

UNITED ENERGY GROUP LIMITED

聯合能源集團有限公司*

(Incorporated in Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 467)

2019

Environmental, Social and Governance Report

Date: 22 July 2020, Hong Kong

** For identification purposes only*

1. ABOUT THIS REPORT

Being a responsible corporate citizen, United Energy Group Limited (“United Energy” or the “Company”, and together with its subsidiaries, the “Group” or “UEG”) is not only responsible to our investors, but also to a wider spectrum of stakeholders including our customers, suppliers, creditors, debtors, employees and the social community that is affected by our operation. In fact, investors nowadays are increasingly demanding responsible investment that takes into account social and environmental issues as well as the inseparable goal of return on investment. In addition, there are overwhelming evidence suggesting that the globe we are living in is encountering an unprecedented climate change, such as rising carbon dioxide levels in the air, increasing global temperature, loss of mass of the earth’s polar ice sheets and the rising of sea level. This report is to strengthen our communication with our stakeholders on our management approach and performance on material environmental, social and governance issues for the period of 1 January 2019 to 31 December 2019 (the “reporting period”).

2. REPORTING STANDARD

This environmental, social and governance report of United Energy Group (“ESG report”) is prepared in accordance with the Environmental, Social and Governance Reporting Guide (“Reporting Guide”) issued by the Stock Exchange of Hong Kong. This ESG report is to be read in conjunction with the Company’s 2019 Annual Report that was published on the Stock Exchange of Hong Kong on 27 April 2020 in particular the Corporate Governance Report contained therein.

3. CONTACT INFORMATION FOR FEEDBACK

Any feedback on this ESG report is most welcome for us to make improvements. Please feel free to send your comments or suggestions related to this ESG report by contacting us at the address below:

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4. CORPORATE PROFILE

The Group is principally engaged in upstream oil and natural gas business, including development of strategic energy reserves, focusing on the investment and operation of oil, natural gas and other energy related business. The Group has grown from a company based in China to one which is now a significant international independent energy company. As an international business the footprint of the Group spans across many borders and nations, i.e. Pakistan, Iraq and Egypt. It is essential therefore for UEG to create impeccable

operating standards and conscientiously self-regulate its business in order to build a strong and credible reputation as a global corporation and investor.

Overview of Pakistan's Operation

In 2011, UEG acquired the BP Pakistan assets, latterly formed United Energy Pakistan Limited (“UEP”), and since then on the back of an unprecedented investment and activity, has demonstrated robust year-on-year growth in production and reserve. Today, UEP is the largest foreign oil and gas exploration and production (“E&P”) company in Pakistan. UEP (together with other subsequent acquired Pakistan companies) has grown gross production from approximately 25,000 barrels of oil equivalent (“boe”) per day (“boed”) in 2011 to approximately 98,000 boed in 2019. This growth in production has resulted in UEP adding approximately 400 million cubic feet per day (“mmscfd”) of new gas into the system, which accounts for approximately 10% of total Pakistan’s indigenous gas production, significantly contributing to Pakistan’s energy needs and economic development.

In addition to the E&P business, UEG has also invested over US\$48 million in wind power sector in Pakistan. UEP Wind Power is a 99 MegaWatt power project located in Jhampir, Sindh and is among the top 14 priority projects in China Pakistan Economic Corridor (“CPEC”). The project was commissioned in time (July 2017) and supplying renewable electricity to the national grid.

Overview of Iraq's Operation

On 21 March 2019, UEG acquired the entire issued share capital of the Kuwait Energy plc (“KEC”) by means of a Court-sanctioned scheme of arrangement under the Companies (Jersey) Law 1991. Following this acquisition deal, KEC become a wholly-owned subsidiary of Gold Cheers Corporation Limited, which in turn is a wholly-owned subsidiary of UEG.

KEC is the Operator of Block 9 Contract Area to conduct petroleum operations under the supervision and control of Joint Management Committee (“JMC”). The effective date of the contract is 3 February 2013 with a basic term of 30 years. The Early Production Rate was achieved on 31 January 2016 which entitled the contractor to recover petroleum cost and remuneration fee from Basra Oil Company (“BOC”). The first oil lifting / cost recovery invoice was submitted to BOC on 26 April 2016. In 2019, the average daily gross production was approximately 16,364 boed.

KEC is also the Operator of Siba gas field governed by Siba Gas Development and Production Service Contract which was entered into 5 June 2011. Siba gas field is the first non-associated gas field in Iraq and the indigenous gas production export from Siba is considered by Iraq Government as one of the key strategic contributors to Iraq’s energy

needs and economic development. The Siba gas field development was completed and plant operation commenced in August 2018. During 2019, further investments have ensured increase in Gas, Condensate and LPG production and export with production from Siba asset reaching average daily gross production of 11,725 boed during 2019. Development of Siba gas field is continuing with further drilling campaigns planned in the coming years.

Overview of Egypt's Operation – Kuwait Energy Egypt (“KEE”)

In Egypt, the Group has four producing assets operated under a mix of production sharing contracts and service contracts. The main area office is located in Cairo. Out of the four licenses in which the Group holds working interest, Abu Sennan, Burg El Arab (“BEA”) and East Ras Qattara (“ERQ”) are operated under production sharing contracts with the Egyptian General Petroleum Corporation (“EGPC”), whereas Area A is operated under a service contract with the General Petroleum Company (“GPC”). Our Group is the operator of the contractor group with respect to Area A, Burg El Arab and Abu Sennan.

