



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

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

SUSTAINABILITY REPORT

可持续发展报告
2020

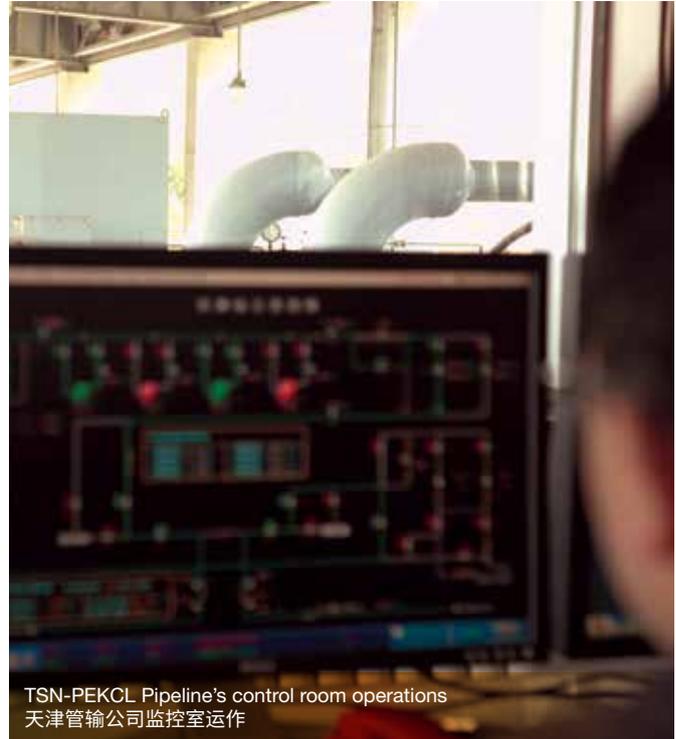
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BOARD STATEMENT

At China Aviation Oil (Singapore) Corporation Ltd (“CAO” or “the Group”), the Board of Directors (“BOD”) believes corporate responsibility is fundamental to the Group’s business success. Operating responsibly as a Group is at the core of our ability to deliver sustainable impact and returns to stakeholders. We embrace our responsibility to create long-term value in a financially, environmentally and socially responsible manner for our stakeholders and the community at large by constantly upholding the highest standards of corporate governance and embedding sustainability in our everyday business and in everything we do. As the largest physical jet fuel trader in the Asia Pacific region and the key supplier of imported jet fuel to the civil aviation industry of the People’s Republic of China (“PRC”), CAO also supplies jet fuel to international airports globally and engages in international trading of jet fuel and other oil products with investments in various strategic oil-related businesses. Committed to improving the Group’s business activities for the long haul, we have embedded sustainability into our processes and services to contribute towards creating transparency across the Group’s supply chain. The business of CAO bears a wide range of inherent environmental and social impacts, which invariably bears impact, directly or indirectly, on the communities where we operate even as we continue to seek to create value for our stakeholders by strengthening our business focus through innovating and optimising business operations.

The COVID-19 pandemic has led to a sharp contraction in global economies during 2020 as the pandemic spread unabated worldwide, creating unprecedented headwinds for the aviation industry in particular. Exacerbated by escalating US-China tensions, increasing trade protectionism and political uncertainties which weighed heavily on business sentiments, CAO like many other organisations faced extraordinary challenges during the year even as we remained steadfast in managing the Environmental, Social and Governance (“ESG”) aspects of our business and operations. Throughout the year, the Group’s focus remained on four key areas: strengthening operation management, streamlining business costs, driving market growth and expansion and ensuring employee and operational safety. Despite the macroeconomic headwinds, CAO continued to meet customers’ needs globally by availing our global network of supply and trading operations despite very difficult circumstances. Whilst a lot of focus was devoted to the day-to-day operations of the Group, we also continued to



TSN-PEKCL Pipeline’s control room operations
天津管输公司监控室运作

build momentum toward the strategic transformation of our business and made efforts to broaden the Group’s strategic presence, diversify its product offerings and enhance its service standards to deliver results to stakeholders.

Recognising the need to ensure supply chains continued to facilitate trade and business despite the perilous pandemic situation in 2020, CAO upheld employee safety as of paramount importance and worked tirelessly at protecting our workforce whilst supporting our customers to ensure that business carries on as usual despite these times. In response to the onset of COVID-19 challenges, a COVID-19 Taskforce was set up on 29 January 2020 to manage and put in place various precautionary measures to safeguard the health and safety of our employees.

CAO will continually strive to improve its sustainability efforts and focus on areas where we can have the greatest impact even as we work towards minimising ethical, economic and social risks to contribute sustainably to CAO’s long-term corporate success.

The BOD is pleased to share this sustainability report (“Report”) which highlights the Group’s ESG-related business activities carried out from 1 January 2020 to 31 December 2020 (“FY2020”).

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ABOUT THIS REPORT

CAO's 2020 sustainability report complies with the Singapore Exchange Securities Trading Limited (the "SGX-ST") "Comply or Explain" requirements for sustainability reporting, and continues to apply the key principles of the International Integrated Reporting Council's ("IIRC") Integrated Reporting <IR> approach to communicate how the Group drives long-term value creation. This Report has also been prepared with reference to the Global Reporting Initiative Standards ("GRI") Standards relating to materiality assessment.

This Report sets out CAO's commitments, governance, policies, performance and targets in respect of managing the environmental and social impacts of the Group and its subsidiaries spanning Singapore, Hong Kong SAR, United States and the United Kingdom and Europe in FY2020. The Group has also aligned the material topics with the United Nations Sustainable Developmental Goals ("SDGs").

In determining the scope of this Report, CAO considered the percentage of ownership and level of influence and

have included all subsidiaries where CAO has controlling interests of more than 50%. Associated companies are excluded from this Report due to the absence of direct operational control.

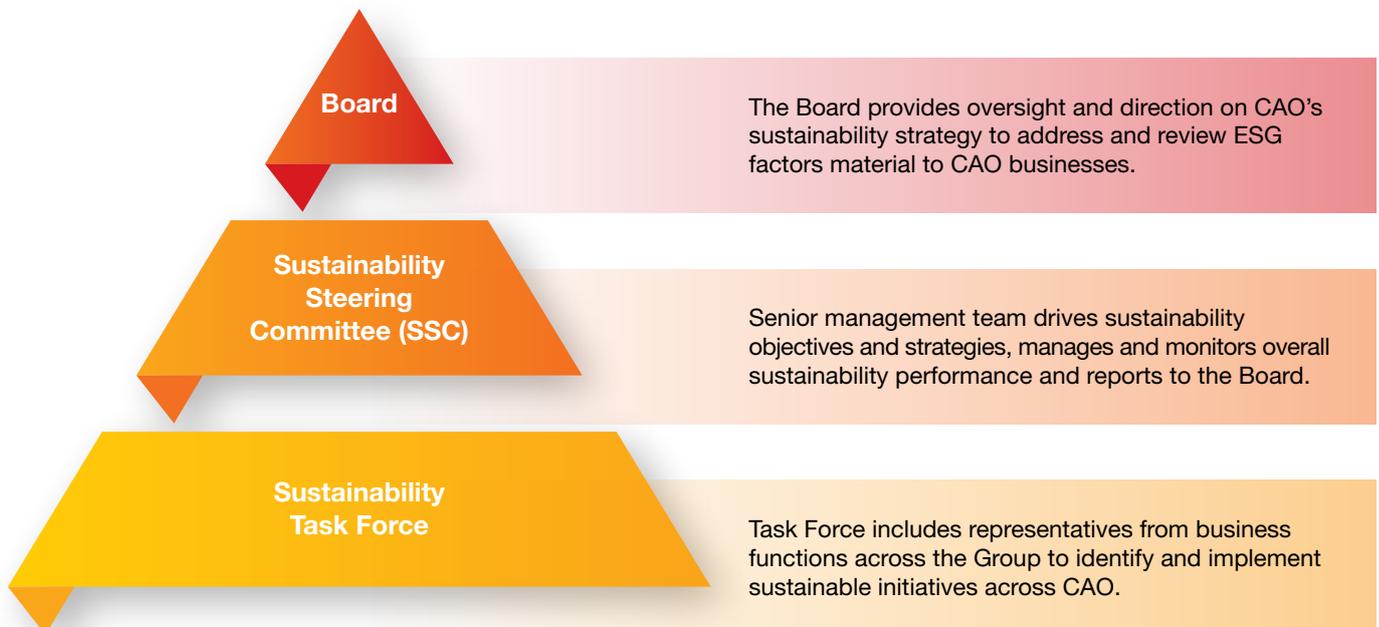
The entities covered in this report are:

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

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

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

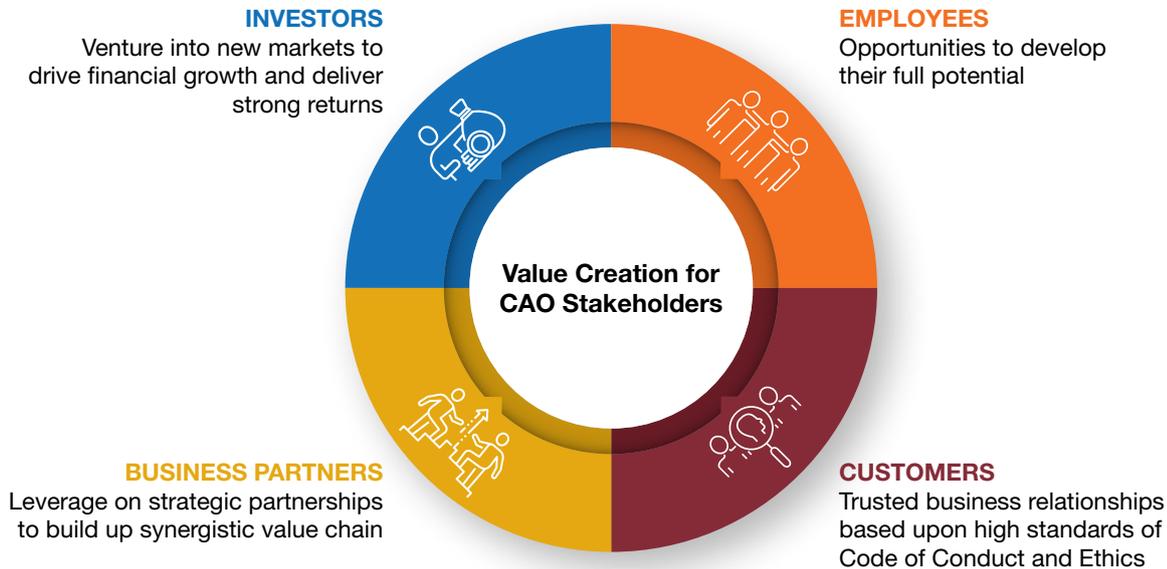
CAO'S SUSTAINABILITY GOVERNANCE STRUCTURE



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OUR SUSTAINABILITY APPROACH TOWARDS VALUE CREATION



To ensure the sustainable growth of the Group, CAO adopts a proactive approach in stakeholder engagements. While COVID-19 restrictions constrained face-to-face stakeholder engagements in 2020, the Group continued to work to maintain open dialogue through various communication channels including online interactions, video and tele-conferencing to carry on business activities which are summarised in the table below.

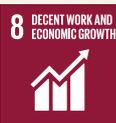
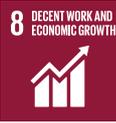
Key Stakeholders	Significance to CAO	Modes of Engagement
Investors 	CAO proactively strives to maximise shareholder returns, and is committed to upholding high standards of corporate governance, prioritising quality and timely communication with investors and analysts as key to transparency and accountability.	Updates of financial results and announcements, business developments, press releases, and other relevant disclosures via SGXNet and the Company's external website Annual General Meeting
Employees 	CAO strives to create a diverse and inclusive work environment where all employees feel valued, have the opportunities to grow and are driven to succeed.	Induction programme for new employees Training and development programmes Regular e-mails and meetings Recreational and wellness activities Employee feedback channels Career development performance appraisals
Customers 	CAO seeks to provide quality 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 building and sustaining its 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 practices Site visits

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MATERIALITY ASSESSMENT

In 2020, we reviewed the material ESG topics that we first identified in our 2017 Sustainability Report. In addition, we have considered a range of potential risks by leveraging on our enterprise risk management framework to proactively identify, mitigate and manage our key business risks, and have also aligned our material topics with the SDGs. We have taken into consideration the challenging business landscape, constantly changing global and domestic regulatory development, as well as stakeholders' opinions, and have not made any significant changes in the material topics covered in this report.

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

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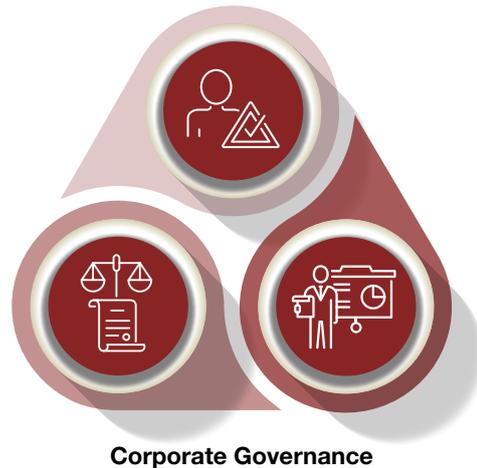
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Material ESG Topics	CAO Involvement	GRI Disclosures	Our Initiatives	Relevant SDG
Protection of Sensitive Information	Direct	GRI 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Uphold the Group’s high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

STRENGTHENING OPERATIONS MANAGEMENT

CAO’s management framework has been designed to optimise business processes that drive clear accountabilities and create innovation in accordance with our operating philosophy of “Transparency, Standardisation and Refinement”. Amid the unfolding COVID-19 pandemic against a backdrop of high geopolitical tensions, the Group remained focused on and had placed significant emphasis on “Compliance as Top Priority, Risk Management of Utmost Importance” to manage the material threats and opportunities in our business operations and the dynamic macroeconomic environment. In 2020, the front-office and middle-office functions reviewed and updated the Group’s hedging business and trading counterparties policies to address COVID-19 related risks and repercussions to our businesses, ensuring that our controls are relevant, robust and complies with the latest international business regulatory requirements. For more details on CAO’s risk management structure, strategy and key risks and mitigations, please refer to the Risk Management Section.

As a Group with global presence, CAO is committed to upholding the highest standards of corporate governance and business conduct. During the year, in recognition of the Group’s commitment to corporate transparency, the Group was able to maintain a good position in the Singapore Governance and Transparency Index and is included in the FTSE ST China, FTSE ST Small Cap and



Corporate Governance

MSCI Singapore Small Cap Indexes. In addition, CAO has also adopted recommendations by The Institute of Internal Audit to implement the internal audit quality assurance and improvement initiative to enable quality evaluation on the level of internal audit efficiency and effectiveness and seeks to identify opportunities for sustainability integration in the business units. An internal audit on the hedging business processes and procedures was conducted in the second half of 2020 to objectively verify that the Group complies and conforms to performance standards. For more details relating to CAO’s corporate governance practices, please refer to the Statement of Corporate Governance Section.

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Environmental Compliance (oil spill)

STREAMLINING BUSINESS COSTS

In view of the weak economic environment brought forth by the COVID-19 pandemic, CAO has embarked on extensive cost savings measures to streamline business and administrative costs across the Group.

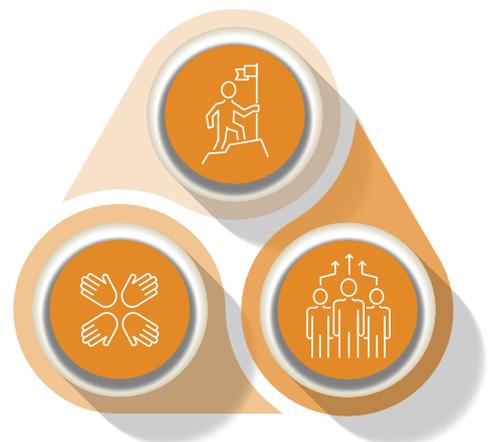
During the year, CAO further streamlined corporate expenditure across business support functions to increase spend visibility, improve operational efficiency and compliance of business processes. In addition, strong support from financial institutions had helped the Group to leverage on our strong balance sheet and centralised cash pool resources to reduce significantly the trade financing and administrative overheads.

DRIVING GROWTH

As CAO continues to focus on expanding its global presence, we recognise that the long-term business success of the Group depends on our ability to continue to attract, develop, retain and engage a good talent pool. CAO's competitive advantage lies in our versatile and innovative culture. We are committed to a fair, diversified and inclusive working environment, encouraging our people to thrive and maximise their potential, empowering employees with the accountability and responsibility to work effectively and efficiently while prioritising the goals and objectives of the Group. Please refer to CAO Human Capital Management Section for more details.

Extreme market conditions and unprecedented challenges caused by the COVID-19 pandemic affected much of FY2020, with business activities and global air travel coming to a standstill. Quarantines and lockdowns across the globe greatly impacted jet fuel demand even as CAO's aviation fuel and oil trading teams proactively sought opportunities to supply low sulphur jet fuel cargoes to new markets and build market share. With a favourable trading environment in early 2020, the front-office team also leveraged on its access to storage tanks in South Korea and the PRC to shore up its global storage capacity, to manage the oversupply and provide end customers with additional flexibility and access.

CAO also demonstrated its niche positioning and competitive advantage through its integrated supply and trading network to secure supply agreements with oil majors and oil refineries, further extending the Group's market reach and airports supply network globally. Alongside business growth, the front-office and middle-office teams effectively managed the risk exposures to ensure minimal disruptions with trading counterparties, whether in supply and/or operational execution. For more details on the Group's outlook and operating business performance, please refer to CEO's Message and CEO's Strategic Report-Operations Review Section.



Diversity and Equal Opportunity

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Discharging jet fuel from vessel at port
港口卸油

ENSURING SAFETY

Health and safety took on greater significance in 2020 with the global pandemic outbreak. For CAO, the need to keep our employees and other stakeholders safe posed a business continuity challenge, and protecting the health and well-being of our people and the communities where we live and work was a top priority.

Recognising the public health risk early on, a COVID-19 Taskforce was set up in January 2020, to provide guidance on precautionary measures to minimise disruptions to business while protecting employees and other stakeholders. As the COVID-19 situation evolved, risk assessments on business operations, posters on COVID-19 health and prevention topics were shared throughout the year to raise employee awareness in an effort to fight the pandemic. The COVID-19 Taskforce has also established the requirement for employees with flu-like symptoms or in contact with suspect and/or confirmed COVID-19 cases to self-isolate and stay away from the workplace for an appropriate duration of time. Responsible behaviour outside of work to reduce the likelihood of infection was also encouraged as were protocols for visitors to the workplace.

Globally, employees were encouraged to work from home and adhere to measures put in place by governments to collectively fight the pandemic. With the backing of an already robust information technology infrastructure, there were no significant interruptions to CAO's business

operations during the year. Continuing to operate while maintaining a safe and healthy workplace has required the Group to adapt the ways work is completed. To reduce the risk of transmission at the workplace, social distancing and workplace occupancy limits were enforced. Hygiene practices were stepped up, preventive measures such as essential Personal Protective Equipment ("PPE") and hand sanitation supplies were provided to all employees and availed also to all in need. At the workplace, regular wipe downs of surfaces were heightened to reduce contagion.

At the onset of the pandemic, we faced shortages of essential PPE such as surgical masks on increased global demand for PPE supplies. Nonetheless, we drew on our international footprint to procure and share across the Group, enabling business operations to continue to operate safely. As of end December 2020, the Group has zero cases of COVID-19 infections among its employees.

We recognise that the evolving COVID-19 situation will continue to be a health safety risk and we are committed to ensuring the highest standards of the health and well-being of our employees.

LOOKING AHEAD

CAO will continue to enhance the competitiveness of the Group's core businesses and focus on consolidating our competitive advantages which will continue to form the building blocks of foundation for the Group's sustainable growth in the long term.

