

## STATEMENT OF CORPORATE GOVERNANCE 公司治理报告

The Board recognises the paramount importance of upholding high standards of corporate governance in ensuring the continuous and sustainable growth and development of China Aviation Oil (Singapore) Corporation Ltd (“**CAO**” or the “**Company**”). Despite ongoing geopolitical developments, macroeconomic uncertainty and an increasingly complex business operating environment in 2023, the Board of Directors (the “**Board**”) and Management remained firmly committed to maintaining high standards of corporate governance as a means of enhancing corporate performance and accountability of the Company. To demonstrate its commitment towards excellence in corporate governance, the Company continues to embrace the Company’s operating philosophy of “Compliance as Top Priority (合规第一), Risk Management of Utmost Importance (风控至上) and our management philosophy of “Transparency, Standardisation and Refinement”. We strive to surpass the requirements of openness, integrity and accountability prescribed by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual and the Code of Corporate Governance 2018 (the “**2018 Code**”). Good corporate governance practices are embedded in our corporate culture and business practices of the CAO group which we strongly believe will ensure the continued strong performance of our businesses and maintaining investor confidence which underpin the sustainable growth of our businesses and long-term value to all stakeholders.

The CAO Corporate Governance Policy of the Company has been devised in accordance 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 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 2023 and at the date of issue of this Statement of Corporate Governance, the Company is in substantial compliance with the provisions of, and applied the principles set out in the 2018 Code.

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

This report primarily describes the Company’s corporate governance practices for the financial year ended 31 December 2023 with specific reference to the 2018 Code and details how we apply the principles and comply with the provisions of the 2018 Code. Our compliance with the principles and guidelines of the 2018 Code and a checklist cross-referencing these principles and guidelines, are outlined under “Corporate Governance at a Glance” of the Company’s Annual Report 2023.

This Statement of Corporate Governance has been reviewed and approved by the Board of Directors of the Company.

### (A) BOARD MATTERS

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

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

- provides entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- sets the Company’s values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders of the Company are understood and met;
- establishes a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of the interests of shareholders of the Company and the Company’s assets;
- ensures compliance with all applicable laws, regulations, policies, directives, guidelines and internal codes of conduct by the Company, its subsidiaries and associated companies over which the Company has control (the “**CAO Group**”) and their respective management.

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- ensures accurate, adequate and timely reporting to, and communication with the shareholders of the Company;
- considers sustainability issues, e.g. environmental and social factors, as part of its strategic formulation;
- identifies the key stakeholder groups and recognises that their perceptions affect the Company's reputation; and
- reviews Management performance.

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

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

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

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

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

**Composition of the Board:** At the date of issue of this Statement of Corporate Governance, the Board comprises seven (7) Non-Executive Directors, an Executive Chairman and an Executive Director (the "**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.

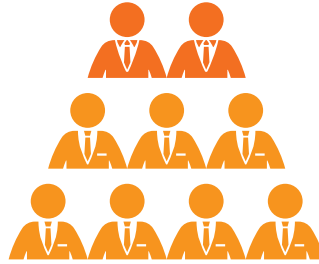
**Board Diversity Policy:** The Company adopted a revised Board Diversity Policy in 2022 which incorporated the requirements under Rule 710A of the SGX-ST Listing Manual, that address gender, skills and experience and any other relevant aspects of Board diversity (the "**CAO Board Diversity Policy**").

The Company recognises and embraces the benefits of having an appropriate level of diversity in the Board and views diversity at the Board level as an essential element in maintaining competitive advantage and supporting the attainment of its strategic objectives and sustainable development.

The Company is committed to selecting the best candidates to serve on the Board and will consider all aspects of Board diversity which include but not limited to educational background, professional or industry experience, skills, knowledge, gender, age, cultural background, ethnicity as well as length of service.

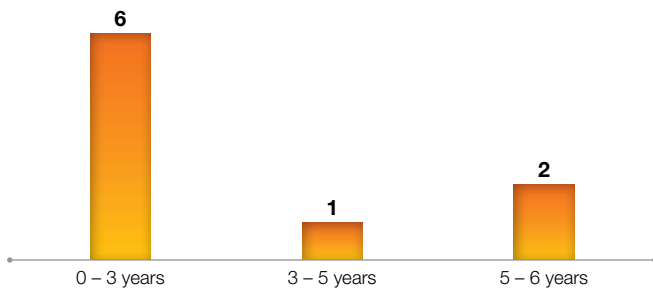
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## Board Diversity Matrix (As of March 2024)

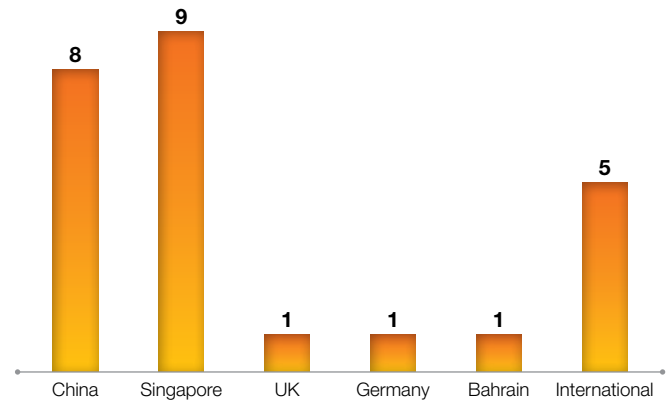


7 out of 9 directors are Non-Executive

**Length of Tenure**  
(No. of Directors)



**International Experience**  
(No. of Directors)



**CAO Board Diversity Plan:** The CAO Board Diversity Policy provides that the Nominating Committee reviews and assesses the structure, size and composition of the Board of Directors of the Company and will consider all aspects of board diversity including but not limited to gender, age, ethnicity, language, cultural and educational background, geographic representation, professional and industry experience, skills and knowledge and taking into consideration the Company’s business model and any specific requirements. These diverse range of attributes, experience, expertise and perspectives together with the Company’s strategic objectives, business activities and shareholding structure, will be considered in order to maintain an optimum mix of diversity, skills, knowledge, experience and expertise in the Board.

**Governance Process:** The Nominating Committee reviews and assesses the Board structure, size, and composition on behalf of the Board, and recommends for Board approval the appointment of new Directors taking into consideration the strategic objectives, business activities and shareholding structure of the Company.

In identifying qualified candidates for nomination to the Board and Board Committees, the Nominating Committee will consider prospective candidates based on merit, having regard to those core competencies, expertise, skills, background and other qualities identified from time to time by the Board as being important. The Nominating Committee will also take into account any legal and regulatory requirements, such as those relating to residency and independence, as well as any subsisting agreements between the major shareholders of the Company, and give due consideration to characteristics such as gender, age, ethnicity, sexual orientation, and geographic representation.

