

# **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)**

**2020**

## **Environmental, Social and Governance Report**

**Date: 27 July 2021, Hong Kong**

*\* For identification purposes only*

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## Directors' Statement

United Energy Group Limited has been exploring the industry of oil and natural gas for over ten years. Adhering to the business philosophy of harmonious coexistence and win-win cooperation, we attach great importance to health, safety and environmental protection, and actively fulfil our social responsibilities to provide energy with better quality while promoting the harmony between people and nature, building the harmony between enterprises and society, and creating the harmony between energy and environment.

We adhere to professional ethics and conduct our business based on the principles of integrity, openness and transparency, thus gaining the trust of all stakeholders. We do the best individually and as a team to achieve our economic objectives while striving to achieve our commitments. We run our business safely and reliably with a deep concern over the interests of each stakeholder. And we actively pursue sustainable development through new projects and technological innovations.

**Safety and health:** As the guarantee of enterprise development, health and safety is of great importance to us. We have developed best health practices and safety policies to ensure a healthy and safe work environment for all the employees. We ensure the safety of our employees and local communities, increase the efficiency, and achieve consistent profitability based on our unshakeable commitment to health and safety. We have achieved excellent results by protecting our most valuable resource - our employees. While paying attention to the physical and mental health of our employees and fully protecting their rights and interests, we pay high attention to their development and actively carry out employee training programs to achieve the common growth of both employees and the enterprise. Under the dual pressure from the COVID-19 pandemic and low oil price, we rose to the challenges and realized the performance goals while striving to practice our social responsibilities, achieving unanimous recognition and affirmation from our employees, communities and partners.

**Environmental protection:** We insist on energy conservation and emission reduction, practice low-carbon social responsibilities and actively carry out new energy projects to address global climate changes. We have established a 99MW green wind power project in the Jhimpir Wind Power Corridor in Pakistan. And we are promoting the implementation of the fuel substitution project in oil fields and has embarked on the development and construction of photovoltaic energy storage project. Once the project is established and put into operation, more than half of the electricity in the camp will be supplied through clean energy. We attach importance to protecting and improving local ecological environment, and have made positive contributions to the improvement of local ecological and municipal environment in the construction of roads, power grids, and water supply and drainage facilities. We have also improved the living environment of the residents at the location of oil fields by introducing and promoting

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technologies regarding energy-saving, drinking water purification, and harmless treatment of waste and sewage to local communities.

Humanistic care: We have helped to raise the level of local culture and education, especially the educational degree of women, by investing in the establishment of several women's universities and high schools that have trained tens of thousands of students. We offer free education to thousands of children, and repair buildings and provide facilities and books for several schools. We are committed to enhancing local health care. We have funded the construction of several medical centres and provided many medical institutions and communities with a lot of medical equipment, ambulances, epidemic prevention supplies, and medicines so that patients can be examined and treated in a timely manner. We actively provide disaster relief and poverty alleviation assistance to local communities and donate to the residents in the areas hit by natural disasters at the first time.

Community construction: We will continue to work with governments and credible non-governmental organizations to carry out investment projects for community construction. We cooperate with professional organizations to provide professional training for the youth at the location of oil fields, increasing the employment rate of local youth. We employ local contractors and also teach knowledge and skills to local enterprises and workforce, driving local economic development and employment.

A journey of a thousand miles begins with a single step. United Energy will continue to engage in the improvement of environment, community and safety production, and pay more attention to our social responsibilities while improving our economic performance.

By Order of the Board

*United Energy Group Limited*

Zhang Hong Wei  
Chairman

Hong Kong, 27 July 2021

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## **1. ABOUT THIS REPORT**

Being a responsible corporate citizen, United Energy Group Limited (United Energy for 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 are 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 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 in regarding material environmental, social and governance issues for the period of 1 January 2020 to 31 December 2020 (the reporting period).

