedicated email address whistle_blowing@caosco.com for persons to report concerns pertaining to any form of misconduct affecting the CAO Group, its customers, partners, suppliers and other stakeholders, had been disclosed in its website. Once an email has been received at the email address set out above, an investigating committee will be responsible for investigating the concern raised.

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

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

STATEMENT OF CORPORATE GOVERNANCE

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

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

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

Internal Audit

Principle 13

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

Commentary

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

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

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

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

(E) COMMUNICATION WITH SHAREHOLDERS

Principle 14

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Commentary

The Board is careful to observe regulations of the SGX-ST governing the requirements to make appropriate announcements on a timely basis. Transparency and integrity of information is also important to the Board. All material announcements are vetted by the CEO/ED, in consultation with the Chairman and/or the Deputy Chairman, as may be required, before release by the Company via SGXnet.

Principle 15

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Commentary

Investor Relations and Shareholder Communication

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

During the financial year and in line with the CAO Investor Relations Policy, 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, regardless of their views or recommendations on the CAO Group.

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

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

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

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

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

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

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

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

STATEMENT OF CORPORATE GOVERNANCE

Conduct of Shareholder Meetings

Principle 16

Companies should encourage greater shareholder participation at general meetings of shareholders and allow shareholders the opportunity to communicate their views on various matters affecting the company

Commentary

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

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

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

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

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

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

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

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

Dividend Policy

The dividend policy of the Company (the "CAO Dividend Policy") sets out the guiding principles for dividend distribution by the Company (the "Guiding Principles"). The Guiding Principles included inter alia, maintaining a consistent baseline dividend payout ratio which constitutes thirty (30) percent 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.

DEALINGS IN THE COMPANY'S SECURITIES

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

INTERESTED PERSON TRANSACTIONS

Shareholders have approved the renewal of the general mandate for interested person transactions of the CAO Group on 25 April 2018 (the "IPT Mandate"). The IPT Mandate sets out the levels and procedures to obtain approval for such transactions. Information regarding the IPT Mandate is available on the Company's website at www.caosco.com. All business units are required to be familiar with the IPT Mandate and report any such transactions to the Finance Department. The Finance Department keeps a register of the CAO Group's interested person transactions.

Information on interested person transactions for 2018 is found under "Supplementary Information" on page [].

REVIEW OF SYSTEM OF INTERNAL CONTROLS

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

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

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 2012 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 2012 Code, the specific duties and responsibilities of the Lead Independent Director shall be as follows:

Function as Principal Liaison with the Chairman and Senior Management

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

Call Meetings of Independent Directors

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

Preside at Meetings

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

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

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

Initiate Actions to Address any Concerns on Corporate Compliance Matters

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

Function as Principal Liaison in Shareholder Communication

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



China Aviation Oil (Singapore) Corporation Ltd

中国航油（新加坡）股份有限公司

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