The Egyptian assets are mature producing assets with exploration potential, which are expected to stay stable in terms of both production and reserves. For the year ended 31 December 2019, the Group's assets in Egypt were producing approximately 14.4 mboed.

In addition to the business activities, UEG consciously seeks to add value to the lives of people within its concession areas as well as the country in general. The Group has also focused on the local staff recruitment and training.

5. OUR ENVIRONMENT

At UEG, we work to protect the natural environment as one of our core principles. Our business activities encompass drilling, operation of plants, laying of flow lines etc. Such activities will consume energy, water and other resources. It is inevitable that our activities will make some imprints in the operation area. To reduce the impact of our operation in Pakistan, Iraq and Egypt, we systematically manage the business environment impact through an environmental management system ISO-14001 and integrate environmental requirements into the operation system. Furthermore, we make sure that regular monitoring and testing activities are conducted to ensure harmful emissions and discharges are not released into the environment prior to treatment. Below is a summary of the emission data for the reporting period.

Emissions

	Greenhouse Gas Emissions - Gross		Hazardous Waste Produced - Net		Non-hazardous Waste Produced - Net	
	2019	2018	2019	2018	2019	2018
	(tonne)	(tonne)	(tonne)	(tonne)	(tonne)	(tonne)
Pakistan	1,947,111	664,281	97	240	1,142	856
Iraq	323,506	NA	161	NA	1,599	NA
Egypt	2,228,130	NA	287	NA	624	NA

Note: Emissions from Pakistan are on yearly basis, Emissions from Iraq and Egypt are from 21 March 2019.

	Greenhouse Gas Emissions - Gross		Hazardous Waste Produced - Net		Non-hazardous Waste Produced - Net	
	2019	2018	2019	2018	2019	2018
	(tonne/ mboe)	(tonne/ mboe)	(tonne/ mboe)	(tonne/ mboe)	(tonne/ mboe)	(tonne/ mboe)
Pakistan	54.5	16.8	0.004	0.006	0.047	0.022
Iraq	40.3	NA	0.042	NA	0.419	NA
Egypt	382.2	NA	0.069	NA	0.151	NA

Note: Emissions from Pakistan are on yearly basis, Emissions from Iraq and Egypt are from 21 March 2019.

We strive to comply with all internal and external (i.e. government or regulatory body) policies regarding emissions and discharges resulting due to our operations.

In Pakistan, we comply with regulatory policies enacted by Sindh Environmental Protection Agency by Government of Sindh through quarterly monitoring of emission through third party agency. Furthermore, hazardous and non-hazardous wastes are handled through approved contractors with valid licenses and competent workforce conforming to Sindh Environmental Protection Act, 2014 and regulations made thereunder.

In Iraq, we comply with Ministry of Environmental Law No. 37 of 2008, Law No. 27 of 2009 for Protection and Improvement of Environment, and regulatory policies enacted by The Ministry of Environment (“MoE”) of Iraq which requires an Environmental Impact Assessment (“EIA”) at each major change or phase of operations as per Exploration, Development and Production Service Contract (“EDPSC”). Currently a further detailed EIA is underway as we move from an Exploration Phase to Field Development Phase based on approved Field Development Plan (“FDP”). Furthermore, hazardous and non-hazardous

wastes are handled through approved contractors with valid licenses and competent workforce conforming to both MoE and BOC requirements. We are also segregating the recyclable waste (scrap metal, batteries, etc.) which then gets picked up by BOC and taken to the appropriate waste refuge.

In Egypt, we comply with regulatory policies enacted by Egyptian Environmental Affairs Agency (“EEAA”). Furthermore, hazardous and non-hazardous wastes are handled through approved contractors with valid licenses and competent workforce conforming to EEAA by Law No. 4/1994 for the Protection of the Environment Amended by Law 9/2009.

The increase of Group Emissions is mainly due to the acquisition of KEC new assets in Iraq and Egypt and the full year count of UEP Alpha and UEP Beta (“UEP A&B”) asset in Pakistan.

In Pakistan, the increase of greenhouse gas emission in year 2019 is mainly due to inclusion of full year data of UEP A&B (2018: July-18 onwards) with an average 190% increase in total emissions compared to 2018. Efficient sweetening of raw gases at Naimat Complex, Middle Indus and facilities in Badin (Bukhari) resulted in higher removal of CO₂ content. Moreover, decrease in fuel gas consumption by estimated 50% resulted in increased flaring for unutilized fuel gas. We are currently in the process of utilizing flare gas in Badin via virtual pipeline sale to third parties and have actively engaged interested parties and the regulator in this regard. Diesel consumption witnessed 60% increase which translates into an estimated 43,000t CO₂ eq of GHG emissions. Emissions from stationary and mobile combustion in Badin and MKK have also been captured.