## **2. REPORTING STANDARD**

This Environmental, Social and Governance (ESG) report of United Energy Group 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 2020 Annual Report that was published on the Stock Exchange of Hong Kong on 28 April 2021 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:

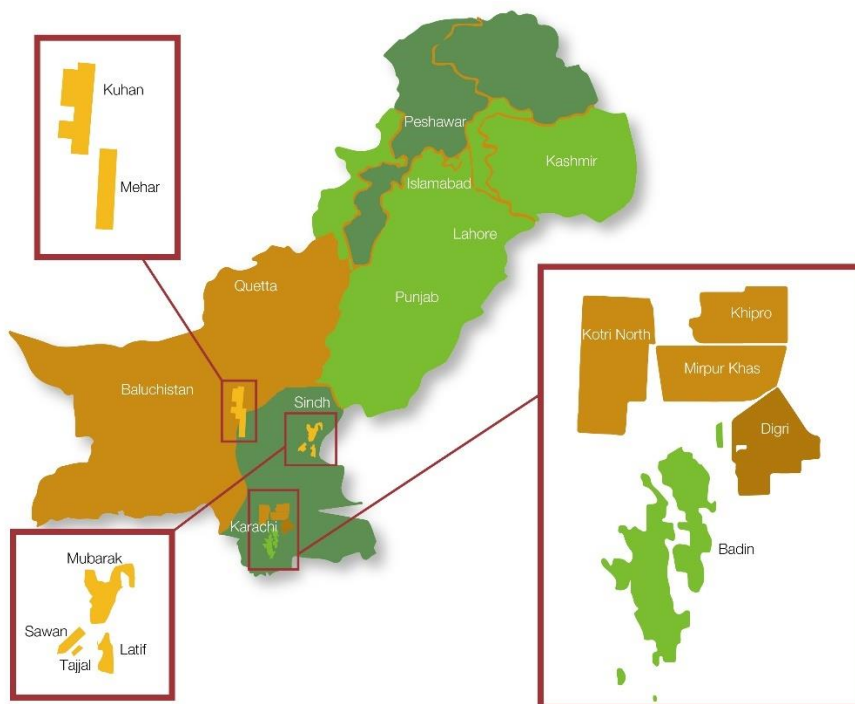
Investor Relations Department  
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## 4. CORPORATE PROFILE

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.

### 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 79,500 boed in 2020. This growth in production has resulted in UEP adding new gas into the system, which accounts for approximately 14% of total Pakistan's indigenous gas production, significantly contributing to Pakistan's energy needs and economic development. The map below presents an overview of the Group's operations in Pakistan.



In addition to the E&P business, UEG has also invested 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 supplies renewable electricity to the national grid.

