

2019

Environmental, Social and  
Governance Report



中信資源控股有限公司  
CITIC Resources Holdings Limited

(incorporated in Bermuda with limited liability)  
(於百慕達註冊成立之有限公司)

Stock Code 股份代號: 1205







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# 1 About this Report

This Environmental, Social and Governance (“ESG”) Report (this “Report”) covers CITIC Resources Holdings Limited’s (“CITIC Resources” or the “Company”) and its subsidiaries’ and joint ventures’ (collectively referred to as the “Group”) latest sustainability related information in the 2019 year, and includes issues that are of interest to stakeholders and related to the sustainable development of the Company. This Report has been compiled to enable stakeholders to better understand the Company’s sustainable development values, management approaches, measures and related performance. This Report should be read in conjunction with the Company’s 2019 Annual Report (in particular the Corporate Governance Report within) to provide a comprehensive understanding of the Company’s performance.

The Board of Directors (“Board”) believes that reliable and independent environmental and social strategies and policies are critical to the Company engaging in the natural resources sector. The Board is fully responsible for the Company’s environmental and social strategies and reporting and has reviewed and approved this Report. The information disclosed in this Report is mainly derived from the internal documents and public information of the Group.

## 1.1 Reporting Period

This Report covers the period from 1 January 2019 to 31 December 2019 (the “Reporting Period”), unless otherwise specified. The information presented in this Report includes the Company’s specific ESG policies and performance. As some of the calculated information is of a continuous or comparable nature, the timeframe of selected contents has been adjusted where necessary.

## 1.2 Reporting Scope

There has been no significant change in the scope of this Report from that of the 2018 ESG Report published on 5th July 2019. The organisational scope of this Report is as follows:

- CITIC Resources  
(the head office of the Group in Hong Kong)
- CITIC Canada Energy Limited
  - JSC Karazhanbasmunai
- CITIC Haiyue Energy Limited
  - Tincy Group Energy Resources Limited
- CITIC Seram Energy Limited
- CITIC Petroleum Technology Development (Beijing) Limited
- CITIC Resources Australia Pty Ltd

The scope of environmental key performance indicators (“KPIs”) only includes Tincy Group Energy Resources Limited.

The Company determines the scope of this Report based on its operational control over entities. Therefore, projects related to aluminium smelting, coal, manganese, bauxite mining and alumina refining are not included in this Report, including but not limited to the Portland Aluminum Smelter joint venture in Australia, Coppabella and Moorvale coal mines joint venture, and Alumina Limited in Australia.

### 1.3 Reporting Reference

This Report was prepared with reference to: the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) contained in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Moreover, the selection of information for disclosure was also based on the result of the materiality assessment.

This Report has complied with “comply or explain” provisions of the ESG Guide. Please refer to this Report’s Appendix 3 SEHK ESG Reporting Guide Index for reference.

The Company adheres to the reporting principles (of Materiality, Quantitative, Balance, and Consistency) outlined in the ESG Guide when preparing this Report.

## 1.4 Reporting Specifications

In this Report, the following terms shall have the following meanings unless otherwise specified.

“China”	refers to	The People’s Republic of China
“Kazakhstan”	refers to	The Republic of Kazakhstan
“Indonesia”	refers to	The Republic of Indonesia
“Australia”	refers to	The Commonwealth of Australia
“Russia”	refers to	The Russian Federation
“Hong Kong”	refers to	The Hong Kong Special Administrative Region, the People’s Republic of China
“SEHK”	refers to	The Stock Exchange of Hong Kong Limited
“CITIC Resources” or the “Company”	refers to	CITIC Resources Holdings Limited
The “Group”	refers to	CITIC Resources Holdings Limited and its subsidiaries and joint ventures within the scope of this Report
“KBM”	refers to	JSC Karazhanbasmunai
The “Karazhanbas oilfield”	refers to	The Karazhanbas Oil and Gas Field in Mangistau Oblast, the Republic of Kazakhstan
“Tincy Group”	refers to	Tincy Group Energy Resources Limited
The “Hainan-Yuedong Block”	refers to	The Hainan-Yuedong Block in the Bohai Bay Basin in Liaoning Province, the People’s Republic of China
The “Yuedong oilfield”	refers to	The Yuedong oilfield, the principal field within the Hainan-Yuedong Block in the Bohai Bay Basin in Liaoning Province, the People’s Republic of China
“CITIC Seram”	refers to	CITIC Seram Energy Limited
The “Seram Block”	refers to	the Seram Island Non-Bula Block, the Republic of Indonesia

## 1.5 Access to this Report

This Report is available in both Chinese and English. Should there be any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

Electronic copies are available as follows:

HKEXnews: <http://www.hkexnews.hk/>

CITIC Resources: <http://resources.citic>

## 1.6 Response to this Report

Comments and suggestions regarding this Report and the sustainability performance of the Group are welcome and can be emailed at [ir@citicresources.com](mailto:ir@citicresources.com).

Furthermore, a feedback questionnaire is attached at page 75 of this Report, and you are welcome to complete and send this to us at the email address above.

## 2 About CITIC Resources

The Group has been listed on the SEHK since 1997. The Group manages a diversified business portfolio, covering energy, metals, and import and export of commodities sectors, and strives to conduct businesses in a sustainable approach. As of the end of the Reporting Period, the ultimate holding company of the Company was CITIC Group Corporation, a company established in China and a company which holds a 59.50% interest in the Company through CITIC Limited.

### Crude Oil Projects

- The indirect wholly-owned subsidiary of the Company engages in the exploration, development, and operation of oil fields located in China and Indonesia
- The Company participates in the development, production and sales of oil in Kazakhstan in the form of a joint venture

### Non-Oil Projects

- The Company's indirect wholly-owned subsidiaries has not only engaged in the import and export of commodities in Australia, but also invested in aluminium smelting, coal, manganese, bauxite mining and alumina refining projects
- The Company participates in manganese-related business in the form of an associate, including manganese mining, ore processing and downstream manganese processing

The Company also understands the importance of balancing the needs of its businesses with stewardship of the earth's resources while paying attention to the community's needs. The Group makes every effort to provide quality products and services, meet society's needs for energy, and achieve the harmonious development of society, the economy, and the environment.





## 2.1 About the Subsidiaries and Joint Ventures covered in this Report

The following are the subsidiaries and joint ventures by country covered in this Report:

### Kazakhstan

CITIC Oil & Gas Holdings Limited, an indirect wholly-owned subsidiary of the Company, and JSC KazMunaiGas Exploration Production, through CITIC Canada Energy Limited ("CCEL"), jointly own, manage and operate KBM. Effectively, the Group owns 50% of the issued voting shares of KBM (which represents 47.31% of the total issued shares of KBM).

KBM is engaged in the development, production and sale of petroleum and holds the right to explore, develop, produce and sell oil from the Karazhanbas oilfield until 2035.

### China

CITIC Haiyue Energy Limited, an indirect wholly-owned subsidiary of the Company, owns a 90% interest in Tincy Group.

Tincy Group holds the right to explore, develop and produce oil from the Hainan-Yuedong Block in the Bohai Bay Basin in Liaoning Province, China until 2034. Tincy Group is the operator of the Hainan-Yuedong Block in cooperation with China National Petroleum Corporation.

Currently, the principal field within the Hainan-Yuedong Block is the Yuedong oilfield.

CITIC Petroleum Technology Development (Beijing) Limited is an indirect wholly-owned subsidiary of the Group, engaging in petroleum-related technology development business in Beijing, China.

### Indonesia

CITIC Seram, an indirect wholly-owned subsidiary of the Company, owns a 41% participating interest in the production sharing contract until 31 October 2039. During the Reporting Period, the original production sharing contract expired on 31 October 2019 and it has been extended for 20 years from the end of original production sharing contract. CITIC Seram is the operator of the Seram Block.

### Australia

CITIC Resources Australia Pty Limited is an indirect wholly-owned subsidiary of the Group, directly manages the operation of its import and export business. Other investment businesses, including aluminium smelting, coal, bauxite mining and alumina refining, are directly operated and managed by its partners in the form of joint venture.

## 2.2 Corporate Honour

### CITIC Resources



Moody's Investors Service ("Moody's") upgraded CITIC Resources Holdings Limited Corporate family rating (CFR) from Ba3 to Ba2.

According to Moody's, the Company's positive free cash flow was underpinned by the recovery of oil prices during 2019, reduction in operating costs and the Company's prudent management of capital spending and investments, which allows the company to continuously trimming its debts.

### KBM



KBM was awarded the 120th Anniversary Medal of the Kazakhstan Oil Industry by the President of Kazakhstan's National Oil and Gas Company in recognition of KBM's important contribution to the development of Kazakhstan's oil and gas industry and the society. KBM, as the eighth largest oilfield operator in Kazakhstan and a responsible multinational joint venture, provides employees with benefits, such as medical insurance, major holiday bonuses, medical expenses reimbursement, allowance for marriage, childbirth and funeral, allowances for disabled employees, summer camps for employees' children and subsidies for retired employees in financial difficulties through the establishment of a comprehensive security system and welfare policy. The "2019-2021 Collective Contract with Employees" has been formally implemented. Good social welfare policies have enabled KBM to attract and retain elite talent. Apart from natural reductions such as retirement, there was almost no employee outflow, which made great contributions to improve local communities' livelihood and social stability.

### Tincy Group



Tincy Group strictly abides to production safety-related national laws and regulations and earnestly implements production safety-related policies. Tincy Group also strives to bear its corporate social responsibility for production safety and effectively controls the risks posed by offshore oil operation. The performance of Tincy Group among the offshore oil operation entities in the Liao He River area was outstanding.

The Liao He River Supervision Office of China National Petroleum Division of the Offshore Oil Safety Supervision and Administration Office of the Ministry of Emergency Management, therefore, decided to award this honorary title to Tincy Group.

### CITIC Seram



CITIC Seram has been operating with zero work injuries for more than 9.7 million man-hours. The Indonesia's Ministry of Energy and Mineral Resources therefore decided to grant CITIC Seram this award.

### CITIC Seram



CITIC Seram's outstanding performance in complying with Indonesian environmental protection laws and regulations has been granted a blue rating under the Program for Pollution Control Evaluation and Rating (PROPER) by the Indonesian Ministry of Environment.



# 3 Our Governance

CITIC Resources strictly abides by the laws and regulations in the operation locations, the regulatory bodies' provisions, while formulating and executing its own governance policies and codes of practice to ensure compliant operation. CITIC Resources attaches importance to risk management and internal control and ensures its subsidiaries' and joint ventures' compliance with laws and regulations, improvement of business operations, and management of risks and opportunities through policy provision and system monitoring. Through diversified and multi-level corporate governance, the Company continues to promote its sustainable development.

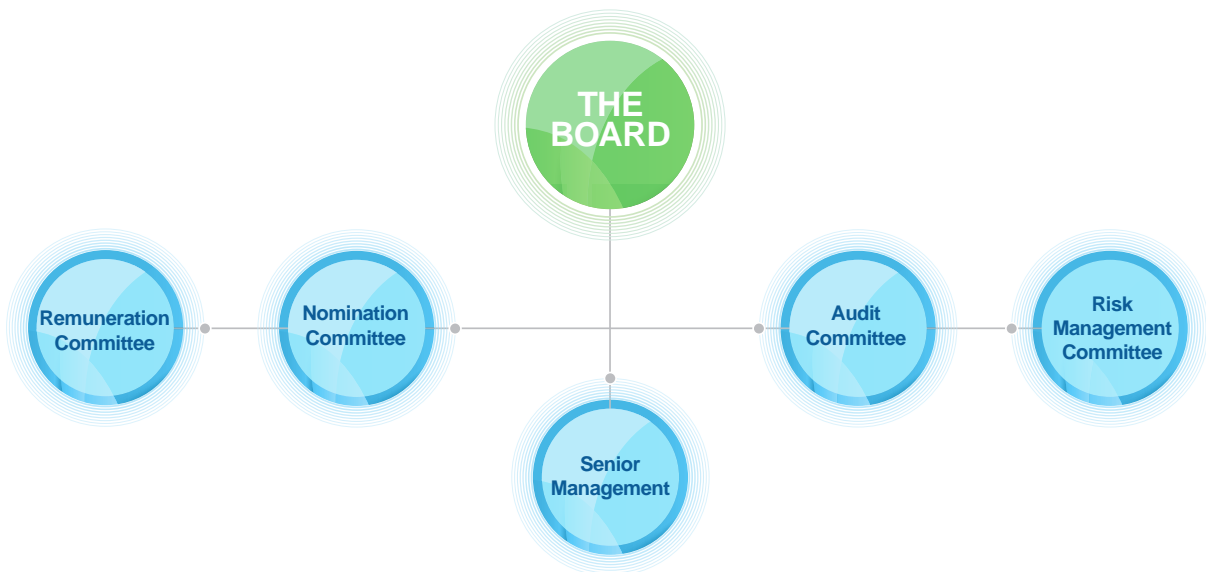
CITIC Resources lays great store on fulfilling its corporate social responsibilities and integrates sustainable development concepts into management by identifying and responding to sustainable development issues.

If you would like to know more about the Company's information on corporate governance, please refer to the Corporate Governance Report in its 2019 Annual Report.

## 3.1 Governance Structure

CITIC Resources strictly complies with the listing provisions and requirements of the Rules Governing the Listing of Securities on SEHK and executes its governance policies. CITIC Resources continuously improves its governance structure, including the Board, the Remuneration Committee, the Nomination Committee, the Audit Committee, the Risk Management Committee, and the senior management, as well as its governance policies. Improving the level of the Company's governance and regulating the Company's operation and management ensures that all decisions are made on the principles of trust and fairness and announced in a transparent manner to protect the interests of all shareholders.

CITIC Resources' Governance Structure:



## The Board

The Board is the operating decision-making body of the Group, accountable to the CITIC Resources' shareholders. The Board has the following responsibilities:

- to develop and review the Company's policies and practices on corporate governance; and to review compliance with the CG Code and disclosures in the corporate governance report;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to review and monitor the training and continuous professional development of the directors and senior management; and
- to develop, review and monitor the code of conduct applicable to the directors and employees.

As at 24 March 2020, the Board comprised a total of seven members, with three executive directors, one non-executive director, and three independent non-executive directors. The resumes of all directors have been published in the Company's annual report and website.

Four committees have been set up under the Board, namely the Remuneration Committee, the Nomination Committee, the Audit Committee, and the Risk Management Committee. They are each established with specific written terms of reference which deal clearly with their respective authority and responsibilities.

During the Reporting Period, to develop and refresh their knowledge and skills, all directors have participated in appropriate continuous professional development training which covered updates on ESG, laws, rules and regulations and also directors' duties and responsibilities.

## Remuneration Committee

The purpose of the committee is to make recommendations to the Board on the remuneration policy and structure for all directors and senior management of the Group and the remuneration of all directors of each member of the Group.

- Making recommendations to the Board on the establishment of a formal and transparent procedure for developing a remuneration policy for all directors and senior management;
- Determining remuneration packages of individual executive directors and senior management.

## Nomination Committee

The purpose of the committee is to lead the process for Board appointments and for identifying and nominating for the approval of the Board candidates for appointment to the Board.

- Reviewing the structure, size and diversity (including without limitation, gender, age, cultural and educational background, skills, knowledge and professional experience) of the Board annually;
- Making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships, and considering candidates on merit and against objective criteria with due regard to the Policy;
- Reviewing the Policy and the measurable objectives, the progress on achieving the objectives, assessing the independence of independent non-executive directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular, the chairman and the chief executive officer of the Company.

## Audit Committee

The Audit Committee is responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and considering any questions of its resignation or dismissal.

- Monitoring the integrity of the Company's accounts, financial statements, interim and annual reports, and reviewing significant financial reporting judgements contained therein;
- Reporting to the Board any suspected fraud and irregularities and suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.

## Risk Management Committee

The purpose of the Risk Management Committee is to assist the Board to oversee the overall risk management and internal control of the Group and to assist the Board in establishing and setting risk management and internal control policies and regulations appropriate and relevant for the Group.

- Considering the overall objective and policies of the Group's comprehensive risk management and internal control;
- Reviewing the risk philosophy and risk tolerance and appetite of the Group;
- Overseeing the Group's overall risk management framework to identify and deal with financial, operational, legal, regulatory, technology, business, strategic and other relevant risks faced by the Group from time to time;
- Reviewing and assessing the effectiveness of the Group's risk control and risk mitigation tools and considering any other matters in relation to risk management and internal control responsibilities to be performed by the committee or the Board.

### 3.2 Corporate Governance

CITIC Resources has treated risk management and internal control as a top priority since its establishment. The Company recognises that it is the duty and obligation of the Board to establish and maintain a risk management and internal control system, which serves that Company's strategic objectives and meets the Company's business practice.

#### Risk Management and Internal Control

The Board has overall responsibility for maintaining an adequate system of risk management and internal control and reviewing its effectiveness.