In Iraq, whilst reporting of greenhouse gas emissions in year 2019 is mainly due to the nature of exploration phase flaring of gas as KEC works towards field development and facilities that would greatly reduce the requirement of flaring of gas from wells and this is captured in the FDP as we work with the relevant stakeholders. Management has following plans to mitigate gas flaring:

- Stage 1: 100 mboed oil treatment, associated gas flaring, commissioning by end of 2022
- Stage 2: 130 mmscfd gas treatment commissioning before end of 2023

Before 2028, the acid gas from the amine regeneration tower will be incinerated. After 2028, it will be converted into sulfur by Claus Sulphur Recover Unit or the acid gas will be re-injected into reservoir for permanent sealing.

In Egypt, some projects (produced water treatment & disposal wells) was carried out at Area-A and BEA fields which included disposal of some of produced water in large quantities from Area-A and BEA concession areas in 2017 and 2018. The project was completed in 2018. The increase of greenhouse gas emission in year 2019 is mainly due to using of gas generator and gas plant processing at Abu Sennan (“AS”). To minimize air pollution, maximum care is taken in relation to process controls in such a way to maintain safe process operations with minimum flaring requirement. The waste gas generated is incinerated in the thermal oxidizing system. The flue gas travels the height of the thermal oxidizer before going into the stack to be safely discharged at a height of 76 meters. Groundwater contamination is prevented by using High Density Polyethylene (“HDPE”) liners in cutting pits at the well sites, and evaporation ponds at the Central Processing Facilities (“CPF”). Spill containment is managed by tertiary containment; such as banded areas, and spill prevention managed by level controllers with alarms and executive action.

Use of Resources

	Electricity - Gross		Gas - Gross		Diesel - Gross		Water Consumed - Gross	
	2019	2018	2019	2018	2019	2018	2019	2018
	(kW)	(kW)	(mscfd)	(mscfd)	(m ³)	(m ³)	(m ³)	(m ³)
Pakistan	82,835	57,098	13,550	29,000	27,016	11,057	730,347	700,005
Iraq	-	NA	-	NA	695	NA	44,072	NA
Egypt	3,755,254	NA	100,000	NA	6,639	NA	89,407	NA

Note: Emissions from Pakistan are on yearly basis, Emissions from Iraq and Egypt are from 21 March 2019.

	Electricity - Gross		Gas - Gross		Diesel - Gross		Water Consumed - Gross	
	2019	2018	2019	2018	2019	2018	2019	2018
	(kW/ mboe)	(kW/ mboe)	(mscfd/ mobe)	(mscfd/ mobe)	(m ³ / mobe)	(m ³ / mobe)	(m ³ / mobe)	(m ³ / mobe)
Pakistan	2.22	1.45	0.36	0.73	0.72	0.28	19.56	16.70
Iraq	-	NA	-	NA	0.09	NA	5.49	NA
Egypt	644.13	NA	17.15	NA	1.14	NA	15.34	NA

Note: Emissions from Pakistan are on yearly basis, Emissions from Iraq and Egypt are from 21 March 2019.

The Group's business nature includes drilling, seismic acquisition, operation of plants, laying of flow lines etc. This results in the consumption of energy and water. It is inevitable that our activities will to a certain extent have a negative impact on the operation area. To minimize the impact, regular monitoring and testing activities are conducted to ensure harmful emissions and discharges are not released in the environment prior to treatment. To reduce the reliance on fresh water, treated domestic waste water is used as utility water for residential camps. The Group endeavors to utilize the natural resources judiciously. We do consider equipment's energy efficiency rating and energy consumption data at the time of evaluation and ordering to ensure the equipment is cost-effective from operational point of view. In case of drilling rigs, we ensure all contractors have equipment that are compliant with the regulatory requirements for emissions and efficient use of energy.

The Group is involved in the production of crude oil, condensate, natural gas and LPG and none of these products are packaged. Natural gas is sold to the customer via gas flow-lines / pipelines. Crude oil / condensate is transported via bowsers to the refineries / export terminal. LPG is sold to the LPG marketing companies via bowsers. From December 2019, Block 9 started transporting crude oil to BOC via transmission pipelines under an EDPSC arrangement.

In Pakistan, electricity consumption increased mainly due to inclusion of full year data from UEP A&B (Sawan / Kadanwari / Mehar). UEP A&B has high consumption due to turbine operations at Sawan CPF and Kadanwari CPF. Diesel consumption increased sharply due to high number of deep wells drilled and significant well works performed in 2019. The majority of water consumption increase in 2019 is from full year data of UEP A&B.

In Iraq, Block 9 does not consume electricity from local grid and all power for camps and facilities is self-generated. The operational locations and camp sites / offices within Block 9 use a variety of diesel generators for power consumption on each location. In forward planning for the field development all future plant and facilities will remain self-power generating where possible. CPF will be self-generating power from gas turbine generators once it is commissioned. Until this time diesel generators will be utilized to provide power for all Block 9 work sites. The water waste from the main camp will be treated and then sent to evaporation pond. Siba surface facilities is self-sufficient for electrical power generation through three gas turbine generators providing power to the plant, permanent accommodation, laydown area and Basra Oil Company camp. Siba wellhead areas also use solar power packs. Water from CPF Storm Water Basin is reused in irrigation. Recycled Polyaluminium Chloride ("PAC") Wastewater is used in irrigation after treatment.