On gender diversity and with the objective of achieving and gradually increasing female board representation on the Board, the Nominating Committee will strive to obtain resumes of prospective female candidates for Board nomination as part of its search for suitable candidates for Board nomination, and will accord priority for the evaluation of the merits of selected female candidates for appointment to the Board.

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**Actionable Plans to Achieve Diversity Objectives and Targets:** The Board considers gender diversity as an important aspect in enhancing Board effectiveness. As part of its plan to achieve its diversity objectives and targets (including achieving and gradually increasing gender diversity in the Board), the Company has established and implemented the following measures:

- (1) Keeping an updated list of potential Director candidates who satisfy the selection criteria as outlined in the Company's Policy for the Selection and Appointment of Independent Directors as well as the guiding principles set out in the CAO Board Diversity Policy which take into account the objective of achieving and gradually increasing female board representation on the Board.
- (2) Identifying potential Director candidates through a number of sources including directors' contacts, industry partners, professional associations and through the Singapore Institute of Directors' board appointment services.
- (3) Encouraging Directors to provide feedback on the composition of the Board as part of the Nominating Committee's annual evaluations of the performance and effectiveness of the Board and Board Committees. In reviewing the composition of the Board, the Nominating Committee considers the benefits of diversity in the Board in order to attain an optimum mix of skills, knowledge, experience, expertise and all other relevant aspects of diversity in the Board.

**Diversity Mix of the Board:** The Board currently comprised members who are diverse in terms of academic and professional qualifications, skills, regional and industry experience, geographical origin, interpersonal skills, race, gender, nationality and age. The members of the Board with their combined executive leadership and management skills, industry and professional expertise, and different lengths of service, provide the core competencies to allow for diverse and objective perspectives on the business operations as well as the strategic direction of the Company. Further information on the individual Directors' academic and professional qualifications, principal commitments, etc. can be found in the "Board of Directors" section in the 2023 Annual Report of the Company.

**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, the Risk Management Committee and the Sustainability 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.

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

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

**Meetings of the Board and Board Committees:** The Board and Board Committees meet on a quarterly basis and may hold ad hoc meetings as and when warranted by circumstances. The Board met four (4) times in 2023. At the scheduled Board meetings for the financial year 2023, 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 2023 as well as the attendances of each Board member at these meetings are disclosed below:

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#### Attendance at Meetings of the Board, Board Committees, Independent Directors and Board Strategy Meeting for the financial year ended 31 December 2023:

Name of Director	Board Meetings	Board Committee Meetings					Independent Directors' Meeting	Board Strategy Meeting
		Audit	Nominating	Remuneration	Risk Management	Sustainability		
Gong Feng <sup>1</sup>	3	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	1
Shi Yanliang <sup>2</sup>	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Teo Ser Luck	4	4	2	N.A.	4	3	1	1
Shi Lei	4	N.A.	2	3	4	N.A.	N.A.	1
Zhang Yuchen	4	4	2	N.A.	4	3	N.A.	1
Wang Yanjun <sup>3</sup>	1	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Lin Yi <sup>4</sup>	3	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	1
Hee Theng Fong	4	4	N.A.	3	4	3	1	1
Fu Xingran	4	4	2	3	N.A.	3	1	1
Jeffrey Goh Mau Seong	4	N.A.	2	3	4	3	1	1
Richard Yang Minghui	4	4	N.A.	3	N.A.	N.A.	N.A.	1
<b>Number of Meetings Held</b>	4	4	2	3	4	3	1	1

#### Notes:

- 1 Mr Gong Feng, a CNAF-nominee Director resigned as Non-Executive Chairman on 15 December 2023
- 2 Mr Shi Yanliang, a CNAF-nominee Director was appointed as Executive Chairman on 15 December 2023
- 3 Mr Wang Yanjun, a CNAF-nominee Director retired as Executive Director on 15 March 2023
- 4 Mr Lin Yi, who is the Chief Executive Officer and a CNAF-nominee Director, was appointed as Executive Director on 15 March 2023 and was re-designated as Chief Executive Officer/Executive Director of the Company on the same date.

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

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

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

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 would include 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 newly Directors to get acquainted with senior management, and also foster better rapport and communications with Management.

For any Director who has no prior experience as a director of a listed company, arrangements will be made for him or her to attend the Listed Entity Director ("**LED**") Programme conducted by the Singapore Institute of Directors ("**SID**") within a year of his or her appointment. Accordingly, the Company had arranged for Mr Shi Yanliang to attend the LED Programme conducted by SID, within one year of his date of appointment as a Director of CAO. During the financial year 2023, all new Directors of the Company had also undergone training relating to sustainability matters as prescribed by SGX-ST. All training costs are borne by the Company.



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**Continuing Professional Development of Directors:** In line with CAO's Policy on Director Orientation and Professional Development adopted by the Board, continuing professional development programmes were organised for Directors to ensure that all Directors are updated on important market developments in the industry relevant to the business of the CAO Group and issues which may have a significant impact on the businesses, financial and operational matters of the CAO Group. These programmes are conducted by external advisers, experts, management team or heads of department and these included a Board Information Session on "Hedging Business Overview" conducted by CAO's Head of Risk Management which covered areas such "Overview of the CAO Hedging Business Management Policy"; and "Basic Concepts of Trading Exposure and Hedging".

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 Group's businesses. The Directors have been periodically updated on various aspects of the 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 Group's businesses. Also, wherever applicable, meetings are arranged for the Directors to meet with relevant experts on issues which impact the 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 Group's operations. In 2023, the Company has also made arrangements for Directors to conveniently access Thomson Reuters' e-learning module titled "Preventing Financial Crime" which included topics such as identifying methods and means used by criminal element to commit financial crimes, describing risk-based due diligence practices to help prevent financial crimes and identifying suspicious behaviour, and clarifying responsibilities and obligations in preventing and identifying financial crimes.

**Directors' Disclosure of Interests:** The Board has established the Board of Directors Conflict of Interest Policy (the "**Board Conflict of Interest Policy**") which serves inter alia, to focus on the Board and each of its Directors on areas of ethical risk and provide guidance to the Directors to help them recognise and deal with actual and potential conflicts of interest, and help ensure avoidance of conflicts of interest where necessary. During the financial year 2023, the existing Board Conflict of Interest Policy was amended and key amendments made to the said Policy included: (1) requiring all Directors to immediately disclose to the Board all conflicts of interest that have occurred or may possibly occur as soon as the Director is aware of a conflict or the possibility of a conflict using the Company's prescribed standard forms; and (2) requiring a Director who has a conflict of interest to recuse himself or herself from discussions (except to disclose material facts and to respond to questions on a transaction or proposed transaction) and abstain from voting on resolutions regarding such transaction or proposed transaction. Such a Director should also not attempt to exert his or her personal influence with respect to the transaction or proposed transaction either at or outside the meeting.