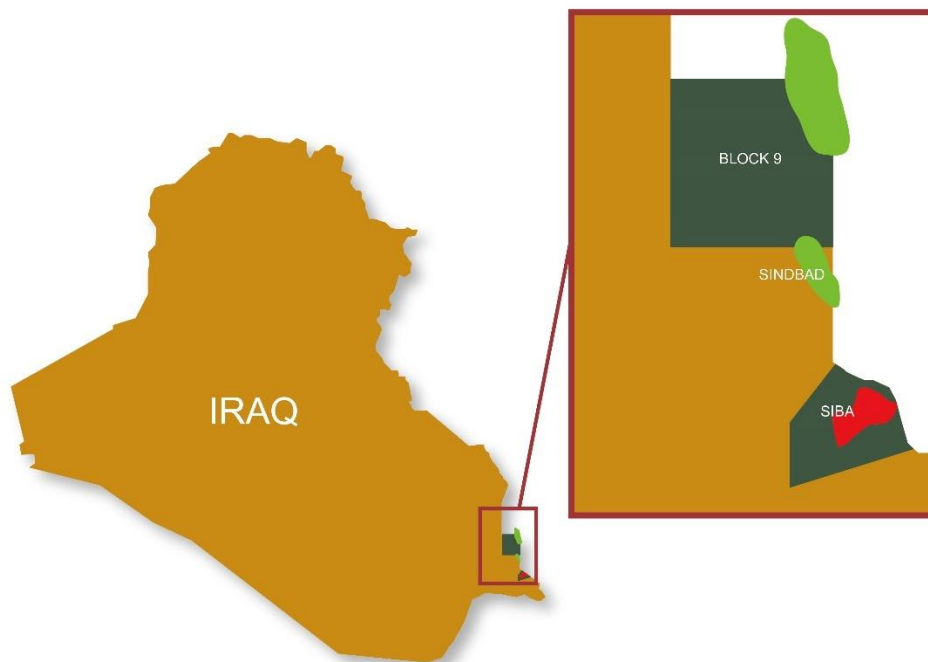


On 21 March 2019, UEG acquired Kuwait Energy Plc. Following this acquisition, we have engaged in upstream oil and gas business in Iraq and Egypt.

### **Overview of Iraq's Operation**

Kuwait Energy Basra Limited (KEBL) is the Operator of Block 9 (B9) 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 and so the contractor has recovered petroleum cost and remuneration fee from Basra Oil Company (BOC).

Kuwait Energy Iraq Ltd (KEIL) is the Operator of Siba gas field governed by Siba Gas Development and Production Service Contract (GDPSC), which was entered into 5 June 2011. Siba gas field is the first non-associated gas field in Iraq and the indigenous gas production 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 the gas processing plant operation commenced in August 2018. The map below presents an overview of the Group's operations in Iraq.



As of 31 December 2020, our total investment for B9 has amounted to approximately US\$ 830 million which will considerably increase with the commencement of development activities during 2021. This capital investment covers mainly the drilling activities, production operations, surface facilities, Explosive Remnants of War (ERW) clearance, reservoir performance monitoring and well production optimization, as well as conducting in depth reservoir studies.

The Field Development Plan (FDP) for the Yamama reservoir which had been submitted to the Iraqi Government and received its approval, supports the increased production in the coming five years. In 2020, the average daily gross production of B9 was approximately 26,849 boed. The accumulated gross production for the year 2020 was 9.8 million boe with gas to oil ratio of 1,132 scf/bbl.

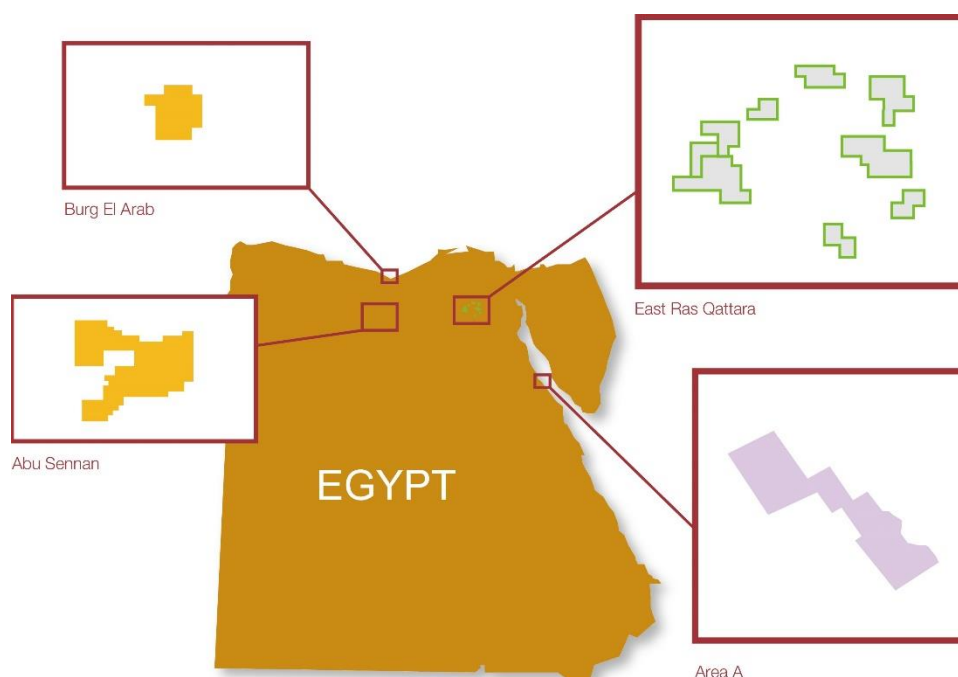
In 2020, KEIL has successfully achieved the operation targets and met the business obligations by ensuring the operational activities sustained in a safe and smooth manner despite the COVID-19 Pandemic and achieved zero Coronavirus infections, by a strict implementation of numerous prevention procedures. During 2020, KEIL achieved an average daily gross production rate of 21,859 boed.