In Egypt, electricity consumption increased mainly due to using of the GPC electrical station and the national grid of electricity instead of diesel generator to reduce consumption of diesel and consequently reduction of emissions.

The Environment and Natural Resources

Oil and gas exploration and production activities may result in land subsidence and damage to the environment of the concession areas. Pursuant to the relevant regulations and laws, the Group is required to restore the concession areas back to acceptable conditions. We firmly believe our activities must not negatively affect the environment in its areas of operations. To minimize the impact, regular monitoring and testing activities are conducted to ensure harmful emissions and discharges are not released in the environment prior to treatment. The Group provided accumulated provisions of decommissioning costs of HK\$506,004,000 (2018: HK\$385,965,000) as at 31 December 2019 and incurred relevant actual costs of HK\$31,307,000 (2018: HK\$16,857,000) during 2019. The increase in provisions in 2019 was mainly due to the newly acquired subsidiaries during the year. The amounts provided in relation to the decommissioning costs are reviewed at least annually based upon the facts and circumstances available at the time and the provisions are updated accordingly.

6. OUR EMPLOYEES

As at 31 December 2019, the Group employs 1,903 full time employees (2018: 1,308) in Pakistan, Iraq, Egypt, China and Dubai. Employees are core assets of the Group and we offer competitive remuneration package to retain the best people. Remuneration of our employees is commensurate with their capabilities, duration of service, education and prevailing market competition. It is reviewed annually with reference to employee's performance and prevailing market practices. Below is a summary of workforce as of 31 December 2019.

We acknowledge that business strength lies in its diversity. However, in Iraq, priority is given to Iraqi Nationals in hiring if required qualification and experience is available in Iraq.

Employees by Education Category:

	Year 2019	Year 2018
Masters and Above	384	326
Bachelor	833	501
Junior College	226	229
Technical Secondary School & High School	308	185
Junior High School & Below	152	67
Total	1,903	1,308

Employees by Age Group:

	Year 2019	Year 2018
Below 20 years	4	-
20 to 24 years	47	37
25 to 34 years	624	415
35 to 44 years	642	414
45 to 54 years	414	318
55 years and above	172	124
Total	1,903	1,308

Employees by Geographical Region:

	Year 2019	Year 2018
PRC and Hong Kong	118	103
Pakistan	1,139	1,205
Iraq	464	-
Dubai	10	-
Egypt	172	-
Total	1,903	1,308

Employees by Gender:

	Year 2019	Year 2018
Female	142	90
Male	1,761	1,218
Total	1,903	1,308

Compliance with Labor Standards

We offer equal opportunity employment to all qualified employees and do not discriminate against any individual on grounds of race, gender, age, marital status etc. This is to ensure that every employee has the same chance to realize their potential and it is also our responsibility to provide a workplace that is free from harassment, violence and discrimination of any kind. During 2019, the Group complied with all relevant laws and regulations regarding employment of workforce. The Group complies with the Labor Law, the Labor Contract Law, the Social Insurance Law and relevant regulations of the PRC in respect of the work schedule of employees, the staff diversity, the labor relations and the administration for social insurance. For Hong Kong operation, the Group also complies with the Employment Ordinance and the Mandatory Provident Fund Schemes Ordinance to provide relevant remuneration, benefits, insurance and working environment to our employees. Besides, the Group complies with the Immigration Ordinance during employment of new employees. The Pakistan operation also complied with all relevant labor laws including the Mines Act, the Sindh Terms of Employment (Standing Orders) Act 2015 and the Sindh Shops and Commercial Establishment Act 2015. For Iraq operations, we complied with all relevant laws and regulations regarding employment of workforce and payment of Social Security Contribution. These laws include the Labor Law No. 37 of 2015, Social Security Law No. 39 of 1971, instructions issued by Local Employment Bureaus in Basra and Baghdad, instructions from Ministry of Oil regarding recruitment of Iraqi Nationals and approval of recruitment policies, compensation package, etc. by the Joint Management Committee. For Egypt operations, we make sure all its internal policies comply with the Egyptian Labor law.

In addition, the Group has a full suite of policies related to all aspects of Human Resources Management. These policies are readily available on our intranet site for employees to download. The Group also maintains clear policy of no child and / or forced labor which is clearly outlined in our Code of Conduct (“COC”). All employees are expected to be aware of and abide by these commitments and to report any abuses in operations within or linked to the business. In addition, we may highlight that UEG is fully committed to implement its COC and shall provide necessary trainings to all Managers and major subcontractors to ensure compliance with the code and adhere to the restrictions related to no Child / forced labor.

Occupational Health and Safety

Upstream oil and gas operation requires specialized technical skills and it could have widespread impact on health and safety if employees are not equipped with the required skills and knowledge. The Group has inherited an international health, safety and environmental management system. It is committed to conduct its business activities in a safe and efficient manner, and care for everyone involved or impacted by its activities. All

HSSE operations are conducted in accordance with the management system, taking into account and focusing on standards; such as, but not limited to; ISO 55001, OGUK, OGP 343, OHSAS-18001:2007, OHSAS 18002:2007, ISO 45001, ISO 14001:2015, ISO 9001:2015 and ISO 31000:2015. These standards are considered the minimum standard of compliance.