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 Chief Executive Officer ("**CEO**") 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 CEO have been devised for use by Directors and the CEO. As a further commitment of the Board to transparent disclosure, management and monitoring of existing and potential conflicts of interest, a "Conflict of Interest Disclosure Form" by Directors and key management personnel ("**KMP**") of the Company has been devised to facilitate adequate and timely disclosures by Directors and KMP.

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

#### Board Composition and Guidance

**Composition of Independent Directors on the Board:** Of the nine (9) members on the Board, five (5) are nominated by substantial shareholders and are deemed as non-independent. The four (4) Independent Directors namely, Mr Teo Ser Luck, Mr Hee Theng Fong, Dr Fu Xingran and Dr Jeffrey Goh Mau Seong constitute about forty-four percent. (44%) of the Board. Currently, at least two (2) Independent Directors are resident in Singapore. These two (2) Independent Directors are Mr Teo Ser Luck and Mr Hee Theng Fong. None of the nine (9) Board members is related to one another.

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**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 Directors' Test of Independence Policy which set out the process for considering the independence of Directors of the Company (the "**Directors' Test of Independence Policy**"). The Directors' Test of Independence Policy (i) specifies the materiality thresholds and independence criteria which the Nominating Committee will use to assess the independence of a Director; (ii) identifies the information that the Company will collect from Directors to enable the Nominating Committee to assess the independence of Directors; and (iii) outlines the basis of disclosure to shareholders of the assessment of the independence of Directors, including the disclosure of any relationships that may be perceived to affect the independence or objectivity of a Director.

The Nominating Committee carried out the review on the independence of the non-executive Directors in September 2023 by taking into consideration the Directors' Test of Independence Policy and the information collected from each Director through the completion by each Director of a confirmation of independence checklist. The Director is required to declare any circumstances in which he may be considered non-independent. The Nominating Committee will then review the confirmation of independence checklist by applying the Directors' Test of Independence Policy before affirming the independence of a Director.

In the Form of Director's Declaration for 2023, Mr Teo Ser Luck, Mr Hee Theng Fong, Dr Fu Xingran and Dr Jeffrey Goh Mau Seong had each confirmed that there were neither any circumstances that could have materially interfered with his exercise of unfettered and independent judgment nor were there any occurrence of any circumstances where the interests of CAO might not be best served by the interests of the major shareholders of CAO. All have demonstrated their independence in character and judgement in discharging their duties and responsibilities as Directors of the Company and their ability to act in the best interests of the Company. This is evident from the minutes of the proceedings of the Board and Board Committees where they had expressed individual viewpoints and objectively scrutinised and sought clarifications from the Management, employees, external auditors and internal auditors of CAO as they considered necessary.

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

The composition of the Board is reviewed annually by the Nominating Committee taking into consideration all aspects of Board diversity which include but not limited to educational background, professional or industry experience, skills, knowledge, gender, age, cultural background, ethnicity as well as length of service. The Nominating Committee is satisfied that the Board comprises Directors with diverse academic backgrounds, professional qualifications, skills, regional and industry experience, geographical origin, interpersonal skills, race, gender, nationality and age. The diverse mix of the members of the Board will provide the core competencies that will allow for diverse and objective perspectives on the business operations as well as the strategic direction of the Company. 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 to provide leadership in situations where the Chairman is conflicted. 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. Notwithstanding this, as part of the Company's commitment to abide by both the letter and spirit of Provision 2.2 of the 2018 Code, the possibility of increasing the number of Independent Directors in the Board in the foreseeable future will not be precluded.

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

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

With the appointment of the Executive Chairman in December 2023, the Board reviewed and updated the duties and responsibilities of the Executive Chairman and the CEO. The amended list of duties and responsibilities for each of the Executive Chairman and CEO, are available for inspection at the Company's registered office.

**Regular Meetings of Independent Directors:** In accordance with the CAO Corporate Governance Policy, the Independent Directors of CAO meet at least once a year, without the presence of the other Directors, to discuss any matters relevant to the CAO Group, such as its investment criteria, risk management and internal controls, risk appetite and risk tolerance, performance of management, Board communication and performance, and strategic issues. The Independent Directors of CAO met in October 2023 at a meeting chaired by the Lead Independent Director without the presence of the other Directors and the Management, at which the following issues were discussed: (1) the Company to continue to work on its ESG strategy involving the "new energy" approach; (2) the Company to allocate time for more board strategy discussions for the longer term plan of the Company; (3) the Company to scout for more investment opportunities in line with the strategic direction of its parent company, CNAF.

### Board Membership

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

### Nominating Committee

Fu Xingran	Chairman
Shi Lei	Vice Chairman
Teo Ser Luck	Member
Zhang Yuchen	Member
Jeffrey Goh Mau Seong	Member

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

The Nominating Committee held two (2) meetings in 2023 where it met to discuss and review (i) Proposed Disclosure on Proposed CAO Board Diversity Plans, Targets and Implementation Timeline in the 2023 Annual Report of the Company; (2) the independence of Non-Executive Directors; (ii) Board Performance Evaluation; and (iii) the Nominating Committee 2023 Annual Self-Assessment Findings. The Nominating Committee had also reviewed and approved several other matters under its remit via email circulation and these included (1) Proposed Re-Election of Directors for 2023 Annual General Meeting; (2) Proposed Change in Senior Management; (3) Amendment to Proposed Re-Election of Directors for 2023 Annual General Meeting; (4) Proposed Adoption of Revised CAO Directors' Test of Independence Policy; and (5) Proposed Appointment of Executive Chairman in place of Non-Executive Chairman of CAO.



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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 Chairman, Chief Executive Officer and Directors;
- (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 process and guiding principles of the Policy for Selection and Appointment of Independent Directors of CAO (the “**Selection & Appointment of Independent Directors Policy**”) for identifying, evaluating, selecting and nominating 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 Selection & Appointment of Independent Directors Policy, 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 and recognised knowledge, experience and competence in business including financial literacy; (iii) ability to analyse information, think strategically, review and challenge Management in order to make informed decisions and assess performance; (iv) willingness to devote the required time, including being available to attend meetings of the Board and Board Committees; (v) good communication skills and ability to work harmoniously with fellow directors and the Management; and (vi) 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 may apply the relevant selection and evaluation criteria in the Selection & Appointment of Independent Directors Policy when assessing their suitability in complementing the core competencies of the Board at that time.

In the course of the year, Mr Lin Yi, a CNAF-nominee Director and Chief Executive Officer of the Company, was appointed as Executive Director in place of Mr Wang Yanjun who retired as Executive Director of the Company in March 2023 and Mr Shi Yanliang, a CNAF-nominee Director, was appointed as Executive Chairman of the Company in December 2023 in place of Mr Gong Feng, Non-Executive, Non-Independent Chairman. Prior to the respective appointments of Mr Lin Yi and Mr Shi Yanliang, the Nominating Committee had considered the relevant selection and evaluation criteria in the Selection & Appointment of Independent Directors Policy when assessing the suitability of Mr Lin Yi and Mr Shi Yanliang in complementing the core competencies of the Board. Following consideration and assessment of the aforesaid respective appointments, the Nominating Committee submitted its recommendations to the Board for approvals of (1) the appointment of Mr Lin Yi as Executive Director; and (2) the appointment of Mr Shi Yanliang as Executive Chairman of the Company.

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

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

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

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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 30<sup>th</sup> AGM to be held on 25 April 2024, Mr Teo Ser Luck, Mr Shi Lei and Mr Hee Theng Fong are due for retirement by rotation and will be eligible for re-election.

In accordance with Regulation 100 of the Company's Constitution, Mr Shi Yanliang who was appointed as Executive Chairman/Director of the Company on 15 December 2023, will hold office as Director until the next annual general meeting of the Company and will be eligible for re-election under Regulation 100 at the 30<sup>th</sup> AGM.

**Board Performance:** The Nominating Committee evaluated the performance of each Director and the effectiveness of the Board as a whole. The Board has, through the Nominating Committee, implemented a formal process annually for assessing the effectiveness of the Board as a whole, each of its Board Committees and individual Directors (the "**Overall Board/Board Committees' Performance Evaluation**"). The Overall Board/Board Committees' Performance Evaluation entailed the completion by each member of the Nominating Committee of a Board assessment and effectiveness questionnaire (the "**Board Evaluation Questionnaire**"). The Board Evaluation Questionnaire takes into consideration the requirements of the 2018 Code as well as generally accepted good practices for Nominating Committees of listed companies in Singapore.

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 process for selection and appointment of new Directors & Key Management Personnel as well as nomination of Directors for re-election; (vi) the assessment of the performance benchmark for assessing the performance of the Board as a whole and in ensuring the continued return for shareholders; (vii) the standard of conduct in preventing conflicts of interest and the disclosure of personal interests and abstention from voting where appropriate; (viii) Directors' multiple board representations; and (ix) communications with shareholders of the Company .

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 2023. Based on analyses of the ratings allocated by members of the Nominating Committee, it was noted that the Board already has an effective governance framework in place which provided a sound basis for strategic leadership and oversight at the Board level. In order to bring about more positive effects on board dynamics and governance, the Board considered the proposed action points and these included: (1) enhancing the demographic attributes and characteristics in the boardroom through gender diversity as well as having more international representation on the Board; and (2) increasing the number of independent directors represented on the Board to further enhance the independence element in the Board to enable the Company to comply with the requirements of Provision 2.2 of the 2018 Code which requires majority board independence where the Chairman of the Board is not independent.

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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. Areas covered by the self-assessment exercise included (1) Board membership and diversity; (2) Conduct of meetings; (3) Training and professional development; (4) Reporting and Updates to the Board; (5) Process for selection and appointment of new Independent Directors; (6) Process for Board Performance Evaluation; and (7) Communications with shareholders. The overall responses received from members of the Nominating Committee were positive in all categories of the Nominating Committee Self-Assessment Form, indicating that the Nominating Committee is already operating at an effective level.

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 and any such costs and expenses are paid by the Company.

### (B) REMUNERATION MATTERS

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

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

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

#### Remuneration Committee

Jeffrey Goh Mau Seong	Chairman
Shi Lei	Vice Chairman
Fu Xingran	Member
Hee Theng Fong	Member
Richard Yang Minghu	Member

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

During the year, the Remuneration Committee reviewed and recommended to the Board for consideration and approval, (1) Proposed Salary Adjustment for Executive Director, Chief Executive Officer and KMPs of the Company"; and (2) Proposed 2023 Salary Adjustment for KMP. The Remuneration Committee had also reviewed and recommended to the Board for consideration and approval, the Proposed Key Employment Terms, Job Description and Remuneration for Executive Chairman of the Company.

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

Broadly, remuneration for the Executive Chairman, CEO/ED and five (5) KMPs for the financial year ended 31 December 2023 is based on the Company's performance as well as individual performances, and the remuneration for Non-Executive, Independent Directors in the form of fees is based on responsibilities and memberships in the Board and its committees.

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

The structure for the payment of Directors' fees for Non-Executive Directors, which is based on a framework comprising basic fees and additional fees for serving on the Board Committees and undertaking additional services for the CAO Group. Fees paid or payable to Independent Directors consider factors such as effort, time spent and responsibilities of these Directors. The Executive Chairman and Executive Director do not receive Directors' fees for their Board directorships with the Company or within the CAO Group.

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

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

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The remuneration of Directors, the Executive Chairman and Chief Executive Officer payable for the financial year ended 31 December 2023 is set out below:

Name of Director/CEO	Fee (\$)	Basic/Fixed Salary and Allowance (\$)	Variable/Performance Bonus (\$)	Others (\$)	Long-Term Incentives (\$)	Total (\$)
<b>Executive Chairman</b>						
Shi Yanliang <sup>1</sup>	N.A.	11,880	–	–	–	11,880
<b>Chief Executive Officer/Executive Director</b>						
Lin Yi <sup>2</sup>	N.A.	289,528.37	42,687.88	33,974.11	–	366,190.36
<b>Non-Executive Directors</b>						
Gong Feng <sup>+</sup> (Chairman)	0	N.A.	N.A.	N.A.	N.A.	0
Teo Ser Luck (Lead Independent Director)	162,000	N.A.	N.A.	N.A.	N.A.	162,000
Shi Lei <sup>+</sup>	0	N.A.	N.A.	N.A.	N.A.	0
Zhang Yuchen <sup>+</sup>	0	N.A.	N.A.	N.A.	N.A.	0
Hee Theng Fong	120,000	N.A.	N.A.	N.A.	N.A.	120,000
Fu Xingran	112,000	N.A.	N.A.	N.A.	N.A.	112,000
Jeffrey Goh Mau Seong	112,000	N.A.	N.A.	N.A.	N.A.	112,000
Richard Yang Minghui <sup>+</sup>	0	N.A.	N.A.	N.A.	N.A.	0

**Notes:**

- Mr Shi Yanliang was appointed as Executive Chairman of the Company on 15 December 2023 and his total remuneration for the financial year 2023 has been pro-rated accordingly.
  - Mr Lin Yi, Chief Executive Officer, was appointed as Executive Director on 15 March 2023 and was re-designated as Chief Executive Officer/Executive Director of the Company on the same date. The total remuneration of Mr Lin Yi shown above includes the 2022 variable bonus paid during the financial year 2023 and excludes the 2023 variable bonus payable during the financial year 2024.
- + Non-executive, Non-Independent Directors of the Company do not receive Directors' fees.