### **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). The map below presents an overview of the Group's operations in Egypt.



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 2020, the gross operation production of the Group's assets in Egypt was approximately 23 mboed. The Group's intention is to maintain production and cash generation by focusing on infill drilling, working on enhanced oil recovery techniques such as water flooding in Area A, Abu Sennan and BEA plus undertaking some exploration activities in all assets.

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. In Pakistan, we spent well above our contractual requirement in social investments focused on education, health and capacity building. In Block 9, partners have contractual commitment to allocate 10% of the approved annual budget towards infrastructure improvements. This fund is managed and controlled by the Ministry of Oil in coordination with the local government (i.e., Basra Governorate) to provide financial support to infrastructure projects in the community areas neighboring the contract area. In Siba, we focused on the local staff recruitment and training in order to fulfill the localization plan as per its commitment in the GDPSC. We have embarked on a number of Corporate Social Responsibility (CSR) and welfare initiatives in full collaboration with authorities and local representatives in order to enhance the living conditions for the community.

## 5. OUR ENVIRONMENT

### A1 Emissions

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. Below is a summary of the emission data for the reporting period.

	Direct GHG Emissions 2020 (tonne)	Indirect GHG Emissions <sup>a</sup> 2020 (tonne)	Total GHG Emissions <sup>c</sup> 2020 (tonne)	Total GHG Emissions <sup>c</sup> 2019 <sup>b</sup> (tonne)
Pakistan	2,163,878	-	2,163,878	1,947,111
Iraq	917,665	-	917,665	323,506
Egypt	121,444	-	121,444	376,820
<b>Group</b>	<b>3,202,987</b>	<b>-</b>	<b>3,202,987</b>	<b>2,647,437</b>

	Direct GHG Intensity 2020 (tonne/mboe)	Indirect GHG Intensity <sup>a</sup> 2020 (tonne/mboe)	Total GHG Intensity 2020 (tonne/mboe)	Total GHG Intensity 2019 <sup>b</sup> (tonne/mboe)
Pakistan	71.86	-	71.86	54.50
Iraq	51.54	-	51.54	40.30
Egypt	14.46	-	14.46	64.63
<b>Group</b>	<b>56.87</b>	<b>-</b>	<b>56.87</b>	<b>53.40</b>

	Hazardous Waste Generated – Net		Non-hazardous Waste Generated – Net	
	2020 (tonne)	2019 <sup>b</sup> (tonne)	2020 (tonne)	2019 <sup>b</sup> (tonne)
Pakistan	28	97	1,210	1,142
Iraq	212	161	1,855	1,599
Egypt	277	287	615	624
<b>Group</b>	<b>517</b>	<b>545</b>	<b>3,680</b>	<b>3,365</b>

	Hazardous Waste Generated Intensity		Non-hazardous Waste Generated Intensity	
	2020	2019 <sup>b</sup>	2020	2019 <sup>b</sup>
	(tonne/mboe)	(tonne/mboe)	(tonne/mboe)	(tonne/mboe)
Pakistan	0.001	0.004	0.040	0.047
Iraq	0.026	0.042	0.224	0.419
Egypt	0.053	0.069	0.118	0.151
<b>Group</b>	<b>0.015</b>	<b>0.017</b>	<b>0.108</b>	<b>0.104</b>

	GHG Emissions Target <sup>c</sup>	Hazardous Waste Targets	Non-hazardous Waste Targets
	2021 <sup>d</sup>	2021 <sup>d</sup>	2021 <sup>d</sup>
	(tonne)	(tonne)	(tonne)
Pakistan	2,040,000	27	1,180
Iraq	829,997	168	1,778
Egypt	131,160	273	540
<b>Group</b>	<b>3,001,157</b>	<b>468</b>	<b>3,498</b>