The Group has established a risk management and internal control system covering all the business units to monitor, assess and manage various risks in the Group's business activities. The risk management committee has reviewed the quality, integrity and effectiveness of the risk management policies and regulations of the Group and approved the relevant revisions on risk management policies under the delegation of the Board. The system identifies, evaluates and manages the significant risks through regular risk assessments, including both compliance assessment and self-assessment on risk management and internal control.

The risk management and internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. The system provides reasonable, but not absolute, assurance against material misstatement or loss, and management rather than elimination of risks associated with its business activities.

The Group's risk management and internal control system comprises five levels based on the corporate governance structure:



During the Reporting Period, the risk management department identified risks using multiple channels, including questionnaires, group discussion and scenario analysis, evaluated the risk as normal risk, significant risk and critical risk, and managed the risk with reference to the risk management policy. It also controlled the risks of subsidiaries through monthly risk management reporting and risk assessment as well as the monitoring of major projects and business.

## Internal Audit







In order to ensure the effectiveness and suitability of business operations, internal control, and risk management, the Company has established the internal audit department to carry out an analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control system, and to perform independent internal audit reviews for all business units and functions in the Group on a systematic and ongoing basis. While under the internal audit charter of the Company, the internal audit department has unrestricted access to all parts of the Group's businesses and direct access to any level of management including the chairman of the Company and the chairman of the audit committee as it considers necessary.





During the Reporting Period, the internal audit department prepared an annual internal audit plan in accordance with risk-based principles. Pursuant to the approved annual internal audit plan endorsed by the audit committee, detailed audit planning for each audit was devised, followed by field audits and discussions with management of the Company and subsidiaries. Special audits are conducted when required by the Board and senior management. Internal audit reports were prepared after completion of the audits, informing management of the Company and subsidiaries about the identified control deficiencies, together with recommendations for immediate rectification. Concerns which have been reported by the internal audit department were monitored by management by taking appropriate remedial actions. The internal audit report, which included audit findings and follow-up results, has been summarised, communicated and reported to the audit committee during the year.



# 4 Our Communication

The trust and support of stakeholders are important to the sustainable development of the Group. The Group devotes itself to listening to the opinions of internal and external stakeholders, strives to balance the interests of all stakeholders, and proactively responds to the expectations and concerns of each stakeholder.

Stakeholder Group	Major Stakeholder	Engagement Reason
 Shareholders/Investors	Major Shareholders  Public Investors	The Group demonstrates its determination to pursue long-term financial return and reports on the sustainable development to the major shareholders/  Addressing the investors concerns on sustainability demonstrates the Group's determination to pursue long-term financial return.
 Government and Regulators	Government Agencies  Industry Regulators	Policies and regulations directly impact the Group's business. The Group needs to maintain close communication with the relevant governments and regulators to ensure that policies and regulations are well understood.
 Employees	All employees	It is essential to understand the Group's employees' sustainability concerns, particularly on labour and occupational safety practices,
 Customers	Oil Buyers  Customers of the Import and Export Business	To retain the Group's customers, the Group needs to understand the shared sustainability values, so that the services the Group delivers meet their expectations.
 Peers	Oil and Gas Companies	By maintaining contact with peer companies, the Group can better grasp the trends of sustainable development and respond quickly.
 Business Partners	Companies with Business Partnership	With a commitment to maintaining good cooperative relations with its partners, the Group actively communicates with them to understand the shared values of sustainable development and to promote the implementation and execution of projects.






Stakeholder Group	Major Stakeholder	Engagement Reason
 Potential Investors and Financial Institutions	Investment Institutions	The Group needs to maintain communication with different asset management companies and investment institutions and meet the requirements of potential investors.
 Suppliers	Raw Materials Suppliers	The sustainability performance of the suppliers and contractors directly impacts the Group's performance as well.
 Contractors <sup>1</sup>	Equipment Suppliers	The supplier is only involved in the supply of services, materials and equipment, and does not participate directly in the work in the oil fields of the Group. However, the environmental and social performance of the suppliers has an impact on the Group's operations and reputation. Therefore, the Group needs to maintain communication with the suppliers to ensure that the suppliers operate in compliance.
	Fleet Managers	
	Professional Service Providers	
	Catering Service Providers	Given the contractors bear the same health and safety risks as the Group's employees in the operating locations, the Group' HSE policies and systems cover all the contractors, which means they are managed, restricted and protected by the HSE policies and systems, to ensure the safety of the contractors' employees and to prevent harm to themselves and the Group's employees due to their improper operation of facilities.
 Communities and the Public	Security Service Provider	
	Communities around the oil fields	The Group must proactively engage with local communities to ensure that the its business is creating societal benefits. The Group regards this as the social license to operate in the long run.






<sup>1</sup> The Group has many different contractors. Only the essential contractors are listed above.

## 4.1 Communication Channels

The Group ensures its understandings of the opinions and expectations of stakeholders in a timely manner through conducting stakeholder engagement, and the outputs of stakeholder engagement inform its establishment of existing and future sustainable development strategies. The Group proactively maintains communication with stakeholders, especially the stakeholder groups directly affected by the Group's business operations. In addition, whether it is a group that pays attention to the focus of this Report, or a group that may affect the Group's strategy, such as NGOs, media organizations, and industry associations, the Group is willing to interact with.

The subsidiaries and joint ventures have their own channels of communication with stakeholders, as summarized below:

Stakeholders	Communication Channels	Expectations and Appeals
 Major Shareholders	Annual general meeting Disclosure of listed company information On-site Investigation	Protecting the rights and interests of shareholders Improving corporate governance Improving business performance
 Governments and Regulators	Regular reporting and submission of information Regular communication with regulatory authorities Meetings/Seminars Annual environmental performance audit	Operating in compliance with laws and regulations Promoting local economic development Creating local job opportunities Producing and operating in a safe manner
 Employees	Workers congresses Employee appraisal meeting Employee satisfaction survey Employee suggestion box Team building activities	Ensuring occupational health and safety for employees Improving remuneration and benefits Promoting professional skill development Caring employees
 Customers	Business communication Customer feedbacks	Improving quality assurance system Providing quality products and services
 Peers	Communication with local labour departments Participation in industry forums Visits and inspections with industry peers	Promoting industry development

Stakeholders	Communication Channels	Expectations and Appeals
 Business Partners	Annual meeting Management visits Special inspections Regular reporting systems	Cooperation
 Potential Investors and Financial Institutions	Information disclosures Briefings for investors Roadshows Briefings for analysts	Disclosing information timely and accurately
  Suppliers      Contractors	Business communication Tendering Seminars & conferences Entry requirements and evaluation On-site investigation	Entry management Continuous evaluation
 Communities and the Public	Charitable activities Stakeholder engagement	Improving community environment Supporting community public welfare

## 4.2 Materiality Assessment

The Group conducted its materiality assessment for its sustainable development-related issues (“SD issues”) with the help of an independent third-party consultant. The process includes issue identification, issue ranking, survey result analysis, and issue validation. The Group’s environmental and social materiality matrices was then prepared in two dimensions – the “Importance to Stakeholders” and the “Importance to the Group”.

### Assessment Method

The procedures and steps of the Group’s materiality assessment are as follows:

#### The First Step

#### Identification of the sustainability issues related with the Group’s Business

The Group has a dedicated pool of SD issues (the “Pool”) prepared by referring to different guidelines and peers’ concerns. The Pool includes both environmental and social issues. The background information of each issue is attached to the Pool for personnel’s reference. To ensure that all stakeholders have the same understanding of the issue, both internal and external stakeholders can refer to the background information of each issue when participating in the materiality assessment.

The references of the Pool:



- IPIECA – Oil and gas industry guidance on voluntary sustainability reporting
- SEHK – ESG Reporting Guide
- GRI – Sustainability Topics for Sectors: What do stakeholders want to know?
- Peer benchmarking

Before preparing this Report, the Group reviewed three major aspects, including its business boundaries, nature, and strategies, and explored the relevant industry policies and developments during the Reporting Period to ensure the Pool appropriately reflects the Group’s landscape of sustainable development. There are 20 SD issues in total, which are divided into two categories: environmental and social issues.

#### The Second Step

#### Prioritization of the sustainability issues

The Group invited major internal and external stakeholder groups to participate in the online survey and rank the Group’s 6 environmental issues and 9 social issues according to their levels of materiality. The survey received a total of 91 valid responses from internal and external stakeholders. After statistical analysis of data, we examined the materiality of the Group’s sustainability issues from both internal and external stakeholders, to determine the materiality of issues of all aspects to the Group. The issues that were ranked at 5 or above (The maximum score was 10) at both dimensions were considered material.

A total of 5 social issues and 3 environmental issues were obtained, and are displayed in matrix diagrams.

## The Third Step

### Validation of the materiality of sustainability issues

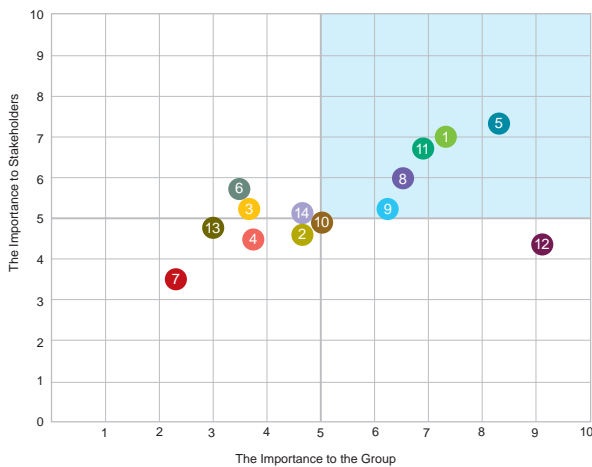
The Management of the Group confirmed the materiality of the issues identified and disclosed them in this Report in a targeted manner.

#### Materiality Matrices

The Group reviewed the sustainability issues in two dimensions – the “Importance to Stakeholders” and the “Importance to the Group”. The Group assumed that the opinions of all stakeholders in each dimension are of equal importance. The matrices were sorted according to the levels of materiality of the issues from low to high, and from left to right on the horizontal axis. This Report discloses in the subsequent sections relevant information of the issues that are considered material by both internal and external stakeholders. The Group will disclose the work and progress made in various aspects and will place emphasis to material issues in its long-term operations, formulate corresponding strategies, improve policies and set long-term goals.

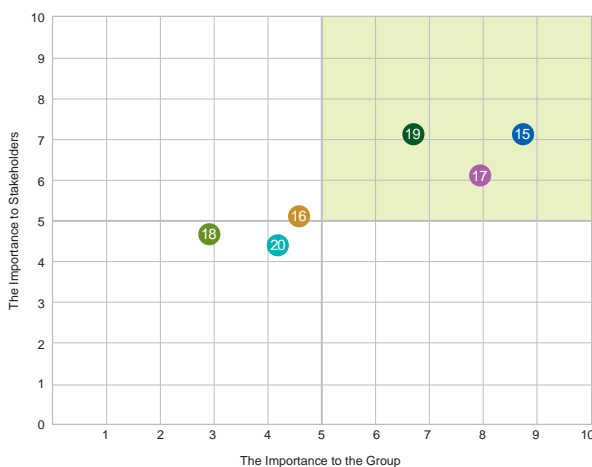
The Group considers social and environmental aspects equally important for its sustainable development and thus divides its materiality into two major aspects: “Social” and “Environmental”. Materiality matrices are prepared according to illustrate its material SD issues to stakeholders.

#### CITIC Resources’ Social and Environmental Materiality Matrices<sup>2</sup>:



#### The Group's Social Materiality Matrix

- 1 Employment & Employee Benefits
- 2 Labour Standards
- 3 Product Responsibility
- 4 Local Content
- 5 Employees' Health & Safety
- 6 Supply Chain Management
- 7 Community Engagement & Contribution
- 8 Employees, Contractors & Communities' Rights
- 9 Employees' Development & Training
- 10 Product Quality
- 11 Anti-corruption
- 12 Corporate Governance
- 13 Investor Relations
- 14 Technology Innovation



#### The Group's Environmental Materiality Matrix

- 15 Oil Spill Prevention
- 16 Water Consumption & Efficiency
- 17 Local Environmental Impact
- 18 Biodiversity & Ecosystem Services
- 19 Energy Usage & Efficiency
- 20 Climate Change

<sup>2</sup> In the materiality assessment, the “Directors” ’s and “Senior Management” ’s opinions represented the “Importance to the Group”; the views of “Governments and Regulators”, “Employees”, “Customers”, “Business Partners”, “Suppliers”, and “Contractors” represented the “Importance to Stakeholders”.

## The SD Issue Prioritization:

Materiality <sup>3</sup> (Sorting from high to low materiality)	Social Aspect	Environmental Aspect
1	Employees' Health & Safety	Oil Spill Prevention
2	Employment & Employee Benefits	Local Environmental Impact
3	Anti-corruption	Energy Usage & Efficiency
4	Corporate Governance	Water Consumption & Efficiency
5	Employees, Contractors & Communities' Rights	Climate Change
6	Employees' Development & Training	Biodiversity & Ecosystem Services
7	Product Quality	
8	Technology Innovation	
9	Labour Standards	
10	Supply Chain Management	
11	Product Responsibility	
12	Local Content	
13	Investor Relations	
14	Community Engagement & Contribution	

### Responding to Issues

By analyzing the results of the survey, the Group identified 8 material issues and disclosed these issues in detail in this Report. In the future, the Group will continue to deepen the depth and breadth of communication with stakeholders

The 8 material issues identified in the materiality assessment and the corresponding sections for responses to the material issues are as follows:

Social Aspect	Sections for Responses
Employees' Health & Safety	Operation Safety
Employment & Employee Benefits	Policies and Benefits
Employees' Development & Training	Training and Development
Anti-corruption	Market Practices
Employees, Contractors & Communities' Rights	Respecting Rights

Environmental Aspect	Sections for Responses
Oil Spill Prevention	Oil Spill Prevention
Local Environmental Impact	Environmental Management, Oil Spill Prevention, and Resources Usage
Energy Usage & Efficiency	Resources Usage

<sup>3</sup> Ranking is based on the summation of ranked scores for "Importance to Stakeholders" and "Importance to the Group". Highlighted issues represent those that have attained scores of 5 or above for both dimensions.

# 5 Our Employees

The Group adheres to the concept of “Employees are our Most Valuable Asset and Wealth” and considers employees an important component of the core competitiveness and also the main driver of sustainable development of enterprises. The Group strives to develop and improve human resources-related policies, creating an inclusive and harmonious working environment for employees. Through building a career development platform and caring for employees’ health and happiness, the Group helps employees to develop and improve while achieving the growth of sustainable value of the Group.

The material issues – “Employment & Employee Benefits”, “Employees’ Development & Training”, and “ Employees, Contractors & Communities’ Rights” identified in the materiality assessment are particularly addressed in this section of this Report.

The Group strictly abides by relevant laws and regulations, and established policies to ensure that the Group operates in compliance. The Company has developed and implemented the Employee Handbook, and its subsidiaries and joint ventures have also developed and executed employee-related policies in line with the location-specific requirements, clarifying employee-related rights and codes of practice. If you would like to know more about these laws, regulations and policies, please refer to Appendix I of this Report.

## 5.1 Policies and Benefits

The Group insists on safeguarding and protecting the legitimate rights and interests of employees in accordance with the law, and uses this as the basis for achieving a better life for employees, hoping to build a bridge of trust with employees.

Based on the principles of fair, equal and diversified recruitment, the Group has established and improved the recruitment mechanism, adopting the key reference indicators relating to work experience, skills and professional ethics. The signing and dismissal of employment contracts are strictly conducted in accordance with the relevant local laws and regulations in the locations that the Group operates in to fully protect the rights and obligations of both employees and the Group.

The Group executes its human resources related policies that specify provisions relating to recruitment, remuneration, promotion, dismissal, working hours, rest periods, and benefits. The Group’s remuneration policy seeks to provide fair market remuneration in a form and value to attract, retain and motivate high quality staff. Remuneration packages are set at levels to ensure comparability and competitiveness with other companies in the industry and market competing for a similar talent pool. Emoluments are also based on an individual’s knowledge, skill, time commitment, responsibilities and performance and by reference to the Group’s profits and performance.





The Group attaches importance to its employees' balance between work and life. The Group adopts various means to create a healthy and interactive workplace. The Group relieves employee work stress by organizing different activities based on the needs and expectations of employees, and hence enhances employee cohesion and morale.

The Group also formulates a comprehensive and effective welfare and security system for its employees:

The Welfare at a Glance					
Share Option Scheme	Quarters	Statutory Social Benefits	Medical Insurance	Annual Physical Examination	Leaves
The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible persons.	Rent-free quarters are provided to some employees in Indonesia.	The Group pays the retirement benefits required in the operation locations for its employees.	The Group provides group medical insurance for its employees to support their basic needs such as outpatient, inpatient surgery, and dental treatment.	The Group provides annual medical examination reimbursement for employees who have served for more than one year.	In addition to statutory holidays, the Group provides employees with different types of leaves to meet their needs.

Response to the Issue

**“Employment & Employee Benefits”**

As the oilfields are located in different countries, the policies vary according to the local laws and regulations in the operating locations. The responses to the issue in the oilfields during the Reporting Period are presented separately by each oilfield below:

**Karazhanbas oilfield**



KBM is committed to building an open and transparent personnel selection and recruitment system, creating a good working environment, eliminating any form of racial, religious and gender discrimination, conducting diversified and systematic employee training, and creating a broad room for the professional development of employees.

During the Reporting Period, the “2019-2021 Collective Contract with Employees” has been formally implemented. Good social welfare policies have enabled KBM to attract and retain elite talent. Apart from natural reductions such as retirement, there was almost no employee outflow, which made great contributions to improving local communities' livelihood and social stability.



## KBM Welfare



### Healthcare

KBM provides its employees with a high level of modern medical services by signing a medical service contract with a company that provides advanced medical technology and equipment. In order to provide more targeted medical services to its employees, KBM also negotiated with the company to optimise the working time of experts in neurology, endocrinology, oncology, etc., to simplify the procedures for KBM employees to seek medical treatment, and to choose the villages with a large proportion of KBM employees to open medical stations to facilitate its employees' access to healthcare.



### Housing

In 2018, In order to help its employees to solve housing problems, KBM signed a memorandum of cooperation with two local real estate companies to sell new houses discounted by 15%-20% to KBM employees, enabling KBM employees to realize their housing dreams at a preferential price.

During the Reporting Period, KBM further signed a cooperation agreement with local banks to provide housing loans with a favorable annual interest rate of 5% to employees under the age of 29, who have no housing but multiple children (4-5 children). At present, 104 employees have planned to apply for this preferential loan to realize their housing dream.

In addition, KBM continues to maintain staff quarters so as to equalize the conditions of accommodation for all employees. During the Reporting Period, KBM completed the repairment of facilities in the worker villages, including 4 units of the quarter, cultural activity centre, mini football field, and medical points. Currently, accommodation obtains the highest scores in the employee satisfaction survey.



### Materials

KBM executes the “Regulations for Material Assistance to KBM’s In-service Employees and Retired Persons” to make the process of material assistance more transparent and fairer.

The summary of the material assistance provided by KBM:

Item	No. of Employees	Item	No. of Employees
Medical expenses reimbursement	444	Subsidies for sports and rehabilitation activities	162
Burial allowance for direct family members	112	Emergency material help	89
Employee important anniversary	78	Disability allowance	25
Marriage allowance	26	Subsidies for female employees who take care of babies	35
Maternity allowance	210	Subsidiaries for Afghan war veterans and Chernobyl nuclear power plant rescuers holiday	24



KBM was awarded the 120th Anniversary Medal of the Kazakhstan Oil Industry by the President of Kazakhstan’s National Oil and Gas Company



KBM organized summer camps for its employees’ children

## Yuedong Oilfield



Tincy Group's human resources-related management (recruitment, dismissal and promotion) complies with the relevant provisions of relevant laws and regulations. At the beginning of each year, Tincy Group summarizes the statuses of personnel in the previous year and analyzes the personnel in the current year. Then, Tincy Group recruits suitable candidates for the vacant positions according to the analysis result.

### Tincy Group Welfare:



#### Statutory Social Benefits and Leaves

Tincy Group handles "five social insurances and one housing fund" for its employees according to relevant national regulations, and employees were entitled to statutory leave and paid annual leave in accordance with relevant national regulations.

## Seram Block



CITIC Seram stipulates the provision of salary, recruitment, promotion, equal opportunities, treatment and benefits etc., in the policy. At the same time, working hours and rest time are regulated according to the nature of work.



CITIC Seram conducted its team building and learning activities for its employees on Labuan Bajo Island to celebrate the 74th Independence Day in Indonesia.

## 5.2 Training and Development

The competition between and development of enterprises in fact are the competition for talents. Therefore, the Group attaches importance to the cultivation and development of employees. Through continuous and effective training, the sufficiency and depth of the system for providing talents are ensured. The Group's staff performance appraisal mechanism takes into account of the work performance of employees as the basis for the adjustment of salary and rank so as to stimulate the enthusiasm of employees and encourage them to realize their own value. At the same time, the Group has been continuously expanding its internal career development space to show the career development opportunities to its employees.

The Group formulates staff training and development programs, and encourages its employees to participate in targeted training courses and industry seminars to enhance their skills, and hence improve their working capability and facilitate their career developments. The Group provides various types of trainings to satisfy the needs of employees at different stages of their career. CITIC Resources made the "Employee Training and Development Policy" and regulated the continuous education of its staff. In addition to the trainings assigned by the Group, each employee can apply an annual training allowance of \$5,000 Hong Kong dollars ("HKD") to participate in the training courses organized by authorized organisations so as to improve professional quality and ability.

In addition to the training allowance of \$5,000 HKD, employees can apply allowance for external courses (such as certificate or diploma courses) if the courses can greatly contribute to their work and the Company. Before the course starts, employees can apply to the department head and the human resources and administration department, and obtain approval from the CEO. If the course fees exceed the limit of training allowance, employees must sign a training agreement with the Company.

### Training Type



The Training Content at a Glance:





### “Employees’ Development & Training”

As the oilfields are located in different countries, the policies vary according to the local laws and regulations in the operating locations. The responses to the issue in the oilfields during the Reporting Period are presented separately by each oilfield below:

#### Karazhanbas oilfield



During the Reporting Period, KBM sent a delegation of young experts to participate in the International Youth Oil and Gas Forum and a 5-day seminar and intensive training held in Russia. The content includes the industry’s cutting-edge topics, such as “the difficulties in using oil reserves and non-traditional oil and gas resources” and “the digital transformation for oil and gas exploration”. Modern enterprise management skills training is also included, covering “efficient teamwork”, “design-thinking”, and “project management in company”. The delegation gained valuable experience and thoughts from the international exchange.



**KBM employees participated in the International Youth Oil and Gas Forums and seminars**



**KBM employees participated in occupational skills competitions**

#### Yuedong oilfield



During the Reporting Period, the integrated management department of Tincy Group was faced with different aspects, different personnel, and different requirements, and the department summarized the actual needs of various departments. The department then organized targeted education and training at multiple levels and aspects, improving employees’ knowledge in safety production and their management skills in every aspect.

Tincy Group organized four phases of various safety production knowledge and skills training sessions throughout the year, with a total of 86 participants. There were 9 participants in the well control training for 504 hours; there were 29 participants in the hydrogen sulfide training for 696 hours; there were 30 participants in the “four minor certificates” training for 720 hours; there were 18 participants in the safety qualification training for 864 hours.

In response to the features of the offshore platforms of the Yuedong oilfield, Tincy Group provided its employees and contractors with relevant offshore safety training on a regular basis. Tincy Group also required that the contractors must establish a safety and environmental protection management system to strictly enforce industry specifications and standards, and to continuously perform the required health and safety related training for its employees. Additionally, Tincy Group conducted hazardous waste training and relevant emergency drills.

At the same time, the development opportunities and insights in the current oil and gas industry are needed to be deepened to comprehend the situation and tasks of the continuous development of the oil field. On the other hand, the modern management concepts and methods are needed to be mastered to strengthen the consciousness of implementing senior management’s decisions and fulfilling work duties, and to improve the work efficiency of the team. Tincy Group organized the first phase of online and offline middle-level and key personnel management improvement training, with a total of 20 participants for a total of 1,280 hours.



In addition to building its employees' professional skills and safety awareness, CITIC Seram also establishes different types of training through cooperation with different organisations to develop its employees' skills beyond their own work, expanding the employees' visions.

#### The Training Content at a Glance:

##### The status of gross split

SKK Migas, which manages upstream oil and gas business activities in Indonesia, organized training in taxation terms of oil and gas contracts. A key change in the 2017 revision and update is the cancellation of the cost recovery mechanism. It has increased the financial benefits and legal certainty of oil under the current finance and taxation clauses on the oil and gas contract in Indonesia, while stimulating investment in the upstream industry and enhancing the transparency of upstream industry for investors in Indonesia.

CITIC Seram sent staff to participate in the training to enhance employees' understanding of the new mechanism.

##### Disaster Recovery

CITIC Seram sent staff to participate in disaster recovery-related information technology ("IT") courses organized by EC-Council to increase employees' ability to handle related matters. The focus of the training is to improve the ability of personnel in the face of disasters against IT facilities. The goal is to let employees understand how to reopen IT facilities in a short period of time to maintain at least 60% of the connections to restore a certain degree of communication capabilities.

## 5.3 Respecting Rights

CITIC Resources resists any acts of disregard or abuse of human rights and respects its employees' rights and dignity. The Group strives to safeguard the employees' rights, and fully considers the impacts of the policies to the employees when the Group develops relevant policies. Concurrently, the Group incorporates the principles of equal opportunity, diversity, and anti-discrimination into its operation. The Group is also committed to enriching the Group's staff composition and establishing a team of personnel with diverse races, educational backgrounds, work experience, nationalities, and expertise.

The strict compliance with relevant laws and regulations on employment, as well as the formulation and execution of relevant policies in accordance with laws and regulation, is an important cornerstone for protecting the rights and interests of employees. The Group complies with the relevant local laws and regulations on employment, ensures that all employees enjoy their entitled rights and interests and fair and equitable treatment in accordance with the laws, respects the rights and interests of female employees and minor nationalities, and protects the values, beliefs and privacy of its employees with different nationalities, races, genders and cultural backgrounds from violation.

### The Concerns in CITIC Resources Headquarters:

Anti-discrimination	Personal Privacy	Equal Opportunity
<p>Regardless of recruitment, the preparation of employment terms, and the handling of any employment matters, the Company handles matters on a fair basis, and ensures that all people regardless of gender, marital status, race, religion, etc. can be treated equally without any discrimination.</p>	<p>The Company promises to process the personal data of all employees in accordance with laws and regulations, and also guarantees that the requested data is legal, accurate and necessary.</p> <p>At the same time, the Company treats employees' personal data as confidential information, and will only be used for employment, welfare insurance, any other with the consent of the Company and employees or other legal purposes</p>	<p>In order to cope with harassing behaviors in the office area, the Company has established a comprehensive grievance procedure.</p> <p>After receiving the complaint, the Company will understand the situation, make a detailed investigation, and take appropriate actions or disciplinary actions.</p> <p>The Company will deal with all employees' complaints strictly.</p>

### The Concerns of KBM, Tlncy Group, and CITIC Seram:

Preventing Child Labour	Prohibiting Forced Labour	Collective Bargaining
<p>During recruitment and hiring period, the Group proactively checks the identity documents of applicants to ensure that the applicants reach the legal working age, preventing the employment of child labour.</p>	<p>The Group also respects its employees' right of personal freedom and right to leave and absolutely opposes forced labour by clearly stipulating employee working hours per day. If any violation of the relevant laws and regulations was found, the relevant departments would report to the management according to the internal policies of the Group. After investigation, the relevant departments would rectify the issues or situations in response to the investigation results.</p>	<p>The Group respects its employees' rights of collective bargaining and is committed to complying with relevant laws, regulations and systems in each operation location. The Group strengthens its communication and cooperation with employees through collective bargaining to promote the stability of labor relations and to drive the realization of the Group's objectives and the enhancement of the Group's operational efficiency.</p>





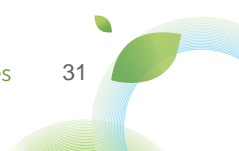
**“Employees, Contractors & Communities’ Rights”**

As the oilfields are located in different countries, the policies vary according to the local laws and regulations in the operating locations. The responses to the issue in the oilfields during the Reporting Period are presented separately by each oilfield below:

**Karazhanbas oilfield**



<p>Collective Contract</p>	<p>During the Reporting Period, the “2019-2021 Collective Contract with Employees” has been officially implemented.</p> <p>In 2018, KBM was granted “Best Collective Contract Award 2018” by the former Kazakhstan President Nursultan Nazarbayev and was the only oil company to receive this honour. KBM supplemented and revised the “2016-2018 Collective Contract with Employees”, and the budget for employee benefits was increased by \$1.85 million Hong Kong dollars comparing to the previous year. Based on these changes, KBM signed the “2019-2021 Collective Contract with Employees”.</p>
<p>Female Employees’ Rights and Interests</p>	<p>During the Reporting Period, KBM developed a number of welfare policies for female employees to strengthen the rights of female employees, including but not limited to:</p> <ul style="list-style-type: none"> <li>• Providing material assistance in total of 50-month accounting indicators when employees give birth</li> <li>• Prohibiting termination of employment contracts with female employees, who are pregnant, raising children under 3 years old, single-parent, and raising children with disabilities under 8 years old</li> <li>• Providing monthly material assistance in total of 20-month accounting indicators to female employees who raise children under 1.5 years old</li> <li>• Provide feeding time for female employees raising children under 1.5 years old</li> <li>• Not allowing to request female employees who raise children under 7 years old to work night shift without the written consent of the employees</li> <li>• Providing pre-school education subsidy to employees: 50% of the tuition fee for one child, 75% of the tuition fee for two children, and 100% for three or more children.</li> </ul>



**Employee Communication**

KBM recognizes the fundamental role of labour unions in resolving labor-management conflicts. In order to keep abreast of the employee's thoughts and solve their difficulties in real life, KBM has established a mechanism to meet and communicate with employee representatives on a monthly basis, and to extensively discuss various issues between employers and employees, such as increasing the medical subsidies for employees, increasing or decreasing the number of posts, adjusting work systems, strengthening employees' industrial safety knowledge tests, and canteen dining room standards.

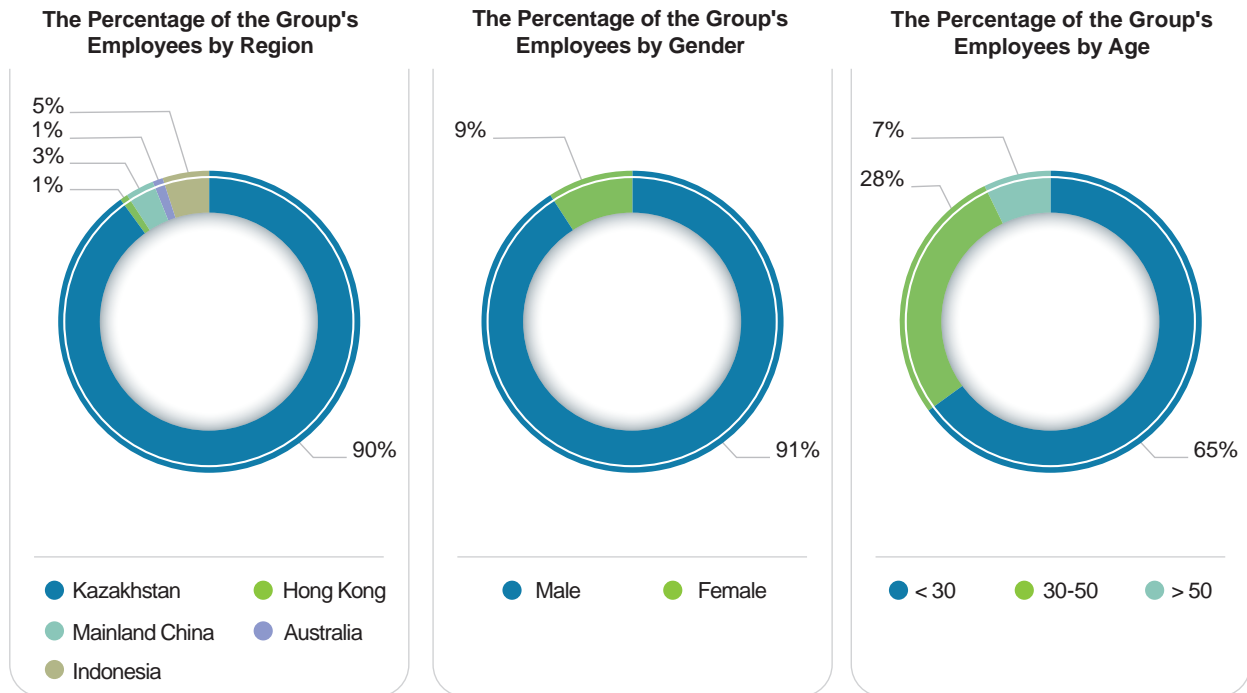
In addition, KBM continues to organize employee reception days. The schedules of the KBM chairman and all deputy general managers are coordinated on a monthly basis to receive feedback and attend to various issues raised by employees. At the same time, the internal newspaper also set up a fixed section to report content of labour unions and youth expert councils.

**Seram Block**



CITIC Seram recognises that oil extraction activities can create value for local residents, therefore paying attention to the level of local content of its business. CITIC Seram has increased the job opportunities for local people by establishing policies. In addition to actively recruiting local residents who meet job requirements and qualifications, CITIC Seram also disseminates information about local content and promotes the value of local content to its contractors. The contractors are required to prioritize local people who meet job requirements and qualifications.

The Group's diversity during the Reporting Period is presented below:



# 6 Our Environment

The Group always upholds the values of “striving to protect the natural environment in the operation zones and adjacent communities” and continuously pays the attention to the impacts of its business on the environment. The Group incorporates its environmental protection responsibilities into its daily operations and continuously improves its environmental management through a series of measures to minimize the impacts on the surrounding natural environment. The Group abides by the relevant local laws and regulations on environmental protection in the operation locations, formulates internal environmental management policies, conducts regular environmental performance monitoring, applies multiple green and low-carbon technologies, and implements carbon reduction measures to reduce its consumption of resources, such as electricity, fuels and water, and to lower its air and greenhouse gas (“GHG”) emissions. The Group also considers the impacts of climate change on its business and operation.

The environmental impacts of the Group’s business mainly come from oil exploitation.

The Environmental Impacts of the Group at a Glance:

Air Emissions	Waste Generation	Discharges into Water and Land	GHG Emissions	Water Usage	Changes to the Natural Environment around the Operation Locations
The equipment used in the operation of the Group is driven by fossil fuels, and this generates the emission of atmospheric pollutants such as nitrogen oxides, sulfur dioxide, and soot.	<p>The Group generates oil sludge and oil contaminants (commonly known as oil sand) when exploring and developing oil fields, and at the same time, industrial oily wastewater is generated during the production process.</p> <p>The main waste of the staff quarters and offices of the Group is domestic wastes.</p>	The Group discharges the properly treated domestic sewage into the water bodies, and the wastes generated are stored in proper places.	<p>The Group’s operations involve direct and indirect greenhouse gas emissions. The equipment used by the Group is driven by fossil fuels, and burning fossil fuels leads to release of carbon dioxide. At the same time, the Group involves flaring emissions.</p> <p>The Group also purchases electricity to meet energy demand, and it generates indirect emissions.</p>	As the oilfields are located in remote locations or far from land, the Group needs to use fresh water from the natural environment for production and daily living in the oil fields.	During the operation of the Group, it is necessary to establish different facilities in the natural environment to maintain smooth operation, and it changes the surrounding natural environment.

The material issues – “Oil Spill Prevention”, “Local Environmental Impact”, and “Energy Usage & Efficiency” identified in the materiality assessment were particularly responded in this section in this Report.

The Group strictly abides by relevant laws and regulations and establishes policies to ensure its operation in compliance. If you would like to know more about the laws, regulations and policies, please refer to Appendix I of this Report.

## 6.1 Environmental Management

The Group strictly complies with the environment-related laws and regulations in the operating locations, always maintains effective communication with relevant government departments, continuously monitors environmental performance, and reduces its environmental impacts through implementation of environmental management systems and policies and enhancement of green technology innovation. The Group recognizes that its own businesses have different impacts on the local environment and residents, and therefore proactively stresses the importance of environmental protection among its subsidiaries and joint ventures. Moreover, the Group requires its subsidiaries and joint ventures to achieve the requirements and provisions on environmental protection requested by the local government departments. The Group promotes the concept of environmental protection within its control and strikes a balance between business development and environmental protection.

In order to be in line with the actual situation of the operation locations, KBM, Tincy Group and CITIC Seram separately formulated and implemented different environmental management policies in each operating oil field to reduce the environmental impacts of the business.

Basic environmental management in the three major oil fields:

Karazhanbas oilfield	<p>KBM has prepared an effective “Annual Environmental Protection Work Plan” and action proposals in accordance with the requirements of Kazakhstan’s environmental protection regulations, including:</p> <ul style="list-style-type: none"><li>• Submitting applications for GHG emissions, natural gas flaring emissions, solid domestic waste and waste metal stacking to the government departments, including the Ministry of Energy and the Ministry of Environmental Protection in a timely manner, and obtaining relevant approvals in time;</li><li>• Monitoring the atmosphere, soil, water, flora and fauna, and radiation surrounding the oilfield, and the water quality of Caspian Sea;</li><li>• Establishing various emission standards and emission reduction programs, obtaining approval from local regulators;</li><li>• Treating oil sand, electronic waste, chemicals, daily garbage, etc., timely; and</li><li>• Disposing accumulated drilling waste and oil-soaked soil and actively looking for technologies to dispose of pit oil left in the past;</li></ul> <p>KBM established an environmental monitoring and control system that covers various sources of pollution, and KBM has assessed the environmental impacts of its operational activities at its operation sites on a quarterly basis. KBM also engaged authoritative institutes to approve its emergency plans for high-risk facilities in order to effectively reduce the potential environmental damage caused by emergencies.</p> <p>The construction waste, drilling waste mud, drilling fluids, etc., generated in the Karazhanbas oilfield are all processed by accredited entities. KBM has also arranged waste disposal companies to carry out the transportation and disposals and as well as daily disinfect and deodorization in the dump site to ensure the safety of the surrounding environment.</p> <p>The contractors are required by KBM to provide analysis reports prepared by laboratories to ensure that the treatment of drilling waste mud and drilling fluids meet the environmental requirements. KBM also recovers oily wastewater, performs oil-water separation and filtration treatment, and realizes the recovery of the oil residue and the injection of treated wastewater. The sewage in the living quarters is treated in a treatment facility and discharged into an artificial pool for volatilization or injection into the underground reservoir to minimize groundwater and surface water pollution.</p>
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Yuedong  
oilfield

Tincy Group incorporated environmental protection measures into its HSE management system through formulation of environmental policies, such as “Emergency Preparedness and Response Management Procedures”. With the aim of continuous improvement in its environmental performance, Tincy Group also set comprehensive processes and guidelines as well as clear targets and indicators. Moreover, in order to enhance the emergency awareness, operational preparedness and handling skills of its management and employees, Tincy Group carries out:

- an annual onshore terminal processing station comprehensive emergency drill; and
- an annual comprehensive marine emergency joint drill

In addition, Tincy Group set up oil leakage collection devices, offshore oil and gas confined distribution and pipeline emergency shutdown systems in both the offshore platforms and the onshore terminal processing station to prevent environmental pollution and protect the operation zones. Tincy Group has engaged the government environmental monitoring centres to conduct the annual environmental monitoring of both the offshore platforms and the onshore terminal processing station during the production and operation period.

According to the requirements of the Chinese government’s 13th Five-Year Plan, Tincy Group has gradually adopted advanced production technologies in the production process and reduced pollutant emissions through recycling of materials. Tincy Group has also engaged qualified contractors to carry out harmless disposal for hazardous wastes in accordance with the regulations in the operation location so as to reduce the impacts of hazardous wastes on the environment.

In order to ensure that the discharge of domestic sewage meeting the standard, the personnel on each production platform regularly carry out equipment maintenance and sampling of discharged sewage, and the sampled sewage is sent to a qualified company for testing to ensure compliance with regulations.

Seram Block

CITIC Seram executes “HSE Policy” to strengthen the control of water and air pollutants, hazardous waste management, and sewage discharge control in accordance with the requirements of Indonesian environmental protection regulations. CITIC Seram engages independent laboratories to periodically assess the impact of its operations on the environment, and takes precautionary measures based on the test results.

CITIC Seram executes source separation for non-hazardous wastes and performs recycling as far as possible. The wastes that cannot be recovered will be incinerated or buried. CITIC Seram also recovers and reuses lubricants used in well workover and production, as well as crude oil extracted or filtered from oil-sewage treatment facilities. Hazardous wastes are stored in a temporary storage in Seram Block before being handed over to a third party that transport the wastes to a licensed storage and processing facility. And the transport processes are supervised by the local government departments.

CITIC Seram carries out a grading process according to the types of wastewater and ensures that the discharging indicators meet the standards through a series of treatment processes, such as a settlement system and a spray system. Domestic sewage is discharged after being centrally treated by an accredited sewage plant, and samples are tested on a monthly basis.

The environmental monitoring system and incident reporting system, as important parts of the HSE management system, can effectively monitor the concentration of various emissions to ensure compliance with emission standards. In the events of any abnormality situation, dedicated personnel will handle and follow up.



**“Local Environmental Impact”**

As the oilfields are located in different countries, the policies vary according to the local laws and regulations in the operating locations. The responses to the issue in the oilfields during the Reporting Period are presented separately by each oilfield below:

**Karazhanbus oilfield**



**Produced Water Treatment**

During the Reporting Period, the groundbreaking of the “Karazhanbus Oilfield Produced Water Treatment Plant Project” was held. The project has been jointly invested and constructed by KBM and an environmental technology company officially broke ground.

The project is designed to treat 42,500 tons of produced water per day and to produce 17,000 tons of purified water per day. It is expected to be completed and put into production by the end of 2020. After completion, the produced water treatment plant will provide more than 6.2 million tons of fresh water annually, and it will provide continuous and stable water source for the development of steam injection in the Karazhanbus oilfield.

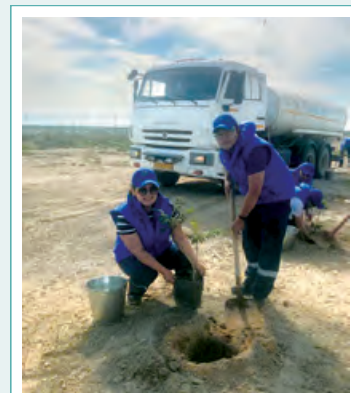
Membrane filtration is adopted in the produced water treatment plant project to treat produced water. The treated water is then supplied to the boilers for steam injection. The reinjection of produced water raises an issue about water coming out from from the ground in a large scale. This method not only avoids pollution risks posed by the issue but also realizes the resource utilization of produced water, assisting KBM in getting rid of the dependence on the Volga River water. The annual savings is more than 6.2 million cubic meters of Volga River water, and it can be used for local industrial and agricultural development.

At the same time, the implementation of this project can not only reduce the reinjection of produced water in oil fields, but also increase crude oil output, saving energy and reducing oil production costs. In addition, the project also brought more than 50 jobs to the location.

**Environmental restoration**

The “Beautiful Oilfield Construction Plan” formulated by KBM has driven the demolition of waste production facilities and associated buildings, such as the oil and gas processing stations and fixed steam injection stations, and the execution of site cleaning and surface vegetation restoration. During the Reporting Period, KBM has continued to demolish waste production facilities and associated buildings, such as the oil and gas processing stations and fixed steam injection stations, and carried out site clean-up and surface vegetation restoration.

In order to improve and beautify the environment, KBM carried out greening work such as planting trees and planting flowers near the natural gas workshops, material bases, and offices.



KBM organized its employees to plant trees



In 2018, the air pollutant emissions mainly included two parts, one was the emissions of atmospheric pollutants from the fuel combustion of various boilers and equipment on the offshore production platforms, and the second was the emissions of atmospheric pollutants from the combustion of fuel oil from crude oil heating boilers at the onshore terminal processing station. Since 2019, steam is purchased to replace crude oil heating boilers in Tincy Group's onshore terminal processing station, which reduced the onshore emission of atmospheric pollutants. At present, Tincy Group's air pollutant emissions only come from the fuel combustion of various boilers and equipment on the offshore production platforms.



The pipelines for purchased steam

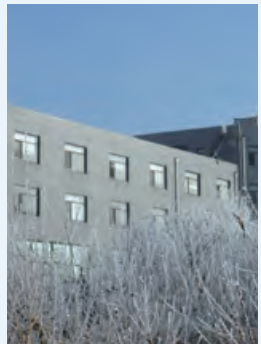


The 3 out of service oil boilers

During the Reporting Period, Tincy Group laid an anti-seepage membrane on the well workover sites to prevent oil pollution from contaminating the surface of the offshore platforms. In addition, Tincy Group uses plastic film to wrap oily pipelines on the offshore platforms to prevent oily dirt from dripping onto the platforms, docks, and seawater.

Tincy Group newly planted more than 1,200 herbaceous flowers in the office building area, such as string red, marigold, etc., and more than 300 perennial flowers such as rose, hollyhock, etc. In addition of the fruit trees such as apples, peach trees, and various ornamental trees planted in the past years, the maintenance and hard work over the years have made the office area with spring and summer flowers blooming, autumn fruit fragrance and fresh air.

Environment



**Air Emissions**

During the Reporting Period, 3 stepped self-balancing workover rigs (“electrical workover rig”) that are safe, environment-friendly, energy-saving, and noise-reducing were put in operation to replace the conventional diesel-fuelled workover rigs, which not only greatly reduces air and GHG emissions, but also fully enjoys the electrical workover rigs’ advantage of being energy-efficient of 35%, comparing with the conventional diesel-fuelled workover rigs.

In addition, Tincy Group adopts different methods, such as reducing the operating current of electric heating and optimizing the operation of electric heat tracing, etc., to rationally adjust the operating parameters and operating schemes of electric heating of oil wells, reducing power consumption. Compared with the same period of last year, the unit power consumption per ton of liquid has decreased by 1.69kWh/t. Taking into account the increase in the volume of liquid, the total power consumption has decreased by 38.1 x 10<sup>4</sup>kWh.

Tincy Group makes comprehensive use of natural gas, greatly reducing the emissions of atmospheric pollutants while saving 1,790 tons of fuel oil consumption.

Tincy Group has started to purchase steam to replace oil-fired boilers, thus reducing the emissions of atmospheric pollutants. Since the beginning of 2019, Tincy Group has signed a steam purchase and sales contract with a supplier of steam for the onshore terminal processing station. The steam supplier produces steam to serve as the heat source required in the crude oil production process at the processing station. Tincy Group has stopped using the 3 boilers, achieving zero emissions.

**Seram Block**



CITIC Seram regularly inspects the following environmental impacts:

Environmental Monitoring	Air Quality	Every half year
	Water Quality	Monthly
	Hazardous Wastes	Annually
	Non-hazardous Wastes	Monthly

**Air Emissions**

In order to reduce emissions and comply with regulations, CITIC Seram uses natural gas instead of diesel as the fuel for turbine generators in major production facilities, and only uses diesel in emergency or trial operation.

**Environment**

CITIC Seram launched a two-year large-scale afforestation program covering 450 hectares within its operating area in 2017.

During the Reporting Period, CITIC Seram has completed its goal of planting trees of 450 hectares. However, some of these areas have been destroyed by forest fires and CITIC Seram will protect the trees by replanting and restoring the area.





## 6.2 Oil Spill Prevention

Oil spills can be caused by accidents during operation, poor maintenance, or corrosion of equipment. The possibility of causing serious environmental, social, health, and economic consequences cannot be ruled out. Oil spills may also have a long-term impact on the corporate reputation.

CITIC Resources recognizes that crude oil spills can have serious ecological and socioeconomic consequences and can be dangerous for employees and the wider community. The Group has made significant efforts in operational planning and policy implementation to prevent oil spills and to increase the effectiveness and response rate of clean-up activities in the event of an accident.

In the event of a crude oil spill, the primary goal of CITIC Resources is to minimize the impacts of the crude oil spill on people, environment, and communities. To this end, CITIC Resources has required and assisted its subsidiaries and joint ventures to develop thorough and effective measures to prevent crude oil spills.

Basic oil spill management in the three major oil fields:

<p>Karazhanbas oilfield</p>	<p>KBM executes the “Regulations on Temporary Stacking, Storage, Counting, and Clearance of Production Waste in KBM Oilfield”.</p> <p>The regulations on crude oil spills and response are as follows:</p> <ol style="list-style-type: none"> <li>1. The employees and their seniors at the location of the accident of crude oil spill and contaminated land and resources shall be responsible for the handling of the event of the crude oil spill;</li> <li>2. The personnel responsible for oil spills shall be punished;</li> <li>3. All events of crude oil/oil product spill accidents shall be recorded and signed for confirmation in accordance with the relevant format;</li> <li>4. The crude oil spill shall be responded immediately after the occurrence; the wastes generated during the accident shall be registered and handed over to the Environmental Protection Department; the surface in the accident area shall be recovered;</li> <li>5. On the 1st day of each month, the injured persons in the accidents shall be registered, and the information on the crude oil spill accidents shall be submitted to the Environmental Protection Department.</li> </ol>
<p>Yuedong oilfield</p>	<p>Tincy Group’s key focus of the prevention of crude oil spills is the crude oil transportation sea pipelines from the offshore platforms to the onshore terminal processing station. Through the establishment of preventive measures and real-time monitoring, the stability of crude oil transportation process is assured.</p> <p>Tincy Group established and implemented the “Tincy’s Integrity Management Document for the Sea Pipelines during Operation Phase” to manage the operation of sea pipelines as follows: comprehensive regulation of data collection and integration, identification of high consequence areas, risk assessment and integrity management plans, testing/monitoring/testing, evaluation of integrity, mitigation measures/transformation/maintenance, performance evaluation, and continuous improvement. The integrity management of the sea pipelines are provided with guidelines and guidance.</p> <p>Tincy Group has prepared the “Special Emergency Plan for Oil Pipeline Ruptures” and offshore platforms’ on-site emergency plans for crude oil spills. The resource preparation for emergency is divided into the crude oil leak sealing, the sea pipeline repairment, and crude oil spill related rescue and clean-up.</p>
<p>Seram Block</p>	<p>CITIC Seram directly participates in the handling of environmental accidents through the establishment of a crude oil spill emergency response team. The crude oil spill response team includes personnel from the production department, the maintenance department, and the HSE departments. The crude oil spill emergency response team conducts drills each year to train personnel and test the operation of equipment. In addition, the members of the crude oil spill response team are currently granted the first and second level certification of the International Maritime Organization in accordance with the requirements of the Ministry of Sea Transportation.</p> <p>CITIC Seram stores and maintains its crude oil spill emergency equipment in the crude oil spill emergency equipment building in its terminal cargo area. The responsible personnel check the crude oil spill emergency equipment every week to ensure that it is maintained at its best condition.</p>

Response to the Issue



**“Oil Spill Prevention”**

As the oilfields are in different countries, the policies vary according to the local laws and regulations in the operating locations. The responses to the issue in the oilfields during the Reporting Period are presented separately below:

**Karazhanbas oilfield**



**Precautionary Measures**

KBM prevents crude oil spills during crude oil extraction, centralized transportation and process through establishment and implementation of the “Annual Oil Well Holes Inspection Plan”, “Annual Valves and Process Pipelines Inspection Plan”, “Annual Process Equipment Flaw Detection and Inspection Plan”, and “Annual Crude Oil Processing and Processing Workshops’ Process Pipelines and Valves Inspection Plan”. etc. The prevention of crude oil spills was carried out according to the annual work plan and related work processes in all the workshops.

**Yuedong oilfield**



**Precautionary Measures**

**Sea Pipelines’ Surface Inspection**

- Every 2 years as a cycle
- The purpose of the investigation is to identify the deformation of the sea pipelines (mainly caused by the ships’ anchoring and scraping) and the bareness of the sea pipelines (mainly caused by the change of the seabed surface due to scouring)
- Surveys on the sea pipelines’ position, depth, elevation, and vicinity of 20 meters around the seabed are conducted

**Sea Pipelines’ Hanger Inspection**

- Every 1 year as a cycle
- Weight measurements and monitoring of corroded hangers at both ends of the sea pipelines are conducted
- Professional organisations are engaged to estimate the remaining lives of the sea pipelines based on the corrosion status of the sea pipelines

**Real-time Monitoring**

**Daily Monitoring of Indicators relating to Sea Pipelines**

- The pressure, temperature and flow at both ends of the sea pipelines are real-time monitored. If there was a sudden drop in pressure, a large temperature drop, or the flow difference greater than the daily difference range, an immediate pipeline inspection would be immediately conducted to search for the locations of spills.
- The major inspection modes are boats, speedboats, pickup trucks, and helicopters in special circumstances.



Precautionary Measures






The crude oil storage tanks in the Seram block were constructed in accordance with the scheme to prevent crude oil spills. In an event of crude oil spill, the outer walls of each crude oil storage tank are able to block all the leakage of stored crude oil, preventing crude oil spills from flowing out of the crude oil storage area.

### 6.3 Resource Usage

“Protecting and prudently using natural resources” is one of the core values of the Group. As an operator of the oil and gas industry with focus on the entire process (exploration, development, and production), the Group pays attention to improving resource management and supplementing with advanced technology and equipment in order to improve the utilization rate of energy and water.

The Group understands the importance of effective use of energy and water. Since many oilfields are located in remote areas or far away from land, the supply of energy and water in each oilfield is an operational challenge that the Group needs to face. The Group is committed to improving the efficiency of energy and water through technological transformation, equipment upgrades, and strengthening refined management of production and operation.

Fresh water from the natural environment around the oilfields is drawn for production and daily use. The oilfields’ water sources:

Oilfields	Water Sources
Karazhanbas oilfield	 River  Groundwater
Yuedong oilfield	 Wells on the offshore platforms  Municipal Water Supply
Seram Block	 Groundwater

During the Reporting Period, KBM, Tincy Group, and CITIC Seram did not experience any issues related to water sourcing.



## Response to the Issue



### “Energy Usage & Efficiency”

As the oilfields are in different countries, the policies vary according to the local laws and regulations in the operating locations. The responses to the issue in the oilfields during the Reporting Period are presented separately below:

## Yuedong oilfield



### Energy

During the Reporting Period, Tincy Group carried out the following tasks for energy conservation and consumption reduction management:

- By carrying out power-saving measures to reduce the operating current of electric heating, and lowering the operating current within the allowable range of heating temperature based on the physical properties of crude oil in different oil wells, the power-saving achievement is significant;
- Optimizing the electric heat tracing operation mode by specifically or intermittently operating/stopping the electric heat tracing based on the operating conditions of equipment and processes, temperature range, cold and warm weather;

Through the implementation of the above measures, from January to October in 2019, the total electricity consumption was  $3,375.35 \times 10^4 \text{kWh}$ , and the unit consumption per ton of liquid was  $33.4 \text{kWh/t}$ . Compared with the same period in 2018, the unit consumption per ton of liquid was decreased by  $1.69 \text{kWh/t}$ . Taking into account the increase in the volume of liquid, the total power consumption is reduced by  $38.1 \times 10^4 \text{kWh}$ .

In addition, Tincy Group has carried out comprehensive natural gas utilization projects on some offshore platforms. During the Reporting Period, Tincy Group's natural gas consumption was 1.8156 million  $\text{m}^3$ , all of which were used for steam injection boilers. The converted oil amount was about 1,790 tons, saving about 1,790 tons of fuel oil.

Tincy Group's electrical workover rigs have an advantage of 35% energy saving compared with the conventional diesel-driven workover rigs. The total energy saving of the electrical workover rigs is  $227,430 \text{kWh}$  throughout the year.

## Seram Block



### Energy

In the CITIC Seram's energy efficiency plan, it is specified that diesel is replaced by natural gas to power turbine generators in major production facilities. It not only utilizes natural gas in the oilfield, but also reduces the use of diesel.

# 7 Our Operation

The Group, aiming to have “Zero Accidents” in its workplaces, continues to improve and implement processes and systems for its HSE management. The Group also upholds a high standard of business integrity on all fronts of operation. All employees are required to observe a set of corporate policies and procedures and uphold high ethical standards when conducting business activities. Additionally, the Group continually improves its supply chain management. By exploring different means and channels to strengthen the cooperation with stakeholders, the Group aspires to build long-standing relationships on mutual trust, so as to fulfil social responsibility together with all business partners.

The material issues – “ Employees’ Health & Safety”, and “Anti-corruption” identified in the materiality assessment are particularly responded to in this section of this Report.

The Group strictly abides by relevant laws and regulations and establishes policies to ensure its operation is in compliance. If you would like to know more about the laws, regulations and policies, please refer to Appendix I of this Report.

## 7.1 Operation Safety

The Group strictly complies with the requirements of the local laws and regulations on production safety and occupational disease prevention, stands by the principle of “Safety First, Prevention-oriented, and Comprehensive Governance”, and establishes a safety concept that “All Accidents can be Prevented and Avoided,” laying a solid foundation for safety management. The Group has always attached great importance to the health and safety of employees and onsite workers. Through the establishment of sound policies, the Group also regulates employee personal protection in daily management, enhances the safety of the work environment, and ensures the safety and health of employees and onsite workers. In addition, the Group distributes HSE manuals and explains HSE guidelines and procedures to its employees and contractors. This can further enhance the HSE awareness of employees and contractors and effectively protect their personal safety.



Safety Risk at a Glance			
Multi-party participation	Emergencies	Personal protection	Equipment Maintenance
<p>Due to the nature of the oil and gas industry, the daily operations of the three oilfields are undertaken by the Group's employees and the contractors. It must be ensured that the employees and contractors of the Group have an understanding of the risks that the other party faces at work, and relevant control measures shall be implemented in the workplaces to ensure the safety of all personnel.</p> <p>As the contractors bear the same health and safety risks as the Group's employees in the operating locations, the Group' HSE policies and systems cover all the contractors, which means they are managed, restricted and protected by the HSE policies and systems, to ensure the safety of the contractors' employees and to prevent harm to themselves and the Group's employees due to improper operation of facilities.</p>	<p>In response to emergencies in oilfields, the Group also continuously improve emergency management and prevention mechanisms in consideration of the types of emergencies that may occur, and enhances employees' and contractors' capacities of response for potential hazards in workplaces by giving work instructions, warning instructions and training on specific safety topics.</p>	<p>The Group requires employees and other on-site staff to wear qualified personal protective equipment. Especially when specific high-risk works are engaged, the employees and other on-site staff must wear designated labour protective gear and safety equipment to protect their personal safety.</p>	<p>The Company requests KBM, Tincy Group, and CITIC Seram to conduct in-depth control and risk assessment of key equipment and facilities, identify, prevent and control hidden dangers in a timely manner. The necessary security and detection systems have been installed in the production equipment or facilities in its three oilfields. When there is failure in pressure controls, temperature controls, liquid level controls, safety valves, fire protection systems, or gas detection systems are detected, alarm signals are issued immediately to alert operators to pay attention to their personal safety and to replace faulty parts in a timely manner.</p>

KBM, Tincy Group, and CITIC Seram have continuously promoted a sense of responsibility for "Who is in Charge and Should Take the Responsibility" in the oilfields. The Group strictly enforces the requirements of the safety management system, implements safety management operation procedures, and regularly conducts its supervision and inspection for equipment to minimize the risks of accidents.

Basic operation safety management in the three major oil fields:

### Karazhanbas oilfield



KBM stipulates that all workplaces should be provisioned with corresponding technical specifications, safety operation manuals, and first aid kits, and corresponding emergency plans should be formulated. KBM also conducts extensive benchmarking and studies the operational management and provisions so as to better regulate the operational procedures for fire, civil construction, confined spaces, etc., and to provide relevant training for its employees and contractors.

The work-related accidents of employees and contractors happened in the Karazhanbas oilfield are recorded by both the Labour Protection Department and the Safety Technology Department. KBM's safety managers and contractors discuss the accidents and take active measures to prevent accidents from happening again at each bi-weekly meeting held by the Safety Technology Department.

KBM has implemented the "Behaviour Observation Plan". The plan can be summarized as follows: the workshop directors, the district heads, and the squad leaders can observe and record the work flow of employees in the workplaces under their control at any time, check whether the response measures comply with regulations, provide positive responses to the employees that carry out safety and compliance-related works, and provide guidance to the employees that carry out work in violation of safety regulations and causing potential risks and consequences. The employees responsible for observation are required to enter observation records into the database and system for subsequent analysis and further improvement.

### Yuedong oilfield Seram Block



In order to safeguard the occupational health and safety of its employees and contractors as much as possible, Tincy Group organizes and conducts identification of onsite hazardous factors. Based on the result of the identification, Tincy Group has set up occupational hazardous factor notifications and production safety hazard notifications at each production site, and indicates the main hazard factors for each position and the corresponding protective measures that should be taken.

In addition, Tincy Group equips its employees and contractors with anti-static work clothes, goggles, ear plugs and other protective equipment, as well as protective gear such as anti-hydrogen sulphide positive pressure breathing apparatus, life jackets, lifeboats, etc. Based on the nature of each position, Tincy Group also arranges training on anti-hydrogen sulfide, well control, offshore work, HSE basic knowledge, etc., to ensure that its employees and contractors in different positions have all acquired the knowledge of health and safety related to their work.

Tincy Group has improved its HSE management system by formulating the "Occupational Health Management Procedures". The "Occupational Health Management Procedures" states that the Group shall refer to the occupational health history of its employees and continuously monitor the health statuses of its employees through regular or irregular medical health checks and health-related data collection, and to analyse the relationships between changes to employees' health and their exposure to occupational disease hazards. The results of health check-ups and data analysis are reported to all departments and employees in a timely manner so that preventive measures can be taken, in good timing, to protect the health of employees.

Tincy Group has established a work permit management system for contractors, and the contractors must obtain a permit in order to work in the Yuedong oilfield. In response to the particularities of the offshore platform in the Yuedong oilfield, Tincy Group provides its employees and contractors with relevant offshore safety training on a regular basis. Tincy Group also requires its contractors to establish a safety and environmental protection management system to strictly enforce industry specifications and standards, and to continuously provide the required health and safety related training for their employees.

Tincy Group formulated the "HSE Reward and Punishment Implementation Plan (Provisional)" and strictly examined its implementation in the HSE inspection to ensure the effectiveness of the HSE management system. The "HSE Reward and Punishment Implementation Plan" (Provisional) aims to change employees' risk awareness and advocates that its employees shall proactively pay attention to safety.

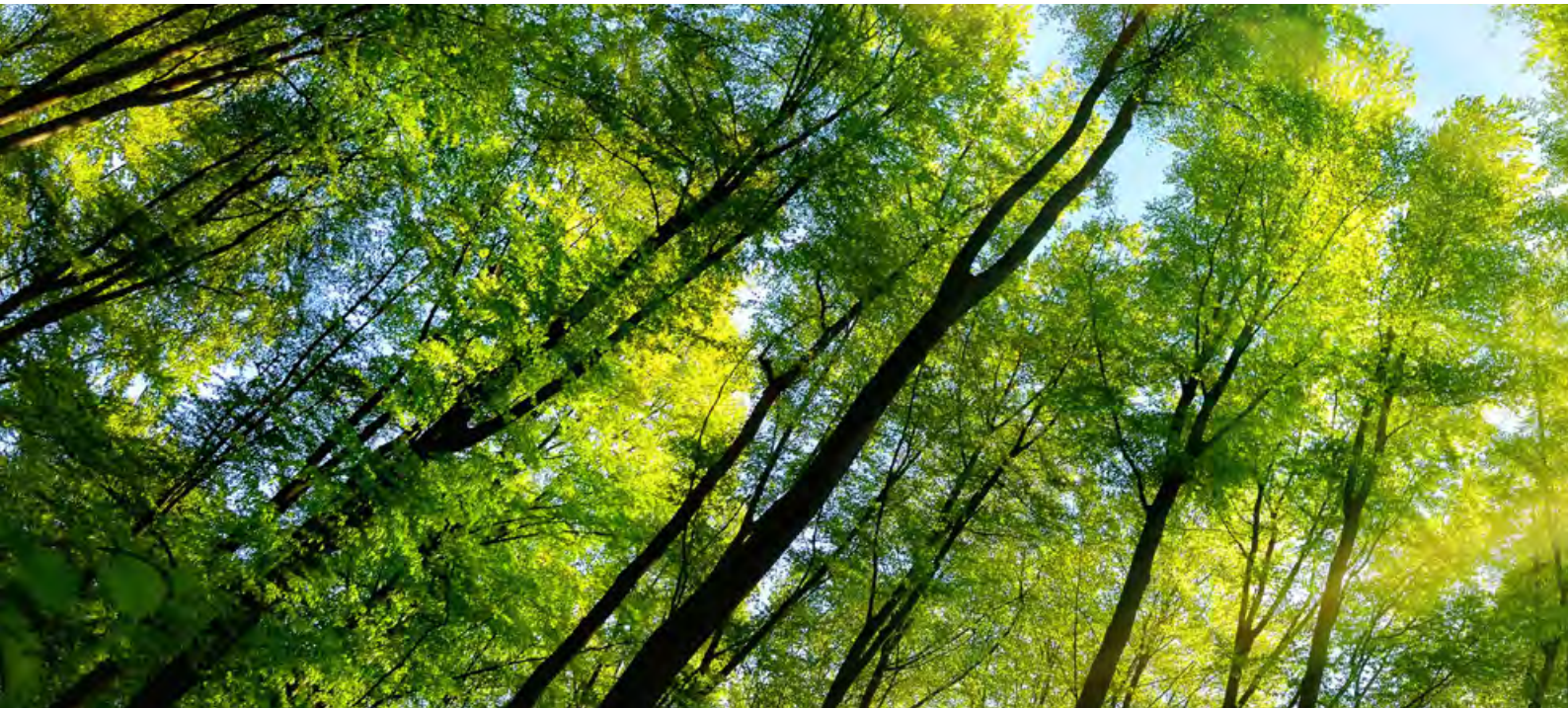


CITIC Seram's internal safety committee is responsible for managing operational safety issues and is required to implement the HSE management system and the contractor safety management system to ensure the safety in the Seram block.

CITIC Seram's personnel shall:

- Conduct regular inspections of its firefighting, safety, and crude oil spill emergency equipment to ensure that HSE equipment is readily available when needed;
- Conduct HSE drills and training to ensure that all personnel are capable of handling emergencies;
- Conduct external and internal HSE training for CITIC Seram's employees and contractors;
- Conduct HSE promotion programs for all personnel involved in CITIC Seram's operation;
- Support external audits from the government departments; and
- Report, investigate, and document HSE events to prevent incidents from reoccurring and to develop corrective and improvement measures.

In addition, CITIC Seram arranges occupational health checks for its employees and contractors every year. The professional medical team analyses the result recorded in medical examination reports to establish occupational health surveillance files and to develop health management plans.







**“Employees’ Health & Safety”**

As the oilfields are located in different countries, the policies vary according to the local laws and regulations in the operating locations. The responses to the issue in the oilfields during the Reporting Period are presented separately by each oilfield below:

**Karazhanbas oilfield**



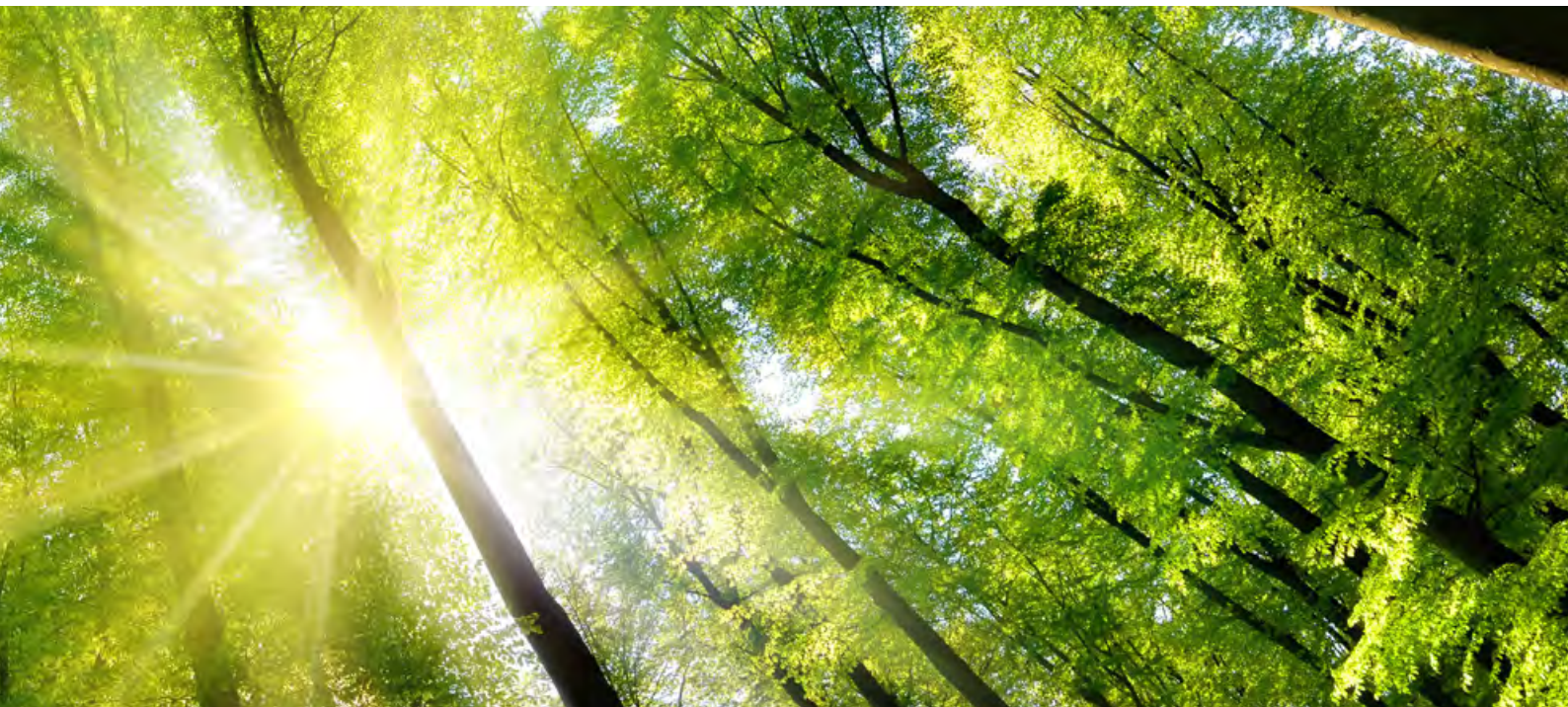
**Addressing Non-traditional Security Risks**

KBM takes a zero-tolerance attitude towards drinking and drugs. During the Reporting Period, KBM specifically developed and implemented the “KBM’s Policy on Alcohol and Drugs” and the “Regulations on the Prevention of Alcohol and Drug Diffusion”. The policy and the regulation were promoted through internal newspapers and social networks. When KBM conducts personnel recruitment and contractor qualification review, the Safety Section, the Human Resources Department, the Labour Unions, the Contractors and the relevant government departments collaborate to review whether the persons are from criminal groups, whether they show tendency of extremist and unconventional religious genres, eliminating non-traditional security threats at the source.

**Health Promotion**

KBM promotes a healthy lifestyle through various channels. KBM has a special section in the monthly internal newspaper, publishing small articles on reasonable diet, sports and health care, heatstroke prevention and cooling, diet tips during Ramadan, etc., and awards information on employee sports and recreation activities. Employees imperceptibly pay attention to health care.

KBM has also installed software for regular eye exercises on employees’ office computers, urging employees to pay attention to their eyesight health. A blood pressure monitor is also installed in the office corridor to monitor employees’ physical condition at any time.





<p><b>Maritime safety</b></p>	<p>Tincy Group completed the preparation and review of navigation safety assurance schemes for submarine cable control and layout according to the new policy requirements of the Maritime Safety Administration. Tincy Group coordinated with the Maritime Safety Administration to complete the water surface and underwater construction permits and issue navigation warnings.</p>
<p><b>HSE Supervision and Inspection</b></p>	<p>On the basis of daily inspections on each production facility and weekly self-inspection, Tincy Group organizes monthly systematic HSE supervision and inspection on each production facility. In addition, considering special seasons and specific times, supervision and inspection are conducted before the onset of spring, rainy seasons, winter.</p> <p>During the Reporting Period, Tincy Group discovered a total of 426 problems in the supervision and inspection throughout the year. Except for 6 items that were not completed due to incomplete equipment procurement, all other problems were rectified. The completion rate of problem rectification reached 98.6%.</p>
<p><b>Experts' Inspection</b></p>	<p>In order to further improve the offshore oil safety management level, during the Reporting Period, Tincy Group entrusted safety technical consultants to provide safety consultation services to Yuedong Oilfield. It aimed to use the professional technology and rich practical experience of experts in the industry to conduct a comprehensive, systematic and in-depth on-site safety inspection and diagnosis of Yuedong Oilfield from a more professional, higher-level, and more authoritative perspective.</p> <ul style="list-style-type: none"> <li>• Judging the compliance of offshore oil and gas exploitation activities in Yuedong Oilfield with national laws, regulations and standards</li> <li>• Identifying potential risks and hidden dangers in production safety</li> <li>• Searching for the weaknesses in daily safety management</li> <li>• Providing scientific, reasonable, and effective safety measures and suggestions</li> <li>• Instructing Tincy Group to carry out work safety-related risk control</li> </ul> <p>A total of 119 issues were found in this diagnosis. The expert group prepared a table listing safety measures against the identified issues. Tincy Group will formulate corrective measures based on the identified problems in a timely manner to ensure safe production. Tincy Group planned to organize the second expert consultation on electrical and instrumentation topics in February 2020 (which has been successfully completed as planned).</p>



<p><b>Safety Inspection</b></p>	<p>During the Reporting Period, CITIC Seram conducted an occupational health assessment, which included noise, lighting, smoke, radiation, vibration and other aspects. CITIC Seram will take improvement actions based on the analysis results.</p>
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## 7.2 Market Practice

The Group's business footprint has spread across many countries or regions and strictly complies with laws and regulations relating to sales guarantees and credit management, oil production and quality control, privacy and information security, as well as trademarks, patents, intellectual property, etc. The concerned parties are required to sign confidentiality agreements for the protection of confidential data or proprietary information when engaging the sale and transportation of crude oil. Unless written consent is obtained from both concerned parties, no such data or information shall be disclosed to any third parties.

The Group has established codes and systems to strictly regulate the daily operation and management so as to eliminate all kinds of behaviours and approaches that may lead to corruption, fraud and bribery. The Company also conducts internal audits on its subsidiaries annually to ensure that the subsidiaries' operation and their employees' behaviours are in compliance with laws and regulations.

The Company understands the importance of advertising, and attaches importance to the Company's benefits of advertising, thus cooperating with professional consultants to conduct advertisement. However, as the Group is mainly engaged in oil and gas exploration and development, it does not promote through commercial advertisement.

Basic anti-corruption management in the three major oil fields:

### Karazhanbas oilfield



KBM has developed documents, such as business process passports and inter-departmental collaboration procedures, to clarify the duties, rights, and obligations of each department. KBM has also effectively prevented potential risks, including bribery, extortion, fraud, and money laundering, through strengthened supervision over procurement, sales, taxation and compliance.

KBM has a dedicated hotline for all employees to report illegal activities in a timely manner.

### Yuedong oilfield



According to the Yuedong oilfield's policy, employees are prohibited from visiting or contacting any prospective contractors or suppliers prior to tendering or requesting for quotations without authorized approval. When dealing with unfamiliar services or supplies, centralised arrangements are made by Tincy Group to inquire and communicate with prospective contractors or suppliers, in order to determine an appropriate procurement strategy.

- If an interview with a bidder is necessary, the interview shall take place during working hours at a specified office in the presence of at least two business and technical bid evaluation staff members, upon the approval obtained from an authorised officer;
- The entire process of tendering shall be filmed and saved in an electronic format. Audio recording shall also be kept for all negotiations, and electronic files shall be saved for record; and
- Unless approved by an authorised officer, no employee may meet any tenders outside working hours and the specified offices for any matter related to tendering.

### Seram Block



CITIC Seram strictly abides by the relevant laws and regulations of Indonesia and strictly regulates the daily operation and management according to the requirements of the Group to prevent illegal activities. CITIC Seram also regularly receives internal audits from the Company to ensure legal compliance.



Response to the Issue 

**“Anti-corruption”**

As the oilfields are located in different countries, the policies vary according to the local laws and regulations in the operating locations. The responses to the issue in the oilfields during the Reporting Period are presented separately by each oilfield below:

**Karazhanbas oilfield**



**Management**

During the Reporting Period, the KBM's Company Management Committee formulated and approved the “Karazhanbas Petroleum Corporation Anti-Corruption Regulations”. The Regulations are internal documents formulated in accordance with Kazakhstan National Anti-Corruption Law and KBM's Articles of Association. It is used to regulate the conduct of employees and internal business departments in the process of communication with state agencies and external companies. KBM is committed to a cultural of zero tolerance corruption and to maintain a transparent and ethical corporate image.

**Yuedong oilfield**



**Risk Warning**

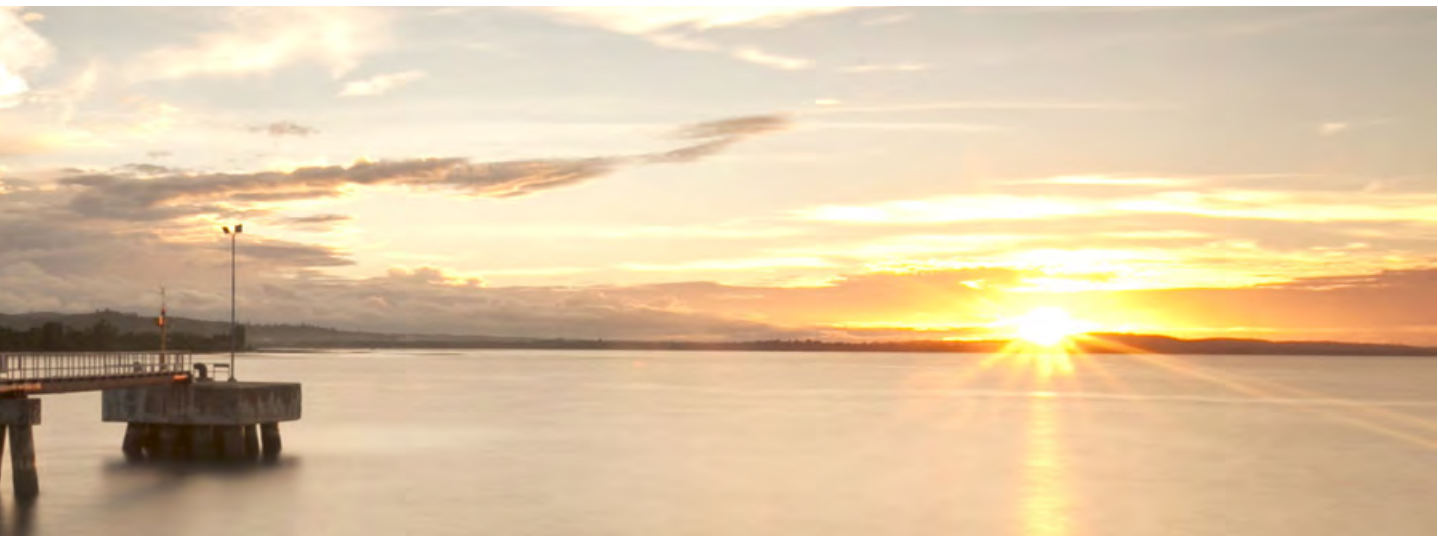
Based on the actual corporate situation, Tincy Group divides the corruption risk into three levels, namely A, B and C. According to different levels, it implements a hierarchical system of management, supervision, and responsibility. The risk warning mechanism is managed and implemented by the main leaders and in-charge leaders of subdivision.

**Seram Block**



**Suppliers**

CITIC Seram 's Procurement Committee members and staff must sign a statement of integrity and abide by the standards of conduct in their daily work. They must always remain independent and impartial, and avoid being driven by any interest in order to maintain the credibility of CITIC Seram.



### 7.3 Supply Chain & Product Quality Management

The Group recognizes the importance of the management of supply chain and product quality to the operations of the Group. The Group has always adhered to the concept of “Working and Growing Hand in Hand”. The Group maintains a close relationship with suppliers and contractors and looks forward to enhancing its performance of sustainable development with them together. In addition, the Group manufactures and supplies products in strict accordance with the relevant laws and regulations of the quality management and customer requirements in the operation locations to ensure that customer requirements are met.

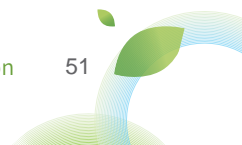
The Group’s supply chain mainly involves suppliers and contractors, while the Group’s products are mainly sold to oil buyers. In terms of supply chain, the Group focuses on improving its management regarding environment, procurement, labour, and HSE. For the customers of the Group, the Group focuses on enhancing the management of product quality.

#### Supply Chain Management

The Group expressly requires its suppliers and contractors to abide by and implement applicable laws and regulations in their operation and ensures that all its supply chain management and measures comply with relevant environmental and social requirements.

#### Supply Chain at a Glance

<b>Contractors</b>	<p>Due to the nature of the oil and gas industry, the contractors’ employees need to work with the Group’s employees in the operating locations,</p> <p>As the contractors bear the same health and safety risks as the Group’s employees in the operating locations, the Group’ HSE policies and systems cover all the contractors, which means they are managed, restricted and protected by the HSE policies and systems, to ensure the safety of the contractors’ employees and to prevent harm to themselves and the Group’s employees due to their improper operation of facilities.</p>
<b>Suppliers</b>	<p>The suppliers only deal with the supply of services, materials and equipment and are not required to directly participate in the oilfield-related work.</p>



Basic supplier and contractor management in the three major oil fields:

### Karazhanbas oilfield



KBM's procurement work observes to the laws and regulations in the operation location, and KBM strictly selects suppliers and contractors. The terms of labour safety, environmental protection and emergency handling in KBM's standard contract are applicable to both parties. Relevant measures are taken against suppliers who violate the terms of the contract, and they could be even included in the list of non-honest suppliers.

KBM signed a formal contract with its contractors to ensure that the contractors understand and execute the relevant HSE requirements. An application for "Safety, Labour and Environmental Protection Requirements" is included in the tendering documents for tendering and procurement relating to construction and services. When signing the contracts, the contractors must confirm and sign the "Safety, Labour and Environmental Protection Requirements" attached in the contract.

In order to further optimize corporate operational processes and management, KBM has established a corporate management committee to review and approve prioritised procurement plan and long-term procurement plan for its supplies, construction, and service to avoid stagnation of production caused by the untimely procurement of materials.

### Yuedong oilfield



According to the regulations, Tincy Group requires its contractors to sign the "Construction Safety and Production Management Agreement" in the contracts, and also requires its supplier to abide by the terms of the contract regarding health, safety production and environmental protection.

Tincy Group also provides HSE information to its contractors, requiring them to establish safety and environmental management systems, implement industry codes and standards, and continuously train its employees.

Tincy Group optimised the overall development plan of the oilfield according to the requirements of the national safety supervision management, stipulating that the new drilling project only accepts tenders from professional drilling companies with maritime safety production licenses, and strengthening the management of its contractors' qualities in the social aspect.

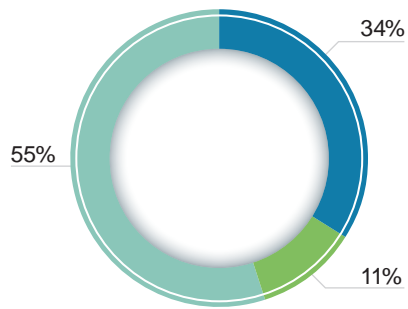
### Seram Block



CITIC Seram requires its contractors and suppliers to comply with the terms of the contract regarding health, safe production and environmental protection.

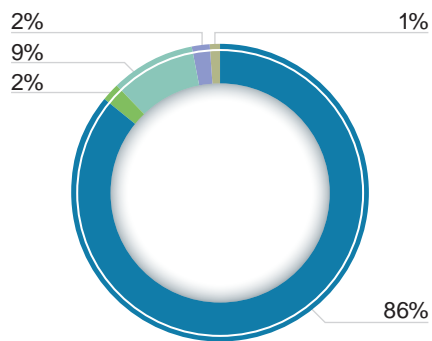
CITIC Seram also provides contractors with HSE plans, personal protective equipment, training, etc.

The following is the regional distribution of suppliers and contractors of the Group during the Reporting Period:



### The Percentage of the Group's Suppliers and Contractors by Region

- Mainland China
- Hong Kong
- Regions Abroad



### The Percentage of the Group's Suppliers and Contractors Abroad by Region

- Kazakhstan
- Russia
- Indonesia
- Australia
- Taiwan

## Quality Management

The Group strives to provide its consumers with clean, high-quality and diversified products and services by continuously improving its quality management with focuses on standard revision, quality supervision and inspection, quality culture building, etc. The Group also provides its consumers with products that meet legal requirements and standards in a responsible manner. In the process of providing products, the Group considers the impacts of its products on consumers and ensures its products' quality and safety.

Basic quality management in the three major oil fields:

### Karazhanbas oilfield



KBM established its corporate technology management committee to better formulate oilfield medium-and long-term development plans and introduce new technologies to ensure the continuous improvement of product quality.

### Yuedong oilfield



Tincy Group has kept improving the quality assurance procedures and strictly controlled the quality of crude oil. A two-tier inspection system has been deployed to assure product quality; internal sampling and testing are conducted before engaging third parties for further quality inspection. Independent testing agencies have been engaged to jointly examine oil quality before delivery. The positive/negative deviation between the water testing results shall not exceed 0.2%. In the event of a deviation exceeding 0.2%, the oil discharging operation must be suspended for re-testing. The management may visit the production site without prior notice to observe onsite sampling, and to carry out random checks at the laboratories on both the testing procedures and past test data.

### Seram Block



CITIC Seram produces goods based on the laws and regulations in the operation location and customer requirements. Goods are recalled in accordance with laws and regulations when necessary.





# 8 Our Community

The development of the Group cannot be separated from the participation and support from the communities, and in return it can have a positive impact on the Group by contributing to the community. The Group proactively listens to and responds to the expectations from the society at the operation locations, as the Group believes it enables all parties to actively resolve potential conflicts and work together to build a sustainable community. The Group is willing to take the role of corporate citizenship actively, and proactively promote its subsidiaries and joint ventures to respond to the concerns of the community and other major stakeholders with actions to fulfil their commitments. In the course of operation, the Group complies with the relevant laws and regulations in the operation location and minimizes the potential adverse impacts on the community. The Group is passionate about social welfare and promotes community co-development, sharing its corporate development achievements with the society.

Since Yuedong Oilfield is located offshore, and the onshore terminal processing station is located in the industrial zone, there are no communities nearby, so Tincy Group does not have direct community investment opportunity. Karazhanbas oil field is located in the west of Kazakhstan. It is a giant onshore heavy oil field located on the shore of the Caspian Sea, and villages and ports can be found nearby; the Seram Block is located on Seram Island, and there are villages nearby.

## Karazhanbas oilfield



As a company that actively undertakes social responsibilities, KBM arranges a certain amount of budget on an annual basis for charitable donations and community development. KBM understands the needs of community development through communication with the government and local communities in the operation locations, focusing on helping disadvantaged groups and supporting education, sports, culture and health care development.

During the Reporting Period, KBM's most important community investment activities were:

Developing local social facilities	Helping disadvantaged groups	Supporting cultural and sports development
<ul style="list-style-type: none"> <li>• The sports ground donated by the community has been put into use</li> <li>• KBM dispatched mobile equipment to clean up the trash near Taushyk village; KBM donated 45 tons of waste oil pipes to villages and towns neighbouring the oilfield for free, which were used for making sports field fences, surrounding livestock drinking water tanks, using as agricultural irrigation pipes and cemetery fences</li> <li>• Funded medical center</li> </ul>	<ul style="list-style-type: none"> <li>• Visited poor families</li> <li>• Expressed solicitude to World War II veterans</li> </ul>	<ul style="list-style-type: none"> <li>• Funding the Sports Association</li> <li>• Funded the "Future-oriented" project and related book publishing</li> </ul>



KBM conducted a bicycle charity race



KBM donated bicycles to children from poor families during the bicycle charity race



KBM dispatched mobile equipment to clean up trash near Taushyk village



The sports ground donated by KBM to Shevchenko port has been put into use



KBM personnel expressed solicitude to World War II veterans



KBM young employees donate food to poor families



CITIC Seram updates its community relationship program every year and approves a reasonable budget for each project in the program to actively assist in addressing community concerns.

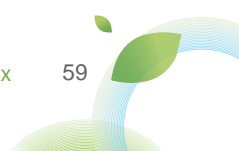
During the Reporting Period, CITIC Seram's most important community investment activities were:

Developing local social facilities	Helping disadvantaged groups	Supporting cultural and sports development	Supporting groups affected by natural disasters
<ul style="list-style-type: none"> <li>Funded the renovation of football fields</li> <li>Provided heavy equipment for cleaning the bus terminal and the new traditional Gondar market</li> </ul>	<ul style="list-style-type: none"> <li>Funded Bule student dormitory in Ambon</li> </ul>	<ul style="list-style-type: none"> <li>Funded Kobi government to celebrate Indonesia 's anniversary</li> <li>Funded Bula government to celebrate Bula anniversary and conduct volleyball match</li> </ul>	<ul style="list-style-type: none"> <li>Donated to the Ambon, which was affected by the earthquake</li> </ul>

# Appendix 1 The Material laws and regulations that the Group complied with during the Reporting Period

Laws and regulations corresponding to the aspects of the Environmental, Social and Governance Reporting Guide <sup>1, 2, 3</sup>	The Group's policies and regulations to ensure compliance with applicable laws and regulations corresponding to the aspects <sup>4, 5</sup>	Performance
A. Environment		
Aspect A1: Emissions		
<p><b>Kazakhstan</b> Kazakhstan Environmental Protection Regulation Kazakhstan Land Regulation Kazakhstan Water Regulation</p> <p><b>China</b> Environmental Protection Law of the People's Republic of China Environmental Protection Tax Law of the People's Republic of China Atmospheric Pollution Prevention and Control Law of the People's Republic of China Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes Marine Environment Protection Law of the People's Republic of China Emergency Response Law of the People's Republic of China</p> <p><b>Indonesia</b> Environmental Protection and Management Law of the Republic of Indonesia Waste Management Law of the Republic of Indonesia Forestry Law of the Republic of Indonesia</p>	<p><b>KBM</b> "Environmental monitoring and control system" "Annual Environmental Protection Work Plan" "Production Environmental Management Plan" "Emergency Plans"<sup>**B2</sup> "Accident Notification Procedure and Crisis Management Code"<sup>**B2</sup></p> <p><b>Tincy Group</b> "Environmental Factor Identification and Evaluation Control Procedures"<sup>**A3</sup> "Hazard Identification and Risk Assessment Control Procedures"<sup>**A3</sup> "Emergency Preparedness and Response Management Procedures"<sup>**A3, B2</sup> "Accidents and Incident Handling Control Procedures"<sup>**A3, B2</sup> "Comprehensive and Special Emergency Response Plans"<sup>**A3, B2</sup> "Emergency Plans for Emergent Environmental Incidents at the Onshore Terminal Processing Station"<sup>**A3</sup> "Hazardous Waste Management Handbook"</p> <p><b>CITIC Seram</b> "Environmental Management" "Incident Reporting and Investigation"<sup>**B2</sup> "HSE Policy"<sup>**B2</sup></p>	<p>During the Reporting Period, the Group did not experience any violation of laws and regulations relating to the Group's air emissions and GHG emissions, discharges into to water and land, waste generation and disposal that had a significant impact on the Group.</p> <p>Since the implementation of the Environmental Protection Tax Law of the People's Republic of China on January 1, 2018, Tincy Group has to pay the environmental pollution tax and the sewage discharge environmental tax in accordance with the law, comparing with the past that Tincy Group only had to pay the pollution discharge fees.</p> <p>During the Reporting Period, Tincy Group paid the environmental protection tax on time, and there was no violation that had a significant impact on the Group and Tincy Group.</p>
Aspect A2: Use of Resources		
<p>Not Applicable</p>	<p><b>KBM</b> "Associated Gas Application Plan" "Wastewater Resource Utilization Plan"</p> <p><b>Tincy Group</b> "Power Saving Management Regulations"</p> <p><b>CITIC Seram</b> "Management of Changes"</p>	<p>Not Applicable</p>

Laws and regulations corresponding to the aspects of the Environmental, Social and Governance Reporting Guide <sup>1, 2, 3</sup>	The Group's policies and regulations to ensure compliance with applicable laws and regulations corresponding to the aspects <sup>4, 5</sup>	Performance
Aspect A3: The Environment and Natural Resources		
Not Applicable	<p><b>KBM</b></p> <p>“Beautiful Oilfield Construction Plan”</p> <p>“Annual Oil Well Well Holes Inspection Plan”</p> <p>“Annual Valves and Process Pipelines Inspection Plan”</p> <p>“Annual Process Equipment Flaw Detection and Inspection Plan”</p> <p>“Annual Crude Oil Processing and Processing Workshops’ Process Pipelines and Valves Inspection Plan”</p> <p><b>Tincy Group</b></p> <p>“Preparation Plan for the Decommission of the Offshore Oil and Gas Production Facilities in the Yuedong Oilfield in the Hainan-Yuedong Cooperation Block”</p> <p>“Special Emergency Plan for Oil Pipeline Ruptures”</p> <p>“Tincy’s Integrity Management Document for the Sea Pipelines During Operation Phase”</p> <p><b>CITIC Seram</b></p> <p>“Afforestation Program”</p>	Not Applicable



Laws and regulations corresponding to the aspects of the Environmental, Social and Governance Reporting Guide <sup>1, 2, 3</sup>	The Group's policies and regulations to ensure compliance with applicable laws and regulations corresponding to the aspects <sup>4, 5</sup>	Performance
<b>B. Social</b>		
<b>Aspect B1: Employment</b>		
<p><b>Kazakhstan</b> Kazakhstan Labour Regulation<sup>*B4, B6</sup></p> <p><b>China</b> Labour Law of the People's Republic of China<sup>*B2, B4</sup> Labour Contract Law of the People's Republic of China Social Insurance Law of the People's Republic of China Labour Dispute Mediation and Arbitration Law of the People's Republic of China</p> <p><b>Indonesia</b> Labour Law of the Republic of Indonesia<sup>*B4</sup> Trade Union/Labour Union Law of the Republic of Indonesia</p>	<p><b>CITIC Resources</b> "Share Option Scheme" "Contribution Retirement Benefit Schemes" "Employee Handbook" "Guidelines on Business Travel Reimbursement Procedures" "Regulation for Managing Office Items" "Management Measures for Employee Holiday Compensation"</p> <p><b>KBM</b> "2019-2021 Collective Contract with Employees" "Regulations for Material Assistance to KBM's In-service Employees and Retired Persons"</p> <p><b>Tincy Group</b> "Tincy Group Management Manual"<sup>*B4</sup> "Central Pension Scheme"</p> <p><b>CITIC Seram</b> "Company Policy"<sup>*B3, B4, B8</sup></p>	<p>During the Reporting Period, the Group did not receive any information about laws and regulations that had a significant impact on the Group and are related to employment.</p>
<b>Aspect B2: Health and Safety</b>		
<p><b>Kazakhstan</b> Kazakhstan Occupational Safety and Health Regulation</p> <p><b>China</b> Work Safety Law of the People's Republic of China Law of the People's Republic of China on the Prevention and Control of Occupational Diseases Emergency Response Law of the People's Republic of China Interim Measures for Administration of Outsourcing Non-Coal Mining Project Safety</p> <p><b>Indonesia</b> Occupational Safety and Health Law of the Republic of Indonesia</p>	<p><b>KBM</b> "2018 Work Safety Conditions and Production Process Safety Measures Plan" "Behaviour Observation Plan"</p> <p><b>Tincy</b> "Occupational Health Management Procedures" "HSE Rewarding and Punishment Implementation Plan (Provisional)" "Working License Management Procedures" "Operational Safety Analysis Management Regulations" "Energy Isolation Safety Management Regulations" "Project Permit Management Regulations" "HSE Hazard Report Form"</p> <p><b>CITIC Seram</b> "Project HSE Management"<sup>*B5</sup></p>	<p>During the Reporting Period, the Group did not receive any complaints about occupational health and safety that had a significant impact on the Group.</p>

Laws and regulations corresponding to the aspects of the Environmental, Social and Governance Reporting Guide <sup>1, 2, 3</sup>	The Group's policies and regulations to ensure compliance with applicable laws and regulations corresponding to the aspects <sup>4, 5</sup>	Performance
Aspect B3: Development and Training		
Not Applicable	<p><b>CITIC Resources</b> "Employee Training and Development Policy"</p> <p><b>KBM</b> "Annual Employee Training Plan"</p> <p><b>Tincy Group</b> "Annual Employee Training Plan"</p>	Not Applicable
Aspect B4: Labour Standards		
<p><b>Kazakhstan</b> Kazakhstan Men's and Women's Equal Rights and Opportunities Guarantee Law</p> <p><b>China</b> Law of the People's Republic of China on the Protection of Women's Rights and Interests Law of the People's Republic of China on the Protection of Minors Provisions on the Prohibition of Using Child Labor</p>	<p><b>KBM</b> KBM clearly defined the welfare policies for female employees on maternity leave and child-rearing in the "2019-2021 Collective Contract with Employees".</p>	During the Reporting Period, the Group did not have any cases involving illegal employment of child labour and forced labour that had a significant impact on the Group.
Aspect B5: Supply Chain Management		
Not Applicable	<p><b>KBM</b> "Safety, Labour and Environmental Protection Requirements"</p> <p><b>Tincy Group</b> "Construction Safety and Production Management Agreement"</p> <p><b>CITIC Seram</b> "HSE Management of Contract Services"</p>	Not Applicable



Laws and regulations corresponding to the aspects of the Environmental, Social and Governance Reporting Guide <sup>1, 2, 3</sup>	The Group's policies and regulations to ensure compliance with applicable laws and regulations corresponding to the aspects <sup>4, 5</sup>	Performance
Aspect B6: Product Responsibility		
<p><b>Kazakhstan</b></p> <p>Kazakhstan Personal Information Protection Law Kazakhstan Trademarks, Service Marks and Appellations of Origin Law Kazakhstan Oil General Technical Specifications</p> <p><b>China</b></p> <p>Trademark Law of the People's Republic of China Patent Law of the People's Republic of China Tort Law of the People's Republic of China Anti-Unfair Competition Law of the People's Republic of China<sup>*B7</sup></p> <p><b>Indonesia</b></p> <p>Indonesian Supply Chain Management Supervision Regulations Trademark and Geographical Indications Law of the Republic of Indonesia</p>	<p><b>KBM</b></p> <p>"Confidential Information Management Regulations" "Rules for Handling, Protecting and Storing JSC Karazhanbasmunai Employee Personal Records"</p> <p><b>Tincy Group</b></p> <p>Tincy Group fulfills its confidentiality obligations in accordance with the terms of contract with its customers in relation to the confidentiality of the information.</p> <p>Tincy Group produces and supplies products in accordance with the quality-related requirements of contracts with its customers.</p> <p><b>CITIC Seram</b></p> <p>CITIC Seram strictly maintains customer information, maintains intellectual property rights as required, and recalls products as required by Indonesian Supply Chain Management Supervision Regulations.</p>	<p>During the Reporting Period, the Group was not aware of any incidents of non-compliance with regulations and voluntary codes concerning the provision and use of the Group's products and services, which cover product and service information and labelling, marketing communications including advertising, promotion and sponsorship, and property rights including intellectual property rights that had a significant impact on the Group.</p> <p>During the Reporting Period, the Group produced and supplied products in strict accordance with the relevant laws and regulations of the quality management in the operation locations and customer requirements, and there were no incidents of product recalling that had a significant impact on the Group.</p>



Laws and regulations corresponding to the aspects of the Environmental, Social and Governance Reporting Guide <sup>1, 2, 3</sup>	The Group's policies and regulations to ensure compliance with applicable laws and regulations corresponding to the aspects <sup>4, 5</sup>	Performance
Aspect B7: Anti-corruption		
<p><b>Kazakhstan</b> Kazakhstan Anti-Corruption Regulations</p> <p><b>China</b> Criminal Law of the People's Republic of China Anti-Money Laundering Law of the People's Republic of China</p> <p><b>Indonesia</b> Elimination of Corruption Law of the Republic of Indonesia Money Laundering Law of the Republic of Indonesia Elimination of Bribery Regulation of the Republic of Indonesia</p>	<p><b>KBM</b> Internal communication plan Reporting System</p> <p><b>Tincy Group</b> "CITIC Group's Reporting Implementation Measures Disciplinary Inspection and Visits"<sup>#</sup> "CITIC Group's Implementation Opinions on the Clue Management of Discipline Inspection and Supervision"<sup>#</sup></p> <p><b>CITIC Seram</b> CITIC Seram strictly abides by the relevant laws and regulations of Indonesia and strictly regulates the daily operation management process according to the requirements of the Group to prevent illegal acts.</p>	<p>During the Reporting Period, the Group did not receive any relevant laws and regulations relating to the prevention of bribery, extortion, fraud, and money laundering, and did not received any case relating to internal employees involved in bribery, extortion, and money laundering.</p>
Aspect B8: Community Investment		
<p>Not Applicable</p>	<p><b>KBM</b> "Annual Work Plan"</p> <p><b>CITIC Seram</b> "Annual Community Relations Work Plan"</p>	<p>Not Applicable</p>

<sup>1</sup> Particular laws cover several topics provisioned in the Aspects; these laws are marked with an asterisk and codes of Aspects being covered.

<sup>2</sup> There is a limitation to disclose all laws and regulations that the Group complies with, and only laws and regulations that have a significant impact on the Group are disclosed.

<sup>3</sup> The Kazakh laws and regulations are originally written in Kazakh, and the Indonesian laws and regulations are originally in Indonesian.

<sup>4</sup> Particular policies and regulations cover several topics provisioned in the Aspects; these laws are marked with an asterisk and codes of Aspects being covered.

<sup>5</sup> Particular policies and regulations that the Company strictly observes are derived from CITIC Group; these policies and regulations are marked with a hash.



## Appendix 2 Key Performance Indicators

2017 – 2019 Social and Environmental Related Key Performance Indicators (“KPI”):

### Social Aspect

KPI	Unit	2017	2018	2019
<b>In-service Employees</b>				
<b>Number of In-service Employees by Region</b>				
Kazakhstan		4,208	4,144	4,099
Mainland China		129	130	140
Indonesia		75	76	243
Australia		52	53	48
Hong Kong		50	49	34
<b>Number of In-service Employees by Gender</b>				
Female Employees		438	428	415
Male Employees		4,076	4,024	4,149
<b>Number of In-service Employees by Age</b>				
Below or Equal 30		620	475	333
30 – 50		2,811	2,825	2,968
Above or Equal to 50		1,083	1,152	1,263

KPI	Unit	2017	2018	2019
<b>Resigned Employees</b>				
<b>Number of Resigned Employees by Region</b>				
Kazakhstan		134	116	92
Mainland China		14	2	0
Indonesia		30	1	10
Australia		10	15	11
Hong Kong		8	9	12
<b>Number of Resigned Employees by Gender</b>				
Female Employees		33	27	19
Male Employees		163	116	106
<b>Number of Resigned Employees by Age</b>				
Below or Equal to 30		25	12	9
30 – 50		109	62	43
Above or Equal to 50		62	69	73
<b>Employee Training</b>				
The training time of the personnel received the training	Hours	58	54	37
<b>Work Safety</b>				
<b>Number of Injuries Required to be Reported (Work injury leave &gt; 7 days)</b>				
KBM	Cases	1	2	2
Tincy Group	Cases	0	0	0
CITIC Seram	Cases	0	0	0



KPI	Unit	2017	2018	2019
<b>Suppliers and Contractors</b>				
Number of Suppliers and Contractors by Region				
Mainland China		410	437	487
Hong Kong		45	45	151
Region Abroad		687	731	796
Kazakhstan		582	601	687
Indonesia		52	78	71
Russia		16	14	14
Australia		12	13	13
Taiwan		9	9	7
Switzerland		2	2	0
United States		3	3	1
United Kingdom		2	2	2
Others		9	9	1
<b>Community Investment</b>				
Resources Used in the Following Areas	10,000RMB	95	131	173
Supporting Disasters	10,000RMB	0	5	2
Supporting Disadvantaged Groups	10,000RMB	22	18	27
Supporting Education	10,000RMB	4	7	4
Supporting Sports	10,000RMB	0	23	18
Supporting Cultural Activities	10,000RMB	10	20	22
Supporting Healthcare	10,000RMB	0	27	31
Supporting Poverty Alleviation	10,000RMB	0	0	10
Others	10,000RMB	59	31	59

## Environmental Aspect<sup>1</sup>

KPI	Unit	2017	2018	2019
<b>Air Emission</b>				
NO <sub>x</sub> Emission	Metric tons	7.57	76.83	68.40
Intensity of NO <sub>x</sub> Emission	Metric tons per barrel of crude oil	2.61E-06	2.67E-05	2.67E-05
SO <sub>2</sub> Emission	Metric tons	14.83	12.03	23.73
Intensity of SO <sub>2</sub> Emission	Metric tons per barrel of crude oil	5.11E-06	4.18E-06	9.27E-06
PM Emission	Metric tons	2.02	13.38	18.79
Intensity of PM Emission	Metric tons per barrel of crude oil	6.95E-07	4.65E-06	7.34E-06
<b>GHG</b>				
Total GHG Emission	Metric tons	61,468.74	83,235.88	83,556.74
Intensity of Total GHG Emission	Metric tons per barrel of crude oil	0.02	0.03	0.03
<b>Scope 1</b>				
GHG Emission from Stationary and Mobile Sources	Metric tons	21,998.12	41,187.49	33,016.56
Flaring Emission	Metric tons	7,457.54	9,782.43	9,784.35
<b>Scope 2</b>				
Indirect GHG Emission from Purchased Electricity	Metric tons	32,013.08	32,265.97	32,689.92
Indirect GHG Emission from Purchased Steam	Metric tons	Not Applicable <sup>4</sup>	Not Applicable <sup>3</sup>	8,065.91
<b>Hazardous Waste</b>				
Generated and Treated Oil Sand Amount	Metric tons	1,474.39	2,967.33	895.70
Intensity of Generated and Treated Oil Sand Amount	Metric tons per barrel of crude oil	0.0005	0.001	0.0004
Generated and Treated Drilling Waste Amount <sup>5,6</sup>	Metric tons	Not Applicable <sup>7</sup>	Not Applicable <sup>7</sup>	8,359.40

<sup>1</sup> The Group has many different contractors. Only the essential contractors are listed above.

<sup>2</sup> In the materiality assessment, the "Directors" 's and "Senior Management" 's opinions represented the "Importance to the Group"; the views of "Governments and Regulators", "Employees", "Customers", "Business Partners", "Suppliers", and "Contractors" represented the "Importance to Stakeholders".

<sup>3</sup> Ranking is based on the summation of ranked scores for "Importance to Stakeholders" and "Importance to the Group". Highlighted issues represent those that have attained scores of 5 or above for both dimensions.

<sup>4</sup> Since 2019, steam is purchased in Tincy Group's onshore terminal processing station to replace crude oil heating boilers.

KPI	Unit	2017	2018	2019
<b>Non-hazardous Waste</b>				
Generated and Treated Domestic Waste Amount	Metric tons	286.50	448.30	678.10
Intensity of Generated and Treated Domestic Waste Amount	Metric tons per barrel of crude oil	0.0001	0.0002	0.0003
Treated Metal Waste Amount	Metric tons	262.48	0.00	0.00
Intensity of Treated Metal Waste Amount	Metric tons per barrel of crude oil	0.0001	Not Applicable <sup>8</sup>	Not Applicable <sup>8</sup>
<b>Wastewater</b>				
Treated Industrial Oily Wastewater Discharge	Metric tons	549,515.00	709,727.00	792,842.00
Domestic Sewage Discharge	Metric tons	6,286.88	6,395.92	5,719.85
Total Sewage Discharge	Metric tons	555,801.88	716,122.92	798,561.85
Intensity of Total Sewage Discharge	Metric tons per barrel of crude oil	0.19	0.25	0.31
<b>Direct Energy</b>				
Associated Gas Consumption	m <sup>3</sup>	10,111,200.34	9,507,581.00	7,142,052.00
Intensity of Associated Gas Consumption	m <sup>3</sup> per barrel of crude oil	3.48	3.30	2.79
Gasoline Consumption	Litre	44,870.00	46,550.00	48,100.00
Intensity of Gasoline Consumption	Litre per barrel of crude oil	0.015	0.016	0.019
Diesel Consumption	Litre	13,085.20	13,356.00	12,050.00
Intensity of Diesel Consumption	Litre per barrel of crude oil	0.005	0.005	0.005
Crude Oil Consumption	Metric tons	2,648.82	6,743.56	5,719.85
Intensity of Crude Oil Consumption	Metric tons per barrel of crude oil	0.0009	0.002	0.002

<sup>5</sup> Drilling waste includes drilling cuttings and drilling fluid.

<sup>6</sup> The newly-drilled wells during the Reporting Period do not necessarily become production wells. The newly-drilled wells have limited impact on the crude oil production within the Reporting Period, therefore the intensity is not disclosed for now.

<sup>7</sup> Tincyn Group did not generate any drilling wastes in 2017 and 2018.

<sup>8</sup> Tincyn Group did not generate any metal wastes in 2018 and 2019.

<sup>9</sup> Since 2019, steam is purchased in Tincyn Group's onshore terminal processing station to replace crude oil heating boilers.

KPI	Unit	2017	2018	2019
<b>Indirect Energy</b>				
Purchased Electricity Consumption	kWh	41,206,176.00	41,531,688.00	42,077,383.00
Intensity of Purchased Electricity Consumption	kWh per barrel of crude oil	14.19	14.42	16.44
Purchased Steam Consumption	Metric tons	Not Applicable <sup>9</sup>	Not Applicable <sup>8</sup>	26,836.30
Intensity of Purchased Steam Consumption	Metric tons per barrel of crude oil	Not Applicable <sup>8</sup>	Not Applicable <sup>8</sup>	0.01
<b>Water Resources</b>				
Water Sourced from Wells	Metric tons	827,494.00	801,085.00	719,429.00
Water Sourced from Municipal Water Supply	Metric tons	19,711.00	13,778.00	11,785.00
Total Water Usage	Metric tons	847,205.00	814,863.00	731,214.00
Intensity of Total Water Usage	Metric tons per barrel of crude oil	0.29	0.28	0.29
<b>Greening</b>				
Newly Planted Trees	20.00	20.00	0	0
Newly Laid Lawn	m <sup>2</sup>	1,600	0	0

<sup>1</sup> The disclosure scope of environmental key performance indicators includes the onshore terminal processing station and offshore platforms of Tincy Group.



## Appendix 3 SEHK ESG Reporting Guide Index

Subject Areas, Aspects, General Disclosures and KPIs			
“Comply or explain” Provisions		Section	
A. Environment			
Aspect A1: Emission	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p> <p>Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations.</p> <p>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.</p> <p>Hazardous wastes are those defined by national regulations.</p>	Environmental Management Appendix 1 The Material laws and regulations that the Group complied with during the Reporting Period	
	KPI A1.1	The types of emissions and respective emissions data.	Appendix 2 Key Performance Indicators
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	Environmental Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.		



Subject Areas, Aspects, General Disclosures and KPIs

"Comply or explain" Provisions		Section
<b>A. Environment</b>		
Aspect A2: Use of Resources	<p>General Disclosure</p> <p>Policies on the efficient use of resources, including energy, water and other raw materials.</p> <p>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc</p>	Resources Usage Appendix 1 The Material laws and regulations that the Group complied with during the Reporting Period
	<p>KPI A2.1</p> <p>Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).</p>	Appendix 2 Key Performance Indicators
	<p>KPI A2.2</p> <p>Water consumption in total and intensity (e.g. per unit of production volume, per facility).</p>	
	<p>KPI A2.3</p> <p>Description of energy use efficiency initiatives and results achieved.</p>	Resources Usages
	<p>KPI A2.4</p> <p>Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.</p>	
<p>KPI A2.5</p> <p>Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced</p>	The Group's principle operations disclosed in the Report are the exploration, development and production of crude oil, and no packaging materials are involved in these processes.	
Aspect A3: The Environment and Natural Resources	<p>General Disclosure</p> <p>Policies on minimising the issuer's significant impact on the environment and natural resources.</p>	Environmental Management Oil Spill Prevention
	<p>KPI A3.1</p> <p>Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.</p>	Appendix 1 The Material laws and regulations that the Group complied with during the Reporting Period



Subject Areas, Aspects, General Disclosures and KPIs

	“Comply or explain” Provisions	Recommended Disclosures		Section
B. Social				
Employment and Labour Practices				
Aspect B1: Employment	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.			Policies and Benefits Appendix 1 The Material laws and regulations that the Group complied with during the Reporting Period
		KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Appendix 2 Key Performance Indicators
		KPI B1.2	Employee turnover rate by gender, age group and geographical region.	
Aspect B2: Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.			Operation Safety Appendix 1 The Material laws and regulations that the Group complied with during the Reporting Period
		KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Operation Safety
Aspect B3: Development and Training	General Disclosure Policies on improving employee knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.			Training and Development Appendix 1 The Material laws and regulations that the Group complied with during the Reporting Period
		KPI B3.2	The average training hours completed per employee by gender and employee category.	Appendix 2 Key Performance Indicators
Aspect B4: Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.			Respecting Rights Appendix 1 The Material laws and regulations that the Group complied with during the Reporting Period
		KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Respecting Rights

Subject Areas, Aspects, General Disclosures and KPIs

	“Comply or explain” Provisions	Recommended Disclosures		Section
B. Social				
Operating Practices				
Aspect B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.			Supply Chain Management Appendix 1 The Material laws and regulations that the Group complied with during the Reporting Period
		KPI B5.1	Number of suppliers by geographical region.	Appendix 2 Key Performance Indicators
		KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
Aspect B6: Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.			Market Practice Quality Management Appendix 1 The Material laws and regulations that the Group complied with during the Reporting Period
		KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Appendix 1 The Material laws and regulations that the Group complied with during the Reporting Period
		KPI B6.4	Description of quality assurance process and recall procedures.	Quality Management Appendix 1 The Material laws and regulations that the Group complied with during the Reporting Period
		KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Market Practice
Aspect B7: Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.			Market Practice Appendix 1 The Material laws and regulations that the Group complied with during the Reporting Period
		KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	

Subject Areas, Aspects, General Disclosures and KPIs

	“Comply or explain” Provisions	Recommended Disclosures		Section
B. Social				
Community				
Aspect B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.			<b>Our Communities</b> Appendix 1 The Material laws and regulations that the Group complied with during the Reporting Period
		KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	<b>Our Communities</b> Appendix 2 Key Performance Indicators
		KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	

## Appendix 4 Feedback Form

Dear reader:

Hello! Thank you very much for taking time to read this Report. In order to continuously improve the preparation of reporting and promote the Company's work in ESG, we especially hope to listen to your opinions and suggestions, please let us know!

1. What is your identity regarding to CITIC Resources?

- Government and Regulator     Employee     Customer     Business Partner  
 Potential Investors and Financial Institutions     Media     Community and the Public  
 Others\_\_\_\_\_ (Please specify)

2. Your overall assessment to this Report is:

- Very Good     Good     Fair     Poor     Very Poor

3. How do you think of the structure of this Report?

- Very Reasonable     Reasonable     General     Poor     Very Poor

4. How do you think of the design of this Report?

- Very Reasonable     Reasonable     General     Poor     Very Poor

5. How do you think of the readability of this Report?

- Very Good     Good     Fair     Poor     Very Poor

6. How do you think of the quality of the ESG information in this Report?

- Very Good     Good     Fair     Poor     Very Poor

7. Which disclosed issues do you pay attention to in this Report? (please choose 3 issues at most)

- Employees' Health & Safety     Employment & Employee Benefits  
 Employees' Development & Training     Anti-corruption  
 Employees, Contractors & Communities' Rights     Oil Spill Prevention  
 Local Environmental Impact     Energy Usage & Efficiency

8. What are your opinions on or suggestions to the ESG Report and our performance?

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You can e-mail the above feedback form to the following address:

Email: [ir@citicresources.com](mailto:ir@citicresources.com)

Thank you very much for your understanding on and support of our work!

CITIC Resources Holdings Limited



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