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董事会声明

在中国航油(新加坡)股份有限公司(以下简称“CAO”或“公司”),董事会坚信,企业责任是公司业务成功的重要基础,而以负责任的方式运营是公司向利益相关方提供可持续影响和回报的核心能力。公司有责任坚守公司治理的最高标准,将可持续发展融入日常业务和一切工作中,以对经济、环境和社会负责任,为利益相关方和社区创造长期价值。作为亚太地区最大的航油实货贸易商,以及中国民航业的主要航油进口供应商,公司还向全球国际机场供应航油,并在从事其他油品国际贸易的同时,也投资各种战略油品相关业务。公司致力于长期业务发展,将可持续发展融入到业务流程和服务中,为提高公司供应链的透明度做出贡献。公司通过不断的创新和优化业务运营加强业务重点,为利益相关方创造价值,与此同时,CAO的业务对环境和社会有深远影响,会直接或间接影响其所在社区。

随着新冠疫情在全世界蔓延,2020年全球经济大幅萎缩,航空业遭受前所未有的冲击。加之中美紧张局势不断升级,日益加剧的贸易保护主义和政治不确定性都对商业情绪造成沉重打击。这一年,CAO和众多其他企业一样面临非同寻常的挑战。尽管如此,公司仍坚定不移地致力于管理好业务和运营中的环境、社会和治理(以下简称“ESG”)事项。公司全年重点工作放在四个关键领域:强管理、降成本、促发展和保安全。虽然宏观经济因素不利,但是CAO借助全球供应与贸易网络,在异常艰难的情况下,继续圆满完成全球客户的需求。公司在专注于日常运营的同

时,持续为业务战略转型创造动能,努力扩大公司的战略发展空间、打造多样化产品、提高服务标准,以为利益相关方创造业绩。

面对2020年的疫情风险,CAO意识到保障供应链对促进贸易和业务发展的重要性。公司把员工安全放在第一位,竭尽全力保护员工队伍,同时为客户提供支持,以确保业务照常进行。为应对疫情挑战,公司在2020年1月29日成立了防疫工作小组,管理并实施了各种预防措施,保障员工的健康和安全。

公司将不断努力改进可持续发展工作,专注于能够产生最大影响力的领域,努力将道德、经济和社会风险降至最低,以可持续性的方式为CAO的长期成功做出贡献。

董事会很高兴分享这份可持续发展报告(以下简称“报告”),报告重点介绍了公司从2020年1月1日至2020年12月31日(“2020财年”)所开展的ESG相关业务活动。

关于本报告

公司的2020年可持续发展报告符合新加坡证券交易所(简称“SGX-ST”)对可持续发展报告“若不遵守就必须解释”的要求,并继续采用国际综合报告理事会(简称“IIRC”)的综合报告主要原则来报告CAO推动创造长期价值的方式。本报告在编制过程中参考全球报告倡议组织(简称“GRI”)标准进行了重要性评估。

CAO的可持续发展治理结构



SUSTAINABILITY REPORT 可持续发展报告

本报告阐述了2020财年公司涵盖新加坡、香港特区、美国、英国和欧洲的子公司对管理环境及社会影响方面的承诺、治理、政策、业绩和目标。公司还在重要议题上与联合国可持续发展目标(简称“SDGs”)保持一致。

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

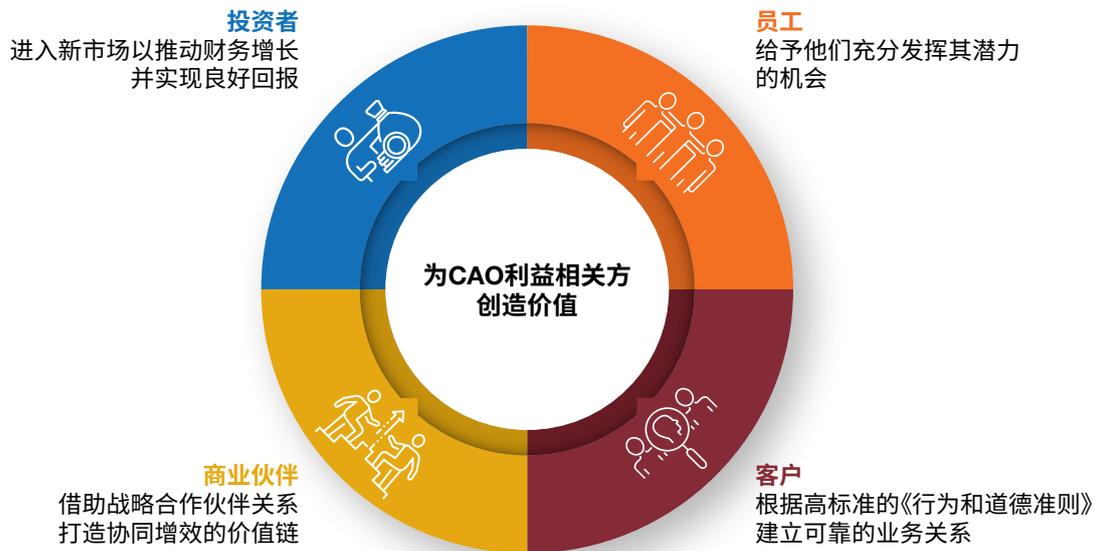
纳入本报告范围的实体包括:

1. 中国航油(新加坡)股份有限公司(在新加坡注册成立)
2. 中国航油(香港)有限公司(在香港特别行政区注册成立)
3. 北美航油有限公司(在美国注册成立)
4. 中国航油(欧洲)有限公司(在英国注册成立)

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

公司致力于不断改进可持续发展工作和信息披露。如果您对本报告有任何意见和建议,欢迎您直接电邮 sustainability@caosco.com。

公司创造价值的可持续发展方式



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为确保公司的可持续发展, CAO积极与利益相关方展开沟通合作。2020年, 虽然新冠疫情限制了面对面的互动活动, 但公司继续通过多种沟通渠道, 如线上互动、视频和电话会议, 与利益相关方保持联系, 开展了如下活动:

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积极致力于股东回报最大化, 维持良好的公司治理, 与投资者和分析师保持高效及时的沟通是提高企业透明度和责任制的关键。	通过新交所网站和公司网站提供最新的财务业绩和公告、业务发展、新闻稿和其他相关披露 常年股东大会
员工 	CAO努力创造多元化和包容的工作环境, 使员工受到重视, 有职业发展机会和成功的动力。	新员工入职培训 培训及发展计划 定期电邮和会议 休闲健康活动 员工意见反馈渠道 职业发展绩效评估
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。	与客户定期会面以交流最新情况, 包括最新政策和实践 实地访问
商业伙伴 	CAO致力于实现并保持健康及安全的工作环境, 确保公司运营不会环境影响。	与商业伙伴定期会面以交流最新情况, 包括最新政策和实践 实地访问



Small group discussions amongst employees are encouraged to facilitate exchange of ideas and best practices
 公司积极鼓励员工进行小组讨论以促进最佳实践的交流

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重要性评估

2020年,我们回顾了2017年可持续发展报告中首次列出的重要ESG因素。此外,我们还用企业风险管理框架分析了一系列潜在风险,主动识别、消减和管理关键业务风险,并将公司的重要ESG因素与可持续发展目标相结合统一。商业环境充满挑战,全球和国内监管发展日新月异,我们综合考虑了以上因素,并了解了利益相关方的意见,未对本报告中涵盖的重要ESG因素进行任何重大更改。

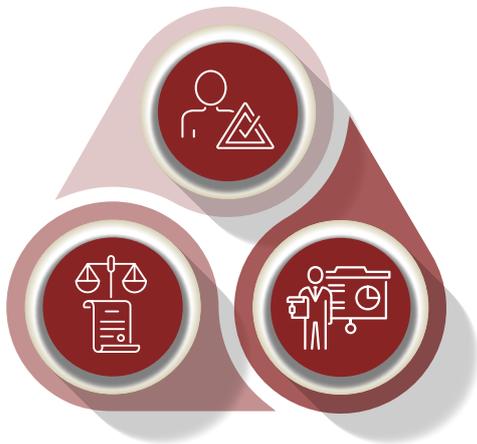
重要ESG因素	公司参与方式	GRI披露	实践	相关可持续发展目标
经济表现	直接	GRI 201-1已产生和分配的直接经济价值	积极制定可持续发展和长期业务战略,以减轻宏观经济带来的风险。 继续发掘并进入全球主要航空热点领域,拓宽客户基础,在亚太和欧美地区延伸公司的全球价值链。	 8 体面工作和经济增长
环境合规	直接	GRI 307-1违反环境法律法规的情况	遵守相关环保法律法规,避免可能发生的违规事件,并确保运营顺利、有效率。	 16 和平、正义与强大机构
防止溢油	直接、间接	GRI 306-3严重溢油情况	致力于尽可能减少潜在溢油事件的影响,以保护周边环境。这与公司坚持安全、健康、环境(简称“SHE”)高标准,以安全、可靠、高效的方式经营业务,极力于对环境的影响降至最小的使命相一致。	 14 水下生物
健康与安全 (工作场所和客户)	直接、间接	GRI 403-2危害识别,风险评估与事故调查 GRI 416-2有关产品和服务影响健康和安全的违规事件	坚持SHE高标准,以安全、可靠、有效的方式开展业务。 力求提供高质量的产品和服务。	 8 体面工作和经济增长
多元化与平等机会	直接	GRI 405-1治理组织和员工的多样化	努力创造多元化和包容的工作环境,促进和提高公司在全球所有职能部门员工的多元化、经验和能力。	 5 性别平等
采购实践	直接	不适用	积极关注并尽可能减少供应链中潜在对公司声誉的负面影响。	 12 负责任消费和生产
保护敏感信息	直接	GRI 418-1有关违反客户隐私权和遗失客户资料的经证实的投诉	维护公司的数据安全高标准,公司对保密通信及其利益相关方的隐私和保密合法权利保持警惕。	 16 和平、正义与强大机构
公司治理	直接	GRI 419-1社会和经济领域中的违反法律法规的情况 GRI 205-3经证实的贪污事件及采取的相应行动	严格的公司治理标准和完善的内部审计程序确保了CAO的所有商业活动都有明确的责任担当,支持公司实现长期战略。公司绝不容忍任何欺诈、贿赂或贪污行为。	 2 零饥饿

SUSTAINABILITY REPORT 可持续发展报告

强管理

公司根据“透明化、标准化和精细化”的经营理念制定管理框架、优化业务流程、明确责任并鼓励创新。在地缘政治升温、疫情不断蔓延的情况下，公司始终关注并高度重视“合规第一，风控至上”，积极管理业务运营和宏观经济环境中的重大挑战和机遇。2020年，前台和中台部门对公司的套期保值业务和贸易对家政策进行了排查和更新，以应对疫情带来的相关风险，确保公司的管控工作到位、有力并符合最新的国际商业监管要求。有关风险管理结构、战略、重大风险及风险防范措施之详情，请参阅风险管理部分。

作为一家业务覆盖全球的公司，CAO始终坚持高标准的公司治理和商业行为。过去一年里，公司在新加坡治理和透明度指数中保持良好的排名，并继续是富时海峡时报中国指数、富时海峡时报小市值股指数和摩根士丹利国际资本新加坡小市值股指数的指数股之一，肯定了公司对企业透明度的重视。与此同时，公司还借鉴国际内部审计师协会推荐的最佳实践，实施了内部审计质量保证和改进计划，以便能够对内部审计效率和有效性进行质量评估，并在各业务部门工作中积极寻找机会，把可持续发展融入业务和日常管理。公司在2020年下半年开展对套期保值业务流程的内部审计，客观地验证了公司遵守并符合绩效标准。有关CAO公司治理方面的更多详细信息，请参阅公司治理声明部分。



公司治理



环境合规(防止溢油)

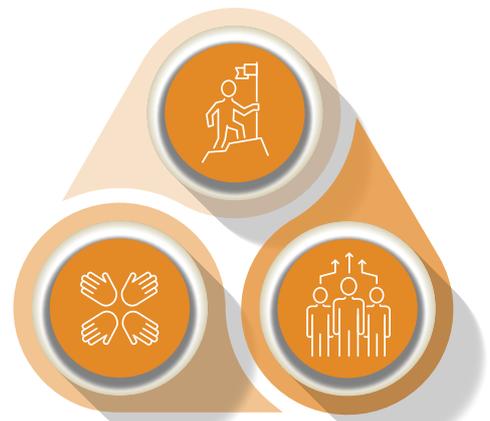
降成本

由于疫情导致经济疲弱，CAO采取了多方面的成本节约措施，以精简公司各项业务和行政支出。

这一年，公司精简了各个业务支持部门的支出，改善了支出的可见性、提高了运营效率和业务流程的合规性。同时，在银行合作方的大力支持下，公司利用其稳健的资产负债表和集中现金池资源，显著降低了贸易融资成本和管理开销。

促发展

随着公司持续专注于扩大其全球业务，我们意识到，CAO的长期业务成功取决于继续吸引、发展、留住和聘用最优秀人才的能力。CAO的竞争优势在于我们丰富的创新文化。公司致力于创造公平、多元和包容的工作环境，充分发挥员工的才能，让所有员工都能有所作为；赋予员工责任心，在优先确定公司目标的同时，切实有效地开展工作。有关更多详细信息，请参阅CAO人力资源部分。



多元化和平等机会

SUSTAINABILITY REPORT

可持续发展报告



2020财年，新冠疫情造成的极端市场条件和前所未有的挑战影响了全年大部分时间，且商业活动和全球航空旅行几乎停摆。尽管公司航油业务和油品贸易团队积极寻找机会，向新市场供应低硫航油并建立市场份额，但全球各地的疫情隔离和封锁措施对航油需求产生重大冲击。前台部门凭借2020年初有利的贸易环境以及韩国和中国的储罐设施，加大全球储量，以有效管理供给过剩的情况，为终端客户提供更多灵活性和选择。

CAO还通过其一体化的供应与贸易网，展示其精细定位和竞争优势，与大型石油公司达成供应协议，进一步扩展公司在全球的市场和机场供应网络。在业务增长的同时，前台和中台部门有效地管理风险敞口，无论是供应或运营操作，都确保将贸易对家风险降至最低。有关公司展望和运营业绩的更多详细信息，请参阅首席执行官致辞和经营概况部分。

保安全

随着全球疫情爆发，健康和安全的2020年更加突显其重大意义。对于CAO来说，确保员工和其他利益相关方的安全是保障业务延续性的一个挑战。公司高度重视保护员工及其生活和工作社区的健康和福祉。

公司在较早的时候就意识到此次公共卫生风险，并在2020年1月成立了防疫工作小组，指导开展防疫工作，将疫情对企业的影响降至最小，同时积极保护员工和各利益相关方。随着疫情爆发，公司发布了商业运营风险评估，分享及张贴关于疫情卫生和防疫主题的海报，以提高员工防疫

意识，共同抗疫。防疫工作小组规定，任何有流感症状或与疑似或确诊疫情病例接触的人必须在一段时间内自我隔离，并远离工作场所。公司还鼓励员工在工作以外场合同样采取负责任的行为，减少感染的可能性，到访工作场所的访客亦需遵守相应规定。

公司鼓励全球员工在家办公，并遵守各国政府为抗疫推出的措施。在强建的信息技术基础设施的支持下，CAO的业务运营在这一年里没有出现任何重大中断。为保持安全、健康的工作场所同时继续运营，公司也调整了工作方式。为了减少工作场所的传播风险，公司实施了社交距离和工作场所人数限制，加强宣传卫生习惯，向所有员工提供必要的个人防护配备和洗手液等卫生用品；所有有需要的人都能获得防疫用品。公司还加强了工作场所的定期清洁与接触面的擦拭，以减少传播风险。

疫情初期，全球对个人防护用品的需求猛增，基本个人防护配备，例如医用口罩等紧缺。尽管如此，公司借助其国际足迹在全球范围内采购并在整个公司内分发了防护用品，使得业务运营能够安全继续。截至2020年12月底，公司无一人感染新冠病毒。

公司意识到新冠疫情还将持续，健康安全风险并未消退，公司将致力于以最高标准保障全体员工的健康和安全。

展望未来

CAO将继续提升公司核心业务的竞争力，专注于巩固竞争优势，为公司的长期可持续发展构建牢固的基石。

FINANCIAL REVIEW

业绩回顾

OVERVIEW

For the financial year ended 31 December 2020 ("FY2020"), CAO Group ("the Group") achieved total revenue of US\$10.52 billion, lower by 48.30% compared to US\$20.34 billion for the financial year ended 31 December 2019 ("FY2019") due to the decrease in oil prices and total supply and trading volume.

The Group's operating profit of US\$35.45 million in FY2020 was 13.33% lower compared to FY2019, mainly due to lower gross profit derived from jet fuel supply business as a result of COVID-19 pandemic, which was partly offset by lower expenses.

The share of results of associates was US\$24.79 million in FY2020, lower by 62.17% compared to US\$65.53 million in FY2019.

The Group's net profit attributable to shareholders in FY2020 was lower by US\$43.64 million or 43.71% at US\$56.19 million. Consequently, Earnings Per Share ("EPS") was lower at 6.53 US cents compared to 11.61 US cents in FY2019. Return on Equity ("ROE") decreased 5.88 percentage points to 6.57%, mainly attributable to the lower profits.

The Group generated net operating cash outflow of US\$166.19 million in FY2020 due to the increase in working capital requirements compared to net operating cash inflow of US\$49.89 million in FY2019. Cash flow from investing activities increased due to higher dividends received from associates in FY2020.

The Group is proposing a final one-tier tax exempt ordinary dividend of S\$0.0258 per share for FY2020.

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

OPERATING PROFIT

Total revenue decreased 48.30% to US\$10.52 billion in FY2020. Revenue from supply and trading of middle distillates decreased 58.59% to US\$5.63 billion, attributable mainly to the decrease in oil prices as well as supply and trading volume. Total supply and trading volume was 27.62 million tonnes for FY2020, a decrease of 25.21% compared to 36.93 million tonnes for FY2019. The supply and trading volume of middle distillates decreased 35.98%

to 14.25 million tonnes for FY2020, compared to 22.26 million tonnes for FY2019, and accounted for 53.56% of the Group's total revenue in FY2020. Trading volume for other oil products, comprising mainly crude oil and fuel oil, decreased by 1.30 million tonnes or 8.86% to 13.37 million tonnes in FY2020 and generated US\$4.89 billion in revenue.

China remains the Group's largest market, accounting for 55.40% of the Group's revenue in FY2020, an increase of 3.07 percentage points in proportion to the Group's revenue compared to FY2019.

Gross profit decreased by 21.53% to US\$45.87 million for FY2020 compared to US\$58.46 million for FY2019, mainly due to lower profits from jet fuel supply business as a result of COVID-19 pandemic.

Other operating income was US\$6.75 million for FY2020, an increase of 16.08% compared to US\$5.82 million for FY2019, mainly due to higher foreign exchange gains and higher other income, partially offset by a decrease in bank interest income. Foreign exchange differences improved by US\$1.83 million mainly due to exchange gains from the receipt of RMB dividends from Shanghai Pudong International Airport Aviation Fuel Supply Company Ltd ("SPIA"). Other income which mainly comprised of wage support and property tax rebates from the Singapore Government pertaining to COVID-19 pandemic, increased by US\$0.97 million. Bank interest income was US\$4.61 million for FY2020, a decrease of US\$1.87 million compared to bank interest income of US\$6.48 million for FY2019, primarily impacted by low deposit interest rates.

Total expenses decreased 26.53% to US\$17.17 million for FY2020 compared to US\$23.37 million last year due mainly to lower staff costs and finance costs.

SHARE OF RESULTS OF ASSOCIATES

Contributions from the share of results of associates, mainly from SPIA, decreased 62.17% to US\$24.79 million for FY2020 compared to US\$65.53 million for FY2019. Profit contribution from SPIA decreased 66.36% to US\$19.79 million for FY2020 compared to US\$58.83 million for FY2019, mainly due to lower revenue and profits as a result of lower refuelling volume and oil prices caused by the COVID-19 pandemic.

Share of results of other associates was US\$5.00 million for FY2020 compared to US\$6.70 million for FY2019, a decrease of 25.37% or US\$1.70 million, mainly due to lower contribution from China National Aviation Fuel TSN-PEK Pipeline Transportation Corporation Ltd owing to lower pipeline transportation revenue.

FINANCIAL REVIEW

业绩回顾

NET PROFIT

The Group's profit before tax at US\$60.24 million was lower by 43.40% compared to US\$106.43 million for FY2019, mainly attributable to the lower gross profits generated and lower share of results of associates due to the COVID-19 pandemic, partially offset by the decrease in expenses.

Income tax expense was US\$4.05 million for FY2020 compared to US\$6.60 million for FY2019, a decrease of 38.72% or US\$2.55 million, mainly due to lower deferred tax liabilities recognised on the Group's share of undistributed retained earnings of associates.

As a result of lower gross profit and share of results of associates, the Group recorded net profit of US\$56.19 million in FY2020, lower by US\$43.64 million or 43.71% compared to US\$99.83 million for FY2019.

FINANCIAL POSITION

The Group continues to maintain a healthy balance sheet in FY2020. As at 31 December 2020, total assets remained relatively flat at US\$1.89 billion, compared to US\$1.87 billion as at 31 December 2019, mainly due to the increase in trade and other receivables, and inventories, partially offset by the decrease in cash and cash equivalents, and contract assets.

The Group's liquidity and debt servicing ability remained strong. As at 31 December 2020, the Group's cash and cash equivalents were US\$269.11 million, compared to US\$378.78 million as at 31 December 2019, a decrease of US\$109.67 million. As at 31 December 2020, the Group's current ratio and quick ratio were 1.56 and 1.47 respectively (FY2019: 1.45 and 1.39 respectively). In 2020, the Group's total trade and banking facilities amounted to US\$2.08 billion.

As at 31 December, the Group's net assets stood at US\$876.88 million, or 101.94 US cents per share, compared to US\$834.96 million or 97.07 US cents per share as at 31 December 2019. The increase in net asset value per share was attributable mainly to the earnings generated in FY2020 less dividends paid in respect of FY2019.

The Group continues to preserve its overall liquidity position to support its growing businesses. The Group's principal sources of cash flow are derived from its supply



CNAF storage tanks in the PRC
CNAF在中国的储罐

and trading business operations as well as dividends received from its investment in associates.

The Group's FY2020 financial performance has demonstrated the strength and resilience of CAO's businesses despite operating in the most extreme market conditions, impacted by COVID-19 and the consequent economic downturn. CAO will continue to maintain a healthy bank balance, exercising stringent credit management even as it continues to focus on credit control as well as account receivables and working capital management, while proactively seeking synergetic and strategic asset investment opportunities to diversify and augment its income streams.

ECONOMIC VALUE ADDED

Economic Value Added ("EVA") profit for FY2020 was US\$2.81 million, a decrease of 94.19% or US\$45.56 million from US\$48.37 million for FY2019, mainly due to the decrease in net earnings on the back of higher capital employed. Accounting net profits decreased 43.71% year-on-year to US\$56.19 million for FY2020, compared to US\$99.83 million for FY2019. To reward shareholders, the Board of Directors has proposed a first and final dividend in cash of S\$0.0258 per share for FY2020 (FY2019: S\$0.047). The Group will continue to focus on improving efficiency to create value for shareholders and remain prudent in financial management.

FINANCIAL REVIEW

业绩回顾

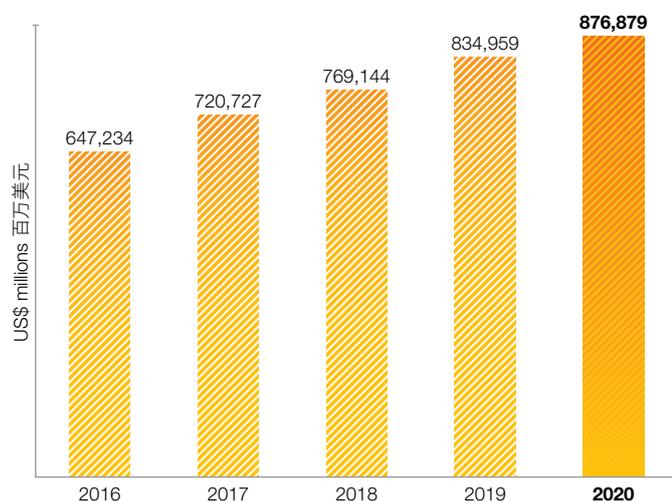
5-YEAR FINANCIAL SUMMARY 五年财务摘要	2016	2017	2018	2019	2020
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INCOME STATEMENT (US\$'000) 损益表(千美元)					
Revenue 营业额	11,703,191	16,267,606	20,611,954	20,343,491	10,516,955
Gross Profit 毛利	44,050	38,703	49,994	58,456	45,872
Associated Companies 联营公司	66,363	71,534	72,109	65,532	24,789
Net Profit Attributable to Equity Holders of the Company (PATMI) 可向股东分配净利润	86,457	84,927	93,858	99,830	56,193

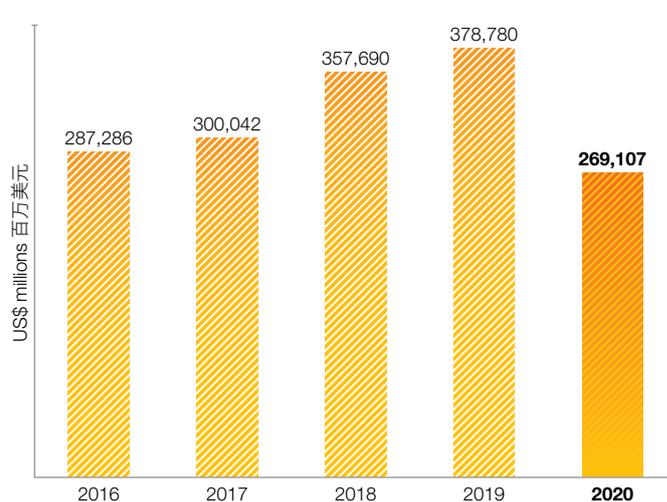
BALANCE SHEET (US\$'000) 资产负债表(千美元)					
Total Assets 总资产	1,341,970	1,909,809	1,653,568	1,872,945	1,887,949
Total Equity 股东权益	647,234	720,727	769,144	834,959	876,879
Cash and Cash Equivalent 现金及现金等价物	287,286	300,042	357,690	378,780	269,107

FINANCIAL RATIOS 财务比率					
Earnings Per Share (US\$ cents) 每股收益(美分)	10.05	9.87	10.91	11.61	6.53
Net Asset Value Per Share (US\$ cents) 每股净资产(美分)	75.24	83.79	89.42	97.07	101.94
Return on Equity 净资产回报率	13.95%	12.42%	12.60%	12.45%	6.57%
Return on Assets 资产回报率	7.76%	5.65%	5.63%	6.04%	3.22%
Debt Equity Ratio 股本带息负债率	15.40%	16.60%	0.00%	0.00%	0.00%

Total Equity
股东权益



Total Cash & Cash Equivalent
现金及现金等价物



FINANCIAL REVIEW

业绩回顾



TSN-PEKCL Tanggu Operation Centre
管输公司运控中心塘沽站

综述

截至2020年12月31日(简称“2020财年”),公司总收入为105.2亿美元,相比2019年12月31日(简称“2019财年”)的203.4亿美元下降48.30%,主要是因为油价和总业务量下降。

公司2020财年的营业利润为3,545万美元,较2019财年减少13.33%,主要是因为航油供应业务受到新冠疫情的影响而毛利减少,同时费用减少抵消了部分降幅。

2020财年来自联营公司的投资收益为2,479万美元,较上年同期的6,553万美元,下降62.17%。

2020财年可分配给公司股东的净利润为5,619万美元,同比减少4,364万美元,降幅为43.71%。2020财年的每股收益(简称“EPS”)为6.53美分,上年同期为11.61美分。净资产收益率(简称“ROE”)下降5.88个百分点至6.57%,主要由于利润减少所致。

2020财年经营活动产生的净现金流出为1.66亿美元,主要是经营活动占用的资金增加,2019财年的经营活动净现金流入为4,989万美元。投资活动的现金流入增加,主要是2020财年从联营公司收到较多的股息。

公司提议2020财年的最终股息为每股0.0258新元。

尽管市场条件充满挑战,公司仍将继续发展航油供应与贸易网络,并在其他油品贸易中建立战略优势。公司也将通过投资具有协同效应和战略前景的油品相关资产和业务寻求拓展机会,继续专注发展长期盈利能力。

营业利润

2020财年总收入下降48.30%至105.2亿美元,其中:中馏分供应与贸易收入下降58.59%至56.3亿美元,主要是由于油价和供应与贸易量下降。2020财年供应与贸易总量为2,762万吨,比2019财年的3,693万吨减少25.21%,其中:中馏分供应与贸易量从2019财年的2,226万吨减少至2020财年的1,425万吨,降幅为35.98%,占公司2020财年总收入的53.56%;其他油品贸易量(主要来自于原油和燃料油)在2020财年下降130万吨或8.86%至1,337万吨,贡献48.9亿美元的收入。

中国依然是公司最大的市场,占公司2020财年收入的55.40%,与2019财年的收入相比,占比增长3.07个百分点。

2020财年毛利为4,587万美元,较2019财年毛利5,846万美元下降21.53%,主要是由于航油供应业务受到新冠疫情的影响以致毛利减少。

2020财年其他经营收入为675万美元,较上年同期582万美元增加16.08%,主要是因为汇兑收益和其他收入较高,同时银行存款利息收入减少抵消了部分增幅。汇兑收益同比增加183万美元,主要是收到上海浦东国际机场航空油料有限公司(简称“浦东航油”)人民币股息产生的汇兑收益。其他收入同比增加97万美元,主要是公司获得新加坡政府针对新冠疫情影响给予的雇佣补贴和财产税减免。2020财年银行存款利息收入为461万美元,较去年同期的648万美元减少187万美元,主要原因是市场存款利率下降的影响。

2020财年总费用为1,717万美元,较上年同期的2,337万美元下降26.53%,主要是员工成本和财务费用减少。

FINANCIAL REVIEW

业绩回顾

来自联营公司的投资收益

2020财年联营公司投资收益为2,479万美元, 相比上年同期的6,553万美元下降62.17%, 主要是来自浦东航油的投资收益减少。2020年来自浦东航油的投资收益为1,979万美元, 较上年同期的5,883万美元下降66.36%, 主要是因为受到新冠疫情的影响, 浦东航油的航油加注量和油价下滑导致收入和盈利齐降。

2020财年来自其他联营公司的投资收益为500万美元, 较上年同期的670万美元减少25.37%或170万美元。这主要是由于来自中国航油集团天津管道运输有限责任公司的投资收益减少, 因其管输量下降导致营业收入减少所致。

净利润

2020财年公司税前利润为6,024万美元, 较2019财年的1.06亿美元下降43.40%, 主要是因受到新冠疫情的影响, 毛利和投资收益下降, 费用的减少部分抵减了利润的降幅。

2020财年所得税费用为405万美元, 较上年同期的660万美元下降38.72%或255万美元, 主要是公司按联营公司的未分配利润确认的递延所得税负债减少。

由于毛利以及来自联营公司的投资收益较少, 2020财年净利润为5,619万美元, 较2019财年的9,983万美元减少4,364万美元, 降幅为43.71%。

财务状况

公司2020财年的资产负债状况健康。截至2020年12月31日, 总资产为18.9亿美元, 与上年同期的18.7亿美元基本持平, 主要是由于应收账款和其他应收账款及存货增加, 而现金及现金等价物和合同资产的减少, 部分抵减了资产增加的幅度。

公司的资金流动性和偿债能力依然稳健。截至2020年12月31日, 公司现金及现金等价物为2.69亿美元, 较2019年12月31日的3.79亿美元, 减少1.10亿美元。截至2020年12月31日, 公司的流动比率和速动比率分别为1.56和1.47 (2019财年分别为1.45和1.39)。2020年, 公司的银行授信额度总计20.8亿美元。

截至2020年12月31日, 公司净资产为8.77亿美元或每股101.94美分, 而截至2019年12月31日, 公司净资产为8.35亿美元或每股97.07美分。每股净资产的增加主要是由于2020年盈利增加, 部分被支付2019年股息所抵销。

公司继续保持较好的整体资金流动性, 支持业务拓展。公司主要的现金来源为供应与贸易业务以及联营公司所派发的股息。

尽管疫情对市场带来了极为恶劣的影响, 导致全球经济萧条, 但公司在2020财年所取得的业绩却充分展现了公司业务的运营实力及韧性。公司将继续保持充裕的资金, 严格管理信用风险, 持续关注信用控制、应收账款、流动资金管理, 积极寻找有协同性的战略资产投资机会, 以拓宽收入来源。

经济增加值

2020财年经济增加值 (简称“EVA”) 为281万美元, 较上年的4,837万美元减少4,556万美元, 降幅为94.19%; 主要因为净利润减少, 在投资资本增加的情况下经济增加值下降。2020财年净利润为5,619万美元, 较2019财年的9,983万美元下降43.71%。为了回报股东的支持, 董事会提议2020财年派发每股0.0258新元的年终股息 (2019财年: 0.047新元)。公司将进一步提高运营效率, 保持谨慎的财务管理策略, 为股东持续创造价值。



SPIA's into-plane refuelling operations
浦东公司的航油加注工作场景

RISK MANAGEMENT

风险管理

In 2020, an unexpected COVID-19 pandemic swept the world, dealing a huge blow to the global economy. Amid lockdowns and travel restrictions as the world grappled to contain the spread of the pandemic, the aviation industry was particularly impacted, exacerbated by unilateralism, trade protectionism and anti-globalisation trends as well as the escalation of geopolitical tensions. These factors made the global environment severely complex and volatile. The Group faced new challenges in its operations and business development as the complexity of the risks affecting the Group escalated, coupled with high volatility of oil prices in 2020. Impacted by COVID-19, the Brent crude quickly plunged from US\$68.91 per barrel at the beginning of the year to a low of US\$23.07 per barrel in April, bottoming out in the second half year 2020 to gradually recover to about US\$51 per barrel at the end of the year.

Amid the complex and constantly changing market environment, the Group relied on its four-tier, two-line risk management framework and reporting structure to analyse, assess and identify various risks to effectively mitigate and manage the risk exposures faced by the Group's global business operations to ensure healthy business sustainability.

For 2020, the Group continued to strengthen its risk management framework with the establishment of a tripartite communication mechanism with subsidiaries, to effectively consolidate and centralise risk management processes under the Group. The year also saw the implementation of a COVID-19 related risk tracking system, with capabilities to perform analysis of specific risk areas in order to fortify the enterprise risk management in the Group. Improvements in the market and price risk management processes were also achieved through the streamlining of standard operating procedures using technology and systems, resulting in greater efficiency and effectiveness of the daily reporting process. The Group also completed portfolio reviews of all of its trading counterparties, in order to identify and deactivate high-risk counterparties, so as to further improve the quality of approved trading counterparties and the credit risk management in the Group. The hedging business management plan was updated during the year and the hedging strategy for the Group was thoroughly reviewed, to ensure compliance of the hedging business in accordance to the Group's policy.

As part of its risk culture, the Group continues to actively develop and refine its centralised risk control and support network to enable 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
6. Credit risk management and concentration analysis

RISK MANAGEMENT FRAMEWORK, POLICIES AND PROCESSES

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

CAO's risk management foundation is built upon three pillars, namely:

1. Four-tier, two-line management and control structure.
2. Policies, guidelines and control framework.
3. System, process and people.

The Group's four-tier, two-line 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 and governance level, overall responsibility for risk management of the Group lies with its Board of Directors. Accordingly, all risk management issues are ultimately reported to the Board of Directors.

At the tactical and policy level, the Risk Management Committee ("RMC") oversees strategic risk management issues. The RMC reviews the limits for various types of risks and makes recommendations to the Board for approval and in addition, 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 category of risk.

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

RISK MANAGEMENT

风险管理

ROBUST MANAGEMENT CONTROL STRUCTURE

严谨的管理控制架构



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

RISK MANAGEMENT STRATEGY

The Group’s growing multi-product portfolio businesses subjects CAO to a number of risks. These include exposure stemming from changes to regulatory and operational conditions in certain regions, fluctuations in currencies and volatility in oil prices. To better manage the exposure of the Group’s growing business portfolio, CAO seeks to strengthen its risk management team through new hires and training programs, in order to manage the enlarged risk portfolio with the Group’s growing presence globally.

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;
- Finance risk – is the risk that a firm will be unable to meet its financial obligations.

RISK MANAGEMENT

风险管理

In addition to conducting regular market risk stress tests on positions held by the Group, an enterprise-wide stress test was conducted in 2020 in view of the COVID-19 pandemic to assess the potential impact and risk areas the pandemic may have on the Group. These enterprise-wide stress tests cover various risks in the areas of market, credit, foreign exchange, financing, operations as well as legal and regulatory risks. Through such stress-testing exercises and 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 as well as potential impact on the Group's business operations.

FIVE KEY RISKS AND MITIGATION STRATEGIES

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. On top of managing the key identified business risks on a daily basis, we have also analysed and determined the top five risks in CAO's operating environment in 2020 from an internal assessment.

COMPREHENSIVE ENTERPRISE RISK MANAGEMENT

Recognising that risk management plays an important 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 through which action plans to mitigate identified risks are executed as planned by respective risk owners from various business units and functions. The process ensures that key risks are proactively monitored and managed and that appropriate mitigations are put in place.

Under the ERM, the top-down and bottom-up approach is deployed to effect information collection and compilation for the Group's risk register. CAO currently reviews its Risk Register entries semi-annually. During the review process, each risk entry is quantified in terms of impact and probability and ranked, so that most significant potential risks may be prioritised.

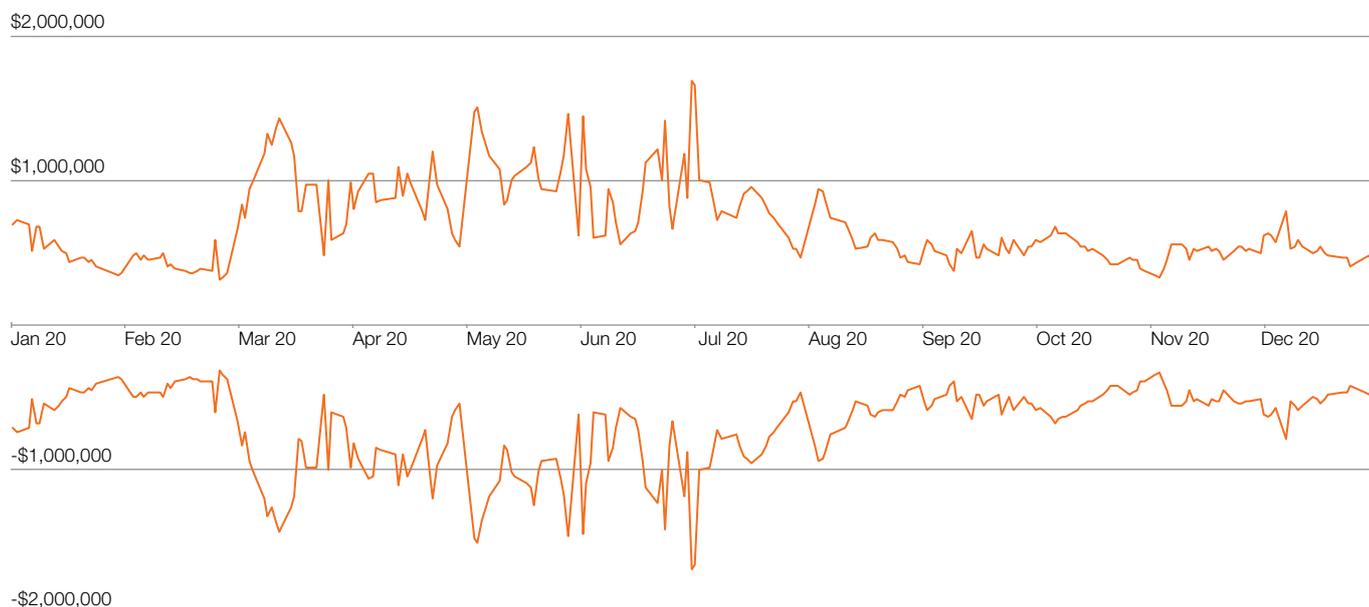
No.	Assessed Significant Risks	Mitigation Strategies	Impact
1	COVID-19 impact	<ol style="list-style-type: none"> Adjust business strategy on a timely basis, such as re-arranging supply contract, developing new jet fuel demand, etc. To closely follow the development of the pandemic and make arrangements for personnel planning in advance. Maintain workplace hygiene to prevent the spread of infections in the office. Monitor the itinerary of personnel on business trip to avoid key pandemic areas. Make arrangements for business continuity. 	High
2	Regulatory risk – such as liberalisation of the jet fuel import market in the PRC	<ol style="list-style-type: none"> To establish a diversified portfolio and leverage on the structural advantages of the supply and trading network. To improve logistics efficiencies and extend value chain to establish a comprehensive and systematic global jet fuel supply and trading network. 	High
3	Trading counterparty credit risk	<ol style="list-style-type: none"> Set appropriate portfolio credit limit for trading counterparties globally. Conduct annual review on active counterparties. Strengthen the credit risk management team. Implement credit mitigation measures, such as Letter of Credit, prepayments, credit insurance, etc. Discuss and provide oversight of credit risk issues via the CRM. 	Mid
4	Human resource risk	<ol style="list-style-type: none"> Implements a competitive compensation package. Provides competitive employee benefits. Implements a career progression & development plan. Implements succession plan to address key personnel risks. 	Mid
5	Single product strategic risk	<ol style="list-style-type: none"> Adopts product diversification strategy to develop supply and trading capabilities in other oil products. Seeks to build structural advantages for other oil products through securing supply contracts and investing in synergetic assets to support trading activities. 	Mid

RISK MANAGEMENT

风险管理

2020 MVaR UTILISATION AT COMPANY LEVEL

2020年公司市场风险值使用情况



Apart from the Risk Register, the CRM which comprises management team and heads from various business functions, is another critical component of ERM and avails an important channel for discussing risk-related topics and issues. Through regular CRM meetings, as well as ad-hoc ones and e-mail circulation, potential risk factors identified in daily business operations can be discussed and evaluated on a timely basis. For example, in the scenario where the credit risk team highlighted credit issues of late payments from a trading counterparty, the CRM may discuss and decide promptly whether to have any further commercial dealings with the relevant trading counterparty.

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

MARKET RISK MANAGEMENT AND SENSITIVITY ANALYSIS

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

The Market Value at Risk ("MVaR") is used as a primary tool to measure market risk. All physical and financial contracts are subjected to MVaR limits and valuation of the holding

portfolio is monitored on a daily basis. A set of market risk limits, which are delegated by the Board, include Volumetric limits, MVaR, Management Alert Triggers, Stop-Loss limits and Hedging Ratio which are measured and monitored daily, with back-testing conducted regularly to ensure the suitability of the Group's MVaR model.

To complement the market risk limits, the Risk Management team also conducts market stress tests on the company's trading positions on a regular basis. Using historical scenarios from the database, the Risk Management team simulates in a timely manner the likely impact of the Group's recent trading position in times of extreme market conditions. In 2020, the Group conducted stress test on the impact of COVID-19, which allowed CAO to have timely and deeper insight over its business activities, enabling the Group to take mitigating measures when necessary.

Notwithstanding the high volatility in the market environment, the Group's risk appetite remained cautious and measured. The daily MVaR utilisation rate on company level, based on a 95% confidence interval, has remained stable, registering an average MVaR utilisation of US\$697,405 in 2020.

In 2020, the Group continued to conduct derivatives business in strict accordance to the Hedging Business Proposal approved by the Board of Directors, which required all derivatives transactions to be for hedging purposes only and strictly prohibited speculative derivatives transactions.

RISK MANAGEMENT

风险管理



Inculcating the risk awareness culture amongst employees involves personal responsibility, teamwork and camaraderie
培养员工的风险意识文化有赖于强化员工个人的责任意识、团队契合度和合作精神

CREDIT RISK MANAGEMENT AND CONCENTRATION ANALYSIS

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

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

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

To actively manage the Group's credit risk, counterparties' credit worthiness is evaluated periodically based on financial standing, operating and payment track record as well as background checks. Actual credit terms and limits to be granted are allocated accordingly based on the information obtained through this thorough due diligence.

In view of the volatile operating environment and uncertain geopolitical situation in 2020, the Group has continued to maintain a prudent credit risk management practice. Key highlights in this area include:

1. Special reviews and deep dives into high risk counterparties or industry segments, allowing the Group to adopt pre-emptive measures and actions to avert potential credit events;
2. Enhancement of counterparty management policies to improve the effectiveness and efficiencies of counterparty management in CAO Group, and also conducted multiple counterparties clean up exercises to reduce the exposure to riskier counterparties and improve the credit quality of the Group's portfolio of counterparties;
3. In view of the bankruptcy of several oil trading companies during the year, the Group conducted an internal review of external incidents and reported on the lessons learnt so as to prevent future occurrence of similar incidents in CAO;
4. Due to the global pandemic that resulted in the escalation of credit risk for the Group, as well as the work from home arrangement during the height of the pandemic, CAO has established a new reporting process in order to continue to monitor and report credit risk matters on a timely basis.

RISK MANAGEMENT

风险管理

Our concentration risk profile of accounts receivables are as follows:

By Country

As of 31 December 2020, CAO's geographical exposure was predominantly from Singapore (66.82%), mainland China (16.78%) and Hong Kong SAR (10.84%), which made up 94.44% of the Group's total exposure.

During the year, the predominant countries were Singapore and China. The Group continues to diversify and rebalance the geographic mix of its business as it seeks to grow its business with counterparties outside of these two countries.

By Internal Credit Rating

As of 31 December 2020, in terms of internal credit rating, the Group's exposure mainly came from Grade B1 (34.61%) and Grade B2 (25.65%), which made up around 60.26% of our account receivable position. Letter of Credit ("LC") receivables was 31.53% of total account receivables.

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

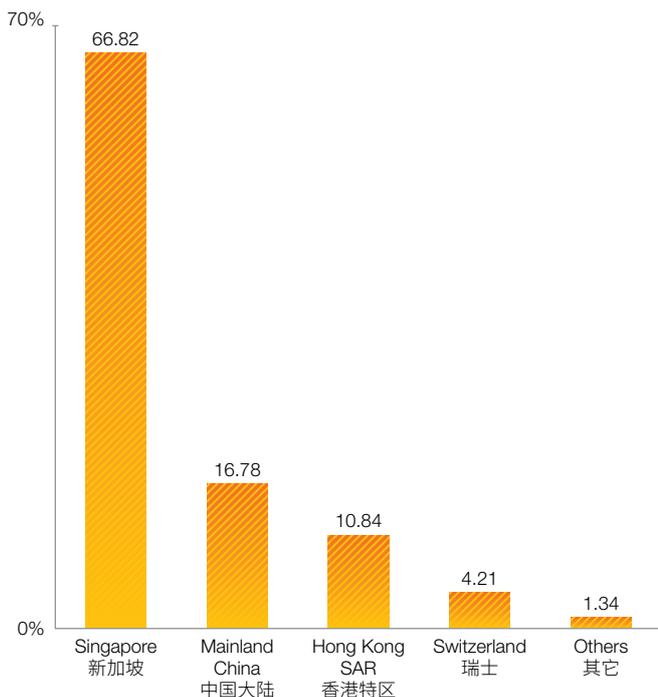
equivalent of investment-grade made up more than 90% of the Group's exposure. The overall portfolio was in good position.

For counterparties with non-investment grade credit rating, CAO refrains from the extension of any credit lines, and if necessary, payment terms granted are on LC and pre-payment basis, which effectively reduced the Group's credit risk exposure.

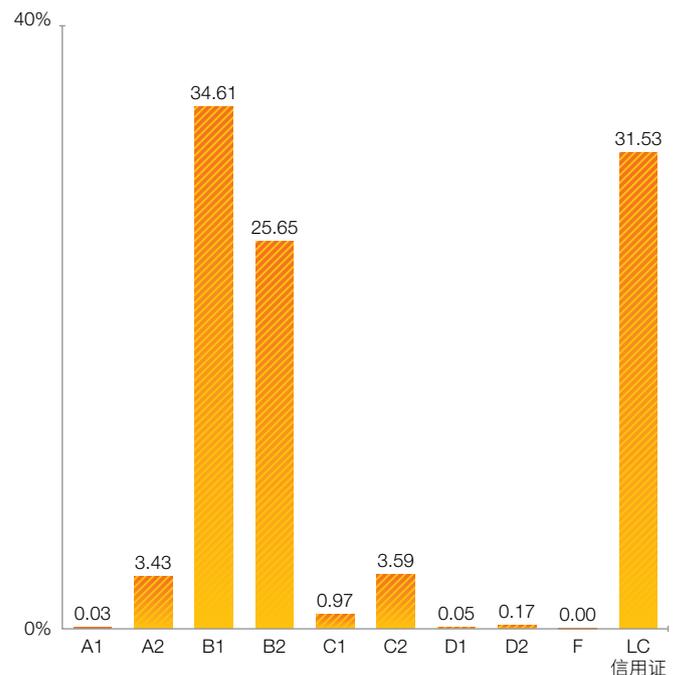
The Group had also employed credit enhancement or mitigation tools where necessary. These included obtaining parental company guarantees, cash collateral, letters of credit from investment-rated banks and ensuring offset clauses in contracts and so forth. These enhanced measures allowed the Group to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

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

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



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



RISK MANAGEMENT

风险管理

2020年,一场始料未及的新冠疫情席卷全球,对全球经济造成巨大冲击。在世界各国努力遏制疫情蔓延、实行封锁和旅行限制的情况下,航空业受到了严重影响。而这一影响在单边主义、贸易保护主义和反全球化趋势,以及地缘政治紧张局势升级的背景下,得到进一步放大。国际形势愈加复杂多变,公司的经营与发展面临着新难题,各项风险复杂程度日益提高,油价在2020年也发生巨大波动。受疫情影响,布伦特原油价格从年初的每桶68.91美元迅速探底,在4月低至每桶23.07美元后触底反弹,逐渐回升到年末每桶51美元左右的水平。

在复杂多变的 market 环境下,公司依靠现有的四层双线风险管理构架和报告机制,及时分析、评估和报告各项风险,有效地管控了国际贸易和企业运营中的各项风险,确保公司业务整体上的平稳和健康发展。

在2020年,公司继续稳步提升风险管理水平,建立了与子公司“三位一体”的沟通机制,初步实现了风险管理体系一体化。公司也于同年实施了新冠疫情风险追踪和特定风险专题分析,进一步推动企业风险管理全面化,同时启动了风险日报流程优化工作,进一步提升市场风险管理自动化。公司还完成了多轮贸易对象和合作公司的评估清理工作,剔除了高风险贸易对象,进一步实现了信用风险管理精细化并优化了公司贸易对象的质量。此外,公司也完成了套期保值业务管理方案的修订和策略的全面回顾,进一步提升了套期保值业务管理的规范化水平。

作为公司风险文化的一部分,公司继续积极开展并改善其集中化风险控制与支持网络,以支持公司于全球的业务拓展。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. 风险管理策略;
3. 五项关键风险及缓解措施;
4. 企业全面风险管理介绍;
5. 市场风险管理及风险值分析;
6. 信用风险管理及集中度分析。

风险管理框架、政策和流程

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

公司风险管理的三大支柱分别为:

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

公司的四层双线管理与控制架构是为了确保有效的治理,监督风险管理实践的有效执行。

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

在策略层面,风险管理委员会(简称“RMC”)负责监管战略风险管理问题。风险管理委员会对各类风险类型的限额进行审阅并提出意见,让董事会进行最终审批,并且审核批准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,了解公司各类风险敞口和风险管理难度。

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

在运作层面,风险管理部负责日常风险管理业务的执行,并确保所有与风险相关的政策、流程和限额得到遵守和落实。在过去十年中,风险管理团队设立了风险管控框架,包括识别、汇报和监控公司在新加坡、香港行政特区、洛杉矶以及伦敦的油品供应与贸易业务。风险管理团队拥有如全球风险管理专业人士协会(简称“GARP”)所认证的能源风险专业证书(简称“ERP”)和金融风险管理师(简称“FRM”)等专业资质,并凭借他们在信用、市场和企业风险管理的专业知识,有效地将严谨的全球风险管理落实到公司的全球业务中,进而协助管理层实施并实现战略业务目标。

风险管理策略

公司日益增长的多产品业务使公司面临多项风险。这些风险敞口来自部分地区监控管理和运营条件的改变、货币的转换,以及油价波动。为了更好地管理公司不断拓展的国际业务组合,公司不断完善其风险管理实践,并通过新聘员工及相关培训,加强风险管理队伍建设,以管理公司因业务日渐扩大而导致的复杂多样的风险。

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 — 贸易仓位、市场价格的变化所带来损失的风险;
- 信用风险 — 贸易对象履约的不确定性所带来的风险;
- 运作风险 — 财务和实货运作两方面在运作环节上的缺失所带来的风险;
- 法律风险 — 对法规法律的意识缺乏、误解、不明确或不计后果的行为所带来的财务和/或信誉损失的风险;
- 财务风险 — 公司无法履行债务所带来的风险。

RISK MANAGEMENT

风险管理

除了对持仓进行定期的市场风险压力测试之外，公司在2020年就新冠疫情对公司的影响，进行了企业范围内的压力测试。这些企业范围的压力测试涵盖了市场、信用、外汇、融资、运作、法律等方面的各类风险。公司会定期向董事会和管理层汇报这些测试与分析结果，以更好地防范此类突发事件对公司经营所带来的潜在影响。

五项关键风险及缓解措施

公司通过借鉴业内的最佳实践来持续改善公司的风险管理，并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，CAO也通过企业风险管理方法来排查公司经营中的其它风险。以下是公司通过内部评估所得出的2020年公司经营前五大风险。

企业全面风险管理介绍

因意识到风险管理在企业可持续发展中起着重要作用，CAO采用企业风险管理实践来识别和管理公司全球业务运作所面临的各种风险。通过全面的风险管理实践，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，并根据各业务部门各自的风险拥有者的计划来减轻风险，确保关键风险得到积极的监控和管理，并且有适当的缓解措施。

企业风险管理注册表通过自上而下和自下而上两种方法来收集信息、汇总公司风险。CAO目前每半年回顾企业风险管理注册表一次，并在回顾的过程中，通过量化的方法（影响力和可能性）将每个注册项进行估值和排序，从而遴选出对公司潜在影响最大的前几大风险。

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	新冠疫情影响	<ol style="list-style-type: none"> 及时调整业务策略，如对供应合同进行重新安排，开发新的航油需求等。 密切跟踪疫情发展情况，提前对人员计划做好安排。 保持办公职场的卫生条件，以防控病毒在办公室内传染。 追踪出差人员行程，尽量避开重点疫区。 做好业务持续性的安排。 	高
2	政策风险 — 如中国航油市场开放	<ol style="list-style-type: none"> 利用供应与贸易网络的结构优势，建立多元化业务。 提高物流效率和拓展价值链，建立一个综合机制的全球航油供应与贸易网络。 	高
3	贸易对家信用风险	<ol style="list-style-type: none"> 设立恰当的贸易对家(全球)总信用限额。 每年对活跃的贸易对家进行复审。 强化信用管理团队。 实施信用缓解措施，如信用证、预付款、信用保险等。 通过公司风险会统一管理信用风险相关事宜。 	一般
4	人才资源风险	<ol style="list-style-type: none"> 制定具有竞争力的薪酬配套。 提供有竞争力的员工福利。 制定人员发展计划。 落实接班人计划以解决关键岗位风险。 	一般
5	单一产品战略风险	<ol style="list-style-type: none"> 执行产品多元化战略，开发其他油品的供应与贸易能力。 通过寻求供应合同和有投资协同性的资产，为其他油品建立结构性优势，支持贸易活动。 	一般



Transit storage
中转库

除风险注册表以外，CAO的公司风险会（简称“CRM”）是另一讨论风险相关课题的重要平台；它由公司管理层和相关业务部门主管所组成，是企业风险管理的重要部分。通过每月召开的CRM例会，以及临时会议、电邮等形式，公司日常经营中遇到的任何风险课题都可以得到及时的讨论和评估。例如在某个贸易对家出现现金流问题发生延迟付款时，公司风险会可以讨论决定是否需要中止与这个贸易对家的商业往来。

在最近两年，CAO在企业范围所进行的压力测试，使公司能够更好地了解其在危机事件和特殊环境下所会遭遇的潜在影响，从而更好地防范和缓解这些影响。

RISK MANAGEMENT

风险管理

市场风险管理及风险值分析

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

公司继续用市场风险值(简称“MVaR”)作为衡量市场风险的基本工具, 而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, 且公司每日均会跟踪持仓价值的变化。董事会授权的一系列市场风险限额, 如数量限额、风险值限额、管理层预警限额、止损限额和套期保值比率也在每日跟踪范围内, 定期的回溯测试则可以确保公司风险值模型的合适性。

作为对市场风险限额的补充, 公司风险管理团队会定期对公司的贸易持仓进行市场压力测试。利用历史数据库中的特殊历史场景, 团队能及时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。2020年, 公司对新冠疫情所带来的影响进行了压力测试, 进而对其业务活动有及时和深入的了解, 在必要时采取风险缓解措施。

尽管市场环境波幅很大, 公司的风险偏好始终保持谨慎和有节制的作风。根据95%置信区间, 公司层面的每日MVaR使用率基本保持平稳; 2020年公司整体的每日市场风险值平均使用率为69.7万美元。

2020年, 公司继续严格按照董事会批准的套期保值业务管理方案进行衍生品业务, 一切衍生品业务均以套期保值为目的, 严格禁止衍生品业务投机行为。

信用风险管理及集中度分析

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

信用风险可分为信用违约风险、集中度风险和国

1. 信用违约风险是贸易对家无法全额偿还债务而造成损失的风险;
2. 集中度风险是某个公司的一个或一组风险敞口所带来的潜在损失, 对该公司继续经营能力能够造成威胁的风险;
3. 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, 公司通过观察贸易对家的财务状况、运营和付款记录, 并对各贸易对家进行背景调查, 以定期评估他们的信用状况。公司会根据所获信息授予贸易对家合适的信用条款及限额。

鉴于2020年经营环境的不稳定、地缘政治形势的不确定性, 公司继续保持审慎的信用风险管理政策。信用风险管理的主要亮点包括:

1. 为高风险的贸易对家或行业进行特别评估及深入研究, 让公司能采取先发制人的风险缓解措施和行动, 以避免潜在的信用损失事件发生;
2. 优化公司的贸易对家管理政策, 成功提高公司对于贸易对家管理的效益。公司也进行多次的贸易对家清理, 完成了对于高风险贸易对家信用条款和额度的收紧, 提高了公司贸易对家整体的信用质量;
3. 公司针对2020年以来宣布破产的几家油品贸易公司的相关情况进行了专项分析并形成相关报告, 以总结应对经验、吸取教训、引以为戒, 防止类似事件的发生;
4. 在疫情的影响下, 针对信用风险陡增, 以及团队在家办公的特殊状况, 公司建立了疫情期间的信用风险特别汇报机制, 以继续有效地及时监控及汇报信用风险的相关信息。

公司应收账款的集中度风险状况如下:

根据国家

截至2020年12月31日, 根据公司贸易对家的注册地, 公司的信用敞口仍主要来自新加坡(66.82%)、中国大陆(16.78%)和香港行政特区(10.84%), 占总敞口的94.44%。

从整个财年来看, 信用敞口主要来自新加坡和中国大陆。公司会继续在这两个地区以外设立与贸易对家的合作业务。

根据内部信用评级

截至2020年12月31日, 在内部信用评级方面, 公司的信用敞口主要来自于评级为B1(34.61%)和B2(25.65%)级别的贸易对家, 占总应收款的60.26%。基于信用证的应收款占了总应收款的31.53%。

2020财年, 信用评级为A1至B2(包括信用证敞口)类似于投资级别的贸易对家占了公司总敞口的90%以上。公司整体的贸易对家信用评级组合处于良好状态。

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

公司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等。有了这些强化措施, 公司有能力更好地管理日常贸易活动所带来的风险。

风险管理是公司的业务战略和运营管理的核心部分。公司致力于积极推进内部风险意识, 并将不断强化风险管理流程和能力, 以确保CAO能够有效执行其战略和实现其战略目标, 为股东提供可持续价值。

COMPLIANCE AND INTERNAL AUDIT 合规与内审

In our endeavour to realise good business performance and sustain long-term growth in shareholder value, CAO is committed to operate responsibly based on business practices that are designed to uphold high standards of accountability, oversight, integrity and ethics.

OPERATING RESPONSIBLY

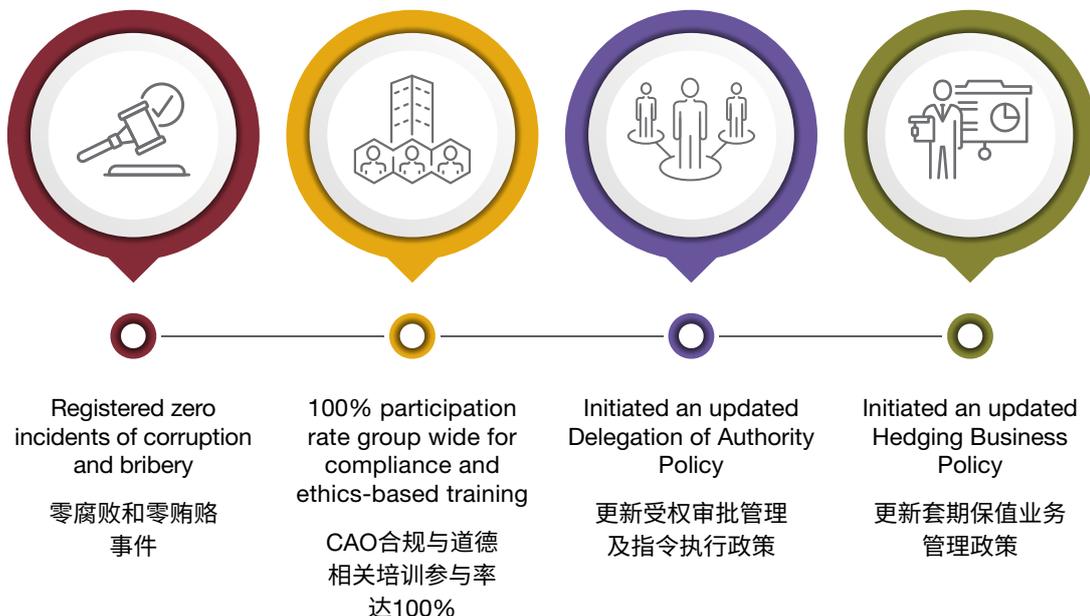
Shaped by the commitment of the Board of Directors (the “Board”) and driven by CAO’s management team, the compliance function which is subsumed within the Legal & Compliance Department, ensures that responsible practices are integrated into the Group’s businesses as a core operating principle. This includes strengthening the effectiveness of internal controls with appropriately designed oversight measures and Standard Operating Procedures (“SOPs”) to enhance the efficacy of governance as well as its financial and business operations in support of the Group’s business strategies.

Amid a dynamic business environment fraught with constant and challenging changes in regulatory and compliance requirements, the Group continues to focus on enhancing the effectiveness and robustness of its internal controls, procedures and systems to prevent and detect irregularities. CAO’s established system of compliance oversight is aligned with the Committee of Sponsoring Organisations of the Treadway Commission

(“COSO”) framework, which ensures a systematic and integrated approach to evaluate and improve the Group’s overall control framework, including regular review of SOPs covering delegation of authority and hedging business policies with improvements to further strengthen management controls in 2020. The Group regularly reviews and identifies compliance risks such as anti-trust and competition law, anti-corruption, trade sanctions, occupational safety, health and environmental regulations, data protection, insider trading and fraud, and seeks to comply with applicable local and international trade legislations and regulations in the regions where CAO operates through the enforcement of internal policies and directives.

To adhere to regulations pertaining to international trade sanctions, the Group leverages on risk intelligence tools in response to changes in the regulatory landscape to enable the Group to conduct screening of counterparties and ensure the vigilant monitoring of politically exposed persons including those categorised as heightened risk entities. In situations where the assessment of trade sanction risks require clarification, the Legal & Compliance team works closely with the risk management team to evaluate compliance requirements with a focus to integrate compliance actions with daily operations at the business level.

COMMITMENT TO RESPONSIBLE BUSINESS PRACTICES 对商业操守的承诺



COMPLIANCE AND INTERNAL AUDIT

合规与内审

SAFEGUARDING THE INTEGRITY OF OUR BUSINESS

CAO enforces a zero-tolerance policy towards corruption or bribery of any kind. During the year, the Group has also further tightened both the enforcement and thresholds of policies governing procurement practices as well as instant messaging security and anti-money laundering and anti-terrorist financing measures to promote sustainable business engagement with the Group's stakeholders including employees, business partners, suppliers and shareholders. For CAO, we firmly believe that these measures collectively support the Group's efforts against graft, facilitation payments and any form of gratification.

To safeguard the integrity of our business, the Group maintains a comprehensive ethics and compliance programme to ensure that employees at all levels across the Group are and remain adequately competent through the completion of mandatory web-based training curriculums to apply regulatory and other compliance requirements in their field of work. The Legal & Compliance team also introduces additional compliance and ethics-based training, including topics on information security and cyber risk awareness and fraud prevention for all employees. In total, 100% of CAO global workforce participated in compliance and ethics-based related training for 2020.

STAYING VIGILANT

CAO believes that observing vigilance and incident prevention is the best safeguard against potential business disruptions. Recognising the importance of maintaining vital capabilities in order for critical business activities to

continue operationally with minimum impact in the event of a crisis, and to sustain a level of operational readiness, CAO has continued to validate its Business Continuity Plan ("BCP") that integrates with the IT Disaster Recovery Plan ("DRP"), which involves the establishment of IT SOPs, guidelines, structure and supporting frameworks to ensure appropriate emergency escalation response, resumption and recovery of key business functions and data resources in a timely manner.

Taking into consideration the potential strategic, operational, financial and reputational exposure to the Group in the event of significant risk events, the Group conducts a group-wide BCP and DRP exercise annually to harness incident preparedness across the Group. In 2020, due to the physical limitations posed by the COVID-19 pandemic, CAO initiated a virtual business continuity simulation exercise instead. Key personnel from front office to back-end and support functions were involved in a simulated crisis scenario with concurrent participation from CAO's subsidiaries worldwide. The exercise reinforced awareness and co-ordination across the Group's global presence and was successfully conducted with minimal downtime for ongoing business applications.

Beyond its compliance role, the Legal & Compliance team has the added functional oversight responsibility over the yearly internal audit work that seeks to independently evaluate the effectiveness of control measures and governance processes of the Group. The framework of this engagement is designed to provide reasonable assurance that appropriate control measures are in place to address significant risks in its global business environment.



Open communication forms the foundation of a dedicated and driven team
公开交流是建设忠诚及主动的团队的基础

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

An annual internal audit review plan is submitted to the Audit Committee for approval, and thereafter, implemented by a team of qualified professionals from an international auditing firm. The plan covers the assessment of the Group's internal control systems including an independent biennial review on the overall effectiveness of the Group's business practices. The internal audit report highlights significant audit findings or internal control inadequacies, which could possibly affect the Group's operational effectiveness and are submitted to the Audit Committee as well as the Board on a quarterly basis. Adoption of corrective actions by relevant departments are subsequently monitored for implementation based on agreed timelines.

Reflecting CAO's continued commitment to accountability and integrity in our business practices, the Legal & Compliance team continues to ensure that the Group's internal audit activities are aligned to the Institute of Internal Auditors Standards through the Quality Assurance and Improvement Programme assessment in 2020. An internal assessment exercise was conducted in the form of a questionnaire to various stakeholders to obtain feedback on the viability and quality of CAO's outsourced internal audit activities with areas for improvement highlighted.

It is imperative for CAO to conduct its business in compliance with legislation and regulatory standards. CAO has revised its whistleblowing policy, which included inter alia, clearer guidance relating to the Group's approach and stance on whistleblowing and the means by which whistleblowers can raise serious concerns of any allegations of wrongdoing, as well as more explicit indication of the kinds of conduct which might be considered reportable concerns. Under its revised whistleblowing policy, whistleblowers may report any reportable concerns pertaining to any form of misconduct affecting the Group, its customers, partners, suppliers and other stakeholders without fear of reprisal, dismissal or discriminatory treatment, via a dedicated email address: whistle_blowing@caosco.com which will be accessed by the Receiving Officers who shall be such person or persons as the Audit Committee may designate from time to time. During the year, there were no verified issues raised through the whistleblowing channel.

COMPLIANCE AND INTERNAL AUDIT

合规与内审

秉持着实现良好业绩和确保股东价值能够得到长期持续增长，CAO一直致力于推行负责任的经营管理方式，旨在实施和保持高标准的监督和问责制度，并积极将企业诚信和商业道德融入日常经营之中。

践行负责任的经营管理

在董事会的指导及CAO管理层的推进下，法律与合规部负责的合规职能极力将负责的商业行为作为核心经营原则贯彻到公司业务之中。这包括通过设立适当的监管措施和标准操作流程（简称“SOPs”）来强化内部控制的有效性，以提升公司治理和其财务与业务运营的成效，进而支持公司业务策略的落实。

面对当今商业环境变化无常、竞争激烈，法律法规不断变化改革，公司更是迎来诸多挑战。公司坚守并着重于提升内部控制、运营程序和系统的有效性和稳健性，以便有效地预防和检测任何违规行为。CAO参照Committee of Sponsoring Organisations of the Treadway Commission（简称“COSO”）的内控框架，制定了较为完善的合规监管体系，以系统化、一体化的方式来评估和改进其总体内控框架，其中包括定期审查授权审批管理及指令执行和套期保值业务管理办法的标准操作流程，并于2020年进一步强化公司的管理控制。公司定期审查并极力识别潜在合规风险，如反垄断和竞争法、反腐败、贸易制裁、职业安全、健康和环境法规、数据保护条例、内幕交易和欺诈行为，通过强化内部政策和指令的执行，确保公司的操作符合经营环境适用的当地和国际贸易法律法规。

为了遵守与国际贸易制裁的相关法规，公司借助风控信息工具及时应对监管环境的变化，进而有效地筛选贸易对象和实时监测政治风险人物，包括那些高风险实体。在需要澄清贸易制裁风险评估的情况下，法律合规部也会与风险管理团队紧密合作，一同评估合规要求并着重将合规操作贯彻到日常业务与运营之中。

维护企业诚信

公司对任何形式的贪污和贿赂都保持零容忍态度。公司于去年进一步加强有关采购管理、即时通讯的安全性、反洗钱和反恐融资等措施，以促进公司与员工、业务伙伴、供应商和股东等利益相关者的可持续业务合作关系。公司坚信，这些措施有助于公司全面防范受贿、收取好处费等违法的利益输送行为。

在维护企业诚信方面，CAO制定了一套完善的道德与合规管理方案，确保公司所有员工通过完成强制性的线上培训课程后，能在其工作领域里熟练地应用相关法规和其他合规要求。法律合规部也为公司员工开展有关合规和商业道德的其他培训项目，其中包括提高信息安全意识和网络风险防范。2020年，CAO分布在全球各地的子公司员工也参加了合规和商业道德培训，参与度达100%。

保持谨慎

公司坚信，时刻保持谨慎性和实施完善的防范措施是防止出现业务中断的最佳保障。公司也意识到，在危机时刻确保关键业务仍能继续运营，将负面影响降到最低，保持其关键业务部门的运作对公司至关重要。此外，公司也需保持一定的风险应对水平以保持业务的日常运作。故此，CAO制定了包含信息系统灾难恢复计划（简称“DRP”）的业务持续性计划（简称“BCP”），并建立相关的标准操作流程、制度指引、完善应急处理组织架构，以确保公司具备紧急上报响应程序和拥有及时重启和复原关键业务部门和数据资源的能力。

鉴于公司在面对重大危机时的潜在战略、运营、财务和声誉方面的影响，公司每年均会为全体员工安排一次BCP和DRP演习，借此加强公司员工应对紧急事件的能力。2020年，因受新冠疫情的影响，在遵守社交距离措施下，公司将以往的实地演习改成虚拟业务持续性模拟演习。除了CAO前台至后台和支持部门的关键人员参与此模拟危机演习之外，公司分布在全球各地的子公司员工也同时参与演习。这项演习旨在加强公司全球员工的应急意识和协调度，并在业务几乎不受到干扰的情况下成功完成了应急预案。

在合规职责以外，法律合规部也负责公司年度内部审计监督工作，即独立评估公司管控措施和治理流程的有效性，旨在监督和合理保证公司具备适当的控制措施来应对全球业务环境中的重大风险。

内部审计计划制定后将提交审计委员会批准。获批准的内部审计计划将由国际审计公司的合格专业人士展开。该审计计划涵盖对公司内部控制系统的评估，包括两年一度对公司业务经营整体有效性的独立审核。内审报告将重点关注可能影响公司运营效率的重大问题和内部管控缺陷，并按季度提交审计委员会和董事会。相关业务部门在商定的期限内实施整改措施。

为了体现公司在业务实践中对责任和诚信的一贯承诺，法律合规部依据国际内部审计师协会标准，在2020年通过“质量保证和改进计划”提升公司内部审计质量。此改进计划以问卷形式向各相关方征求关于公司外包内审工作的可行性与质量的反馈，并重点突出需要改进的事项。

公司坚持在合法合规的前提下开展业务，并更新了公司的举报政策，其中包括公司就举报措施与立场提供更明确的指引、举报者就任何违法违规行为的举报途径，以及更明确地指出可被视为应予举报的行为类型。根据经修订的举报政策，举报者可通过专属的电子邮件地址，即whistle_blowing@caosco.com，举报任何会影响公司、其客户、供应商和其他利益相关者的违法违规事项，并无需担心遭到报复、解雇或歧视。举报内容将由审计委员会所指定的人员进行监督处理。本年度公司未通过此举报渠道收到任何举报信息。

HUMAN CAPITAL MANAGEMENT

人才资源管理

While the past year saw the COVID-19 pandemic severely testing the resilience of CAO on many fronts, it was also an illustrious year which saw its global workforce rise up in unison to collectively combat the economic and health crisis, illustrating the capabilities, agility and adaptability of the CAO Group. This concerted effort in an extremely challenging year enabled the Group to operate safely and seamlessly even as we continued to implement new and innovative ways to deliver essential services to our end customers.

At CAO, we hold a firm belief that our human capital is a valuable advantage and the very foundation of the Group's integrated business model. Supporting the health and well-being of our people by upholding an inclusive and diverse culture are therefore critical components of our business strategy as the Group drives business performance to deliver sustainable returns.

ENABLING GROWTH

With a focus on driving performance and developing capabilities to deliver the Group's business performance, CAO constantly seeks to attract, engage and retain our talent pool by empowering them to work in safe, innovative and rewarding ways.

At the same time, we nurture and promote a value-based and performance-oriented culture by providing competitive remuneration packages that are in line with market practices. Given the strong global competition for the best talent pool, the Group is constantly working on measures to increase CAO's appeal in the global labour markets. During the year, more specific initiatives such as the remuneration policies of the Group's subsidiaries

worldwide were further enhanced to reward employees for their performance skillset and commitment to CAO's long-term success.

The sustainability of the Group's business growth is predicated on developing practices and capabilities that empower our people to pursue operational excellence. For this reason, the HR team develops robust in-house learning and development programmes for employees, with internet based training courses to improve operational capability and know-how. Online leadership development sessions covering topics such as "Leading at a Distance", "Managing Virtual Teams", and "Leading Virtual Meetings" were also organised to provide insights on leading and managing business teams remotely during the pandemic. A total of six knowledge-sharing sessions were conducted virtually in 2020, with active participation from employees globally, collectively clocking 322 total training hours in 2020.

ENGAGING OUR PEOPLE

At the centre of our approach to talent management lies our emphasis to create a positive and inclusive workplace culture that engages employees to stay connected to the shared values of CAO. The Group tapped on a range of communication channels and platforms to foster solid relations within our workforce, including employee opinion surveys and dialogue sessions with the management team to gather feedback and suggestions for continuous improvement and culture development. In 2020, the performance management framework was further enhanced, with a focus on performance delivery and 360-degree feedback, ensuring that people development efforts are aligned to support sustainable business goals.



Making safety an integral part of business operations, the COVID-19 Taskforce implemented safe distancing measures to ensure a secure work environment for all employees

安全运营是公司经营活动中的重要组成部分,防疫小组实行了社交距离措施以确保全体员工均在安全的工作环境中办公

HUMAN CAPITAL MANAGEMENT

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Annually, the Group also offers our workforce wide-ranging initiatives and benefits to promote health and well-being across the Group including on-site health screenings, daily free lunches at work as well as wellness and fitness programmes. During the circuit breaker, CAO remained attuned to employee well-being. To encourage cross-function interaction and communication, strengthen cohesiveness and bolster camaraderie amongst employees, a virtual team-building activity centred on the Dragonboat Festival was held to remind employees to watch out for one another while facing challenges of the COVID-19 pandemic.

The pandemic has also accelerated the digitalisation of HR processes and workflows. In 2020, the Group migrated its employees' medical insurance claims online, leading to a seamless and virtual reimbursement process and providing employees on-the-go access to medical attention such as telemedicine consultations. Concurrently, an expanded medical benefits and insurance coverage under the corporate health plan was also offered to employees.

CREATING AN INCLUSIVE CULTURE

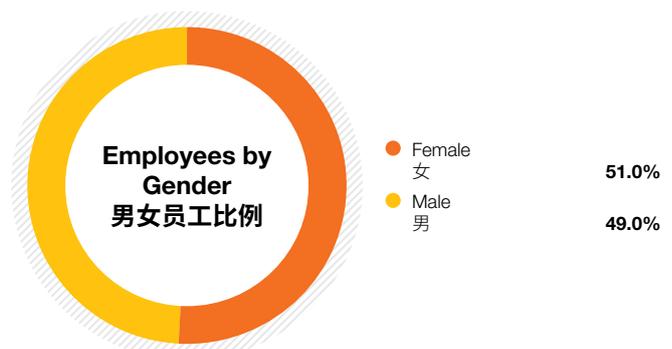
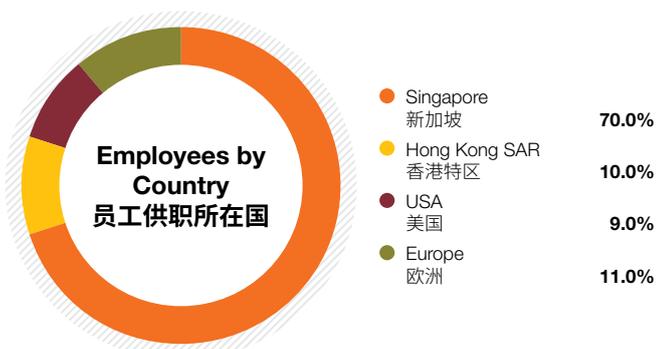
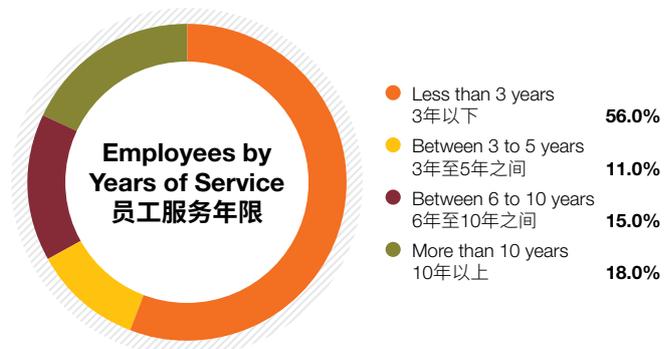
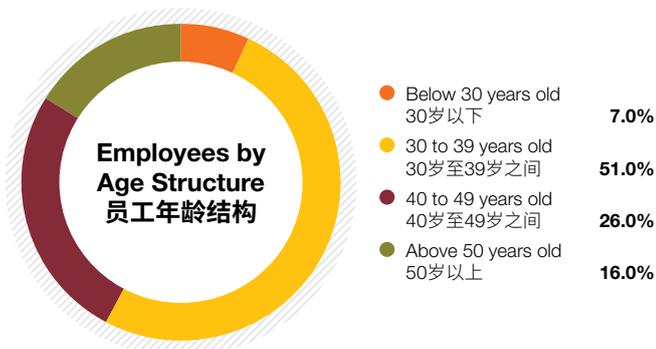
At CAO, we are committed to create an open and inclusive workplace culture which is integral to the Group's long-term success where our people are valued and empowered to grow and thrive throughout their careers with the Group.

In accordance with the Employer's pledge of Fair Employment Practices which was formulated by the Tripartite Alliance for Fair and Progressive Employment Practices ("TAFEP"), CAO affirms our commitment to competitive workplace practices. The Group thus ensures that HR practices comprising non-discriminatory, recruitment advertisements, fair performance appraisal for employees, instilling a code of ethics and establishing an appropriate avenue for employee grievances, are constantly enhanced to align to the Tripartite Guidelines on Fair Employment Practices.

The Group has a total headcount of 157 employees worldwide as at end 2020, an increase of 5% over 2019, of which 81 employees are based in Singapore. Globally,

EMPLOYEE DEMOGRAPHICS

员工统计



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the overall attrition has dropped significantly by more than 10 percentage points. The group's gender profile is approximately a 49:51 split between men and women, and out of which more than half of the employees are in the 30-39 age group.

Today, CAO's Code of Ethics remains our highest order of corporate governance and outlines the importance of the Group's commitment to upkeep a high standard of integrity in matters of conduct at all times. We require all employees to uphold high standards of conduct and professional ethics at all times, be mindful and avoid improper circumstances and actions that might give the appearance of wrongdoing which could discredit themselves, co-workers or CAO.

In light of COVID-19, protecting the health and safety of our employees and business partners at work is of central importance to CAO. We believe that workplace accidents and injuries are preventable and we are determined to prevent them by promoting a culture where safety awareness is embedded in our daily work. The Group's Safety, Health and Environment ("SHE") Policy and Guidelines emphasises the importance of occupational health and workplace safety, and serves to instill in all employees a shared responsibility and accountability for safe behaviour and workplace practices. In 2020, the HR team further reviewed and revised the Group's SHE guidelines in line with amendments to the Workplace Safety and Health Act by the Ministry of Manpower in Singapore.

PROTECTING OUR PEOPLE DURING COVID-19

The COVID-19 pandemic was of paramount importance to the Group's SHE programme in 2020. From the onset of the pandemic, protecting the safety of our people and ensuring safe operations were top priorities for the Group. A taskforce spearheaded by the Management team, comprising key personnel from HR and other business units across the Group was formed to support the Group's pandemic response globally. Guided by the advisories and directives issued by the parent company, China National Aviation Fuel Group Ltd ("CNAF"), the focus has been on zero harm to our people by minimising and preventing transmission risk for employees at the workplace.

In line with local COVID-19 safe management measures and restrictions, the taskforce implemented extensive safe distancing rules, preventive and hygiene plans throughout the Group, including specific requirements for reduced capacity of offices and meeting rooms. To avoid transmission risks while ensuring business continuity,

remote working and split teams' arrangements were scheduled to minimise disruptions to business operations amid employee safety. To reduce physical interaction whilst upholding employee welfare, communal dining at the canteen and office pantries were halted and replaced with individual lunch boxes in strict adherence to the mandatory workplace social distancing and staggered work hours requirements jointly issued by the Singapore's Ministry of Health and Ministry of Manpower. Over in Hong Kong SAR, the United States and Europe, the Group activated its business continuity plan with employees allowed to work remotely and collaborate through virtual platforms.

Across the Group, only essential and unavoidable business trips were approved on exceptional basis. Contact tracing was implemented and all employees were required to check in and report on their health statuses on a daily monitoring basis. To keep transmission risk in check, an online risk assessment was also conducted to weigh the potential health risk exposure of the workforce.

At the workplace, stringent cleaning and sanitising protocols were enhanced even as the Group sourced globally at the onset of the pandemic to provide ample personal protection equipment such as masks and hand sanitisers to each and every employee, ensuring that employees were protected and operations continued to function without interruptions. The Group also implemented screening measures at entry to office facilities, including automated temperature screening and health declaration questionnaires to strengthen the Group's pandemic preventive measures. When employees displayed relevant symptoms, response plans included evacuation for testing, isolation and when required, medical care. Throughout the year, the HR team also sent regular updates via e-mails and intranet communication platforms on the pandemic to keep the workforce updated on developments, raising awareness and communicate support available.

Whilst the COVID-19 pandemic was enormously challenging for our employees worldwide, testing the resilience of the Group as a business concern, it validated the indomitable spirit of CAO and its workforce conclusively. In mitigating the global crisis during the year, the Group took swift and decisive action to implement and improve its business continuity plan amid the changing business environment necessary to keep our global workforce safe and healthy and our operations running. This is fully in line with CAO's performance culture, with employees showing exceptional degree of solidarity and commitment to work together to guarantee the success and continuity of our businesses.

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人才资源管理

过去一年，虽然新冠疫情严峻考验了公司多层面应变能力，但全球各地员工在面临重大的经济与健康挑战时能够上下一心、携手应对，充分体现了在应变能力上的灵活性和适应性。凭借这份全体员工齐心协力的宝贵精神，公司方能在这极为艰难的一年里，继续安全、平稳地运营业务，同时实施新的创新策略，为我们的终端客户提供必需服务。

公司坚信人力资本既是公司的一项宝贵优势，也是其综合业务模式的根本基础。因此，建立与维护一个充满包容性与多元化的企业文化来支持员工的健康和福祉是业务战略的重要环节之一，有助推进业绩，实现可持续回报。

促进增长

公司专注于推进业务表现和其发展能力，以实现良好业绩，并致力于为员工打造一个安全、创新且具备成就感的工作环境，以不断吸纳、聘用和保留人才。

与此同时，公司为员工提供符合市场实践规律、具备竞争力的薪酬待遇，以培育和促进以价值为基础、以业绩为导向的企业文化。鉴于全球市场对顶级人才的激烈竞争，公司不断实施各种措施以提升其在全球劳动力市场的吸引力和协同性，公司举办了以端午节为主题的线上团队建设活动，提醒员工在面对疫情的种种挑战时，仍需相互扶持。

公司业务增长的可持续性取决于发展有助员工迈向卓越运营的实践和能力。为此，人力资源部为员工制定了强有力的内部培训和发展计划，以及有助提升运营能力和专业知识的互联网培训课程。此外，人力资源部也为员工举办

了“远程领导”、“管理虚拟团队”和“组织虚拟会议”等线上领导力培训课程，给予员工在疫情期间远程领导和管理业务团队的有效帮助。公司在2020年总共举办了六次线上内部知识共享培训课程，全球员工踊跃参与，全年合计培训时长达322小时。

与员工互动

公司在人才管理方面的核心方针在于营造一个正面且具备包容性的企业文化，让员工的长远目标与公司的价值观保持一致。公司也借助一系列的沟通渠道和平台来建立强有力的员工关系，其中包括员工调研问卷及与管理层进行对话座谈会，以收集员工反馈和建议，进而持续改进和发展企业文化。在2020年，我们进一步强化其绩效管理框架，重点关注绩效交付和360度反馈，确保人才发展工作与支持可持续业务目标相一致。

公司每年还为员工提供广泛的活动项目和福利，以促进全体员工的健康和福祉，其中包括为员工提供现场健康检查、免费午餐，以及各项健康和保健项目。在新加坡政府实施阻断措施期间，公司依旧关注员工的身心健康。为鼓励各部门员工的跨职互动和沟通，同时加强员工之间的凝聚力和协同性，公司举办了以端午节为主题的线上团队建设活动，提醒员工在面对疫情的种种挑战时，仍需相互扶持。

疫情也加速了人力资源程序和工作流程的信息化进程。2020年，公司将员工的医疗保险报销流程迁移至网上，实现了更精简与流畅的虚拟报销流程，让员工可以通过远程医疗咨询，随时随地获得实时的医疗服务。与此同时，人力资源部还在企业健康计划下，为员工提供更广泛的医疗福利和保险覆盖范围。



Employees sharing their views with the management team during the Group's dialogue sessions
公司员工在办公会上与管理层积极交流

HUMAN CAPITAL MANAGEMENT 人才资源管理



营造具包容性的企业文化

公司致力于营造具开放性与包容性的企业文化，让员工在公司就业的整个职业生涯中均能得到重视，协助他们发挥所长；这对公司的长期成功有着举足轻重的作用。

公司严格遵循劳资政公平雇佣守则（简称“TAFEP”）的公平就业准则，并致力于促进公平公正的就业实践。公司极力确保其人力资源措施不存有任何歧视；其招聘广告、绩效管理、向员工灌输道德准则，及建立适当的员工申诉渠道等措施，均符合劳资政所设定的公平雇佣准则。

截至2020年底，公司全球员工总数为157人，较2019年增加5%，其中81名员工为新加坡公司的全职员工。在全球范围内，公司去年的人员流失率大幅下降了逾10个百分点。公司员工的男女比例约为49:51，其中半数以上的员工处在30至39岁的年龄段。

现今，CAO的《员工行为守则》保持了公司治理的良好秩序，并概述了公司承诺在任何时候均保持高标准的诚信行为的重要性。公司一贯严格要求所有员工秉持高行为准则和职业操守，时刻谨记并避免任何不当行为影响自己、同事或公司的声誉。

在疫情的笼罩下，维护员工和业务伙伴的健康与安全对公司而言至关重要。公司深信，事故和意外是可以预防的，并极力将安全意识融入公司的日常运营中，进而避免事故和意外的发生。公司的《安全、健康与环境政策及指导方针》（简称“SHE”）强调了职场健康和工作场所安全的重要性，并向所有员工灌输安全行为和工作场所实践的共同责任和义务。根据2020年新加坡政府人力部对《工作场所安

全与健康法》的修订，人力资源部及时审查和修订公司的《安全、健康与环境政策及指导方针》。

疫情期间保护团队安全

公司的SHE准则在2020年疫情期间，起着非常重要的作用。自疫情在全球各地肆虐，维护员工安全和确保业务的安全运营，成了公司的首要任务。为了支持公司于全球范围内对抗疫情的应对工作，管理层牵头人力资源部和公司其他业务部门的关键人员组成特别防疫工作小组。在母公司中国航空油料集团有限公司（简称“CNAF”）的指导下，公司着重于最大程度地减少和预防疫情在工作场所的传播风险，实现了员工零感染的目标。

防疫工作小组按照当地疫情的安全管理准则和限制，于全公司范围内实施了广泛的安全距离规则及防控和卫生计划，包括监控并减少办公室和会议室人数的具体要求。为预防疫情传播并确保业务不受中断，公司为员工进行分组和安排远程工作，为员工身心健康和公司正常运营保驾护航。其次，为减少员工之间的身体接触，同时维护员工福利，公司严格遵守新加坡卫生部和人力部联合发布的强制性工作场所社交距离和错峰出勤措施，停止员工在食堂和办公室茶水间集体用餐，并以个人午餐盒以替代。在香港特别行政区、美国和欧洲方面，公司也启动了业务持续性计划，允许员工远程办公和通过虚拟平台进行合作。

在整个公司层面上，只有必要和不可避免的商务旅行才会在特殊情况下被批准。公司还实施“追踪接触者”的工作，要求所有员工每天进行健康状况的监测和汇报。公司为了防控疫情传播，还进行了网上风险评估，以权衡员工潜在的健康风险。

公司在疫情爆发时，加强了工作场所严格的清洁及消毒流程，并于全球采购个人防护装备，为每位员工提供充足的个人防护装备，如口罩和消毒洗手液，进而确保员工安全及业务不受干扰。公司还在进入办公场所时采取筛查措施，包括健康声明问卷调查和自动化体温监控，以强化公司的疫情防控效果。当员工出现新冠病毒的相关症状时，其应对计划包括疏散测试、隔离，以及在必要时提供医疗护理。在这一年里，人力资源部还定期通过电子邮件和内部网络沟通平台发送有关疫情的信息，让员工及时了解疫情的最新进展情况、提高员工对疫情的意识，以及传达可供的支援。

虽然疫情对公司全球员工带来诸多挑战，并严峻地考验了公司的应变能力，但这非常时期也验证了公司及其员工顽强勇毅的拼搏精神。这一年来，公司为了缓解全球危机，果断采取了相关决策，在外部环境的剧烈变化中实施并完善公司业务的持续性计划，进而保障全球员工的安全和健康，以及业务的持续运行。公司进一步彰显了绩效文化和人文关怀，全体员工也展现出前所未有的精诚团结，齐心协力保证公司业务的持续健康开展。

COMMUNITY ENGAGEMENT

投身社会公益

Conscious of our responsibility to the communities and societies in the regions where we operate, CAO strives to drive sustainable change, both within the Group and through our work with stakeholders, to create positive social and environmental impact around the globe. Through social and charitable initiatives in our communities, CAO aims to foster and improve access to educational programming and environmental learning opportunities to support healthy and vibrant communities where we live and work.

CAO'S RESPONSE TO COVID-19

Creating Community Impact

Our Communities

Over the last year, CAO remains involved in supporting and addressing the needs of local communities despite the ongoing COVID-19 pandemic. Beyond traditional donations and volunteer events, the Group had embarked on a broad spectrum of actions employees can take to make a positive impact on people, society and the planet throughout the year.

CAO has a strong partnership with Beyond Social Services' pre-school facility – Healthy Start Child Development Centre ("HSCDC") and since 2010, has been actively offering assistance and availing access to quality social and pre-school educational opportunities to the less privileged children from Singapore's Bukit Merah and Redhill neighbourhood. In 2020, CAO responded to the global COVID-19 pandemic and committed human capital and resources to get the HSCDC pre-schoolers much needed supplies so that they are equipped to continue learning during challenging times. As part of the philanthropic commitment, CAO volunteers stepped in to procure food necessities, school supplies, packing of educational care packages and delivered them to the school.

In addition, the Group also mobilised our subsidiaries and employees globally, leveraging on our competencies to contribute to COVID-19 relief. CAO collaborated with our business partners to procure and facilitate access to personal protective equipment ("PPE") for needy communities during the COVID-19 pandemic. Over in



CAO volunteers continue to participate actively in community outreach events during the COVID-19 pandemic
公司志愿团队在疫情期间,继续踊跃参与社区公益活动

COMMUNITY ENGAGEMENT 投身社会公益



CAO continues to support and seek to uplift the lives of the HSCDC children through regular engagement activities
公司继续通过定期的社区公益活动, 资助与改善HSCDC儿童的生活

Europe, when suspension of passenger flights led to reduction of air cargo capacity, CAFEU stepped up to work with airline companies and facilitated green channels for the shipments of infection prevention and control supplies to deploy two tonnes of critical medical supplies to the epicentre of China's coronavirus outbreak to help frontline healthcare workers battle COVID-19. As the pandemic spread across Asia and PPE became scarce, the Group adopted a collective cross-border PPE procurement strategy to ensure the safety of employees even as CAOHK took to procure and donate 3,000 medical masks to airline customers as the airline industry joined hands in a collective fight against COVID-19.

Our Business Partners

As the COVID-19 pandemic unfolded with increasing travel restrictions and national travel bans, logistical challenges with the repatriation and changing of maritime crew became inevitable. In support of our shipping associates, CAO partnered with them to resolve the humanitarian crisis and facilitate their sea crew changes, and do our part to ensure the sustainability of the maritime value chain and keep global supply chains functioning.

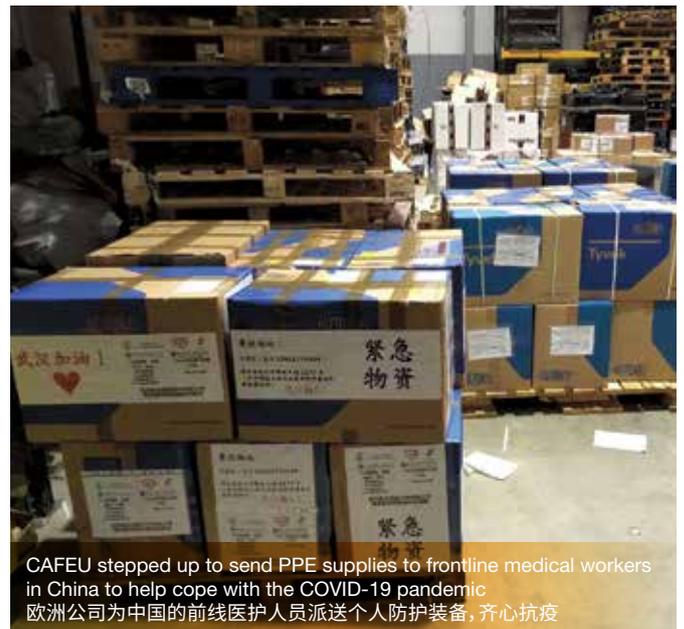
Staying Environmentally Aware

To help create a sustainable tomorrow, CAO has continuously worked to engage our employees and broaden our efforts to support and collaborate with customers, suppliers and communities in taking actions to address environmental challenges and reduce our impact on the environment in the communities where we operate.

In 2020, the Group partnered with our stakeholders to advance healthier, more sustainable living through organising environmentally sustainable lifestyle workshops to raise awareness and encourage employees to practise sustainable behaviours, for example, doing up environmentally friendly cardboard furniture and toys such as imaginative playhouse, street stalls and mazes for needy local communities. During the year, CAO has also facilitated opportunities for employees to connect with peers who share a passion for sustainable living – making changes in their lives and in the workplace. An eco-workshop featuring presentation on living a zero-waste lifestyle and making of eco-enzymes was held, enabling employees to learn about environmental sustainability as well as inculcating a healthy and waste-free lifestyle. A total of twelve CAO employees attended the green workshop with a mix of virtual and physical participation.

Operating Locally, Acting Globally

Even as COVID-19 continues to pose challenges globally, CAO remains unwavering to support and strengthen communities where we operate, underscoring our commitment to be a socially responsible corporate citizen. We will continuously seek to improve our sustainability efforts, integrating our philanthropic giving with the Group's businesses to make a significant impact beyond where we work and live.



CAFEU stepped up to send PPE supplies to frontline medical workers in China to help cope with the COVID-19 pandemic
欧洲公司为中国的前线医护人员派送个人防护装备, 齐心抗疫

COMMUNITY ENGAGEMENT

投身社会公益



To inculcate and raise awareness in sustainability, CAO employees are encouraged to participate in green workshops such as making eco-enzymes. 为了培育和提升员工对环境可持续性的认知, 公司特别安排员工参与多个环保工作坊, 其中包括环保酵母制作工作坊

公司一直秉持着对运营所在地的社区和社会肩负企业责任的理念, 通过公司内部及与利益相关方的合作, 努力推进可持续变化, 在全球创造积极的社会和环境影响。通过在社区开展形式多样的社会公益慈善活动, CAO旨在努力促进并改善儿童教育机会和环保意识, 进而在我们所生活和工作的地区构建出一个健康与活跃的社区。

公司对新冠疫情的应对措施

创建积极的社区影响

我们的社区

过去一年, 尽管疫情形势持续严峻, 公司仍参与支持和资助当地社区的需求。除了传统的支助和志愿者活动外, 公司全年还开展多项员工活动, 力求为人民、社会和地球作出积极贡献。

自2010年, 公司与彼岸社会服务的学前儿童分支机构——健康起点儿童发展中心(简称“HSCDC”)合作, 为来自新加坡红山一带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。2020年, CAO积极应对全球新冠疫情的影响, 投入人力物力, 为HSCDC的学前儿童提供急需的物资, 让他们能在困难时期继续学习。作为公司秉持慈善承诺的一部分, 公司志愿者参与采购食品、日常必需品、学习物资、包装关爱教育礼包并将它们分发到学校。

此外, 公司还动员全球子公司和员工, 积极发挥所长, 为缓解新冠疫情作出贡献。在疫情期间, CAO与商业伙伴合作, 为困难群体采购及发放个人防护装备(简称“PPE”)。在欧洲, 因民航航班停运, 导致货运航班大幅减少, 欧洲公司与航空公司紧急磋商, 开辟抗疫物资绿色通道, 为中国疫情重灾区分派了2吨关键医疗物资, 帮助一线医护人员抗击疫情。随着疫情在亚洲爆发, PPE变得稀缺, 公司采取了跨境PPE采购策略, 以确保员工的安全。香港公司还采购了3,000个医用外科口罩捐赠给航空公司客户, 与航空公司携手对抗疫情。

业务合作伙伴

随着疫情爆发, 各国纷纷出台出行限制和旅行禁令, 协助船员回国和更换船员的后勤挑战不可避免。为了支持公司的航运合作伙伴, CAO与其携手解决人道主义危机, 协助船员更替工作, 为确保海运价值链的可持续性和全球供应链的正常运作尽一份力。

保持环保意识

为打造可持续发展的未来贡献力量, 公司在应对环境挑战等方面, 不断强化员工的环保意识, 并努力在此方面扩大对客户、供应商和社区的支持与合作, 致力于减少对其运营所在社区环境的影响。

2020年, 公司与其利益相关方合作, 通过组织环保工作坊, 提高员工的环保意识并鼓励他们养成良好的环保习惯, 例如为本地贫困社区制作环保纸板家具和道具, 如想象力十足的游戏屋、街边小摊和迷宫等, 进而推动更健康且可持续的生活方式。CAO也在过去一年里为员工提供机会, 让他们与积极提倡可持续生活方式的同事互动, 一同在生活和工作上做出改变。公司还举办环保讲座, 介绍零废弃生活方式和环保酵素制作工作坊, 让员工了解环境的可持续性, 并灌输健康和零废弃的生活方式。共有12名公司员工通过线上线下方式参加了环保讲座。

植根本地、放眼全球

虽然疫情仍给全球带来挑战, 但公司依旧坚定不移地支持和强化其运营所在地的社区, 致力于成为有社会责任的企业公民。公司会继续努力改善社区的可持续发展, 将公益慈善资助活动与公司业务结合起来, 着力将影响力延伸至工作和生活以外, 让企业发展的成果普及社会大众。

CORPORATE GOVERNANCE AT A GLANCE

Express Disclosure Requirements – Principles and Provisions of the 2018 Code	How has the Company complied?
General	
Description of the corporate governance practices of the Company with reference to both the Principles and Provisions, and how the Company's practices conform with the Principles. Variations from Provisions are acceptable to the extent that the Company explicitly states and explains its practices are consistent with the aim and philosophy of the Principle in question	Yes. Refer to pages 89 and 95
Provision 1.2	
The induction, training and development provided to new and existing Directors	Refer to page 93
Provision 1.3	
Matters that require Board approval	Refer to page 90
Provision 1.4	
Names of the members of the Board Committees, the terms of reference of the Board Committees, any delegation of the Board's authority to make decisions and a summary of each Board Committee's activities	Refer to pages 96 to 106
Provision 1.5	
The number of meetings of the Board and Board Committees held in the year as well as attendance of every Board member at these meetings	Refer to page 92
Provision 2.4	
The board diversity policy and progress made towards implementing the board diversity policy	Refer to page 91
Provision 4.3	
Process for the selection, appointment and re-appointment of Directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates	Refer to pages 96 to 97
Provision 4.4	
Where the Board considers a Director to be independent in spite of the existence of a relationship which may affect his or her independence, the nature of the Director's relationship and the reasons for considering him or her as independent should be disclosed	None
Provision 4.5	
The listed company directorships and principal commitments of each Director, and where a Director holds a significant number of such directorships and commitments, the Nominating Committee's and Board's reasoned assessment of the ability of the Director to diligently discharge his or her duties are disclosed	Refer to pages 16 to 24 and 97
Provision 5.2	
How the assessments of the Board, its Board Committees and each Director have been conducted, including the identity of any external facilitator or its connection, if any, with the Company or any of its Directors	Refer to pages 97 to 98

CORPORATE GOVERNANCE AT A GLANCE

Express Disclosure Requirements – Principles and Provisions of the 2018 Code	How has the Company complied?
Provision 6.4	
The Company discloses the engagement of any remuneration consultants and their independence	Refer to page 99
Provision 8	
Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration, and the relationship between the remuneration, performance and value creation	Refer to pages 99 to 101
Provision 8.1	
<p>The Company discloses the policy and criteria for setting remuneration, as well as names, amounts and breakdowns of remuneration of:</p> <p>(a) each individual director and the CEO; and</p> <p>(b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel</p>	Refer to page 100
Provision 8.2	
Names and remuneration of employees who are substantial shareholders of the Company, or are immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000. The disclosure states clearly the employee's relationship with the relevant Director or the CEO or substantial shareholder	None. Refer to page 100
Provision 8.3	
The Company discloses all forms of remuneration and other payments and benefits, paid by the Company and its subsidiaries to Directors and key management personnel of the Company, and also discloses details of employee share schemes	Refer to pages 100 to 101
Provision 9.2	
Whether the Board has received assurance from (a) the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control systems	Refer to page 106
Provision 11.3	
Directors' attendance at general meetings of the shareholders held during the financial year	Refer to page 110
Provision 12.1	
The steps taken to solicit and understand the views of the shareholders	Refer to pages 109 to 110
Provision 13.2	
The strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period	Refer to page 109

STATEMENT OF CORPORATE GOVERNANCE

2020 had been an extraordinarily challenging and unpredictable year as the global coronavirus pandemic continued to rage across the world. The ramifications of the pandemic had exacerbated global economic and geopolitical uncertainties and the fast-changing business landscape had continued to present daunting challenges to the Board of Directors (the “**Board**”) and Management of China Aviation Oil (Singapore) Corporation Ltd (“**CAO**” or the “**Company**”). Nonetheless, the Board and Management of the Company remained firmly committed to ensuring the highest standards of corporate governance as a means of enhancing corporate performance and accountability. To demonstrate its commitment towards excellence in corporate governance, the Company had embraced the Company’s operating philosophy of “Compliance as Top Priority, Risk Management of Utmost Importance” and our management philosophy of “Transparency, Standardisation and Refinement”. We strive to surpass the minimum requirements of openness, integrity and accountability prescribed by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and the Code of Corporate Governance 2018 (the “**2018 Code**”). Good corporate governance has become a fundamental part of our corporate culture and business practices of the CAO group of companies (the “**CAO Group**”) and in ensuring the continued strong performance of our businesses and maintaining investor confidence which underpin the sustainable, long-term growth of our businesses and shareholder value.

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

We confirm that throughout the financial year ended 31 December 2020 and at the date of issue of this Statement of Corporate Governance, the Company is in substantial compliance with the provisions of, and applied the principles set out in the 2018 Code.

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

This report primarily describes the Company’s corporate governance practices for the financial year ended 31 December 2020 with specific reference to the 2018 Code and details how we apply the principles and comply with the provisions of the 2018 Code.

STATEMENT OF CORPORATE GOVERNANCE

(A) BOARD MATTERS

The Board's Conduct of its Affairs

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

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

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

During the year under review, in line with ongoing efforts to (i) streamline and better reflect the interplay between the Board and the Board Committees in terms of their respective roles and responsibilities and in particular, risk governance oversight at the Board level; and (ii) incorporate general amendments to align the existing Terms of Reference of the respective Board Committees with the 2018 Code, the terms of the Board's remit, constitution, function, accountability and responsibility were set out in a documented Terms of Reference for the Board, and amendments to the existing Terms of Reference of the Board Committees were also made.

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

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

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

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

STATEMENT OF CORPORATE GOVERNANCE

Composition of the Board: At the date of issue of this Statement of Corporate Governance, the Board comprises nine (9) Non-Executive Directors and the Chief Executive Officer/Executive Director (the “**CEO/ED**”). All Independent Directors as well as those nominated by the two (2) major shareholders, namely China National Aviation Fuel Group Limited (“**CNAF**”) and BP Investments Asia Limited (“**BP**”), were appointed on the strength of their expertise, experience and stature.

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

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

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

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

In terms of gender diversity, the Company has one female Director on the Board. The female gender therefore represents approximately 11.1% of the total Board membership. In terms of age diversity, three (3) Directors are in their sixties, five (5) Directors are in their fifties and one (1) Director is in his forties, representing approximately 33.3%, 55.6% and 11.1% of the total Board membership respectively.

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

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

STATEMENT OF CORPORATE GOVERNANCE

Meetings of the Board and Board Committees: Notwithstanding the adoption of half-yearly reporting of financial results of the Company from the financial year ended 31 December 2020, the Board continued to meet on a quarterly basis. The Board met three (3) times in 2020. At the scheduled Board meetings for the financial year 2020, the Board: (i) reviewed and approved the release of the half-year and full-year results; (ii) discussed reports by Management relating to major corporate activities; (iii) approved the annual budget; and (iv) reviewed the performance of the CAO Group's businesses. When Directors cannot be physically present, telephonic attendance and conference via audio-visual communication at Board and Board committee meetings are allowed under the Company's Constitution. The number of meetings of the Board and Board Committees held in 2020 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 ⁽¹⁾	3	N.A.	N.A.	N.A.	N.A.	N.A.
Gong Feng ⁽²⁾	–	N.A.	N.A.	N.A.	N.A.	N.A.
Teo Ser Luck	3	3	1	1	4	1
Wang Yanjun	3	N.A.	N.A.	N.A.	N.A.	N.A.
Li Yongji ⁽³⁾	3	3	N.A.	0	N.A.	N.A.
Feng Hai ⁽⁴⁾	2	N.A.	–	N.A.	3	N.A.
Zhang Yuchen ⁽⁵⁾	1	N.A.	1	N.A.	1	N.A.
Li Runsheng	3	3	1	1	N.A.	1
Hee Theng Fong	3	3	1	1	N.A.	1
Bella Young Pit Lai	3	N.A.	1	1	N.A.	N.A.
Eugene Leong Jhi Ghin	3	3	N.A.	N.A.	4	N.A.
Number of Meetings Held	3	3	1	1	4	1

Notes:

- (1) Dr Xi Zhengping, a CNAF-nominee Director, stepped down as Chairman of the Board on 9 December 2020.
- (2) Mr Gong Feng, a CNAF-nominee Director, was appointed as a Non-Executive, Non-Independent Director on 9 December 2020 in place of Dr Xi Zhengping. He was concurrently appointed as Chairman of the Board.
- (3) Mr Li Yongji, a CNAF-nominee Director, was not able to attend the Remuneration Committee Meeting due to a prior engagement.
- (4) Mr Feng Hai, a CNAF-nominee Director, resigned as a Non-Independent Director on 1 November 2020. He concurrently relinquished his office as Vice Chairman of the Nominating Committee and as a Member of the Risk Management Committee.
- (5) Mr Zhang Yuchen, a CNAF-nominee Director, was appointed as a Non-Independent Director on 1 November 2020 in place of Mr Feng Hai. He was concurrently appointed as Vice Chairman of the Nominating Committee and a Member of the Risk Management 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.

STATEMENT OF CORPORATE GOVERNANCE

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.

Due to the global outbreak of coronavirus pandemic in 2020, comprehensive director familiarisation sessions for newly appointed Directors who joined the Board in late 2020 were held in abeyance until such time as appropriate. The purpose of the familiarisation sessions would be to familiarise them with the business activities, strategic direction, policies and corporate governance practices of the CAO Group. Areas covered included the Corporate Strategy and Investments, Oil Trading and Aviation Marketing Businesses of the CAO Group, Risk Management Framework, Policies and Practices, Overview of the Financial Performance of the CAO Group, Investor Relations Activities, Compliance and Internal Audit function, Directors' Duties and Continuing Listing Obligations and Governance Structure, Policy and Practices of the CAO Group. These sessions also provided opportunities for the aforesaid Directors to get acquainted with senior management, and also foster better rapport and communications with Management.

For any Director who has no prior experience as a director of a listed company, arrangements will be made for him or her to attend the Listed Entity Director ("**LED**") Programme conducted by the Singapore Institute of Directors ("**SID**") within a year of his or her appointment. Accordingly, the Company would be arranging for Mr Gong Feng and Mr Zhang Yuchen to attend the LED Programme conducted by SID, within one (1) year of their date of appointment as Directors of CAO. Mr Conrad F.J. Clifford who was appointed as a Non-Executive, Independent Director of CAO on 19 February 2021, will attend the LED Programme within a year of his appointment.

Continuing Professional Development of Directors: In line with CAO's Policy on Director Orientation and Professional Development adopted by the Board since November 2012, continuing professional development programmes were organised for Directors to ensure that all Directors are updated on important market developments in the energy industry and issues which may have a significant impact on the businesses, financial and operational matters of the CAO Group. These programmes are conducted by external advisers, experts or senior management and these included a Board Information Session on "COVID-19 Disruption-Credit Impact on the Oil Trading and Aviation Industry" conducted by S&P Global Market Intelligence's Asia Pacific Risk Services Team. The Company also provides the Board with updates on developments in laws and regulations or changes in regulatory requirements and financial reporting standards, which are relevant to or may affect the CAO Group's businesses. The Directors have been periodically updated on various aspects of the CAO Group's operations through briefings, informal discussions and meetings with Management. As part of the Company's continuing professional education for Directors, the Company circulates to the Board articles, reports and news releases issued by the SGX-ST which are relevant to the CAO Group's businesses. Also, wherever applicable, meetings are arranged for the Directors to meet with relevant experts on issues which impact the CAO Group's operating environment. In addition, the Directors are encouraged to attend appropriate relevant external programmes such as those conducted by the SID or seminars organised by the SGX-ST or other professional institutions, at the Company's expense. The Directors may also, at any time, request further information or meetings with Management on the CAO Group's operations.

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.

STATEMENT OF CORPORATE GOVERNANCE

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

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

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

Board Composition and Guidance

Composition of Independent Directors on the Board: Of the nine (9) members on the Board, five (5) are nominated by substantial shareholders and are deemed as non-independent. The four (4) Independent Directors namely, Mr Teo Ser Luck, Mr Li Runsheng, Mr Hee Theng Fong and Mr Conrad F.J. Clifford constitute about forty percent. (40%) of the Board. Currently, at least three (3) Independent Directors are resident in Singapore. These three (3) Independent Directors are Mr Teo Ser Luck, Mr Hee Theng Fong and Mr Conrad F.J. Clifford. None of the nine (9) Board members is related to one another.

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

The Nominating Committee carried out the review on the independence of each non-executive Director in August 2020 by taking into consideration the Directors' Test of Independence Policy and the information collected from each Director through the completion by each Director of a confirmation of independence checklist. The Director is required to declare any circumstances in which he or she may be considered non-independent. The Nominating Committee will then review the confirmation of independence checklist by applying the Directors' Test of Independence before affirming the independence of a Director.

In the Form of Director's Declaration for 2020, Mr Teo Ser Luck, Mr Li Runsheng and Mr Hee Theng Fong had each confirmed that there were neither any circumstances that could have materially interfered with his exercise of unfettered and independent judgment nor were there any occurrence of any circumstances where the interests of CAO might not be best served by the interests of the major shareholders of CAO. All have demonstrated their independence in character and judgement in discharging their duties and responsibilities as Directors of the Company and their ability to act in the best interests of the Company. This is evident from the minutes of the proceedings of the Board and Board Committees where they had expressed individual viewpoints and objectively scrutinised and sought clarifications from the Management, employees, external auditors and internal auditors of CAO as they considered necessary.

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

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

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

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

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

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

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

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

Regular Meetings of Independent Directors: In accordance with the CAO Corporate Governance Policy, the Independent Directors of CAO meet at least once a year, without the presence of the other Directors, to discuss any matters relevant to the CAO Group, such as its investment criteria, risk management and internal controls, risk appetite and risk tolerance, performance of management, Board communication and performance, and strategic issues. The Independent Directors of CAO met on 7 October 2020 at a meeting chaired by the Lead Independent Director without the presence of the other Directors and the Management.

STATEMENT OF CORPORATE GOVERNANCE

Board Membership

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

Nominating Committee

Li Runsheng	Chairman
Zhang Yuchen ⁽¹⁾	Vice Chairman
Teo Ser Luck	Member
Bella Young Pit Lai	Member
Conrad F.J. Clifford ⁽²⁾	Member

Note:

(1) Mr Zhang Yuchen was appointed as Vice Chairman on 1 November 2020 in place of Mr Feng Hai.

(2) Mr Conrad F.J. Clifford was appointed as a member in place of Mr Hee Theng Fong on 19 February 2021.

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

The Nominating Committee held one (1) meeting in 2020 where it met to discuss and review (i) the independence of Non-Executive Directors; (ii) Board Performance Evaluation; and (iii) the Nominating Committee Annual Self-Assessment Findings. The Nominating Committee had also reviewed and approved several other matters under its remit via email circulation.

The responsibilities of the Nominating Committee include:

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

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

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

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In the course of the year, Mr Gong Feng, a CNAF-nominee Director, was appointed as a Non-Executive, Non-Independent Director of the Company in place of Dr Xi Zhengping and Mr Zhang Yuchen, a CNAF-nominee Director, was also appointed as a Non-Executive, Non-Independent Director of the Company in place of Mr Feng Hai. Prior to the respective appointments of Mr Gong Feng and Mr Zhang Yuchen, Nominating Committee had considered the relevant evaluation criteria in the Internal Guidelines when assessing the suitability of Mr Gong Feng and Mr Zhang Yuchen in complementing the core competencies of the Board. Following consideration and assessment, the Nominating Committee submitted its recommendations to the Board for approval of the respective appointments of Mr Gong Feng and Mr Zhang Yuchen as a Non-Executive, Non-Independent Director of the Company. The Board had considered the recommendations of the Nominating Committee and the backgrounds, qualifications and experiences of Mr Gong Feng and Mr Zhang Yuchen respectively and approved the respective appointments of Mr Gong Feng and Mr Zhang Yuchen as Non-Executive, Non-Independent CNAF-nominee Directors of the Company. The Nominating Committee had also assessed the suitability of Mr Conrad F.J. Clifford in complementing the core competencies of the Board. The Board had considered the recommendations of the Nominating Committee and the background, qualifications and experiences of Mr Conrad F.J. Clifford and approved the appointment of Mr Conrad F.J. Clifford as a Non-Executive, Independent Director of the Company in place of Mr Eugene Leong Jhi Ghin, a BP-nominee Director, who stepped down as a Non-Executive, Non-Independent Director of the Company on 19 February 2021.

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

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

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

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

Retirement by Rotation and Re-election of Directors: Pursuant to Regulation 94 of the Company's Constitution, one-third of the members of the Board of Directors shall retire by rotation at every annual general meeting of the Company (the "**AGM**") and these Directors may offer themselves for re-election, if eligible. For the 27th AGM to be held on 28 April 2021, Mr Wang Yanjun and Ms Bella Young Pit Lai are due for retirement by rotation and would be eligible for re-election.

In accordance with Regulation 100 of the Company's Constitution, Mr Gong Feng and Mr Zhang Yuchen who were appointed as Non-Executive, Non-Independent Directors of the Company on 1 November 2020 and 9 December 2020 respectively, and Mr Conrad FJ Clifford, who was appointed as an Independent Director of the Company on 19 February 2021, will each hold office as Directors until the next annual general meeting of the Company and will be eligible for re-election under Regulation 100 at the 27th AGM.

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

STATEMENT OF CORPORATE GOVERNANCE

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

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

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

A general summary of the assessment ratings on each of the elements of the Board Evaluation Questionnaire by each member of the Nominating Committee will be collated by the Company Secretary for the Nominating Committee's deliberation and consensus at its Nominating Committee Meeting held in November 2020.

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

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

Access to Information

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

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

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

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

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

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

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

STATEMENT OF CORPORATE GOVERNANCE

(B) REMUNERATION MATTERS

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

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

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

Remuneration Committee

Conrad F.J. Clifford ⁽¹⁾	Chairman
Zhang Yuchen	Vice Chairman
Li Runsheng	Member
Hee Theng Fong ⁽²⁾	Member
Bella Young Pit Lai	Member

Note:

(1) Mr Conrad F.J. Clifford was appointed as Chairman on 19 February 2021.

(2) Mr Hee Theng Fong stepped down as Chairman on 19 February 2021.

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

In the discharge of its responsibilities, the Remuneration Committee may, as it deems appropriate, seek expert advice from an external international human resource consultancy firm. During the year, the Company used the “2020 Singapore Mercer Benefits Monitor” for the Energy & Trading Industry purchased from Mercer, as a reference for benchmarking purposes. Mercer and its consultants are independent and are not related to the Company or any of its Directors.

Broadly, remuneration for the CEO/EO and five (5) KMPs for the financial year ended 31 December 2020 is based on the Company’s and individual performances and the remuneration for Non-Executive, Independent Directors in the form of fees is based on responsibilities and memberships in the Board and its committees.

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

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

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

- Each independent director will receive a base fee (“**Base Fee**”).
- The Chairman of the Audit Committee (“**AC**”) will receive additionally two-thirds of the Base Fee (“**AC Chairman’s Fee**”).
- The Chairman of the Risk Management Committee (“**RMC**”) will receive additionally two-thirds of the Base Fee (“**RMC Chairman’s Fee**”).
- Chairman of the Remuneration Committee (“**RC**”) and the Chairman of the Nominating Committee (“**NC**”) will each receive additionally one-half of the Base Fee.
- Members of AC, RC, NC and RMC will each receive 50% of the respective AC Chairman’s Fee, RC Chairman’s Fee, NC Chairman’s Fee and RMC Chairman’s Fee.
- Non-Executive, Non-Independent Directors and Executive Directors will not be entitled to receive fees.
- The Lead Independent Director will receive additionally a fixed fee of S\$30,000.

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The remuneration of Directors payable for the financial year ended 31 December 2020 is set out below:

Name of Director	Fee (S\$)	Basic/ Fixed Salary and Allowance (S\$)	Variable/ Performance Bonus (S\$)	Others (S\$)	Long-Term Incentives (S\$)	Total (S\$)
Executive Director						
Wang Yanjun ⁽¹⁾ (CEO/ED)	0	232,620	88,858	0	0	321,478
Non-Executive Directors						
Gong Feng ⁽²⁾ (Chairman)	0	N.A.	N.A.	N.A.	N.A.	0
Teo Ser Luck (Lead Independent Director)	150,000	N.A.	N.A.	N.A.	N.A.	150,000
Li Yongji ⁽³⁾	0	N.A.	N.A.	N.A.	N.A.	0
Zhang Yuchen ⁽⁴⁾	0	N.A.	N.A.	N.A.	N.A.	0
Li Runsheng	100,000	N.A.	N.A.	N.A.	N.A.	100,000
Hee Theng Fong	100,000	N.A.	N.A.	N.A.	N.A.	100,000
Bella Young Pit Lai	0	N.A.	N.A.	N.A.	N.A.	0
Eugene Leong Jhi Ghin ⁽⁵⁾	0	N.A.	N.A.	N.A.	N.A.	0

(1) The total remuneration of Mr Wang Yanjun shown above includes the 2019 variable bonus paid during the financial year 2020 and excludes the 2020 variable bonus payable during the financial year 2021.

(2) Mr Gong Feng, a CNAF-nominee Director, was appointed as a Non-Executive, Non-Independent Director of the Company on 9 December 2020 in place of Dr Xi Zhengping, a CNAF-nominee Director, who resigned as Chairman/Director of the Company on the same date. Mr Gong Feng was concurrently appointed as Chairman of the Board.

(3) Mr Li Yongji stepped down as Vice Chairman of the Remuneration Committee on 19 February 2021 and was appointed as Vice Chairman of the Risk Management Committee on the same date.

(4) Mr Zhang Yuchen, a CNAF-nominee Director, was appointed as a Non-Executive, Non-Independent Director of the Company on 1 November 2020 in place of Mr Feng Hai, a CNAF-nominee Director, who resigned on the same date. Mr Zhang Yuchen was concurrently appointed as Vice Chairman of the Nominating Committee and a Member of the Risk Management Committee in place of Mr Feng Hai. On 19 February 2021, Mr Zhang stepped down as a member of the Risk Management Committee. He was appointed as Vice Chairman of the Remuneration Committee in place of Mr Li Yongji on the same date.

(5) Mr Eugene Leong Jhi Ghin, a BP-nominee Director, resigned as a Non-Executive, Non-Independent Director of the Company on 19 February 2021. He concurrently stepped down as Chairman of the Risk Management Committee and as a Member of the Audit Committee.

Remuneration Bands	Name of Key Management Personnel	Base/Fixed Salary (%)	Variable Bonus (%)	Allowances & Other Benefits (%)	Long-Term Incentives (%)	Total (%)
S\$500,001 – S\$750,000	Elizza Ding	81.9	17.9	0.2	0.0	100.0
S\$250,000 – S\$500,000	Xu Guohong	74.2	25.8	0.0	0.0	100.0
	Zhang Xingbo	73.9	26.1	0.0	0.0	100.0
	Doreen Nah	76.0	23.7	0.2	0.0	100.0
Below S\$250,000	Guo Feng	86.8	13.2	0.0	0.0	100.0
Total Remuneration of five (5) key management personnel⁽¹⁾	S\$1,667,482					

(1) The remuneration disclosed for the KMP includes the 2019 variable bonus paid during the financial year 2020 and excludes the 2020 variable bonus payable during the financial year 2021.

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 2020. "immediate family member" means the spouse, child, adopted child, step child, brother, sister and parent.

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

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

Basic/fixed salary – The basic salary (exclusive of statutory employer contributions to Central Provident Fund) for the CEO/ED and each KMP were approved by the Remuneration Committee and endorsed by the Board, taking into account the performance of the individual for the financial year 2020, the inflation price index and information from independent sources on the pay scale for similar jobs in a selected group of comparable organisations.

Variable/Performance – The CAO Group operates a bonus scheme for all employees including the CEO/ED. The criteria for the bonus scheme are the level of profit achieved from certain aspects of the CAO Group's business activities against targets, together with an assessment of the Company's and individual's performance during the year. The remuneration disclosed above for the CEO/ ED and the five (5) KMPs included the 2020 variable bonuses in relation to profit targets achieved for the Company's oil trading activities during the financial year 2020.

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

(C) ACCOUNTABILITY AND AUDIT

Accountability:

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

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

The Board had put in place an external audit policy (the "**CAO External Audit Policy**") which provides guidance on the application of the 2018 Code as well as CAO Corporate Governance Policy in relation to the provision of external audit services for the CAO Group. During the year, the Board adopted a new Financial Audit Management Measures (the "**Financial Audit Management Measures**") in place of the CAO External Audit Policy following the review and recommendation of the Audit Committee.

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

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

STATEMENT OF CORPORATE GOVERNANCE

During the financial year 2020, the Board, through the Audit Committee, Deloitte & Touche LLP (“**Deloitte**”) and internal auditors, BDO LLP (“**BDO**”), scrutinised Management’s conduct of the Company’s and the CAO Group’s business processes and financials. Each area of the Company and the CAO Group was audited on an ongoing basis to ensure that the Company and the CAO Group maintain good corporate practices and governance and financial integrity.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

Risk Management Committee

Hee Theng Fong ⁽¹⁾	Chairman
Li Yongji ⁽²⁾	Vice Chairman
Teo Ser Luck	Member
Bella Young Pit Lai ⁽³⁾	Member
Conrad F.J. Clifford ⁽⁴⁾	Member

Note:

- (1) Mr Hee Theng Fong was appointed as Chairman on 19 February 2021 in place of Mr Eugene Leong Jhi Ghin who stepped down as Chairman on the same date.
- (2) Mr Li Yongji was appointed as Vice Chairman on 19 February 2021 in place of Zhang Yuchen who stepped down as a Member on the same date.
- (3) Ms Bella Young Pit Lai was appointed as a Member on 19 February 2021.
- (4) Mr Conrad F.J. Clifford was appointed as a Member on 19 February 2021.

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

The Risk Management Committee assists the Board and the Company in ensuring adequate measures are in place to manage all material risks (including relating to risk management policies and framework which shall include, among others, the review of market risk, credit risk, operational and compliance risks associated with trading activities, technology risk (including information security risk and cybersecurity risk), reputational risk and other risk concerns (other than in relation to financial reporting and financial-related risks and controls)).

During the year, as directed by the Board and led by the Risk Management Committee, the Company engaged an external adviser, PricewaterhouseCoopers Risk Services Pte. Ltd. (“**PWC**”) to help review the best practices of corporate governance including the need to comply with SASAC requirements and risk profile of CAO’s business. One specific area of focus was on the risk governance model at the Board level to address the management of enterprise-wide risk as well as significant risks due to the nature of CAO’s business. Whilst focused on the Terms of Reference and Board governance model, management structures and relevant areas that support the effective implementation and execution of risk governance were also considered. The scope of review by PWC included the Terms of Reference of the Risk Management Committee with reference to related Terms of Reference including but not limited to the Term of Reference of the Audit Committee and the Risk Management Committee-delegated subcommittees, the Terms of Reference of the Board and the 2018 Code with the following objectives:

- (i) Compliance with 2018 Code;
- (ii) Clarity of accountabilities and responsibilities;
- (iii) Recommendations of a risk governance structure that manages the risk in CAO’s business; and
- (iv) Recommendation on best practice for managing the specific trading risks inherent in CAO’s business.

STATEMENT OF CORPORATE GOVERNANCE

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

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

During the year, BP suspended arrangements for the secondment of its personnel to the position of Head of Risk Management of the Company under the Secondment Agreement between BP Singapore Pte. Limited and the Company dated 7 April 2017 and accordingly, BP's secondee, who was the Head of Risk Management of the Company, relinquished his position as the Head of Risk Management as from 1 October 2020. Following which, the Company appointed one (1) of its employees, as the Deputy Head of Risk Management, to helm the Risk Management Department. The Deputy Head of Risk Management 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 Deputy Head of Risk Management, senior Management and relevant functional heads (i.e. from Trading, Operations, Finance and Legal & Compliance), and meets at least once quarterly as well as on an ad hoc basis when required. The Chairman of the Company Risk Meeting, who is the Deputy Head of Risk Management, directly reports to the Chief Financial Officer ("**CFO**") but also has an independent direct reporting line to the Risk Management Committee.

The Risk Management Report is found on page 66 of the Annual Report.

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

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

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

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As part of the CAO Group's efforts to ensure all employees of the CAO Group stay relevant and informed of the dynamic business environment and uphold core ethics and values that are essential to the long-term success of the CAO Group, the Legal & Compliance Department arranged for all employees of the CAO Group to participate in the mandatory e-learning course modules relating to (1) COVID-19 Compliance Challenges; (2) Conflicts of Interest-Game-Based Assessment; (3) Cyber Resilience (Global); and (4) Anti-Money Laundering in China via the Thomson Reuters' online learning portal.

In August 2020, the Company conducted a virtual business continuity plan cum IT disaster recovery plan exercise ("**BCP/IT Disaster Recovery Exercise**") via Zoom involving participants from cross-functional departments of the CAO Group. The objective of the BCP/IT Disaster Recovery Exercise is to test the robustness of critical systems in a simulated scenario where the main data server was completely inaccessible, and the ability to restore remotely the backup service at the Company's disaster recovery data centre and kick-start the relevant business applications, systems and data recovery exercise.

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.

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 Legal & Compliance department and the Risk Management 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 2020 (the "**Key Audit Matters**").

STATEMENT OF CORPORATE GOVERNANCE

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

Significant Matters	Audit Committee's commentary on its review of the Key Audit Matters and decisions made
<p>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 3.14 and 21 to the financial statements.</p>	<p>The Audit Committee regularly discussed with management and the external auditors on the standard operating procedures and controls in place to ensure reasonableness regarding timeliness, completeness and accuracy of accounting records and reporting. The Audit Committee had considered the reasonableness of the internal controls and procedures on the CAO Group's operating effectiveness. The Audit Committee had also considered the audit procedures performed by the external auditors and noted that no misstatements were uncovered by the external auditors.</p>
<p>Valuation of derivatives, trading inventories and open physical contracts</p> <p>The valuation of derivatives, trading inventories and open physical contracts requires significant management judgement in applying the appropriate valuation methodology and incorporating of any contract specific terms including the use of valid and appropriate price index.</p> <p>The valuation techniques and the inputs used in the fair value measurements of the financial instruments are disclosed in Note 27.</p>	<p>The Audit Committee received regular briefings on the CAO Group's internal controls and compliance. The internal auditors also conducted a review of the Company's system of internal controls and no significant observations were noted. The Audit Committee had considered the reasonableness of the controls in place over the valuation of derivatives, trading inventories and open physical contracts. It evaluated and was satisfied that the valuation methodology and inputs used in the valuation were reasonable.</p>

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

In accordance with Provision 10.2 of the 2018 Code, the Audit Committee reviewed the written assurance ("**Letter of Assurance**") from the CEO/ED and CFO on the financial records and the financial statements of the Company for the financial year ended 31 December 2020. The Letter of Assurance provides reasonable assurance to the Board that (1) the financial records of CAO for the financial year ended 31 December 2020 have been properly maintained; (2) the financial statements and the accompanying notes comply with the Singapore Financial Reporting Standards (International) in all material respects; (3) the financial statements and accompanying notes provide a true and fair view of the financial position and performance of CAO and its subsidiaries; (4) the integrity of the financial statements are founded on a sound system of risk management and internal control; and (5) the risk management and internal control system is operating efficiently and effectively in all material respects.

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

Based on the internal controls established and maintained by the 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 Group's system of internal controls addressing financial, operational, compliance, informational technology controls and risk management systems, were adequate as at 31 December 2020 to provide reasonable assurance for achieving the following objectives:

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

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

AUDIT COMMITTEE

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

Audit Committee

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

Note:

(1) Ms Bella Young Pit Lai was appointed as a member of the Audit Committee on 19 February 2021 in place of Mr Eugene Leong Jhi Ghin who stepped down on the same date.

Roles of the Audit Committee: The Audit Committee held three (3) meetings in 2020 where it met with external and internal auditors to review both the Company and the CAO Group's financials and audit reports. A key issue for discussion is the financial statements and announcements made by the Company to shareholders. The members of the Audit Committee, collectively, have expertise or experience in financial management and are qualified to discharge the Audit Committee's responsibilities.

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

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

STATEMENT OF CORPORATE GOVERNANCE

The Audit Committee reviewed the quarterly and annual financial statements for the financial year 2020 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 June 2020, 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 as auditors of the Company for the financial year 2021.

The Company implemented the Revised CAO Whistleblowing Policy which included inter alia, clearer guidance relating to the Company's approach and stance on whistleblowing and the means by which whistleblowers can raise serious concerns of any allegations of wrongdoing as well as more explicit indication of the kinds of conduct which might be considered reportable concerns. Under the Revised CAO Whistleblowing Policy, whistleblowers may report any reportable concerns pertaining to any form of misconduct affecting the CAO Group, its customers, partners, suppliers and other stakeholders, via a dedicated email address: whistle_blowing@caosco.com which will be accessed by the Receiving Officers who shall be such person or persons as the Audit Committee may designate from time to time.

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

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

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

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

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

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

Internal Audit

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

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

BDO had presented their internal audit plan 2020 to the Audit Committee. The Audit Committee adopted the audit plan for 2020.

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

STATEMENT OF CORPORATE GOVERNANCE

(D) COMMUNICATION WITH SHAREHOLDERS

Investor Relations and Shareholder Communication

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

Over the years, the Company has won many accolades from the investment community for its proactive approach to shareholder communication and transparency. During the financial year 2020, whilst many award events were cancelled in view of the COVID-19 pandemic, the Company was again ranked by analysts covering the stock as a “Top Singapore Small Cap Jewels” in view of its strong fundamentals and standing in the Singapore equity market, following the Company’s “Most Transparent Company” (Winner in Energy Category) by Securities Investors Association of Singapore, the “Best Risk Management” (Gold Award, Mid Cap Category) by Singapore Corporate Awards 2019 as well as named “Best Performing Stock” (Commerce Category) by The Edge Billion Dollar Club the year before.

The Company, through the Investor Relations team and senior management, maintained active working relationships with domestic and international brokerage firms, investment banks and the media in 2020 despite the challenges posed by the COVID-19 pandemic, communicating via tele-conferencing and video-conferencing whilst working from home for most parts of an extremely challenging year.

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 had expanded its channels of communication with the international investment and financial community. Increased interactions were conducted through international virtual conferences, face-to-face video meetings, teleconferences, tele-earnings briefings and corporate access webcasts which were broadcast globally across international financial markets.

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

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

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

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

The Company also engages the media and investment community through news releases and tele-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 (i) a half-yearly investor relations and corporate communications report which covers a wide range of matters including a commentary on the perception of the Company and views expressed by the investment community, media reports, share price performance and analysis, share ownership analysis, highlights of recent investor relations activities; and (ii) a yearly peer companies analysis report which provides a detailed analysis and evaluation on the benchmarking exercise with identified peer companies to provide the Board with a better understanding of CAO’s position within the industry as well as identify gaps and learning points.

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

Conduct of Shareholder Meetings

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

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.

In light of the COVID-19 pandemic, 26th AGM of the Company was held via electronic means. Shareholders were not able to attend the 26th AGM in person, but they were able to observe the proceedings of the 26th AGM by audio or audio-visual means. Shareholders were encouraged to appoint the Chairman of the 26th AGM as proxy to vote on their behalf at the 26th AGM. Shareholders were also able to submit questions relating to the business of the meeting in advance.

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

Dividend Policy

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

STATEMENT OF CORPORATE GOVERNANCE

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

Following the Company's announcement in April 2020 that it would discontinue with quarterly reporting and would move to semi-annual reporting of its unaudited consolidated financial statements, the Company amended its existing "Guidelines for Dealings in Securities by Directors and Employees of China Aviation Oil (Singapore) Corporation Ltd and its subsidiaries (the "**Internal Guidelines**") to reflect the embargo period for dealing with the shares of Company would commence from "two weeks before the announcement of CAO's results for the first half of the financial year, or one month before the announcement of CAO's results for the second half and full financial year..." instead of "two weeks before announcement of CAO's results for each of the first three quarters of its financial year, or one month before the announcement of CAO's results for its full financial year...". In line with the recommended best practices on dealings in securities set out under Rule 1207(18) of the SGX-ST Listing Manual, the Company has issued a directive to all employees and directors not to deal in the Company's securities on short-term considerations and to abstain from dealing with the Company's securities for a period commencing two (2) weeks before the announcement of the results of the first half of the financial year and one (1) month before the announcement of the full year results and ending on the date of the announcement of the relevant results.

INTERESTED PERSON TRANSACTIONS

Shareholders have approved the renewal of the general mandate for interested person transactions of the CAO Group on 4 June 2020 (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 2020 is found under "Supplementary Information" on page 192.

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 2018 Code.

Purpose

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

Duties and Responsibilities

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

Function as Principal Liaison with the Chairman and Senior Management

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

Call Meetings of Independent Directors

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

Preside at Meetings

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

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

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

Initiate Actions to Address any Concerns on Corporate Compliance Matters

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

Function as Principal Liaison in Shareholder Communication

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



China Aviation Oil (Singapore) Corporation Ltd

中国航油（新加坡）股份有限公司

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