### Summary of Compensation Table for Key Management Personnel for the financial year ended 31 December 2023

Remuneration Bands	Name of Key Management Personnel	Based/Fixed Salary (%)	Variable Bonus (%)	Allowances and Other Benefits (%)	Long-Term Incentives (%)	Total (%)
<b>\$500,001 – \$750,000</b>	Elizza Ding	70.2	26.9	2.9	0	100.0
	Zou Yaoping	68.3	20.9	10.8	0	100.0
<b>\$250,000 – \$500,000</b>	Liu Hanguang	66.4	16.2	17.4	0	100.0
	Doreen Nah	67.4	29.6	3.0	0	100.0
	Koh Jia Mian	66.1	27.2	6.7	0	100.0
<b>Total Remuneration of Five (5) Key Management Personnel(1)</b>	<b>S\$2,069,578</b>					

1 The remuneration disclosed for the KMP includes the 2022 variable bonus paid during the financial year 2023 and excludes the 2023 variable bonus payable during the financial year 2024.

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 2023. "Immediate family member" means the spouse, child, adopted child, stepchild, brother, sister, and parent.

The remuneration of the CAO Group's five (5) KMP takes into consideration relevant policy requirements of CNAF or the pay and employment conditions in the same industry and is performance-related.



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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 ED, CEO 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 2023, 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 Executive Chairman, 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 Executive Chairman, CEO/ED and the five (5) KMPs included the variable bonuses in relation to business performance targets achieved for the Company during the financial year.

**Others** – Benefits in kind such as statutory employer contributions to Central Provident Fund, employer's contributions to social security funds for CNAF seconded personnel, and other allowances and/or short-term benefits are made available where appropriate and consistent with common industry practices.

### (C) ACCOUNTABILITY AND AUDIT

#### Accountability:

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

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 established a Financial Audit Management Measures (the "**Financial Audit Management Measures**") which will serve to further strengthen financial supervision, regulate the annual audit of financial statements, improve the quality of accounting information as well as enhance the level of financial management of the CAO Group. In line with the prevailing regulatory requirements of the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China, which has jurisdiction over CNAF, which is a state-owned enterprise of the People's Republic of China, and over the Company as CNAF's subsidiary, the same audit firm may undertake the financial audit of the CAO Group for not more than 5 consecutive financial years. For audit firm with good audit quality track record, the Company may request for extension of engagement of the same audit firm and obtain approval from the Audit Committee and the Board, but the number of years of consecutive financial audits shall not exceed 8 financial years. The audit firm extending its year of consecutive audits beyond 5 consecutive financial years will be required to change the audit engagement partner and the signing certified public accountant from the sixth year onwards.

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

During the financial year 2023, the Board, through the Audit Committee, Deloitte & Touche LLP ("**Deloitte**") and internal auditors, PricewaterhouseCoopers Risk Services Pte Ltd ("**PWC**"), 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.

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### 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, and the majority, including the Chairman, consists of Independent Directors.

#### Risk Management Committee

Hee Theng Fong	Chairman
Zhang Yuchen	Vice Chairman
Teo Ser Luck	Member
Shi Lei	Member
Jeffrey Goh Mau Seong	Member

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

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

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

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

The Risk Management Committee delegates the day-to-day management of risks of the Company and the CAO Group to the Company Risk Meeting (save for the day-to-day management of risks relating to the "Hedging Business" of the Company and the CAO Group), which operates within the delegated authority set by the Risk Management Committee from time to time.

The Company Risk Meeting comprises at least six (6) members which include the Head of Risk Management, members of the Management team (one of whom shall be the CEO) and relevant functional heads (i.e. Head of Trading, Head of Operation, Head of Finance, Head of Legal & Compliance and Head/Deputy Head of Corporate Development and Investment), and meets at least once a year as well as on an ad hoc basis when required. The Chairman of the Company Risk Meeting, who is the Head of Risk Management, directly reports to the Chief Financial Officer ("**CFO/Vice President**") but also has an independent direct reporting line to the Risk Management Committee.

The Risk Management Committee delegates the day-to-day management of risks of the "Hedging Business" of the Company and the CAO Group to the Hedging Business Leadership Team. The Hedging Business Leadership Team comprises at least six (6) members which include members of the Management team (of whom (1) the CEO shall be the Team Leader; and (2) the CFO/Vice President shall be the Deputy Team Leader), Head of Risk Management, Head of Aviation Fuel, Head of Oil Products Trading and Head of Finance

The Risk Management Report is found on pages 61 to 69 of the Annual Report.

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

As part of the CAO Group's efforts to ensure all employees of the CAO Group stay relevant and informed of the dynamic business environment and uphold core ethics and values that are essential to the long-term success of the CAO Group, the Legal & Compliance Department arranged for all employees of the CAO Group to participate in the mandatory e-learning course modules relating to (1) "Introduction to Environmental, Social and Governance; (2) Individual Accountability; (3) Data Privacy; and (4) Information Security and Cyber Risk Awareness via the Thomson Reuters' online learning portal. In addition, the Legal & Compliance Department conducted three (3) in-house training sessions namely, (1) Anti-Fraud, Anti-Corruption and Sanctions Compliance; (2) Personal Data Protection; and (3) CAO's General Mandate for Interested Person Transactions.

In August 2023, the Company conducted its first on-site business continuity plan cum disaster recovery plan ("**BCP & DRP**") exercise since the onset of the pandemic, activating the disaster recovery centre, whereby the employees of foreign subsidiaries of the CAO Group also participated in the drill in their respective countries. The BCP & DRP exercise had elevated the awareness of handling unforeseen events, assessed the effectiveness of the business continuity plan, and strengthened employees' emergency response capabilities in the face of unexpected situations. During the year, the Company also conducted a "Call Tree" drill to test the effectiveness of its business continuity and emergency/incident management protocols.

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

The Company has also established the "CAO Internal Audit Management Measures". The objectives of the "CAO Internal Audit Management Measures" are to streamline and strengthen the administration of internal audit activities, enhance CAO's internal controls processes and provide assurance on the quality of internal audit services.

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The internal audit function of the CAO Group, which is outsourced to PWC, 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, PWC, the Risk Management Department and the Legal & Compliance Department.

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

In line with the Singapore Standards on Auditing issued in July 2015, the Company's external auditors, Deloitte, will disclose key audit matters in the auditor's reports on the financial statements which include matters that were of most significance in the audit of the financial statements for the financial year ended 31 December 2023 (the "**Key Audit Matters**").

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

Key Audit Matters	Audit Committee's commentary on its review of Key Audit Matters and decisions made
<p><b>Revenue recognition</b></p> <p>Recognition of revenue and purchases have been identified as a risk primarily due to:</p> <ul style="list-style-type: none"> <li>complexity in the timing of recognition for trades with deliveries occurring on or around year end as a result of the extent of the Group's distribution network and varying shipping terms with customers; and</li> <li>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.</li> </ul> <p>The details of the Group's revenue are disclosed in Notes 3.14 and 20 to the financial statements.</p>	<p>The Audit Committee regularly discussed with management and the external auditors on the standard operating procedures and controls in place to ensure the timeliness, completeness and accuracy of accounting records and reporting.</p> <p>The Audit Committee has considered the reasonableness and adequacy of the internal controls and procedures on the CAO Group's operating effectiveness. The Audit Committee has also considered the audit procedures performed by the external auditors as well as their audit findings, and noted that no misstatements were uncovered by the external auditors. It evaluated and was satisfied that the standard operating procedures and controls in place were reasonable and adequate.</p>
<p><b>Valuation of derivatives, trading inventories and open physical contracts</b></p> <p>The valuation of derivatives, trading inventories and open physical contracts requires significant management judgement in applying the appropriate valuation methodology and incorporating of any contract specific terms including the use of valid and appropriate price index.</p> <p>The valuation techniques and the inputs used in the fair value measurements of the financial instruments are disclosed in Notes 26 and 29 to the financial statements.</p>	<p>The Audit Committee received regular briefings on the CAO Group's internal controls and compliance. The internal auditors also conducted a review of the Company's system of internal controls and no significant observations were noted.</p> <p>The Audit Committee has considered the reasonableness and appropriateness of the controls in place over the valuation of derivatives, trading inventories and open physical contracts as well as the internal auditors' audit findings. It evaluated and was satisfied that the valuation methodology and inputs used in the valuation were reasonable and appropriate.</p>

In addition, PWC 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 PWC, and recommendations in relation thereto, if any, by the external auditors and PWC respectively, are reported to the Audit Committee.

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In accordance with Provision 10.2 of the 2018 Code, the Audit Committee reviewed the written assurance (“**Letter of Assurance**”) from the CEO and CFO on the financial records and the financial statements of the Company for the financial year ended 31 December 2023. The Letter of Assurance provides reasonable assurance to the Board that (1) the financial records of CAO for the financial year ended 31 December 2023 have been properly maintained; (2) the financial statements and the accompanying notes comply with the Singapore Financial Reporting Standards (International) in all material respects; (3) the financial statements and accompanying notes provide a true and fair view of the financial position and performance of CAO and its subsidiaries; and (4) the integrity of the financial statements 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.

In accordance with Provision 9.2(a) of the 2018 Code, the Board received a Letter of Assurance from the CEO and CFO confirming that the financial records have been properly maintained and the financial statements give a true and fair view of the CAO Group’s operations and finances. In accordance with Provision 9.2 (b) of the 2018 Code, the Board also received a Letter of Assurance from the CEO, other members of the Management team and the Head of Risk Management, that the CAO Group’s risk management and internal control systems are adequate and effective as at 31 December 2023 to address financial, operational, compliance and information technology risks.

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 and the Risk Management Committee, is of the opinion that the Group’s internal controls and risk management systems are adequate and effective as at 31 December 2023 in addressing financial, operational, compliance and information technology risks to provide reasonable assurance for achieving the following objectives:

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

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

#### AUDIT COMMITTEE

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

#### Audit Committee

Teo Ser Luck	Chairman
Zhang Yuchen	Vice Chairman
Hee Theng Fong	Member
Fu Xingran	Member
Richard Yang Minghui	Member

**Roles of the Audit Committee:** The Audit Committee held four (4) meetings in 2023 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.



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

The Audit Committee reviewed the quarterly and annual financial statements for the financial year 2023 and the integrity of financial reporting of the Company, including the accounting principles, for recommendation to the Board for approval. The Audit Committee also reviewed and approved the plans of the internal auditor and external auditor' to ensure that such plans adequately cover, in particular, significant internal controls of the Company relating to financial, operational and compliance-related matters. Significant issues are discussed at Audit Committee meetings.

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

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

The Audit Committee monitors all interested person transactions, including transactions under the general mandate on Interested Person Transactions approved by shareholders at the AGM held in April 2023, 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.

In line the Financial Audit Management Measures of the Company (the "**Management Measures**"), the Company shall not retain the same external auditors for a term of 5 consecutive financial years and subject to fulfilment of certain criteria under the Management Measures, the same external auditors may be retained for a consecutive period of up to 8 years. In line with the Management Measures, Deloitte & Touche LLP ("**Deloitte**") which had been retained as the external auditors of the Company for a consecutive period of 8 years (i.e. from financial years 2016 to 2023), will not be seeking re-appointment at the 30<sup>th</sup> AGM to be held in April 2024.

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](mailto:whistle_blowing@caosco.com) and [auditcommittee\\_whistleblowing@caosco.com](mailto:auditcommittee_whistleblowing@caosco.com). The Company did not receive any such reportable concerns during the year.

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

During the year, the Company implemented and executed its Enterprise Risk Management Framework and Process which provides the Company with 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 (including climate change-related risk) and to develop a list of key risk indicators that can help the Company monitor and mitigate its key risks. The Company also executed its Crisis Management and Business Continuity Plan which 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.

During the year, the Company also revised and updated several of its compliance-related policies including the "Trade Sanctions Compliance Policy", "Anti-Money Laundering and Anti-Terrorist Financing Measures". The Company also conducted a group-wide fraud risk assessment on the Company and its subsidiaries.

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

In addition, other existing policies, internal guidelines and/or processes and procedures have been put in place by the Company and these include the Investment Governance Management Measures, Revised Hedging Business Management Measures, Administrative Measures for Records and Archives (which replaced the Documents Retention Policy), Contracts/Documents Review Policy and Procedures, Appropriate Use of Information Technology Policy, Revised CAO Whistleblowing Policy, Administrative Measures for the Formulation of Internal Policies and Procedures, Remuneration Policy, Revised Investor Relations Policy, etc.

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

#### Internal Audit

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

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

As the Internal Auditors of the CAO Group, PWC had conducted its internal audits for the financial year 2023 in accordance with PWC'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.

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In line with the requirements of the “CAO Internal Audit Management Measures”, the Audit Committee reviewed and approved the appointment of PricewaterhouseCoopers Risk Services Pte. Ltd. (“**PWC**”) as the outsourced internal auditors of the Company in place of BDO for the financial year 2023. In accordance with the relevant requirements of the “CAO Internal Audit Management Measures”, the Company will be conducting an audit service quality assessment of its outsourced internal auditors on a yearly basis and will provide the evaluation results at the second Audit Committee Meeting scheduled for that year. The internal audit plan for the following financial year will be presented for approval at the second Audit Committee Meeting scheduled for each year together with the recommendation for the outsourced internal auditors’ re-appointment.

The Audit Committee had approved the internal audit plan for 2024 submitted by PWC. The internal audit plan includes amongst others, (1) an independent annual review on the effectiveness and adequacy of the Group’s overall system of internal controls including an audit of key business processes; (2) audit on the hedging process of the Group’s hedging business; (3) audit on the review process for interested person transactions; and (4) audit on the FY 2023 sustainability reporting process. The internal audit reports which included inter alia, a summary of the significant audit findings or internal control inadequacies that could possibly affect the Group’s operational effectiveness, are submitted to the Audit Committee for review and approval. These internal audit reports are also submitted to the Board for information. Adoption of remedial measures by relevant departments arising from the audit findings are subsequently monitored for implementation by specified timelines.

### SUSTAINABILITY COMMITTEE

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

#### Sustainability Committee

Teo Ser Luck	Chairman
Zhang Yuchen	Vice Chairman
Hee Theng Fong	Member
Fu Xingran	Member
Jeffrey Goh Mau Seong	Member

**Roles of the Sustainability Committee:** The Sustainability Committee assists the Board in fulfilling its oversight responsibilities in relation to sustainability-related issues of the Company, its wholly owned subsidiaries as well as subsidiaries where it has management control (“Subsidiaries”), and to achieve the following objectives: (i) To maintain and achieve long-term business growth and development of the Company, to promote environmental protection, enhance human resource management and other technical capabilities of the Company and its Subsidiaries, thereby creating long-term sustainable value for the stakeholders of the Company; (ii) To develop a sustainability framework and an actionable sustainability roadmap; and (iii) To embed sustainability into the Company’s corporate culture, promoting ethical and responsible behaviour.

The Sustainability Committee held three (3) meetings in 2023 where it met to discuss and review (1) Summary of Findings and Recommendations in relation to: (a) Evaluation of Material Environmental, Social and Governance (ESG) Factors in FY2021 Sustainability Reporting; (b) Materiality Assessment of ESG Factors in FY2022 and FY2023 Sustainability Reporting including Proposed Targets and Metrics; (c) Report Outlining Sustainability Strategy Objectives, 3-5 years Sustainable Development Strategy, Roadmap and Key Initiatives; and (d) Proposed Adoption of CAO FY2022 Sustainability Report; (2) Summary of Findings and Recommendations in relation to: (a) Evaluation of Material ESG factors in FY2023; (b) Materiality Assessment of ESG factors in FY2023 Sustainability Reporting including Proposed Targets and Metrics; (c) Peer Benchmarking and Focus Areas for the Company; (d) Aligning with International Sustainability Standards Board’s recommendations on Climate Change Governance and Climate Change Scenario Analysis; and (e) Proposed Sustainability Development Framework and a 5-year Phased Strategy Implementation Roadmap; (f) Proposed Adoption of FY2023 Sustainability Report; and (g) Report on Completion Progress of Material ESG Targets.

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In working towards achieving the Company's sustainability targets, the Sustainability Committee may, as and when necessary, collaborate with all other Board Committees namely, the Audit Committee, the Risk Management Committee, the Nominating Committee and the Remuneration Committee. The Audit Committee, the Risk Management Committee, the Nominating Committee and the Remuneration Committee will notify the Sustainability Committee of any sustainability-related matters (including climate change-related risks and opportunities) that may affect the sustainable development of the Company and its Subsidiaries. The Sustainability Committee will, following consideration and concurrence, thereafter report the matter to the Board. Specifically, the Sustainability Committee's duties and responsibilities include: (i) reviewing and recommending for Board approval, the CAO Group's sustainability framework and sustainability roadmap; (ii) reviewing and recommending for Board approval, the sustainability strategy plans for sustainable growth as well as overseeing the implementation of the same; (iii) reviewing key sustainability policies of the Company and ensuring these sustainability policies are not in contravention with applicable legal and regulatory compliance requirements; (iv) reviewing the sustainability issues (including those relating to environmental, social and governance issues and other sustainability initiatives) that would enhance the Company's value, brand image and relationships with various stakeholders; and (v) overseeing the sustainable development of the Company and its Subsidiaries in relation to achieving its sustainability objectives, which will include but not limited to strategies on environmental protection and climate-related changes and social considerations, underpinning sustainability, climate-related risks and opportunities.

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).

#### **(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.

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

In order to: (i) cultivate wider investing public's familiarity with the CAO Group; (ii) increase global awareness and appreciation of CAO's business strategy, corporate developments, growth strategies and financial performance; and (iii) enhance the quantity and quality of analysts' research, post pandemic, CAO actively capitalised on renewed investor interest, organising investor engagement sessions and participating in both local and global investment conferences to better inform investors about CAO's investment merits. Testament to the continued efforts of Company, three brokerages namely OCBC / Bank of Singapore, China Galaxy Securities / CIMB and Philips Securities initiated analyst coverage on the Company's shares during the year.

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 Company publishes and maintains a list on the Company's website showing names of analysts and firms providing analyst coverage on the Company's shares.

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The Company also engages the media and investment community through news releases and earnings briefings after the announcement of CAO Group's full-year financial results. In 2023, the Company hosted three in-person analyst briefings with management to foster closer communication with the investment community. Additionally, the Company participated in five global investor conferences held in Singapore and Thailand, hosted by international brokerages like CLSA, CGS-CIMB, and Maybank Securities, to further expand the Company's reach among both local and international investors.

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

In addition, the Board has established the Internal Guidelines on Issuance of Profit Guidance or Profit Warning Announcements which purposes include allowing market expectations to adjust to the likelihood that the Company will either fall short of 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.

The Company's commitment to corporate transparency and investor relations was recognised in 2023 when CAO received the "Most Transparent Company Award (Energy)" in the 2023 Investors' Choice Awards by Securities Investors Association (Singapore). In 2023, CAO was also named as a recipient of the "Industry Champions of the Year" Award in the 2023 Asia Corporate Excellence & Sustainability Awards—a great validation of the Company's resilience, strategic innovation and prudence in managing risks which had enabled CAO to surmount challenges of the COVID-19 pandemic as well as uncertainties in the business and geopolitical environment.

### Conduct of Shareholder Meetings

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

With the easing of most of the COVID-19 community safe management measures in Singapore, the 29<sup>th</sup> AGM was held in a wholly physical format on 27 April 2023 pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts and Debenture Holders) Order 2020 with no option for shareholders to participate virtually. Shareholders (themselves or through duly appointed proxies) were allowed to participate in the 29<sup>th</sup> AGM by (i) attending in person; (ii) submitting questions to the Chairman of the meeting in advance of or at the 29<sup>th</sup> AGM and/or (iii) voting at the 29<sup>th</sup> AGM themselves or through duly appointed proxy(ies).

The Board supports and encourages active shareholder participation at general meetings as it believes that general meetings serve as an opportune forum for shareholders to meet the Board and senior management, and to interact with them. Shareholders (themselves or through duly appointed proxies) are given the opportunity to participate effectively and vote at general meetings of the Company, where relevant rules and procedures governing such meetings (for instance, how to vote) are clearly communicated prior to the start of the meeting.

The Company's Constitution allows (i) each shareholder who is not a relevant intermediary (as defined in the Companies Act) the right to appoint up to two proxies and (ii) each shareholder who is a relevant intermediary to appoint more than two proxies to attend and vote on their behalf in shareholders' meetings. A copy of the Notice of AGM is sent to all shareholders. As for the Annual Report and the Company's letter to shareholders in relation to certain resolutions being tabled at the AGM ("**Letter to Shareholders**"), in line with the Group's sustainability strategy, these documents are made available for download from the Company's corporate website. Printed copies of the Annual Report and Letter to Shareholders are available on request.



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At general meetings, the Company sets out separate resolutions on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where resolutions are “bundled”, the Company explains the reasons and material implications for doing in the notice calling for the general meeting. Shareholders are given the opportunity to raise questions and clarify any issues that they may have relating to the resolutions to be passed.

Members of the Board and senior management are present at each shareholders’ meeting to respond to questions from shareholders. In general, all Directors are expected to attend general meetings of shareholders, unless they are unable to attend due to exigencies. The Company’s external auditor is also present to address queries about the conduct of audit and the preparation and content of the independent auditor’s report. All Directors and members of the senior management of the Company were present at the 29<sup>th</sup> AGM.

For greater transparency, the Company has implemented electronic poll voting at its annual general meetings. This entails shareholders being invited to vote on each of the resolutions by poll, using an electronic voting system (instead of voting by hand), thereby allowing all shareholders present or represented at the meeting to vote on a one share, one vote basis. The voting results of all votes cast for, or against, each resolution is then screened at the meeting and announced to the SGX-ST after the meeting. An independent external party is appointed as scrutineer for the electronic voting process to count and validate the votes at general meetings.

Provision 11.4 of the Code provides for a company’s constitution to allow for absentia voting at general meetings of shareholders. The Constitution of the Company currently does not, however, permit shareholders to vote at general meetings in absentia (such as via mail, email or fax). The Company will consider implementing the relevant amendments to the Constitution if the Board is of the view that there is a demand for such alternative methods of voting, and after the Company has evaluated and put in place the necessary security processes to facilitate in absentia voting, and prevention measures against errors, fraud and other related security and integrity issues.

In line with Principle 11 of the Code, shareholders nevertheless have the opportunity to communicate their views on matters affecting the Company even when they are not in attendance at general meetings as shareholders are able to appoint proxies to vote on their behalf at general meetings through proxy forms sent in advance.

The Company publishes minutes of general meetings of shareholders on its corporate website as soon as practicable after the relevant general meeting. Such minutes will record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and management, which are addressed at the annual general meeting.

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

A shareholder who is not a “relevant intermediary” may appoint up to two 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 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.

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

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

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

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### 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 30 percent of the Company’s annual consolidated net profits attributable to shareholders.

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

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

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

### DEALINGS IN THE COMPANY’S SECURITIES

In line with the recommended practices on dealings in securities set out under Rule 1207(18) of the SGX-ST Listing Manual and the Company’s “Guidelines for Dealings in Securities by Directors and Employees of China Aviation Oil (Singapore) Corporation Ltd and its subsidiaries (the “**Internal Guidelines**”), 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 27 April 2023 (the “**IPT Mandate**”). The IPT Mandate sets out the levels and procedures to obtain approval for such transactions. Information regarding the IPT Mandate is available on the Company’s website at [www.caosco.com](http://www.caosco.com). All business units are required to be familiar with the IPT Mandate and report any such transactions to the Legal & Compliance Department. The Legal & Compliance Department keeps a register of the CAO Group’s interested person transactions.

Information on interested person transactions for the financial year 2023 are found under “Supplementary Information” on page 190.

### REVIEW OF SYSTEM OF INTERNAL CONTROLS

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

A review of the Company’s system of internal controls (the “**Review of System of Internal Controls**”) was conducted for the financial year 2023 by PwC. Following its review, PwC made the following observations and concluded that CAO had established an adequate and effective system of internal controls in terms of its processes, people and system:

- The design of the internal controls of CAO and its subsidiaries are generally adequate and the audit findings mostly related to improvements in the implementation of internal controls to enhance effectiveness.
- The Management embraces a culture that values internal controls and compliance with regulatory requirements and company policies.
- There is a second line of defence where risks and compliance-related matters are closely monitored by the Risk Management Department and Legal & Compliance Department on a day-to-day basis. Significant risk and compliance-related matters are also reported to the Risk Management Committee on a regular basis.
- CAO also continuously invested in information technology systems to enhance internal controls on areas, such as implementation of approval processes via OA system, and launch of the real-time large-screen platform system with the function of calculating accumulated profit and loss and monitoring stop-loss limits for the hedging business, etc.

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### APPENDIX

#### (1) Charter of Lead Independent Director

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

##### Purpose

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

##### Duties and Responsibilities

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

##### **Function as Principal Liaison with the Chairman and Senior Management**

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

##### **Call Meetings of Independent Directors**

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

##### **Preside at Meetings**

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

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

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

##### **Initiate Actions to Address any Concerns on Corporate Compliance Matters**

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

##### **Function as Principal Liaison in Shareholder Communication**

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