In Pakistan, we complied with the provisions of the Petroleum Act (1934), Petroleum Rules (1937), OGRA Ordinance (2002), the Mineral and Industrial Gases Safety Rules (2010), the Oil and Gas (Safety in Drilling and Production) Regulations (1974), Mines Act (1923), Consolidated Mines Rules (1962) and LPG Rules (2001).

In Egypt, we complied with the provisions of the Egyptian Labor law (Occupational Health and Safety section 12/2003), the Mineral Resources (145 / 2019), the Oil and Gas (Safety in Drilling and Production) Regulations (1974).

In Iraq, we complied with the provisions of Public Health Law No.89 of 1981, Instruction No.(4) of 1989 Safety in Storing And Handling Chemical Materials, and The Environmental Regulations for Project Constructions and Monitoring the Safety of its Implementation No. 3 of 2001, etc.

Development and Training

The Group has clearly defined processes that assesses employees' training needs. Training is provided to bridge the gaps in technical and soft skill competences ensuring well-rounded professional and personal development of all employees. The table below outlines a summary of the trainings we have provided to our employees during the reporting period.

Training Area	Year 2019 (Hours)	Year 2018 (Hours)
Management Skills	2,368	3,190
Legal	1,536	735
Technical	13,685	9,417
Language	675	256
Personal Effectiveness	5,808	2,725
Competence	1,936	2,352
Total	26,008	18,675

In Pakistan, training is done through assessments using our competency management system with the consultation of management to ensure budgets are allocated effectively in line with the needs of the business.



In Pakistan, the Management Team offsite event held to discuss and strategize the long-term vision for the Company.



In Pakistan, we held a mixed group of field employees as part of the Strategic Time Management program.

In Iraq, the total training hours were conducted to the local employee as part of localization plan. The following trainings were conducted: certification courses for International Well Control Forum, ASPEN Software training for Ministry of Oil Costing Team, HR Training etc.

In Egypt, we have carried out various training programs in the different disciplines to develop technical and non-technical skills for all employees depending on their development needs. In addition, in 2019 KEE has started implementing a well-defined process that assesses employees' training needs using KEE Competency Management System to ensure training budgets are allocated effectively.



Employees from various functions who attended our in-house training on the 4 Disciplines of Execution.



The kickoff meeting for Emerging Leaders Program – A Leadership Development Program for future leaders within the Oil & Gas Government Sector.

7. OUR COMMUNITY

The Group is committed to contributing to the development of local communities.

In Pakistan, UEP invests in CSR projects focusing on three key areas: education, health, and capacity building for sustainable income generation.

Education

In 2019, UEP started the construction a new secondary school in existing compound of TCF Primary School building for the people of Kario in Badin district. We also funded the operating expenses of four local schools located in Sanghar, Tando Allahyar and Matiari districts.

Our Group extended financial support to the TCF Halepota Campus in Badin, aided the rehabilitation of a Government Girls Middle School in Jamshoro and provided facilities for 27 government schools in Mirpurkhas and 3 schools in Matiari district.



*Students at The Citizen's Foundation
School – Kario Campus*



*A view of classroom at local community
based school funded by UEP*

Support was also extended to 67 government primary schools in Middle Indus and Mehar blocks where wages of 104 teachers was continued. This provision was made possible via Social Welfare Obligation Funds of District Khairpur, Sukkur and Ghotki. To aid and promote female empowerment six girls from desert area of Miano have been provided with all education and logistic expenses to continue their education at Pakistan Rangers Public School Chundiko as well as scholarships funded of 28 students of Miano at Army Public School & College in Pano Aqil.

Health

In 2019, UEP constructed a new Dental Unit at Civil Hospital Mirpurkhas and provided support for Cyber Knife surgeries of 50 Cancer Patients at the Jinnah Postgraduate Medical Centre (“JPMC”). Cyber Knife and TomoTherapy are highly specialized state of the art machines which can detect and cure early stage cancers.

Our Group also established a much-needed Thalassemia Care Centre for the people of Tando Muhammad Khan and a fully operational Ambulance was donated to the Health Department Dokri, in district Larkana.

Capacity Building

In 2019, we funded Advanced Technical Training for 10 local youth at the Fauji Fertilizer Centre (“FFC”) in Sadiqabad. We also sponsored a vocational training course for 10 young men from our concession communities at The Hunar Foundation.



Local youth receiving advanced technical training at FFC sponsored by UEP



A student of vocation training at The Hunar Foundation

In Iraq, KEC has contractual as well as social responsibility towards local communities and is always looking for opportunities to provide support in infrastructure development, education, health and other life support services. Cost incurred for Social Responsibility is non-recoverable according to EDPSC whereas infrastructure projects are cost recoverable subject to various approvals. List of various projects undertaken during 2019 i.e. since acquisition of KEC are as under:

Education

We supplied 200 desks, 75 whiteboards and 15,000 notebooks to various schools surrounding Block 9 contract area.

During 2019 there were various demonstrations throughout Iraq and people were demanding improvement in their living conditions, necessities e.g. electricity, education, health, employment, etc. These protests lead to changes in Iraq Government few times and especially Ministry of Oil officials. Our management re-assess its social responsibility obligation and organized a team to visit various schools in the surrounding areas and found that most of the schools were in very poor conditions, lacked basic supplies and class rooms were heavily populated (in some cases 60 children in one class room). We supplied desks, white boards, notebooks and refurbished classrooms to provide additional space for children to study in more comfortable conditions. We believe this initiative shall provide better conditions for students and teachers as well as shall attract more students to enroll during coming years.



KEC provided support for restoration and maintenance work on two schools in Abu Al-Khaseeb with 2,300 students. We also provided furniture, bags, books, white boards, etc. to schools of Abu Al-Khaseeb, Faw and Siba for the students of needy families. English language training programs was conducted to improve English of the students considered essential for higher studies.



Distribution of bags, books and white boards etc.



English Language Training

Health

With the outbreak of COVID-19 (end of December 2019), like other parts of the world, Basra was lacking in basic supplies. We donated US\$50,000 to BOC as part of their efforts to support the Basra Governorate in fighting the outbreak of the virus by purchasing medical supplies. In addition, we distributed medical supplies worth US\$13,500 to Al-Zurajji and Al-Deer Health Centers. These supplies include surgical masks, N95 masks, hand sanitizers, Dettol, gloves and scrubs. In addition, these supplies were provided to Border Intelligence Police and other check-posts around Block 9 contract area.

Infrastructure Projects

During 2019, we carried out following infrastructure projects with total spent of US\$1.73 million which improved living conditions for local community around Block 9 contract area.



Rehabilitation of Al Ta'aoun Road – Shatt al Arab Area

Al Ta'aoun Road: connecting people to Basra City Center was very bumpy [i.e. with broken concrete, exposed rebar, sinkholes, etc.] and was not only causing delays but was also damaging vehicles as they need to go off-road quite often. In some cases, vehicles need to detour to avoid damage and such diversion was adding additional 20-25 minutes to access Basra City Center. With the rehabilitation of Al Ta'aoun Road, the movement become more easier and local community is benefitting a lot.



Rehabilitation of Paper Mill Road – Deer Area

Paper Mill Road: A 6.5km road leading to Basra from Al Deer was in a terrible state with potholes and damaged speed breakers. The vehicles had to go off road and drive on rough gravel throughout their journey to Basra City which resulted in many road accidents including few fatalities. With the rehabilitation project, road conditions improved a lot which in turn benefitted the local community to drive safely as well as save considerable time.



Supply of Street Lights – Al Hartha Area

Previously there were no street lights in this area people avoid going outside after sunset and as a consequence the economic activity was reduced. The installation of streetlights bring positive impact in the lives of local people by improving economic activity, enhanced security and improved the safety of driver, passengers and pedestrians.

KEC working closely with BOC to identify infrastructure improvement opportunities during 2020 and coming years which are not only important for Block 9 field development, however, shall also help in improving living conditions of local communities including more employment opportunities with KEC and its sub-contractors.



In 2019, KEC initiated two projects in Faw and Siba areas. In Faw, we provided funds and supervision for repair and maintenance of Faw entrance road & Corniche street.



KEC provided funds for construction of two steel structure bridges and box culvert. These two projects were under construction at the end of the year.

Tackling Poverty

Providing assistance to poor families in concession area is the core aim of KEC's welfare projects since 2018.

In 2019, KEC provided clothing to needy families of Abu Al-Khaseeb, Siba and Faw areas during Eid-ul Fitr & Eid-ul Adha festivals and poor families in Siba community during Ramadan.



KEC supported summer activities program for the youth. Activities include Quran reciting, futsal, Kart racing and swimming and subsequently distribution of gifts after sports activities i.e. football kits, sports medals, cups, bags.

In Egypt, we are committed to enhance the lives of the local communities it operates. We select projects based on several main pillars and focal areas for development, which includes education & youth empowerment, for direct involvement and bright future for tomorrow's engineers, health for well life and capacity building & economic stability for better income developed generation. Besides the three focal areas, the Group also engages in projects which cater to the essential needs of the community living in remote areas. These projects include providing and distributing food during Ramadan and providing school stationery sets for students at Ras Gharib, Area A, Eastern Desert.

Education & Youth Empowerment

In 2019, KEE have provided 1565 opportunities in several technical and non-technical events. We exclusively sponsored for the third year in a row a mega social and students' conference "Es3a 5" March 2019, in partnership with American Association of Petroleum Geologists, Suez University Student chapter "AAPG SU SC". The aim is to guide students and graduates to the proper way in their career, help them, plan and execute, activate their potentials and boost their skills. We have additionally sponsored the technical conference "Oil & Gas Industry Conference", "OGIC 4" for the fourth year in a row in partnership with AAPG SU SC to maximize the capabilities of the students to the fullest of potential. The conference aims to minimize the gap between academia and the industry in an inclusive show. We believe the young minds are the building blocks of the industry and we aim to develop them through exposure to the core practical business and its latest trend and technology.



Es3a 5 Conference, March 2019



OGIC 4 Conference, October 2019

Part of our role is to offer positive social value. In this regards, Kuwait Energy Egypt has built school tent in one of Ras Gharib Schools in order to provide better learning environment for the students and to ensure their safety.



Health

As part of our commitment to promote the health of Ras Gharib citizens, KEE sponsored two-day intense medical convoys at Ras Gharib Hospital. A wide range of specialized medical care which included physical examinations by doctors, free minor surgical procedures and interventions and medicines were provided for the underprivileged community in the area.

About 1048 patients were treated at the first medical convoy which offered diverse services by medical specialists such as ENT specialists (Ear Nose Throat or otolaryngology specialist), Gastroenterologists, pediatricians, dermatologists, orthopedic experts and urologists. The convoy of medical consultants also included several doctors specializing in certain diseases who conducted medical checkups, undertook basic laboratory tests as well as X-Rays for patients who needed them for diagnostic purposes. The employees of Kuwait Energy Egypt also volunteered their time to assist doctors, spread awareness about the convoy and share information about disease prevention with local families. During the camp, a pop-up pharmacy that dispensed free medication was also installed to facilitate patients.

The second medical convoy was a more specialized unit for Ophthalmology specialists. A total of 578 patients were treated and provided 1,844 ophthalmology services which included 49 surgeries and a follow up in August which entailed provision of 286 medical glasses to patients for a clean vision.

This medical convoy was the second in a row with the joint initiative of Misr ElKheir Foundation in partnership with Nahdet Baladna & El Fardous Foundations to dispatch well-equipped mobile medical convoys in rural areas across the country to serve communities that lack access to quality medical services.



Medical Convoy in Ras Gharib, Eastern Desert, June 2019



Medical Glasses Distribution Ceremony, August 2019

KEE participated in the first nationwide blood donation campaign launched by the Egyptian petroleum sector. The campaign – under the patronage of Egyptian Petroleum Minister Tareq Mulla – was launched in tandem with the Health Ministry. Eng. Tarek Al Molla, Egyptian Petroleum Minister & Mineral Resources, inaugurated the campaign by being the first donor on 18 June 2019.

The campaign was spearheaded in response to a proposal filed by the CSR sub-committee for petroleum companies’ social initiatives.

The Petroleum Ministry urged workers in the sector to take part in the initiative which is a national duty and voluntary work to help those in need of blood transfusion.

Meanwhile, Eng. Kamel Al Sawi, President of Kuwait Energy Egypt, has donated and urged all the company’s workers to donate blood within the framework of the campaign.



*Group photo of our donors at Headquarter,
June 2019*



*Group photo of CSR Sub-committee at
Zohr field during donation*

Capacity Building & Economic Stability

Microfinance programs provide small-scale financial services to low-income individuals. Loans are designed to foster sustainable economic empowerment and capacity building for people in developing regions. KEE, in partnership with Misr Al Kheir foundation, micro-financed 25 small projects at Ras Gharib, Area A, Eastern Desert.



Group photo of beneficiaries

8. OPERATION

Product Responsibility

Products of the Group are oil, natural gas and liquefied petroleum gas. The Group are firmly committed to ensuring production storage and delivery as per all relevant local and international safety standards. Our Code of Conduct emphasizes the importance of safety of all stakeholders which is a value to which we strictly adhere. All products storage tanks at our facilities are designed as per applicable American Petroleum Institute (“API”) codes and undergo engineering design, hazard and operability review. In addition, the Group implements a comprehensive set of standards and operating procedures to ensure operational safety in all its facilities. We regularly monitor the specifications of oil and gas to ensure that the product meets all the requirements of sales agreements with various parties. Through monitoring and flexible operations, any deviations in product specification are identified and rectified on an immediate basis.

Robust emergency response procedures and incident management procedures are in place and regular drills are conducted to ensure safety of all stakeholders in the event of any safety incident.

Supply Chain Management

The Procurement and Supply Chain Management (“PSCM”) function is guided by Company values, policies, and procedures. PSCM envisions creating “Sourcing Success” through strategic planning, effective governance, optimized processes, technological integration, and exceptional customer service. PSCM is structured primarily into specialized procurement category teams - Wells, Engineering Services, Operations and Maintenance, and Indirect Procurement- with support from Materials Management, Procurement Operations and Excellence, and Logistics. PSCM continues to identify areas for continuous improvement and opportunities for maximum value creation for the business and our stakeholders.

In Pakistan, throughout the supply chain, focus remains on delivering value through quality of material and services at competitive prices, while continually incorporating industry best practices. PSCM continues to leverage technology and functional best practices to improve efficiency of procurement while addressing a larger and more specialized pre-qualified supplier pool, locally and internationally. A rigorous procurement evaluation system, called Contractor Performance Management (“CPM”) is established to assess the performance of our contractors in the key business areas of health, safety & environment, deliverability, quality and capability. Potential areas of improvement are identified through this system and action plans are developed to improve the contractor’s performance. CPM model also enables us to provide our contractors with fair, transparent and competitive opportunities of doing business with us. PSCM focuses on operational efficiency and excellence through a robust performance management system and performance against internal KPIs is monitored and reported.

In Iraq, procurement and supply chain management (“PSCM”) function of KEC is very well established and since acquisition radical changes are made to ensure that procurement activities are adequately authorized and efficiently completed to meet operational objectives. As per requirement of EDPS, there exist approved Contracts Procurement Procedures (“CPP”) by JMC and various layers of authority are established to ensure compliance with CPP. In addition, these hierarchies are established to ensure competitiveness, fairness, transparency in bidding process and give preference to Iraqi entities, local goods if they meet the technical specifications, availability, prices and delivery time is comparable to those available in international market. It is obligation of KEC to procure goods and services on a competitive basis unless otherwise agreed by JMC

or BOC [special approvals are required for single source procurements]. BOC maintains a list of approved vendors in Iraq and any contract / purchase order exceeding US\$500,000 must be awarded to suppliers/sub-contractors included in the list.

In Egypt, PSCM model is split into specialized sector-wise procurement team along with dedicated support from Customs & Logistics, Materials Management team and Contracts team. At the end of the procurement process cycle, our inventory management team is responsible for ensuring conformity and quality of products procured by following applicable best industry guidelines and procedures. They are also responsible for ensuring availability of materials and spares to support the Company's maintenance programs, policies of managing environmental and social risks are established to control risks related to government regulation and compliance.

Anti-corruption

The Group has clear-cut policies to prevent employees from corruption, theft, fraud and embezzlement. Our Employee Handbook clearly states that employees should not offer, solicit or accept anything of material value to or from a fellow employee, customer, supplier or other business associate in relation to the Group's affairs without the knowledge and consent of the Company. The contravention of these policies will be subject to disciplinary action and may lead to termination of employment.

In Pakistan, our operation also annexes the UEP Code of Conduct to all contracts that it executes and contractors are required to comply with its terms. UEP Code of Conduct specifically prohibits payment of any bribe or facilitation payments to any government official or to and by any employee of UEP. The compliance with anti-corruption and anti-money laundering laws of Pakistan is also mandated in addition to the legislation implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and the United Nations Convention against Corruption. The contractors, sub-contractors, agents or consultants are required to comply with the anti-extortion and anti-money laundering laws and to apply effective disclosure controls and procedures to provide reasonable assurance that non-compliance is prevented, detected and deterred. Breach of the UEP Code of Conduct by a contractor or its employees is considered a material breach of contractor's obligations and may lead to termination of the contract.

In Iraq, we have established policies to address issues related to Anti-corruption, Gifts, Entertainment and Whistleblowing. All employees are obliged to follow Code of Conduct of UEG with slight modifications related to *Alcohol, drugs, illegal substance, smoking and jobs for immediate relatives / blood relations*. Employees are expected to abide by the Code and report with credible evidence any serious wrongdoings related to fraud, bribery, other illegal practices, violation of adopted policies / procedures, or any act related to intentional

breach of law / contract with the objective to seek personal benefits. Employees can report such acts either via email or phone and we ensure that employee is protected from harassment of any kind or victimization as a result of reporting any inappropriate act.

In addition, we include a clear-cut clause in all contracts with sub-contractors and expect them to comply with its terms. All contracts stipulate KEC right to terminate a contract with immediate effect in case of any violation of general business ethics. Article 43 of EDPSC specifically prohibits payment of any bribe or facilitation payments (e.g. gifts or entertainment) to any government official or to and by any employee of KEC. EDPSC further requires that parties to the Contract shall follow the principles described in the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

In Egypt, KEE is committed to high-standard ethical behaviors and values, it has clear-cut policies to prevent the company from corruption, theft, fraud and embezzlement. Our Code of Conduct, duly issued on 25 April 2019, defined the Bribery and Corruption and detailed examples and stipulated explicitly that prohibition of corruption practices whether committed directly or indirectly as per our Code of Conduct and confirmed the company compliance with related local laws in this regard. All KEE employees signed Acknowledgement Forms for the Code of Conduct to confirm their awareness, understanding and compliance with the code.

Further, KEE included in all contracts with suppliers and contractors a number of clauses that governs the Business Ethics which covers the areas of anti-corruption, anti-money laundering, fraud, sanctions etc.

Egypt office newly established an Internal Audit Department that has a dual reporting to the Country Manager & to the Head Quarter's Internal Audit Department, the local Internal Audit Department goal is to review and audit the business practices and to insure the compliance with all policies and procedures in place.

KEE also has the Ethics Governance Committee, the role of the Committee is to: 1. Address and resolve specific compliance and ethics issues within the Country. 2. Act as an advisory body to provide guidance on compliance & ethics as laid out in the Code of Conduct. 3. Investigate issues relating to compliance and ethics and facilitate further investigation, if required. 4. Provide consultation and coaching to staff as required. The Composition of the committee is limited to 7 members. The members are Chairperson - President of KEE, Co-chairperson - Internal Audit Sr. Manager, Secretary - Corporate Affairs Manager, the remaining Committee Members are nominated by Head of Internal Audit and approved by asset President.

In addition, the Bid Committee reviews and approves procurements and supervises the work performed by the Procurement Team of the Company.

9. CONCLUSION

The Board of Directors (the “Board”) of the Company is responsible for evaluating and determining the Group’s environmental, social and governance risks, the formulation of the corresponding strategies, and ensuring that appropriate effective environmental, social and governance risk management and internal control systems are established and maintained. Through regular analysis and independent assessments by the internal audit function, the Board also determines whether the aforesaid systems are sufficient and effective.

The Group understands the importance of ESG report and is committed to make continuous improvements in incorporating social responsibilities into business in order to better meet the changing needs of an advancing society.