*Note:*

- We do not purchase utilities such as electricity and gas in Pakistan and Iraq, thus no indirect emissions have been reported.*
- Emissions from Pakistan are on yearly basis, Emissions from Iraq and Egypt are from 21 March 2019.*
- Greenhouse gas emissions data comprises 100% of emissions from activities operated by the Group. Stationary and mobile combustion from all processing plants have also been captured. Carbon dioxide (CO<sub>2</sub>) is the primary emissions.*
- Approximate 10% emission reduction target and 5% non-hazardous waste reduction target from 2020 baseline in 2021.*

Group is involved in the extraction and processing of oil and natural gas, therefore, carbon dioxide is the major GHG emitted as a result of operations. Air emissions of pollutants are mainly NO<sub>x</sub>, SO<sub>x</sub> and PM and their emissions were around 4,499 tons, 1,067 tons and 314 tons respectively for the year. After serious consideration, we set 2021 emission targets of NO<sub>x</sub>, SO<sub>x</sub> and PM as 4,702 tons, 1,103 tons and 332 tons respectively.

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

### **Management of Emissions and Wastes in Pakistan's Operation**

In Pakistan, we comply with regulatory policies enacted by Sindh Environmental Protection Agency (Government of Sindh) through quarterly monitoring of emission using third party services. Furthermore, hazardous and non-hazardous wastes are handled through

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approved contractors with valid licenses and competent workforce conforming to Sindh Environmental Protection Act, 2014 and regulations made thereunder.

In Pakistan, Greenhouse Gas emissions in 2020 remained relatively unchanged as compared to 2019, although, a major reduction was reported in drilling operations which was offset by increased emissions from processing. Emission from Badin showed a slight increase and an increase of about 10% was observed in Middle Indus, due to addition of wells at Sawan Gas Field. In comparison to the previous year, an overall 5% decrease in the quantity of fuel gas use was observed. Diesel consumption dropped to one fifth of previous years consumption resulting in less emissions from this fuel source.

### **Management of Emissions and Wastes in Iraq - Block 9**

In Iraq, we continue to 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. An Environmental Impact Assessment (EIA) baseline study and scoping report in line with the Field Development Plan (FDP) has been completed and is ready for MoE approval following a joint workshop carried out with the MoE. The statistics for emissions are currently under review awaiting MoE's approval. KEBL has conducted two EIA Studies. First EIA study was prior to starting the exploration and second for the Early Production Facilities. These studies took full account of compliance with relevant laws, regulatory requirements and policies where significant impacts are considered in relation to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

In Iraq, Greenhouse gas emissions in year 2020 was mainly due to gas flaring during the exploration phase. As KEBL works towards field development and production facilities, it would greatly reduce the flaring of gas from wells. This is captured in the FDP as KEBL works with the relevant stakeholders with management having the following plans to mitigate gas flaring:

- Stage 1: 100 mboed oil treatment, associated gas flaring, commissioning by end of 2022
- Stage 2: 130 mmscf/d 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 Recovery Unit or the acid gas will be re-injected into reservoir for permanent sealing.

From December 2019, Block 9 started transporting crude oil to BOC via transmission pipelines under an EDPS arrangement which removed the need for daily trucking of crude oil. This development saved heavy trucking, resulting in a reduction of NO<sub>x</sub>, SO<sub>x</sub> and PM emissions.

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A 10% reduction of emissions is targeted for the year 2021/2022. A series of environmental awareness initiatives have been launched as part of the 2021 HSE Plan to encourage our employees and contractors to take an active role in environmental stewardship through better management of our waste, water, land, and energy resources. The key focus areas of this initiative are water conservation, energy reduction, waste reduction and environmental impact.

KEBL will be working with BOC and Basra University on a landscaping and Greenbelt project which is aimed at increasing the planted vegetation within the Block 9 concession. This project will greatly influence our GHG removal from newly planted trees.

In Block 9 concession, all hazardous and non-hazardous wastes are handled through approved local contractors, who dispose them at the approved local municipality facility. We continue to segregate the recyclable waste (scrap metal, batteries, etc.). Recyclable waste is collected, tracked, and transferred by BOC to the appropriate waste refuge for recycling.

#### **Management of Emissions and Wastes in Iraq - Siba**

To minimize air pollution, maximum care is taken in relation to put in process controls to maintain safe process operations with minimum flaring in Siba gas field.

The waste gas generated is incinerated in the thermal oxidizing system. To be safely discharged at a height of 76 meters, flue gas travels the height of the thermal oxidizer before going into the stack.

Only a minor continuous flaring equivalent to less than 0.05mmscfd for High Pressure (HP) flare and 0.02mmscfd for Low Pressure (LP) flare is required for purging flare header and stack, to keep the positive pressure and avoid air ingress into the flare header carrying hydrocarbon gases. The quantity of continuous purging gas is controlled through the API approved code and standard (API - 521). The main purpose of flaring during operation is for the following scenarios:

1. Emergency shutdown with depressurization (blowdown).
2. Safety Valve relief due to high pressure of vessel or equipment.
3. Controlled relieving of excess gas associated with piping and vessels, when the pressure exceeds normal operating pressure envelope.
4. Maintaining production during process upsets to provide time for operation personnel to resolve the problem.

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The air modeling has been undertaken for all stacks in Central Processing Facilities (CPF) during the EIA study before the production phase. Also, our plan is to carry further air monitoring during the production phase. A budget has been allocated for the Monitoring Program in 2021, in accordance with our EIA study to:

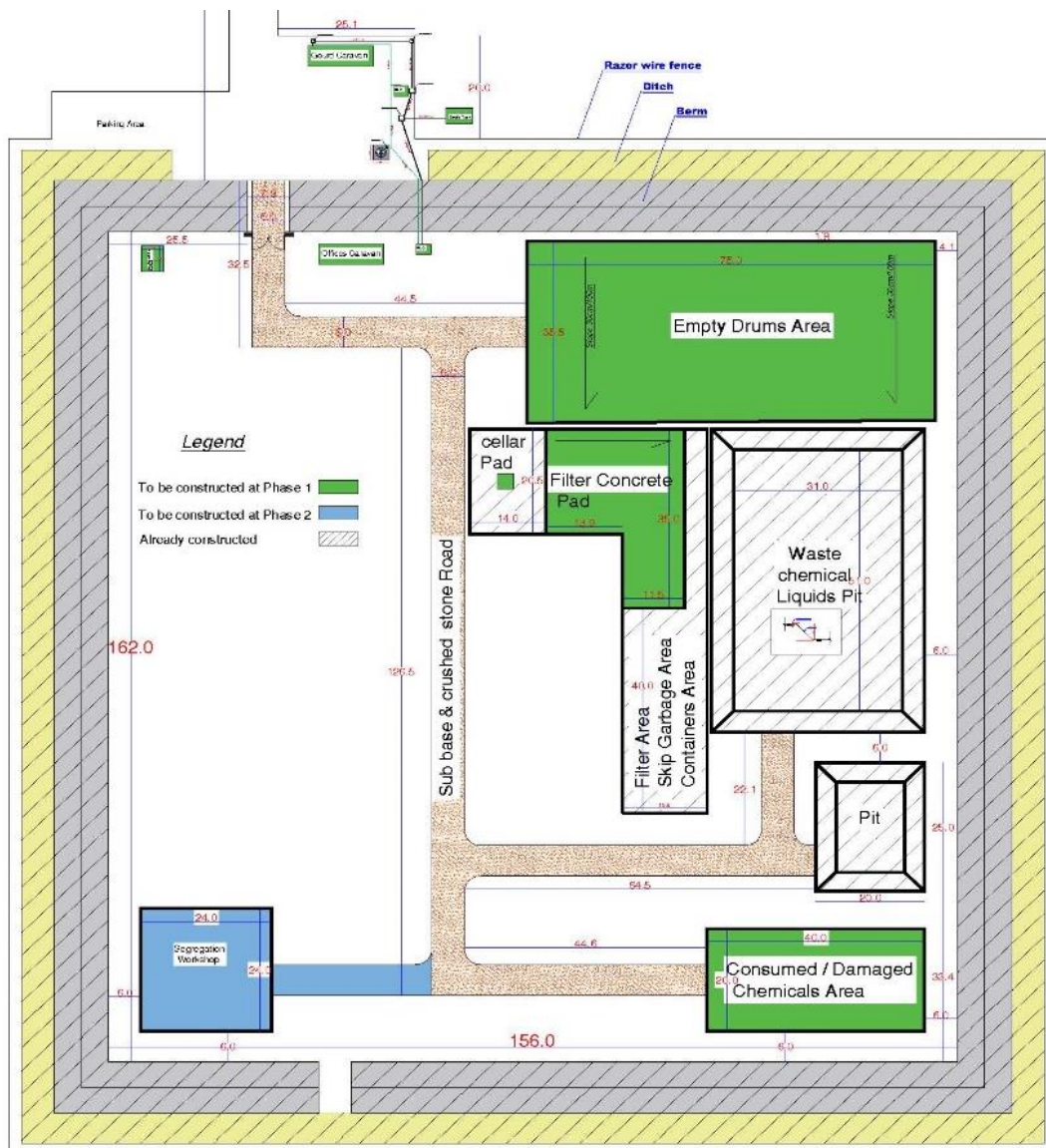
1. Provide a database from which the environmental impacts of the project can be assessed.
2. Provide an early indication should any of the environmental control measures or practices fail to achieve the acceptable standards.
3. Monitor performance of the project and effectiveness of the mitigation measures.
4. Determine project compliance with regulatory requirements, standards and government policies and EIA study.
5. Take remedial actions if unexpected problems or unacceptable impacts arise.

In Siba, we are using Ozone friendly R-410A for the purposes of air conditioning and preventing the use of Hydrochlorofluorocarbon (HCFC) gas types that are detrimental to the Ozone layer.

All hazardous and non-hazardous wastes are handled through approved local contractors and disposed at approved local municipality facilities.

Waste Management Area (WMA) has been selected and approved by the BOC, which will be used as a temporary area for hazardous waste and non-hazardous waste disposal, such as wood, scrap metal, empty barrels, consumed material, electronic waste, etc. Budget has been allocated for the construction phase in 2021.

KEIL has agreed with BOC to transport, dispose and recycle the hazardous wastes via Ministry of Science and Technology (MoST).



### Management of Emissions and Wastes in Egypt

In Egypt, the Group complies 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 protection of environment amended by Law 9/2009. We minimize the volume of toxicity wastes generated, reuse or recycle wastes, implement treatment methods and waste disposal options. Operational changes are implemented to minimize the total volume of waste generated. Routine inspection and pressure testing of tanks, vessels, gathering lines, and flow lines are scheduled.

Greenhouse gas emission decreased in Year 2020 at Abu Sennan (AS), mainly because we avoided flaring by installing a new 10 km gas line launched in March 2020 from Jahraa oil station to Gharadeck gas plant (Khada Co.). Gas emissions are expected to decrease in Year 2021 due to 21 km gas line will be launched in January 2021 from ASH

to El-Salmiya gas plant.

## A2 Use of Resources

The Group's business nature includes drilling, seismic acquisition, operation of plants, laying of flow lines etc. This results in the consumption of energy, water, and other resources. We are committed to limit the impact to the environment from our operation and to do so, we have a comprehensive HSE system of managing every aspect of our operation. To minimize any negative impact on environment, 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 wastewater is used for gardening purposes in residential camps. No unprocessed wastewater leaves the sites, since it is evaporated in evaporation ponds to prevent any water seeping into the ground.

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/transmission pipelines to the refineries/export terminal. LPG is sold to the LPG marketing companies via bowsers.

	Electricity - