



China Aviation Oil (Singapore) Corporation Ltd

中国航油（新加坡）股份有限公司

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

Sustainability Report 2017

2017年可持续发展报告

Fuel for Future 为明天加油

Sustainability Report

BOARD STATEMENT

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

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

The Group recognises the importance of good corporate governance and risk management processes that includes the management of ESG issues critical for a sustainable business. Sustainability across all aspects of the Group’s operations plays a key role in its corporate agenda and strengthen the foundation upon which the Group builds the CAO brand.

The Group’s efforts on the social front continue with a focus on its people and its customers. CAO is committed to provide its employees with a diverse, equal and safe working environment. The Group stays relevant to its customers and considers their concerns around health and safety, and privacy in its business practices. Developing an integrated global supply chain remains a key strategic focus and having responsible procurement practices helps CAO extend positive impacts along this global supply chain and contribute to creating a sustainable ecosystem.

The Board oversees sustainability within CAO, including the integration of key elements of sustainability management into the Group’s strategy formulation, risk governance, daily operations and reporting. In discharging our responsibilities, the Board is supported by CAO’s Sustainability Steering Committee (“SSC”), which comprises of senior management representation across the Group’s business segments and regions.

This year’s Sustainability Report (“the Report”) continues to apply the key principles of the International Integrated Reporting Council’s (“IIRC”) Integrated Reporting <IR> approach to communicate how the Group drives long-term value creation. To the best of our knowledge and belief, this Report is aligned to the Singapore Exchange SGX-ST Listing Rules Practice Note 7.6: “Sustainability Reporting Guide” and also referenced to the Global Reporting Initiative (“GRI”) Standards (2016) for ESG performance disclosures.

China Aviation Oil (Singapore) Corporation Ltd’s Board of Directors

SUSTAINABILITY AND VALUE CREATION

CAO is firmly committed to creating long-term value for itself, its stakeholders, the communities where it operates as well as the environment. To fulfil this aim, the Group ensures that high standards of corporate governance, compliance and internal audit as well as robust risk management are deeply entrenched within the organisation through a comprehensive business sustainability plan. It is CAO’s fundamental belief that its growth and success must be anchored on key principles of integrity, transparency and accountability and this belief is ingrained in the Group’s corporate culture. At the same time, CAO is keenly aware of where its business activities can make the most positive impact, grounded by its conviction that success at CAO is measured not just by its financial performance but also the values it creates for its workforce, business partners, the environment and the community at large.

CAO strives to build a dynamic and engaged workforce that allows employees to reach their full potential and support the changing needs of its business landscape. CAO continues to build on the trust of its customers and business partners through delivering value add and adopting responsible procurement and security practices. Furthermore, CAO cares for the community and environment through minimising the damage to the environment. Together, these form the essential building blocks of CAO’s sustainability development programme.

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SUSTAINABILITY AND RISK MANAGEMENT

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

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

As part of CAO's risk management, the performance of the trading activities are tracked. During the reporting period, there were no incidents of trading limit breach according to the limits set by the RMC. CAO will continue its commitment in achieving zero incidents of trading limit breaches in the coming year.

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

ABOUT THIS REPORT

This Report sets out CAO's commitments, governance, policies, performance and targets in respect of managing the environmental and social impacts of the Group during the financial year ended 31 December 2017.

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

The entities covered in this report are:

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

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

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

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

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STAKEHOLDER ENGAGEMENT

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

Key Stakeholders	Engagement Methods	Frequency
Investors	Updates of financial results and announcements, business developments, press releases, and other relevant disclosures via SGXNet and company website	Throughout the year
	Annual General Meeting	Annually
	Corporate Access Day	Annually
Employees	Induction program for new employees	Throughout the year
	Training and development programmes	
	Regular e-mails and meetings	
	Recreational and wellness activities	
	Employee feedback channels	
	Career development performance appraisals	Annually
Customers	Regular meetings to communicate updates, including new policies and practices related to sustainability	Throughout the year
	Site visits	
Business Partners	Regular meetings with business partners to communicate updates, including new policies and practices related to sustainability	Throughout the year
	Site visits	

MATERIALITY ASSESSMENT

With the guidance of an external consultant, the Sustainability Steering Committee (“SSC”) undertook a systematic three-step process to identify and prioritise significant ESG factors. Key stakeholders’ concerns were considered during the materiality assessment process. These material ESG factors were validated by the Board, and related risk recognition, evaluation and mitigation continues to be assessed as part of CAO’s robust strategic risk management model and considered in management decision-making.

CAO’s Material Factors for FY2017

Economic	Environmental	Social	Governance
<ul style="list-style-type: none"> Economic performance 	<ul style="list-style-type: none"> Environmental Compliance Oil Spill Prevention 	<ul style="list-style-type: none"> Health and Safety (Workplace and Customer) Diversity and Equal Opportunities Procurement Practices Protection of Sensitive Information 	<ul style="list-style-type: none"> Corporate Governance (including Compliance and Internal Audit, Risk Management and Anti-Corruption)

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

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Factor	Context	Policies and Practices to mitigate risks and pursue opportunities	Link to Strategy	Performance	Targets
Economic					
Economic Performance – Core competitive advantage in jet fuel supply and trading	Jet fuel supply and trading remains our dominant business. As the key importer of jet fuel to the Chinese civil aviation industry, the Group is susceptible to the constantly changing demand and supply dynamics in the PRC such as increased domestic oil capacity production.	<p>CAO continues to expand its global aviation supply and trading value chain and extend its global presence through developing new supply and trade routes and strategic partnerships.</p> <p>CAO has also diversified into other oil products which contributed to the growth of the Group's total supply and trading volume.</p> <p>For more details about CAO's international perspective, please refer to the CEO's Message section.</p>	<p>CAO envisions to be a constantly innovating global top-tier integrated transportation fuels provider. To realise its long-term strategy, the Group continually fine-tunes its strategic initiatives with its development strategy of "Globalisation, Integration and Asset Investment".</p>	<p>CAO will continue to identify and penetrate key global aviation hotspots to expand its customer base as well as extend the Group's global value chain across Asia Pacific, the US and Europe.</p> <p>Please refer to the CEO's Message, the Financial Review Section and the Operations Review.</p>	
Economic Performance – key importer of jet fuel to the PRC	CAO's import into the PRC is a key competitive advantage that contributes to its market share and financial performance. Regulatory changes such as market liberalisation could materially impact this advantage.	<p>CAO has increased its portfolio strengths through both geographic and product diversification. The Group continues to extend its jet fuel supply and trading activities as well as aviation marketing business outside the PRC.</p> <p>CAO will further develop and optimise its integrated business model and expand its global supply and trading network to penetrate new markets globally.</p>	<p>For more details about CAO's strategic transformation, outlook and key business plans, please refer to the CEO's Message and Operations Review.</p>		
Economic Performance – CAO's business sustainability and strategy has been developed to mitigate macro-economic risks	CAO continues to face the various challenges that macroeconomic uncertainties bring about. For example, volatile oil prices, the increase in China's domestic oil production, changing jet fuel import requirements, global economic performance and the development of clean energy. All these external factors would have an impact on the Group's financial performance and hence, it is important to take a proactive approach to mitigate these challenges.	<p>One key approach to mitigate the economic uncertainties is diversification of the Group's geographic presence, product type and customer base. The Group has also started exploring opportunities in growing its business in the clean energy sector.</p>			

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Factor	Context	Policies and Practices to mitigate risks and pursue opportunities	Link to Strategy	Performance	Targets
Environmental					
Environmental Compliance	<p>Environmental laws and regulations, particularly for the oil and gas sector are becoming more stringent. Regulatory authorities are also intensifying efforts to ensure compliance.</p> <p>As the Group continues to globalise its operations and investments across multiple jurisdictions, it faces risk of failure to comply with new environmental laws and regulations.</p>	<p>In 2014, CAO developed the Safety, Health and Environment ("SHE") Policy and Guidelines which covers environmental management guidelines. The objectives of this policy include fostering an environment friendly place for all employee and visitors involved and complying with the local environmental laws and regulations.</p> <p>The business units supported by various departments are required to check local environmental laws and regulations before new market entry as part of a thorough due diligence process.</p>	<p>Compliance is an integral part of the Group's corporate strategy. CAO will consistently uphold high levels of corporate governance and undertake strategic initiatives to further enhance compliance and governance across its businesses.</p>	<p>During the reporting period, there were no identified incidents of non-compliance with environmental laws and regulations.</p>	<p>The Group will continue to keep abreast on any changes of relevant environmental laws and regulations and comply with all relevant laws and regulations to avoid any potential non-compliance incidents and ensure smooth operational efficiency.</p>
Oil Spill Prevention	<p>As a global oil products supplier and trader, the Group's working environment are subject to various risks including spillage of oil products during transportation and storage.</p>	<p>CAO realises the immediate and long-term environmental damage that oil spills can bring to the environment, hence CAO takes all reasonable steps to prevent pollution by minimising the occurrence of oil spills. CAO has a ship vetting policy for assessment of ocean-going vessels which are typically 10,000 metric tonnes and above with the objective of minimising health, safety and environmental risks. The policy sets up procedures in sourcing data on the Group's chartered vessels and evaluating the potential risks such as the ship's structural integrity and safety, past casualties and incidents. Other assessment criteria include the reputation of the vessel company, age of the vessels, required certifications and appropriate procedures for handling and storing oil products.</p> <p>In order to limit the intensity or impact of a negative threat or event, CAO has developed a Crisis Management Plan that includes establishment of an Emergency Response Team. This team is required to pro-actively respond to the emergency in a timely and effective manner. For CAO's operations in Alaska, the Group follows an Oil Discharge Prevention and Contingency Plan ("ODPCP") that outlines actions, plans and reference materials to meet applicable State of Alaska requirements for oil spill contingency planning.</p> <p>CAO has also developed the Operational Safety Incident Reporting Guidelines with explicit reference to the Workplace Safety and Health Act for reporting of operational incidents. The guidelines cover operational incidents resulting in environmental damage and prescribe the timeline and format for reporting along with follow-up actions required.</p>	<p>CAO strives to minimise and mitigate the impact of potential oil spills to protect the surrounding environment. This aligns with the Group's corporate mission to maintain high SHE standards and to conduct businesses in a safe, reliable and efficient manner, with minimal impact on the environment.</p>	<p>During the reporting period, there were no incidents of significant oil spill.</p>	<p>The Group aims to continue to uphold the good record of zero incidents relating to significant oil spill.</p>

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Factor	Context	Policies and Practices to mitigate risks and pursue opportunities	Link to Strategy	Performance	Targets
Social					
Workplace Environment, Health and Safety	CAO remains committed to provide a safe, secure and healthy environment for all its stakeholders with a continuous focus to achieve zero harm for safety performance which contributes to business profitability.	<p>Protecting the health and safety of its employees is a key priority at CAO. The Group's Safety, Health and Environment ("SHE") Policy and Guidelines emphasizes the importance of health and safety in the work environment and serve to instil in all employees a culture of being responsible and practise safe workplace habits.</p> <p>All emergency escape exits are clearly indicated within the workplace and all employees are made aware of the emergency escape routes in the event of an emergency. The necessary emergency safety devices e.g. fire extinguishers and First Aid facilities are provided to ensure safe working conditions in the office premises. CAO's Singapore office takes part in the fire drills organised by building management and the office has selected specific employees to act as traffic marshals who are responsible for giving directions for evacuation. The Group also has a monitoring system to make sure the procedures and processes under its Business Continuity Plan are implemented. Depending on the nature of the crisis, a business continuity cum IT disaster recovery plan may also be triggered. Moreover, the Group has a tracking system for travelling employees to mitigate the increasing travel-related risks due to higher business travel frequency by its employees.</p> <p>CAO also strives to provide a safe and healthy work environment that is non-threatening, with no harassment, assaults and bullying. Proper grievance handling procedures are also in place to ensure all incidents are resolved in a timely and impartial manner.</p> <p>CAO has developed Operational Safety Incident Reporting Guidelines with explicit reference to the Workplace Safety and Health Act prescribing the timeline and format for reporting along with follow-up actions required. The guidelines encompass operational incidents resulting in loss of life or injury and also incidents that did not result in bodily harm but resulted in environmental damage, assets damage (leased / owned) or operational downtime.</p> <p>Annual health screenings, pandemic illness updates, mandatory workplace health and safety briefings and fire drills are held regularly throughout the year to create awareness that keeping the workplace and environment safe is of paramount importance to the CAO work culture and to reinforce and promote a robust SHE culture. Medical and insurance coverage is also provided to all employees.</p>	Workplace health and safety is of paramount importance to CAO and continues to be the Group's highest sustainability priority in all aspects of its business which is in line with CAO's corporate mission to maintain high SHE standards and conduct businesses in a safe, reliable and efficient manner, with minimal impact on the environment.	During the reporting period, there were zero workplace related injuries for CAO's employees.	The Group aims to maintain zero workplace related injuries for CAO's employees in the coming year.

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Factor	Context	Policies and Practices to mitigate risks and pursue opportunities	Link to Strategy	Performance	Targets
Social					
Customer Health and Safety	<p>The safety and quality of the Group's products would affect the safety of the ultimate end customers i.e. the airplane passengers as well as the stakeholders along the jet fuel supply chain. CAO recognises the importance of its role in ensuring the products that the Group supplies meet the stringent safety and quality requirements. Hence, CAO extend its care in health and safety across all levels of the business to its business partners and customers.</p>	<p>Product and service quality is critical in satisfying requirements from regulators and customers. An important part of the quality requirements relates to the safety aspects of the products.</p> <p>The Group carefully and regularly monitors its facilities and products as well as conducts lab tests to ensure all relevant certifications or licenses are obtained and stringent safety standards are maintained.</p> <p>Beyond meeting regulatory requirements, the Group fosters continuous improvement of practices in order to provide its customers with the best quality products and services that meets their stringent requirements.</p> <p>The Group has also set out standardised procedures for reporting of health and safety incidents.</p>	<p>To align with the Group's corporate mission to adhere to high SHE standards and to deliver and add value for customers, CAO proactively focuses on providing the best quality products and services.</p>	<p>During the reporting period there were no incidents of non-compliance with relevant laws and regulations concerning the health and safety impacts of CAO's products and services</p>	<p>The Group aims to continue its best practices to ensure there are no significant incidents of non-compliance with relevant laws, and regulations concerning the health and safety impacts of its products and services in the coming year.</p>
Diversity and Equal Opportunities	<p>The Group recognises that a fair, diversified and inclusive working environment is integral to the success of CAO and that a diverse workforce with specialised, complementary skillsets, ideas and experiences enriches the workplace and enhances business performance. This not only helps to attract and retain talents in the competitive market but also helps to achieve the Group's mission in fostering a people-oriented corporate culture of Fairness, Integrity, Innovation and Transparency where its employees can grow and develop together with the company.</p>	<p>CAO has developed Human Resource ("HR") practices for each location of operation that align with local laws and regulations.</p> <p>In Singapore, the Group also follows the Tripartite Alliance for Fair and Progressive Employment Practices ("TAFEP") that promotes fair and equitable employment practice. CAO continues to affirm competitive workplace practices and its HR policies are aligned to the guidelines formulated by TAFEP. CAO upholds this through a variety of measures including non-discriminatory recruitment advertisements, regular performance appraisal for employees, instilling a code of ethics and establishing an appropriate avenue for employee grievances. CAO also supports the Fair Consideration Framework by the Ministry of Manpower, Singapore, with job openings at CAO made publicly accessible at the Jobs Bank administered by the Workforce Development Agency of Singapore.</p> <p>CAO deploys and promotes all employees in accordance with their competencies, abilities and performance and is committed to give equal opportunities to everyone irrespective of their gender, age, religion and ethnic origin.</p> <p>At the Board level, the Group follows its Corporate Governance Policy on Board composition and balance. More details can be found under the Statement of Corporate Governance section.</p>	<p>Guided by the Group's vision, mission and core values, CAO has in place a multi-prong human resource strategy that is aligned to its business objectives to build the required workforce skills base to strengthen its competitive edge for sustainable growth.</p>	<p>As at December 2017, the group's total headcount was 100 worldwide, of which 76 were based in Singapore.</p> <p>Female staff accounted for 53% of the Group's employees.</p> <p>For more details please refer to the Human Capital Management section.</p>	<p>CAO will continue to embrace diversity and inclusivity at the workplace and hire people with diversified background with no preference for any particular gender, ethnicity, religion or age.</p>

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Factor	Context	Policies and Practices to mitigate risks and pursue opportunities	Link to Strategy	Performance	Targets
Social					
Procurement Practices	As a responsible corporate citizen in the global transportation fuels ecosystem, CAO realises the importance of having open and fair procurement practices. Effective and responsible supply chain management is essential to enhance operational efficiency and CAO's brand value and reputation.	<p>The Group makes sure its tendering and procurement process is conducted in an open, fair and just manner by following clear, transparent and standardised guidelines.</p> <p>A Procurement Committee comprising Head of Departments across functions within the Group has been setup. The Committee acts as a decision-making body to oversee the tendering process and discuss views. Individual committee members are assigned with specific roles and responsibilities relating to the tendering process.</p> <p>The Group has a Trade Sanctions Policy that ensures compliance with laws on trade sanctions, in the jurisdictions where the Group conducts business. CAO has an in-house counterparties credit on-boarding registration process that conducts checks on the counterparties prior to conducting business with them. As part of this process, checks are made to ensure that there are no breaches to CAO trade sanction policy. An e-Learning course has also been rolled out this year to improve the understanding of staff on trade sanction laws.</p>	In line with the vision of being a socially responsible company, CAO will proactively focus on minimising the potential negative impact caused in the supply chain.	In 2017, there was no reported breach of the Trade Sanctions Policy.	<p>CAO will continue to maintain zero breaches of the Group's internal tendering and procurement guidelines as well as the Trade Sanctions Policy.</p> <p>Moreover, CAO will continue to review and enhance the assessment criteria on responsible practices for the selection of service providers during the procurement process to minimise the potential negative impact caused in the supply chain.</p>
Protection of Sensitive Information	<p>During CAO's business operations, the Group needs to deal with a vast amount of sensitive information such as personal data, oil price and contractual terms, etc.</p> <p>CAO is conscientious about secure communication and data protection. CAO respects its stakeholders' legal rights to privacy and confidentiality.</p>	<p>The CAO Personal Data Protection Policy, developed in response to the Personal Data Protection Act in Singapore, sets out the requirements to ensure compliance with the laws and regulations applicable to the CAO Group's collection, use, disclosure, transfer and/or processing of personal data.</p> <p>Further, CAO's Code of Conduct and Ethics also specifically require information obtained in the course of conducting business to be treated with utmost care. Employees are required to safeguard confidential information and trade secrets. Unauthorised or unwarranted disclosures would result in disciplinary action and/or escalation to the relevant regulatory bodies.</p> <p>CAO also has a Data Classification Policy that defines the different classifications of data and the principles for their access, use and safeguarding based on their classification and sensitivity. This policy is based on a "need-to-know" basis in order to protect sensitive information from unauthorised disclosure, use, modification, and deletion.</p> <p>CAO's User Privacy Statement Policy governs personal information which is collected through or in connection with its organisation website at www.caosco.com.</p> <p>CAO would adhere to the confidentiality agreements with its stakeholders to protect all their sensitive information including oil price and specific contractual terms and conditions.</p>	<p>It is part of CAO's strategy to build long-term trust and relationships with its stakeholders and it is CAO's policy to comply with relevant laws and regulations to protect stakeholders' rights to privacy and confidentiality.</p> <p>To uphold the Group's high security standards, CAO will focus on secure communication and protection of its stakeholders' legal rights to privacy and confidentiality.</p>	In 2017, the Group has not identified any substantiated complaints concerning breaches of sensitive information privacy and confidentiality or any identified leaks, thefts, or losses of sensitive information.	The Group will continue its commitment in achieving zero substantiated complaints concerning breaches of sensitive information privacy and confidentiality and no incidents of leaks, thefts, or losses of sensitive information in the coming year.

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Factor	Context	Policies and Practices to mitigate risks and pursue opportunities	Link to Strategy	Performance	Targets
Corporate Governance					
Compliance and Internal Audit	<p>As CAO continues to diversify its operations and investments across multiple jurisdictions, it faces increasing laws and regulations at national, regional and international levels.</p> <p>Failure to mitigate compliance risks would pose reputational risks to the Group and hinder its sustainable growth and development.</p>	<p>CAO takes its governance responsibilities seriously and believes that good governance requires a comprehensive set of policies and guidelines as well as collaboration from members across the Group.</p> <p>CAO continuously reviews and improves its global compliance strategy to ensure the Group's policies, practices, guidelines and internal control systems remain relevant and robust.</p> <p>For more details relating to the Compliance and Internal Audit's function and specific compliance related policies and practices, please refer to the Compliance and Internal Audit Section.</p>	<p>High corporate governance standards and robust internal audit processes serve to provide accountability across CAO's business activities to support the realisation of its long term strategy. This also demonstrates how our corporate values of Fairness, Integrity, Innovation and Transparency are put into practice.</p>	<p>In 2017, there were zero non-compliance incidents with relevant laws and regulations that resulted in significant fines or non-monetary sanctions.</p> <p>The Group is also proud to receive the SIAS "Most Transparent Award" for seventh consecutive years since 2010 and crowned winner for the "Singapore Corporate Governance" (Energy category) Award in 2017.</p>	<p>CAO will continue its commitment in achieving zero incidents of non-compliance with relevant laws and regulations in the coming year.</p> <p>In addition, CAO will continue to conduct compliance related trainings for employees to maintain a constant level of awareness and alert.</p> <p>The Group will also evaluate the internal audit review results and carry on improving its processes and internal controls.</p>
Anti-Corruption	<p>As a foremost Singapore-listed entity, CAO embraces Singapore's stringent anti-corruption regime and places great focus on its social responsibilities to ensure utmost integrity throughout its business activities and to prevent any improper or illegal behaviour.</p>	<p>The Group's Committee of Sponsoring Organisations of the Treadway Commission ("CO SO") framework covers compliance risks including anti-corruption, insider trading and fraud.</p> <p>To reinforce the compliance culture across the Group, CAO sets out a Code of Conduct and Ethics, a Gifts and Entertainment Policy as well as annual compliance related trainings to all employees. The Group also has a whistle-blowing channel for reporting and investigating suspicious cases.</p> <p>For more details, please refer to Compliance and Internal Audit Section.</p>	<p>CAO believes in creating a fair and transparent environment for its business to thrive. The Group does not tolerate any fraud, bribery or corruption.</p>	<p>There were no confirmed incidents of corruption in 2017.</p>	<p>The Group always strive to maintain zero incidents on corruption.</p>



CAO is committed to building up a risk awareness culture that is entrenched in the organisation
 公司始终坚持打造“全程管理、全员参与”的风险管理文化，使风险意识成为全体员工共同的价值观

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THE WAY AHEAD

CAO believes that a holistic approach in managing its ESG risks and opportunities beyond financial performance is key to allow the Group to deliver long-term value to its stakeholders. CAO also recognises the increasing impact of climate change on its business environment such as changing customer behaviour and regulatory requirements. In order to stay resilient and remain competitive in the market, the Group will continue to stay abreast of the latest sustainability trends and monitor these changing impacts on the business.

GRI CONTENT INDEX

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

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Disclosure		Annual Report Section/Remarks
General Standard Disclosures		
Stakeholder Engagement		
GRI 102-40	List of stakeholder groups	Sustainability Report – Stakeholder Engagement
GRI 102-41	Collective bargaining agreements	No collective bargaining agreement
GRI 102-42	Identifying and selecting stakeholders	The key stakeholder groups identified either have a significant impact on or are significantly impacted by CAO’s sustainability performance
GRI 102-43	Approach to stakeholder engagement	Sustainability Report – Stakeholder Engagement
GRI 102-44	Key topics and concerns raised	Sustainability Report – Materiality Assessment
Reporting Practice		
GRI 102-45	Entities included in the consolidated financial statements	Financial Review
GRI 102-46	Defining report content and topic Boundaries	Sustainability Report – About this Report
GRI 102-47	List of material topics	Sustainability Report – Materiality Assessment
GRI 102-48	Restatements of information	No restatements of material information
GRI 102-49	Changes in reporting	Sustainability Report – About this Report
GRI 102-50	Reporting period	1 January 2017 – 31 December 2017
GRI 102-51	Date of the most recent report	March 2016
GRI 102-52	Reporting cycle	Yearly
GRI 102-53	Contact point for questions regarding the report	Sustainability Report – About this Report
GRI 102-54	Claims of reporting in accordance with GRI Standards	Sustainability Report – Board Statement Sustainability Report – About this Report
GRI 102-55	GRI content index	Sustainability Report – GRI Content Index
GRI 102-56	External assurance	No external assurance for this year’s sustainability report
Management Approach		
GRI 103-1	Explanation of the material topic and its Boundary	Sustainability Report: <ul style="list-style-type: none"> • Economic Performance • Environmental Compliance • Oil Spill Prevention • Workplace Environment, Health and Safety • Customer Health and Safety • Diversity and Equal Opportunities • Procurement Practices • Protection of Sensitive Information • Compliance and Internal Audit • Sustainability and Risk Management • Anti-corruption
GRI 103-2	The management approach and its components	
GRI 103-3	Evaluation of the management approach	

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Disclosure		Annual Report Section/Remarks
Specific Standard Disclosures		
Economic Performance		
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GRI 201-1	Direct economic value generated and distributed	Financial Highlights Sustainability Report – Economic Performance CEO's Message Financial Review
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Material Factor: Environmental Compliance		
GRI 307-1	Non-compliance with environmental laws and regulations	Sustainability Report – Environmental Compliance
Material Factor: Oil Spill Prevention		
GRI 306-3	Significant spills	Sustainability Report – Oil Spill Prevention
Social		
Material Factor: Workplace Environment, Health and Safety		
GRI 403-2	Types of injury and rates of injury	Sustainability Report – Workplace Environment, Health and Safety
Material Factor: Customer Health and Safety		
GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Sustainability Report – Customer Health and Safety
Material Factor: Diversity and Equal Opportunities		
GRI 405-1	Diversity of governance bodies and employees	Sustainability Report – Diversity and Equal Opportunities
Material Factor: Procurement Practices		
N/A	Reported breach of the Trade Sanctions Policy	Sustainability Report – Procurement Practices
Material Factor: Protection of Sensitive Information		
GRI 418-1	Substantiated complaints concerning breaches of privacy and losses of data	Sustainability Report – Protection of Sensitive Information
Governance		
Material Factor: Compliance and Internal Audit		
GRI 419-1	Non-compliance with laws and regulations in the social and economic area	Sustainability Report – Compliance and Internal Audit Compliance and Internal Audit
Material Factor: Risk Management		
N/A	Incidents of trading limit breach according to the limits set by the Risk Management Committee (“RMC”)	Sustainability Report – Sustainability and Risk Management Risk Management
Material Factor: Anti-Corruption		
GRI 205-3	Confirmed incidents of corruption and actions taken	Sustainability Report – Anti-corruption Compliance and Internal Audit

可持续发展报告

董事会声明

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

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

新加坡公司认识到良好的公司治理和风险管理流程的重要性,包括对可持续业务至关重要的ESG事项管理。可持续发展贯穿新加坡公司业务的所有环节,在企业进程中扮演着关键角色,而且巩固了新加坡公司树立品牌的基础。

新加坡公司在社会方面的可持续发展以员工和客户为重心。新加坡公司以为员工提供多样化、平等和安全的工作环境为己任。新加坡公司重视客户,不断考虑客户对健康与安全,以及业务手法所涉及隐私权的关注。发展一体化的全球供应链仍是关键战略重点,而负责任的采购手法有助新加坡公司将正面影响延伸到全球供应链,为建立可持续的生态系统做出贡献。

董事会负责监察新加坡公司内部的可持续发展,包括将可持续发展管理的关键要素融合到新加坡公司的战略制订、风险治理、日常经营和报告中。在履行董事会职责时,董事会获得可持续发展执行小组(简称“SSC”)的支持,该执行小组包括来自新加坡公司各业务分部和地区的高级管理层代表。

本年度可持续发展报告(简称“报告”)继续采纳国际综合报告理事会(简称“IIRC”)综合报告法的主要原则,以通报新加坡公司推动创造长期价值的方式。据我们所知及所信,本报告符合新加坡证券交易所《上市规则》实务说明第7.6号:“可持续发展报告指引”的要求,并参考了全球报告倡议组织(简称“GRI”)标准(2016年)中有关ESG表现披露的准则。

中国航油(新加坡)股份有限公司
董事会

可持续发展和价值创造

新加坡公司坚定承诺为自身、利益相关方、运营社区及环境创造长期价值。为履行承诺,新加坡公司确保通过全面的业务可持续计划,将高标准的公司治理、合规与内审及健全的风险管理文化深植于公司内部。新加坡公司的信念是企业的增长和成功必须建基于诚信、透明和责任担当等基本原则,而且这种信念已体现在公司文化中。新加坡公司清楚地意识到,也坚定地相信,即公司的商业活动能产生最积极的影响的地方,不仅要通过财务业绩来衡量,而且要通过企业为员工、商业伙伴、环境及社会大众创造的价值来衡量。新加坡公司致力于建立锐意进取的敬业团队,让员工充分发挥潜力,同时满足业务领域不断变化的要求。公司通过产品和服务的增值,采取负责任的采购和安全措施赢得客户和商业伙伴的信任。此外,新加坡公司关心社会和环境,尽量减少对环境的损害。所有这些努力形成了本公司可持续发展政策的基石。

可持续发展和风险管理

新加坡公司了解,ESG事项的恰当处理对公司的可持续发展至关重要。新加坡公司团队具有完备的战略风险管理模型,可以在商业决策中识别、评估重大的ESG风险,并制定风险缓解方案,调整商业决策,加强股东价值。为了在瞬息万变的市场中保持灵活并提高竞争力,新加坡公司需要采取主动系统的方法,有效识别并管理重大风险,以支持新加坡公司的战略绩效,这一点至关重要。公司的主要业务风险包括市场风险、信用风险、运作风险、法律风险和财务风险。新加坡公司将战略风险管理嵌入有关商业战略、投资、运营的重大决策程序,因为ESG事项会带来短期或长期战略风险,反映了新加坡公司的重大可持续发展事项。在识别这些重大事项的过程中,新加坡公司尽力确保有效管理相关法律法规变化产生的影响,管理社会、经济和声誉的驱动力。新加坡公司会在经营中考虑可持续发展,缓解风险,持续改进运营模式,为相关方创造价值。

新加坡公司有正式的三重管理与控制架构,来监督风险管理实践的执行。此外,新加坡公司的风险管理委员会(简称“RMC”)不断完善风险管理政策、指导方针和程序,加强内部控制,以减轻影响新加坡公司业务运作和战略绩效的不确定因素。作为风险管理措施的一部分,新加坡公司要跟踪交易活动。在报告期间,根据RMC设定的限额,没有发生违反贸易限额的情况。新加坡公司在来年将继续致力于实现不违反贸易限额。有关风险管理架构、战略及重大风险和风险的防范措施详情,请参阅风险管理部分。

可持续发展报告

关于本报告

本报告阐述了新加坡公司在截至2017年12月31日财年管控自身环境及社会影响方面的承担、治理、政策、表现和目标。

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

纳入本报告范围的实体包括：

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

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

本报告继续采纳IIRC综合报告法的主要原则，专注于新加坡公司对关键ESG风险和机会的策略和有效管理之上，向利益相关方全面呈现新加坡公司的长期价值创造。本报告还参考了GRI标准中有关重要性评估原则的准则和具体的业绩披露。这种组合框架方法符合新加坡证券交易所对可持续发展报告的要求。

新加坡公司致力于不断改进可持续发展表现和披露。如果您对本报告有任何意见和建议，欢迎发送电子邮件至 sustainability@caosco.com。

利益相关方的参与

新加坡公司相信，与各利益相关方展开合作对话，为各方创造价值是持续取得成功的关键。下表所列是新加坡公司已识别的主要利益相关方团体及新加坡公司与这些利益相关方保持对话的合作渠道。

主要利益相关方	参与方式	次数
投资者	通过SGXNet和公司网站提供最新财务业绩和公告、业务发展通报、新闻稿和其他相关披露	全年
	常年股东大会	每年一次
	投资者接待日	每年一次
雇员	新员工入职培训	全年
	培训及发展计划	
	定期电邮和会议	
	休闲健康活动	
	员工意见反馈渠道	每年一次
职业发展绩效评核		
客户	与业务伙伴定期会面以通报最新情况, 包括有关可持续发展的最新政策和实践	全年
	实地访问	
商业伙伴	与商业伙伴定期会面以通报最新情况, 包括有关可持续发展的最新政策和实践	全年
	实地访问	

可持续发展报告

重要性评估

在外部顾问的指引下,可持续发展执行小组(简称“SSC”)有系统地展开三步程序识别、排列重大ESG因素。在重要性评估过程中考虑了重要利益相关方关心的问题。作为新加坡公司完善战略风险管理模型的一部分,这些重大ESG因素已获得董事会验证,相关风险的确认、评估和减缓,并会在管理决策过程中加以考虑。

新加坡公司2017财年的重大ESG因素

经济	环境	社会	治理
<ul style="list-style-type: none"> 经济表现 	<ul style="list-style-type: none"> 环境合规 防止溢油 	<ul style="list-style-type: none"> 健康与安全 (工作场所和客户) 多样化与平等机会 采购手法 保护敏感信息 	<ul style="list-style-type: none"> 公司治理 (包括合规与内审、 风险管理和反贪污)

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

因素	说明	减缓风险及寻找机遇的政策与实践	和战略的联系	表现	目标
经济					
经济表现 – 航油供应与贸易的核心竞争力	航油供应与贸易业务仍占主导地位。作为中国主要航油进口商,新加坡公司受到中国供需关系变化的影响,例如国内航油产能提升。	新加坡公司继续扩充全球航油供应与贸易供应链,并通过发展新的供应与贸易路线及建立战略伙伴关系增强国际影响力。 新加坡公司还开展其他油品业务,促进整体供应与贸易量的增长。 有关新加坡公司的国际业务详情,请参阅首席执行官致辞。	新加坡公司的愿景是成为富有创新精神的全球一流运输燃料一体化方案提供商。为实现长远战略,新加坡公司不断根据“全球化、一体化、实业化”的发展策略微调其战略措施。 有关新加坡公司战略转型、展望和主要业务计划的详情,请参阅首席执行官致辞和经营概况。	新加坡公司将继续发掘并渗透全球主要航空热点,以扩大客户基础,并将新加坡公司的全球价值链延伸至亚太区和欧美地区。 请参阅首席执行官致辞、财务业绩部分和经营概况。	
经济表现 – 中国主要航油供应商	新加坡公司的中国市场航油进口是公司保持较高市场份额和盈利能力的主要竞争优势。如果国内市场开放或政策改变可严重影响该优势。	新加坡公司已经通过地理拓展和产品多元化战略增强业务能力。在中国境外地区开展航油供应与贸易业务和航油营销业务。 新加坡公司将进一步发展和优化整合业务模式,将全球供应与贸易网络拓展到全球新市场。			
经济表现 – 新加坡公司已经制定了业务持续和发展战略,应对宏观经济风险	新加坡公司持续面对宏观经济不确定的各种因素所带来的各种挑战。例如油价波动、中国国内航油产能增加、航油进口要求变动、全球经济表现及清洁能源发展等。所有这些外部因素对新加坡公司的财务业绩均有影响,因此有必要积极应对这些挑战。	应对经济不明确因素的主要方法之一是地理区域、产品类别和客户基础的多元化。新加坡公司正在为发展清洁能源业务开拓商机。			

可持续发展报告

因素	说明	减缓风险及寻找机遇的政策与实践	和战略的联系	表现	目标
环境					
环境合规	<p>环保法律法规，特别是油气行业的法律法规变得越来越严谨。监管机构也在加强法律合规的要求。</p> <p>随着业务的进一步全球化，以及在世界各地开展投资，新加坡公司将面对不遵守新环保法律法规的风险。</p>	<p>新加坡公司在2014年制定安全、健康、环境（简称“SHE”）政策，其中涵盖环境管理指引。该政策的目的是为所有雇员和访客创造舒适安全的环境，并符合当地的环保法律和法规。</p> <p>各部门的不同业务单位在进入新市场之前，作为详尽的尽职调查，必须核查当地环保法律法规。</p>	<p>合法合规是公司企业战略的重要内容之一。公司始终秉承高标准的公司治理，采取战略措施进一步加强合规和治理。</p>	<p>报告期内，没有发现任何违反环保法律法规的情况。</p>	<p>新加坡公司将继续紧贴环保相关法律法规的最新变化，遵守所有相关法律法规，避免可能发生的不合规事件，确保顺利运营，提高效率。</p>
防止溢油	<p>作为全球油品供应与贸易商，新加坡公司的工作环境存在多种风险点，如运输和存储过程中的溢油风险。</p>	<p>新加坡公司了解溢油可能对环境造成的即时和长期破坏，所以已采取一切合理措施将发生溢油事件的可能性减至最低以防止污染。</p> <p>新加坡公司已制定验船政策，评估一般吨位在10,000公吨或以上的远洋船舶，目的是将健康、安全和环境风险减至最低。该政策制定程序收集有关新加坡公司租船资料，评估船舶结构完整性和安全性、伤亡和事故记录等潜在风险。其他评估标准还包括船舶公司声誉、船龄、必要认证和处理及存储航油产品的适当程序等。</p> <p>为控制负面威胁或事件的严重性或影响，新加坡公司制定了危机管理计划，其中包括成立应急响应小组。该小组负责及时有效地积极应对突发事件。对于新加坡公司在阿拉斯加的业务，新加坡公司遵循石油排放预防和应急计划（简称“ODPCP”），其中列明为符合阿拉斯加州对溢油应急计划的相关要求应采取的行动、计划和参考材料。</p> <p>新加坡公司还制定了生产安全事故报告指引，明确提及按照《工作场所安全和健康法》的规定报告运营事件。指引涵盖造成环境破坏的运营事件，并规定了报告时间和格式以及需要采取的后续行动。</p>	<p>新加坡公司致力于尽量减少潜在溢油事件的影响，以保护周边环境。这与新加坡公司坚持SHE高标准，以安全、可靠、高效的方式经营业务的使命一致。</p>	<p>报告期内，没有发生严重溢油事件。</p>	<p>新加坡公司的目标是继续保持有关重大溢油零事故的良好记录。</p>



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

可持续发展报告

因素	说明	减缓风险及寻找机遇的政策与实践	和战略的联系	表现	目标
社会					
工作场所环境、健康与安全	新加坡公司致力于为所有利益相关方打造安全、健康的运营环境,持续确保安全零意外,推动企业盈利表现。	<p>员工健康和平安是新加坡公司的首要任务。新加坡公司的安全、健康、环境(简称“SHE”)政策强调工作场所的健康和平安,并号召所有员工培养平安的工作习惯,在工作场所对自己的行为负责。</p> <p>工作场所已清楚标示所有紧急逃生出口,所有员工清楚知道在紧急情况下的紧急逃生路线。公司配备必要的应急平安装置,例如灭火器和急救设施,确保办公室内平安的工作环境。新加坡公司也参与大厦管理组织的防火演习,公司也指定了某些员工负责指挥撤离。新加坡公司制定了监控系统确保执行业务持续性计划的程序和流程。而且还可根据危机性质,启动业务持续性计划和IT灾难恢复计划。新加坡公司制定了员工出差进程跟踪系统,以减低因员工出差次数增加而产生的风险。</p> <p>新加坡公司还致力于杜绝威胁、骚扰、攻击和恃强凌弱现象,为员工提供一个平安健康的工作环境。新加坡公司也有完善的疏导渠道,确保所有问题都得到及时公正的解决。</p> <p>新加坡公司制定了《生产平安事故报告指引》,明确提及按照《工作场所平安和健康法》规定的时间和格式报告运营事件,以及需要采取的后续行动。该指引涵盖导致人身伤亡的运营事件,以及未造成人身伤害,但造成环境破坏、资产损害(租赁/自有)或业务停运的事件。</p> <p>公司每年会定期组织体检、流行病通报、强制的工作场所健康和平安介绍、火灾演习,以培养工作场所和环境平安意识,这些对新加坡公司工作文化及加强和促进SHE意识至关重要。此外,所有员工均获公司提供医疗保险保障。</p>	工作场所的平安、健康对新加坡公司至关重要,也是新加坡公司所有业务层面可持续发展的首要任务。新加坡公司将持续以保持高标准SHE为使命,以平安、可靠、有效的方式开展业务,将对环境的影响减至最低。	报告期内,新加坡公司雇员没有发生与工作场所相关的人身伤害事件。	新加坡公司在来年将继续致力于保持没有与工作场所相关的人事伤害事件的记录。
客户健康与平安	新加坡公司产品的品质与平安会影响终端客户,即飞机乘客的平安以及航油供应链上的利益相关者。新加坡公司明白确保本公司供应产品符合严格的平安及质量要求极为重要。因此,新加坡公司以对待所有业务的同等态度对待商业伙伴和客户的健康与平安。	<p>产品和服务质量是满足监管机构和客户要求的关键。而质量要求是产品平安的基本元素。</p> <p>新加坡公司定期严格监控其设备和产品,并进行实验室测试,以确保获得所有相关认证或许可证,并保持严格的平安标准。</p> <p>除满足监管要求外,新加坡公司还培育不断改进实践做法,为客户提供符合严格要求的优质产品和服务。</p> <p>新加坡公司还制定标准化程序上报健康和平安事件。</p>	为符合新加坡公司坚持SHE高标准的承诺,为客户创造价值的企业使命,新加坡公司力求提供高产品和服务的质量。	报告期内没有发生违反相关法律、法规及有关新加坡公司产品和服务对健康与平安的影响。	新加坡公司的目标是延续最佳做法,确保来年不发生违反相关法律、法规及有关产品和服务对健康与平安产生严重影响的事件。
多样化与平等机会	新加坡公司相信公平、多元化、有包容性的工作环境对新加坡公司的成功必不可少,多样性的团队可以实现技术、观念与经验的互补,也可以丰富工作场所文化,提升业务表现。这不仅有助在竞争激烈的市场中吸引并留住人才,还有助实现新加坡公司培育以公平、诚信、创新、透明为核心的以人为本企业文化的使命。	<p>新加坡公司为各业务所在地制定人力资源实践,以配合当地法律法规。</p> <p>新加坡公司遵守新加坡公平就业实践三方联盟(简称“TAFEP”)提出的公平就业实践。雇主承诺,打造公允公平的工作环境。新加坡公司确保按照TAFEP制定的公平就业实践三方指南,并在各方面贯彻执行,例如刊登非歧视的招聘广告、定期进行员工绩效评估、灌输道德准则,并为员工负面情绪提供疏通渠道。新加坡公司还遵守新加坡人力部公平考量框架的要求,在新加坡劳动力发展局管理的职位信息库中公布职位空缺。</p> <p>新加坡公司根据员工的能力和表现决定员工升迁,并承诺向所有员工提供平等机会,不分性别、年龄、宗教和种族。</p> <p>在董事会层面,新加坡公司遵循董事会组成和平衡的公司治理政策。有关详情,见公司治理报告部分。</p>	在新加坡公司愿景、使命及核心价值观的指导下,新加坡公司制定了一个配合业务目标的多元人力资源战略,以建立企业所需的劳动力技能基础,加强可持续增长的竞争优势。	截至2017年12月,新加坡公司全球员工职位人数为100,其中76在新加坡。 女性员工占员工总人数53%。 有关详情,见人才资源管理部分。	新加坡公司将持续保持多样化及有包容性的工作场所,不分性别、种族、宗教或年龄,雇用具有多元化背景的人士。

可持续发展报告

因素	说明	减缓风险及寻找机遇的政策与实践	和战略的联系	表现	目标
社会					
采购手法	<p>作为全球运输燃料生态系统中负责任的企业公民，新加坡公司明白开放和公平采购的重要性。有效和负责任的供应链管理对于提高运营效率和新加坡公司的品牌价值 and 声誉至关重要。</p>	<p>新加坡公司确保按照明确、透明和标准化的指引，以公开、公平、公正的方式开展招标和采购。</p> <p>采购委员会（简称“Pcom”）由新加坡公司内部各职能部门主管组成。Pcom是监督招标程序和讨论意见的决策组织。Pcom个人成员负责与招标程序相关的特定工作和职责。</p> <p>新加坡公司已制定贸易制裁政策，确保新加坡公司在业务所在地遵守有关贸易制裁的法律。新加坡公司内部拥有一个贸易对家信用登记注册程序，在与贸易对家进行交易前对其进行信用检查。检查的目的之一也是为了确保没有违反新加坡公司的贸易制裁政策。本年度还推出网络培训课程提高员工对贸易制裁法的认识。</p>	<p>作为一个对社会负责的企业，新加坡公司积极主动地将供应链中潜在的负面影响减至最低。</p>	<p>2017年度内，新加坡公司没有关于违反贸易制裁政策的举报。</p>	<p>新加坡公司将继续保持新加坡公司没有违反内部招标和采购指引及贸易制裁政策的记录。</p> <p>此外，新加坡公司将继续检讨并改进采购评估标准过程中挑选具有社会责任的供应商及服务提供商的做法，将供应链中潜在的负面影响减至最低。</p>
保护敏感信息	<p>在业务运作过程中，新加坡公司需要处理大量敏感信息，例如个人资料、油价及合同条款等。</p> <p>新加坡公司认真对待安全通信和数据保护，并尊重其利益相关方的隐私权和保密权。</p>	<p>新加坡公司根据新加坡《个人信息保护法》制定个人信息保护政策，列明确保新加坡公司在收集、使用、披露、转移及/或处理个人信息时合规的各项要求。</p> <p>此外，新加坡公司的行为和道德准则明确规定必须慎重对待业务过程中取得的任何信息。员工必须保护机密信息和商业机密。擅自或无理披露可导致纪律处分及/或交由相关监管机构处理。</p> <p>新加坡公司还订立了信息分类政策，规定信息的不同分类，并根据信息的分类和敏感度确立接触、使用和保护原则。该政策是以“需要知道”的原则为基础，以保护敏感信息不会被擅自披露、使用、修改及删除。</p> <p>新加坡公司的用户隐私权声明政策管理通过公司网站或与网站相关途径收集的个人信息（见www.caosco.com）。新加坡公司严格遵守与利益相关方订立的保密协议，以保护所有敏感信息，包括油品价格和具体的合同条款及条件。</p>	<p>与利益相关方建立长期的信任和关系是新加坡公司战略的一部分，遵守相关法律法规，保护利益相关方的隐私权和保密权是新加坡公司的政策。</p> <p>为了维护公司的安全，高标准，新加坡公司将致力于确保安全通信及保护利益相关方的隐私权和保密权。</p>	<p>2017年度内，新加坡公司没有发现任何经证实的违反敏感信息隐私权和保密权的投诉，或被识别的敏感信息泄露、被盗或遗失事件。</p>	<p>新加坡公司在来年将继续致力于保持没有经证实的违反敏感信息隐私权和保密权的投诉，也没有敏感信息泄露、被盗或遗失事件的记录。</p>
公司治理					
合规与内审	<p>随着新加坡公司在多个司法管辖区继续多元化经营和投资，也面临更多国家法律和地区法律法规的合规风险。</p> <p>若不能减缓合规风险，可能使公司声誉受损，从而阻碍可持续发展。</p>	<p>新加坡公司非常重视治理责任，相信良好的治理水平有赖于完善的政策和指引，以及公司上下所有成员的齐心协力。</p> <p>新加坡公司不断检讨并改善全球合规战略，确保公司政策、实践、准则和内部控制系统切合需要、健全完善。</p> <p>有关合规与内审职能及合规相关具体政策和实践详情，请参阅合规与内审部分。</p>	<p>严格的公司治理标准和完善的内部审计程序为新加坡公司的所有商业活动提供责任担当，以支持新加坡公司实现长期战略。同时反映公司如何体现“公平、诚信、创新和透明”的核心价值。</p>	<p>2017年度没有违反相关法律法规导致严重罚款或非罚款处罚的事件。</p> <p>自2010年起，新加坡公司连续7年蝉联新加坡证券投资者协会（简称“SIAS”）的“最透明公司奖”，并在2017年获颁“新加坡企业治理奖”（能源组别）。</p>	<p>新加坡公司在来年将继续致力保持没有违反相关法律法规的记录。</p> <p>此外，新加坡公司将继续为员工提供有关合规的培训，以时刻保持员工的认识和警惕。</p> <p>新加坡公司还将评估内部审计结果，不断改善流程和内部控制。</p>
反贪污	<p>新加坡公司作为上市公司严格遵守新加坡反贪污政策；同时，公司也积极承担社会责任，确保业务诚信，杜绝一切违法和不当行为。</p>	<p>新加坡公司的COSO框架涵盖反贪污、内部交易和欺诈等合规风险。</p> <p>为强化公司内部的合规文化，新加坡公司订立了行为和道德准则、礼品和招待政策，以及每年向全体员工提供的年度合规培训。新加坡公司还设有举报渠道，供举报及调差可疑案例。</p> <p>有关详情，请参阅合规与内审部分。</p>	<p>新加坡公司相信创造公平和透明的环境可促进业务发展。新加坡公司绝不容忍任何欺诈、贿赂或贪污行为。</p>	<p>2017年度没有任何经证实的贪污事件。</p>	<p>新加坡公司时刻努力保持贪污零记录。</p>

可持续发展报告

展望未来

新加坡公司相信,对ESG风险和机遇实施财务业绩以外的整体管理,是新加坡公司为各个利益相关方提供长期价值的关键。新加坡公司也认识到气候变化对经营环境的影响与日俱增,例如改变客户行为和监管要求。为保持弹性和市场竞争力,新加坡公司将继续了解最新可持续发展趋势,并监控不断发生的变化对业务的影响。

GRI内容索引

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

可持续发展报告

披露		年报相关部分或备注
一般披露准则		
利益相关者参与		
GRI 102-40	利益相关群列表	可持续发展报告 – 利益相关方的参与
GRI 102-41	集体谈判协议	没有任何集体谈判协议
GRI 102-42	利益相关方的识别和选择	所识别的主要利益相关方团体对新加坡公司的可持续发展表现有重大影响, 或受到新加坡公司可持续发展表现重大影响
GRI 102-43	利益相关方的参与方法	可持续发展报告 – 利益相关方的参与
GRI 102-44	提出的主题和关心的问题	可持续发展报告 – 重要性评估
报告实践		
GRI 102-45	包含于合并财务报表中的实体	财务业绩
GRI 102-46	报告内容和主题界限的界定	可持续发展报告 – 关于本报告
GRI 102-47	重大主题列表	可持续发展报告 – 重要性评估
GRI 102-48	信息的重申	没有重要信息的重申
GRI 102-49	报告的变更	可持续发展报告 – 关于本报告
GRI 102-50	报告期间	2017年1月1日 – 2017年12月31日
GRI 102-51	最新报告发布日期	2016年3月
GRI 102-52	报告周期	每年
GRI 102-53	报告相关问题的联系方法	可持续发展报告 – 关于本报告
GRI 102-54	关于按照GRI标准出具报告的要求	可持续发展报告 – 董事会声明 可持续发展报告 – 关于本报告
GRI 102-55	GRI内容索引	可持续发展报告 – GRI内容索引
GRI 102-56	外部鉴证	本年度可持续发展报告没有外部鉴证
管理方法		
GRI 103-1	关于重大主题及其界限的解释	可持续发展报告:
GRI 103-2	管理方法及其组成部分	<ul style="list-style-type: none"> • 经济表现 • 环境合规 • 防止溢油 • 工作场所环境、健康与安全 • 客户健康与安全 • 多样化与平等机会 • 采购手法 • 保护敏感信息 • 合规与内审 • 可持续发展和风险管理 • 反贪污
GRI 103-3	管理方法的评估	

可持续发展报告

披露		年报相关部分或备注
特定标准披露		
经济表现		
重大因素:经济表现		
GRI 201-1	已产生和分配的直接经济价值	业绩亮点 可持续发展报告 – 经济表现 首席执行官致辞 财务业绩
环境		
重大因素:环境合规		
GRI 307-1	违反环境法律法规的情况	可持续发展报告 – 环境合规
重大因素:防止溢油		
GRI 306-3	严重溢油情况	可持续发展报告 – 防止溢油
社会		
重大因素:工作场所环境、健康与安全		
GRI 403-2	伤害类别与伤害率	可持续发展报告 – 工作场所环境、健康与安全
重大因素:客户健康与安全		
GRI 416-2	有关产品和服务影响健康和安全的违规事件	可持续发展报告 – 客户健康与安全
重大因素:多样化与平等机会		
GRI 405-1	治理组织和雇员的多样化	可持续发展报告 – 多样化与平等机会
重大因素:采购手法		
无	违法贸易制裁政策的举报	可持续发展报告 – 采购手法
重大因素:保护敏感信息		
GRI 418-1	有关违反客户隐私权和遗失客户资料的实证投诉	可持续发展报告 – 保护敏感信息
治理		
重大因素:合规与内审		
GRI 419-1	社会和经济领域中的违反法律法规的情况	可持续发展报告 – 合规与内审 合规与内审
重大因素:风险管理		
无	根据风险管理委员会设定的限额, 违反贸易限额的情况	可持续发展报告 – 可持续发展和风险管理 风险管理
重大因素:反贪污		
GRI 205-3	经证实的贪污事件及采取的相应行动	可持续发展报告 – 反贪污 合规与内审

Corporate Governance at a Glance

Guideline	Questions	How has the Company complied?
General	<p>(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.</p> <p>(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?</p>	<p>Yes. Refer to page 105</p> <p>Not Applicable</p>
Board Responsibility		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	Refer to page 106
Members of the Board		
Guideline 2.6	<p>(a) What is the Board's policy with regard to diversity in identifying director nominees?</p> <p>(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.</p> <p>(c) What steps has the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?</p>	<p>Refer to pages 105 and 106</p> <p>Refer to “Board of Directors” Section of the Annual Report</p> <p>Refer to pages 105 to 113</p>
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	Refer to pages 111 and 112
Guideline 1.6	<p>(a) Are new directors given formal training? If not, please explain why.</p> <p>(b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?</p>	<p>Refer to page 107</p> <p>Refer to pages 107 and 108</p>
Guideline 4.4	<p>(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?</p> <p>(b) If a maximum number has not been determined, what are the reasons?</p> <p>(b) What are the specific considerations in deciding on the capacity of directors?</p>	<p>Refer to page 111</p> <p>Not Applicable</p> <p>Refer to page 111</p>

Corporate Governance at a Glance

Guideline	Questions	How has the Company complied?
Board Evaluation		
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year? (b) Has the Board met its performance objectives?	Refer to page 112 Yes
Independence of Director		
Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Refer to pages 109 and 110
Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	None Not Applicable
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	Yes. Two (2) independent directors, Dr Wang Kai Yuen and Mr Ang Swee Tian have served for more than nine (9) years from the date of their first appointment. Refer to page 109
Disclosure on Remuneration		
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Yes. Refer to page 116
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S\$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? (b) Please disclose the aggregate remuneration paid to the top five (5) key management personnel (who are not directors or the CEO).	Yes. Refer to pages 116 and 117 Refer to page 116

Corporate Governance at a Glance

Guideline	Questions	How has the Company complied?
Disclosure on Remuneration (continued)		
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	None. Refer to page 116
Guideline 9.6	(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.	Refer to pages 116 and 117
	(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?	Refer to Page 117
	(c) Were all of these performance conditions met? If not, what were the reasons?	Yes
Risk Management and Internal Controls		
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	Refer to page 113
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	Internal audit function is outsourced. Refer to page 119
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.	Refer to page 121
	(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	Refer to page 120

Corporate Governance at a Glance

Guideline	Questions	How has the Company complied?
Risk Management and Internal Controls (continued)		
Guideline 12.6	<p>(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.</p> <p>(b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.</p>	<p>Refer to page 178 of the Annual Report</p> <p>The Audit Committee undertook the review of the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit services provided by their Financial Advisory Services team and the fees paid to them. The non-audit fees which represented more than fifty per cent. (50%) of the total annual audit fees, mainly comprised limited financial review on associates and tax advisory services. The external auditors had evaluated the scope of the non-audit services prior to the commencement of the engagement for the provision of non-audit services and had concluded that the non-audit services were permissible under the independence requirements set out in the Code of Professional Conduct and Ethics of Accountants (Public Accountants) Rules. In addition, additional safeguards were put in place by the external auditors to reduce the threat of independence to an acceptable level.</p> <p>Having considered the foregoing, the Audit Committee is satisfied with the independence of the external auditors.</p>
Communication with Shareholders		
Guideline 15.4	<p>(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?</p> <p>(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?</p> <p>(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?</p>	<p>Yes. Refer to pages 123 and 124</p> <p>Yes. Refer to page 123</p> <p>Refer to pages 123 and 124</p>
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	Not Applicable

Statement of Corporate Governance

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

Since the adoption of the CAO Corporate Governance Policy in August 2012 which corporate governance principles and guidelines are devised in line with the principles and guidelines set out in the 2012 Code (the “**CAO Corporate Governance Policy**”), significant 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 2017 and at the date of issue of this Statement of Corporate Governance, we were in substantial compliance with the provisions of, and applied the principles set out in the 2012 Code.

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

This report primarily describes the Company’s corporate governance practices for the financial year ended 31 December 2017 with specific reference to the 2012 Code and details how we apply the principles and comply with the provisions of the 2012 Code.

(A) BOARD MATTERS

The Board’s Conduct of its Affairs

Principle 1

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

Commentary

Composition of the Board: At the date of issue of this Statement of Corporate Governance, the Board comprises seven (7) Non-Executive Directors, the Chief Executive Officer/Executive Director (the “**CEO/ED**”) and the Executive Director/Vice President. All Independent Directors as well as those nominated by the two (2) major shareholders, namely China National Aviation Fuel Group Limited (“**CNAF**”) and BP Investments Asia Limited (“**BP**”), were appointed on the strength of their expertise, experience and stature.

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

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

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

Statement of Corporate Governance

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

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

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

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

Some of the businesses that the Board transacts include:

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

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

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

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

During the financial year, a review and assessment on the adequacy of the terms of reference of each of the Board Committees had been undertaken. For greater certainty and clarity in the delegation of authority to the Audit Committee and the Risk Management Committee, the scope of duties and responsibilities of these Board Committees were further fine-tuned.

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

Statement of Corporate Governance

Meetings of the Board and Board Committees: The Board met six (6) times in 2017. At the scheduled quarterly Board meetings for the financial year 2017, the Board: (i) reviewed and approved the release of the quarterly and full-year results; (ii) discussed reports by Management relating to major corporate activities; (iii) approved the annual budget; and (iv) reviewed the performance of the CAO Group's businesses. When Directors cannot be physically present, telephonic attendance and conference via audio-visual communication at Board and Board committee meetings are allowed under the Company's Constitution. The number of meetings of the Board and Board Committees held in 2017, as well as the attendance of each Board member at these meetings, are disclosed below:

Name of Director	Board Meetings ⁽⁵⁾	Board Committee Meetings				Independent Directors' Meeting
		Audit	Nominating	Remuneration	Risk Management	
Xi Zhengping	6	N.A.	N.A.	N.A.	N.A.	N.A.
Wang Kai Yuen	6	4	1	4	N.A.	1
Meng Fanqiu	6	N.A.	N.A.	N.A.	N.A.	N.A.
Ang Swee Tian	6	4	1	4	4	1
Felipe Arbelaez ⁽¹⁾	5	3	N.A.	N.A.	3	N.A.
David Windle ⁽²⁾	1	1	N.A.	N.A.	1	N.A.
Li Runsheng	6	4	1	4	N.A.	1
Luo Qun ⁽³⁾	6	N.A.	1	4	N.A.	N.A.
Bella Young Pit Lai	6	N.A.	1	4	N.A.	N.A.
Zhao Shousen ⁽⁴⁾	5	3	N.A.	N.A.	3	N.A.
Number of Meetings Held	6	4	1	4	4	1

Notes:

- ⁽¹⁾ Mr Felipe Arbelaez, a BP-nominee Director, resigned as a Non-Executive, Non-Independent Director on 28 July 2017. He concurrently relinquished his office as Chairman of the Risk Management Committee and as a member of the Audit Committee.
- ⁽²⁾ Mr David Windle, a BP-nominee Director, was appointed as a Non-Executive, Non-Independent Director on 28 July 2017. He was concurrently appointed as Chairman of the Risk Management Committee and as a member of the Audit Committee.
- ⁽³⁾ Dr Luo Qun, a CNAF-nominee Director, resigned as a Non-Executive, Non-Independent Director on 5 February 2018 and in his place, Mr Wang Yanjun who is Vice President of the Company, was appointed as an Executive Director. Dr Luo had also concurrently relinquished his office as Vice Chairman of the Nominating Committee and Remuneration Committee.
- ⁽⁴⁾ Dr Zhao Shousen, a CNAF-nominee Director, resigned as a Non-Executive, Non-Independent Director on 5 February 2018 and had concurrently relinquished his office as Vice Chairman of the Audit Committee and as a member of the Risk Management Committee. Mr Li Yongji, a CNAF-nominee Director, was appointed as a Non-Executive, Non-Independent Director in place of Dr Zhao on 5 February 2018. Mr Li Yongji was concurrently appointed as (i) Vice Chairman of the Audit Committee, the Nominating Committee and the Remuneration Committee; and (ii) a Member of the Risk Management Committee.
- ⁽⁵⁾ Includes a CAO 2020 Board Strategy Workshop held on 27th and 28th July 2017.

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.

Statement of Corporate Governance

During the year, comprehensive Director familiarisation sessions were arranged for Dr Xi Zhengping and Mr David Windle who joined the Board in February 2017 and July 2017 respectively. The purpose of the familiarisation sessions was to familiarise them with the business activities, strategic direction, policies and corporate governance practices of the CAO Group. Areas covered included 2020 Corporate Strategy, 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, Directors' Duties and Continuing Listing Obligations and Governance Structure of the CAO Group. These sessions also provided opportunities for the aforesaid Directors to get acquainted with senior management, and also foster better rapport and communications with Management. In addition, as part of the Director familiarisation programme for Dr Xi Zhengping, a presentation on "Corporate Governance Principles and Directors' Legal Duties and Responsibilities" was conducted in Mandarin by Mr Chia Kim Huat of Rajah & Tann LLP. Arrangements were also made for Dr Xi Zhengping to "meet and greet" with the senior management of the SGX-ST.

Continuing Professional Development of Directors: In line with CAO's Policy on Director Orientation and Professional Development adopted by the Board since November 2012, continuing professional development programmes were organised for Directors to ensure that all Directors are updated on important market developments in the energy industry and issues which may have a significant impact on the businesses, financial and operational matters of the CAO Group. These programmes are conducted by external advisers, experts or senior management and these included: (i) a Board Information Session relating to "Price Risk Management and Hedging" conducted by Mr Iain Lawson, Head of Structured Products for BP Integrated Supply & Trading-Eastern Hemisphere, Singapore; and (ii) Sustainability Reporting Requirements and Implementation Roadmap conducted by KPMG Corporate Advisory Services Pte Ltd.

Directors' Disclosure of Interests: The Board has established the Board of Directors Conflict of Interest Policy (the "**Board Conflict of Interest Policy**") which is adjunct to the Company's overarching commitment to high levels of integrity and transparency. The Board Conflict of Interest Policy is designed to facilitate the identification of situations that present actual, perceived or potential conflicts of interest and the procedures to appropriately manage conflicts in accordance with legal requirements and the goals of accountability and transparency in the CAO Group's operations.

All Directors are required to officially disclose their interests in the Company including any interested person transactions with the Company.

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

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

Board Composition and Balance

Principle 2

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

Commentary

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

Statement of Corporate Governance

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

The Nominating Committee carried out the review on the independence of each non-executive Director in September 2017 by taking into consideration the Directors' Test of Independence and the information collected from each Director through the completion by each Director of a confirmation of independence checklist. The Director is required to declare any circumstances in which he or she may be considered non-independent. The Nominating Committee will then review the confirmation of independence checklist by applying the Directors' Test of Independence before affirming the independence of a Director.

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

In the Form of Director's Declaration for 2017, both Dr Wang Kai Yuen and Mr Ang Swee Tian had confirmed that there were neither any circumstances that could have materially interfered with their exercise of unfettered and independent judgment nor were there any occurrence of any circumstances where the interests of CAO might not be best served by the interests of the major shareholders of CAO. This is evident from the minutes of the proceedings of the Board and relevant Board Committees over the past years, where each of Dr Wang Kai Yuen and Mr Ang Swee Tian had expressed his individual viewpoints and objectively scrutinised and sought clarifications from the Management, employees, external auditors and internal auditors of CAO as he considered necessary.

Both have demonstrated their independence in character and judgement in discharging their duties and responsibilities as Directors of the Company and their ability to act in the best interests of the Company and its shareholders generally. The Board accepted the Nominating Committee's view and affirmed the independence of these Directors.

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

All Singapore-listed companies are required to comply with Guideline 2.2 of the 2012 Code and make the necessary Board composition changes at the annual general meeting following the end of financial years commencing on or after 1 May 2016. In this regard, the Company would need to effect the Board composition changes no later than its annual general meeting in April 2018.

Statement of Corporate Governance

The rationale of Guideline 2.2 of the 2012 Code is basically intended to prevent any one (1) major shareholder from dominating the decision-making process of the Board where the Chairman of the Board and the Chief Executive Officer are both nominated by the same major shareholder. Although the Chairman of the Board is not an Independent Director of the Company, the composition of the Board of Directors of the Company presently comprises representatives from its two (2) major shareholders namely, CNAF and BP. As such, there already exists an appropriate level of checks and balances in the management and operation of the Company via the Shareholders' Agreement. In addition, the Company had appointed the Lead Independent Director, who is also concurrently the Deputy Chairman of the Board.

Hence, considering that the safeguards for a balanced Board are already in place, the Board is of the view that it would be appropriate to maintain the present Board composition of the Company for the foreseeable future.

Chairman and Chief Executive Officer

Principle 3

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

Commentary

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

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

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

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

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

Regular Meetings of Independent Directors: In accordance with the CAO Corporate Governance Policy, the Independent Directors of CAO meet at least once a year, without the presence of the other Directors, to discuss any matters relevant to the CAO Group, such as its investment criteria, risk management and internal controls, risk appetite and risk tolerance, performance of management, Board communication and performance, and strategic issues. Led by the Deputy Chairman/Lead Independent Director, the Independent Directors of CAO held their meeting on 21 November 2017 without the presence of the other Directors. Key issues discussed by the Independent Directors of CAO included the "Re-looking the Evolving Role of Independent Directors in Corporate Governance", "Key Audit Matters and Sustainability Reporting", "Adoption of New IFRS-identical Financial Reporting Framework" and "CEO Succession Planning".

Board Membership

Principle 4

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

Commentary

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

Statement of Corporate Governance

Nominating Committee

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

Note:

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

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

The responsibilities of the Nominating Committee include:

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

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

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

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.

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

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

Retirement by Rotation and Re-election of Directors: Pursuant to Article 91 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 24th AGM to be held on 25 April 2018, Mr Meng Fanqiu and Ms Bella Young Pit Lai are due for retirement by rotation and would be eligible for re-election.

The Nominating Committee has recommended and the Board agreed that Mr Meng Fanqiu and Ms Bella Young Pit Lai, the Directors retiring by rotation under Article 91, be nominated for re-election at the 24th AGM.

In accordance with Article 97 of the Company's Constitution, (i) Mr David Windle who was appointed as a Non-Executive, Non-Independent Director of the Company on 28 July 2017; (ii) Mr Li Yongji who was appointed as a Non-Executive, Non-Independent Director of the Company on 5 February 2018; and (iii) Mr Wang Yanjun who was appointed as an Executive Director of the Company on 5 February 2018, each will hold office as Directors until the next annual general meeting of the Company and will be eligible for re-election under Article 97 at the 24th AGM.

Board Performance

Principle 5

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

Commentary

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

Since the adoption of the CAO Corporate Governance Policy in 2012, the Board has, through the Nominating Committee, implemented a formal process annually for assessing the effectiveness of the Board as a whole and its Board Committees (the "**Overall Board/Board Committees' Performance Evaluation**"). The Overall Board/Board Committees' Performance Evaluation entailed the completion by each member of the Nominating Committee of a Board assessment and effectiveness questionnaire (the "**Board Evaluation Questionnaire**").

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

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

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

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

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

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

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

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

Access to Information

Principle 6

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

Commentary

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

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

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

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

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

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

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

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(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7

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

Level and Mix of Remuneration

Principle 8

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

Disclosure on Remuneration

Principle 9

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

Commentary

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

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

Remuneration Committee

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

Note:

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

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

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

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Broadly, remuneration for the CEO/EO and five (5) key management personnel for the financial year ended 31 December 2017 is based on the Company's and individual performances and the remuneration for Non-Executive Directors in the form of fees is based on responsibilities and memberships in the Board and its committees.

Non-executive Directors are paid Directors' fees, subject to the approval of shareholders at the AGM. Directors' fees comprise a basic fee and fees in respect of service on the Board committees.

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

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

- a. Each director will receive a base fee ("**Base Fee**").
- b. The Chairman of the Board will receive twice the amount of the Base Fee ("**Board Chairman's Fee**").
- c. The Deputy Chairman will receive 75% of the Board Chairman's Fee.
- d. The Chairman of the Audit Committee ("**AC**") will receive additionally two-thirds of the Base Fee ("**AC Chairman's Fee**").
- e. The Chairman of the Risk Management Committee ("**RMC**") will receive additionally two-thirds of the Base Fee ("**RMC Chairman's Fee**").
- f. Chairman of the Remuneration Committee ("**RC**") and the Chairman of the Nominating Committee ("**NC**") will each receive additionally one-third of the Base Fee.
- g. Members of AC, RC, NC and RMC will each receive 50% of the respective AC Chairman's Fee, RC Chairman's Fee, NC Chairman's Fee and RMC Chairman's Fee.
- h. Executive Directors will not be entitled to receive fees.
- i. The Lead Independent Director will receive additionally a sum equivalent to the Base Fee.

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

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The remuneration of Directors payable for the financial year ended 31 December 2017, in bands of S\$100,000 are set out below:

Remuneration Band & Name of Director	Fee S\$	Basic/Fixed Salary and Allowance S\$	Variable/ Performance Bonus S\$	Others S\$	Long-Term Incentives S\$	Total S\$
Above S\$750,000 to S\$1,000,000						
Meng Fanqiu ⁽¹⁾ (CEO/ED)	0	604,760	155,840	0	0	760,600
Below S\$150,000						
Xi Zhengping ⁽²⁾ (Chairman)	0	N.A.	N.A.	N.A.	N.A.	0
Lin Wanli ⁽²⁾	0	N.A.	N.A.	N.A.	N.A.	0
Wang Kai Yuen (Deputy Chairman/Lead ID)	145,134	N.A.	N.A.	N.A.	N.A.	0
Ang Swee Tian	101,595	0	0	0	0	0
Felipe Arbelaez ⁽³⁾	0	N.A.	N.A.	N.A.	N.A.	0
David Windle ⁽³⁾	0	N.A.	N.A.	N.A.	N.A.	0
Li Runsheng	79,824	N.A.	N.A.	N.A.	N.A.	0
Luo Qun	0	N.A.	N.A.	N.A.	N.A.	0
Bella Young Pit Lai	0	N.A.	N.A.	N.A.	N.A.	0
Zhao Shousen	0	N.A.	N.A.	N.A.	N.A.	0

⁽¹⁾ The total remuneration of Mr Meng Fanqiu shown above excludes the 2017 variable bonus payable for the financial year 2017. The quantum of the said 2017 variable bonus is being considered by the Remuneration Committee and will be decided and recommended for the Board's endorsement during the financial year 2018.

⁽²⁾ Dr Xi Zhengping was appointed as Chairman/Non-Independent Director in place of Mr Lin Wanli on 6 February 2017.

⁽³⁾ Mr David Windle was appointed as Non-Executive, Non-Independent Director in place of Mr Felipe Arbelaez on 28 July 2017.

Remuneration Bands	Name of Key Management Personnel	Base/Fixed Salary (%)	Variable Bonus (%)	Allowances & Other Benefits (%)	Long-Term Incentives (%)	Total (%)
S\$250,000 – S\$500,000	Elizza Ding ⁽²⁾	82	18	0	0	100
	Owen Wong ⁽²⁾					
S\$200,000 and below	Wang Yanjun ⁽³⁾	100	0	0	0	100
	Zhang Xingbo ⁽³⁾	100	0	0	0	100
	Xu Guohong ⁽³⁾	100	0	0	0	100
Total Remuneration of five (5) key management personnel ⁽¹⁾		S\$1,122,971				

⁽¹⁾ The remuneration disclosed includes the 2016 variable bonus paid during the financial year 2017 and excludes the 2017 variable bonus payable for the financial year 2017. The quantum of the said 2017 variable bonus is being considered by the Remuneration Committee and will be decided and recommended for the Board's endorsement during the financial year 2018.

⁽²⁾ The remuneration disclosed comprises secondment fees paid to BP Singapore Pte Ltd ("BPS") pursuant to a secondment agreement between CAO and BPS.

⁽³⁾ Mr Wang Yanjun and Mr Zhang Xingbo were appointed as Vice Presidents during the third quarter of 2017 whilst Mr Xu Guohong was appointed as Chief Financial Officer during the fourth quarter of 2017.

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 2017. "immediate family member" means the spouse, child, adopted child, step child, brother, sister and parent.

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

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

Basic/fixed salary – The basic salary (inclusive of statutory employer contributions to Central Provident Fund) for the CEO/ED and each key management personnel were approved by the Remuneration Committee and endorsed by the Board, taking into account the performance of the individual for the financial year 2017, the inflation price index and information from independent sources on the pay scale for similar jobs in a selected group of comparable organisations.

Variable/Performance – The CAO Group operates a bonus scheme for all employees including the CEO/ED. The criteria for the bonus scheme are the level of profit achieved from certain aspects of the CAO Group's business activities against targets, together with an assessment of the Company's and individual's performance during the year. The remuneration disclosed above for the CEO/ED and the five (5) key executives included the 2016 variable bonuses payable in relation to profit targets achieved for the Company's oil trading activities during the financial year 2016.

Others – Benefits in kind such as private medical cover and car are made available where appropriate and consistent with common industry practices.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10

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

Commentary

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

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

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

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

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

During the financial year 2017, the Board, through the Audit Committee, Deloitte Touche LLP ("**Deloitte**") and internal auditors, BDO LLP ("**BDO**"), scrutinised Management's conduct of the Company's and the CAO Group's business processes and financials. Each area of the Company and the CAO Group was audited on an ongoing basis to ensure that the Company and the CAO Group maintain good corporate practices and governance and financial integrity.

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RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11

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

Commentary

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

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

Risk Management Committee

David Windle ⁽¹⁾	Chairman
Li Yongji ⁽²⁾	Member
Ang Swee Tian	Member

Note:

⁽¹⁾ Mr David Windle was appointed as Chairman of the Risk Management Committee in place of Mr Felipe Arbelaez on 28 July 2017.

⁽²⁾ Mr Li Yongji was appointed a member of the Risk Management Committee in place of Dr Zhao Shousen on 5 February 2018.

The Risk Management Committee is responsible for, among others:

- (i) setting the limits for various types of risks, such as market, credit, operational, compliance and reputation risks;
- (ii) approving new activities that the CAO Group plan to embark on; and
- (iii) overseeing the risk management practices of the CAO Group.

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

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

The Head of the Risk Management Department, a BP-seconded, reports directly to the Risk Management Committee. The Risk Management Committee had delegated the day-to-day management of the risks of the Company and the CAO Group to the Company Risk Meeting, which operates within the delegated authority set by the Risk Management Committee from time to time. The Company Risk Meeting comprises the Head of Risk Management, senior Management and relevant functional heads (i.e. from Trading, Operations, Finance and Legal), and meets once a month as well as on an ad hoc basis when required. The Chairman of the Company Risk Meeting, who is the Head of Risk Management, directly reports to the CEO/ED but also has an independent direct reporting line to the Risk Management Committee.

The Risk Management Report is found on page 81 of the Annual Report.

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

- (1) review and evaluation of compliance issues across the CAO Group;
- (2) monitoring of new and existing laws and regulations as well as keeping abreast of the status of all relevant compliance activities;

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

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

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

In May 2017, an off-site BCP testing exercise involving participants from cross-functional departments was conducted to test and verify the effectiveness of the BCP and to identify areas for improvements in the critical business processes of the CAO Group.

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

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

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

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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 2017 (the "**Key Audit Matters**").

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

Significant Matters	Audit Committee's commentary on its review of the Key Audit Matters and decisions made
<p>Revenue recognition</p> <p>Recognition of revenue and purchases have been identified as a risk primarily due to:</p> <ul style="list-style-type: none"> complexity in the timing of recognition for trades with deliveries occurring on or around year end as a result of the extent of the CAO Group's distribution network and varying shipping terms with customers; and risk of potential deliberate misstatement of the CAO Group's trading positions by failing to report the trades entered or failing to record the trades accurately or on a timely basis, particularly for those over-the-counter trades. <p>The details of the CAO Group's revenue are disclosed in Notes 3.10 and 17 to the financial statements.</p>	<p>The Audit Committee regularly discussed with management and the external auditors on the standard operating procedures and controls in place to ensure reasonableness regarding timeliness, completeness and accuracy of accounting records and reporting. The Audit Committee together with Risk Management Committee considered the reasonableness of controls in place to prevent unauthorised trading activity. Audit Committee had considered the audit samplings performed by the external auditors and noted that no misstatements were uncovered by the external auditors.</p>
<p>Valuation of derivatives, trading inventories and open physical contracts</p> <p>The valuation of derivatives, trading inventories and open physical contracts requires significant management judgement in applying the appropriate valuation methodology and incorporating of any contract specific terms including the use of valid and appropriate price index.</p> <p>The valuation techniques and the inputs used in the fair value measurements of the financial instruments are disclosed in Note 23.</p>	<p>The Audit Committee and Risk Management Committee received regular briefings on the CAO Group's trading risk, controls and compliance. The internal auditors also conducted a review of the Company's system of internal controls and no significant observations were noted. The Audit Committee considered the reasonableness of the controls in place over the valuation of derivatives, trading inventories and open physical contracts. It evaluated and was satisfied that the valuation methodology and inputs used in the valuation were reasonable.</p>

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

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

- (i) the financial records have been properly maintained and the financial statements give a true and fair view of the CAO Group's operations and finances;
- (ii) the effectiveness of the CAO Group's risk management and internal control systems.

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Based on the internal controls established and maintained by the CAO Group, work performed by the internal and external auditors, and reviews performed by management and various Board Committees, the Board, with the concurrence of the Audit Committee, is of the opinion that the CAO Group's system of internal controls addressing financial, operational, compliance, information technology controls and risk management systems, were adequate as at 31 December 2017 to provide reasonable assurance for achieving the following objectives:

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

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

Audit Committee

Principle 12

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

Commentary

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

Audit Committee

Ang Swee Tian	Chairman
Li Yongji ⁽¹⁾	Vice-Chairman
Wang Kai Yuen	Member
David Windle ⁽²⁾	Member
Li Runsheng	Member

Note:

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

⁽²⁾ Mr David Windle was appointed as a member of the Audit Committee in place of Mr Felipe Arbelaez on 28 July 2017.

Roles of the Audit Committee: The Audit Committee held four (4) meetings in 2017 where it met with external and internal auditors to review both the Company and the CAO Group's financials and audit reports. A key issue for discussion is the financial statements and announcements made by the Company to shareholders. The members of the Audit Committee, collectively, have expertise or experience in financial management and are qualified to discharge the Audit Committee's responsibilities.

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

The Audit Committee reviews the quarterly and annual financial statements and the integrity of financial reporting of the Company, including the accounting principles, for recommendation to the Board for approval. The Audit Committee also reviews and approves the internal auditor's and external auditor's plans to ensure that the 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.

Statement of Corporate Governance

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 2017, and conflict of interest situations including transactions, procedures or actions taken which may raise issues about the Management's integrity.

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

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

The Board had proposed to re-appoint Deloitte & Touche LLP as auditors of the Company for the financial year 2018.

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

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

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

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

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

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

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

Internal Audit

Principle 13

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

Commentary

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

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

BDO had presented their internal audit plan 2018 to the Audit Committee. The Audit Committee adopted the audit plan for 2018.

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

(E) COMMUNICATION WITH SHAREHOLDERS

Principle 14

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

Commentary

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

Principle 15

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

Commentary

Investor Relations and Shareholder Communication

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

During the financial year and in line with the CAO Investor Relations Policy, the Company, through the Investor Relations team and senior management maintained active working relationships with domestic and international brokerage firms, investment banks and the media, regardless of their views or recommendations on the CAO Group.

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

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

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

The Investor Relations Department will publish and maintain a list on the Company website showing names of analysts and firms providing coverage.

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

Statement of Corporate Governance

As part of our efforts to maintain regular communication with our shareholders as well as the investment community, CAO's Corporate Access Day 2017 was held on 21 September 2017 to an audience of about 100 persons on the topic "Enabling Growth through CAO's Global Integrated Value Chain". The event was also webcast internationally to overseas financial markets through CAO's corporate website. CAO aims to hold its Corporate Access Day annually to provide our shareholders and the investment community a deeper insight into key facets of CAO's businesses and corporate strategy as well as an update on CAO's roadmap as it envisions to becoming a global transportation fuels provider.

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

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

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

Conduct of Shareholder Meetings

Principle 16

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

Commentary

The existing Constitution of the Company allows a shareholder to appoint up to two (2) proxies to attend and vote in his/her place at general meetings. Although the Company does not have a specific limit in the Constitution on the number of proxy votes for nominee companies, there is a limit for the number of proxies. Notwithstanding this, the Company allows shareholders who hold shares through nominee companies to attend the AGM as observers without being constrained by the two-proxy rule.

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

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

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

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

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

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

Statement of Corporate Governance

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 commencing from financial year 2016.

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

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

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

DEALINGS IN THE COMPANY’S SECURITIES

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

INTERESTED PERSON TRANSACTIONS

Shareholders have approved the renewal of the general mandate for interested person transactions of the CAO Group on 18 April 2017 (the “**IPT Mandate**”). The IPT Mandate sets out the levels and procedures to obtain approval for such transactions. Information regarding the IPT Mandate is available on the Company’s website at www.caosco.com. All business units are required to be familiar with the IPT Mandate and report any such transactions to the Finance Department. The Finance Department keeps a register of the CAO Group’s interested person transactions.

Information on interested person transactions for 2017 is found under “Supplementary Information” on page 189.

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 be subject to biennial review by an independent external reviewer with appropriate experience in corporate governance and risk management processes.

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

Statement of Corporate Governance

Appendix

(1) Charter of Lead Independent Director

The Company shall have a Lead Independent Director who shall be an independent director as defined under the 2012 Code.

Purpose

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

Duties and Responsibilities

In addition to the duties of Board members as set forth in the 2012 Code, the specific duties and responsibilities of the Lead Independent Director shall be as follows:

Function as Principal Liaison with the Chairman and Senior Management

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

Call Meetings of Independent Directors

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

Preside at Meetings

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

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

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

Initiate Actions to Address any Concerns on Corporate Compliance Matters

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

Function as Principal Liaison in Shareholder Communication

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



China Aviation Oil (Singapore) Corporation Ltd

中国航油（新加坡）股份有限公司

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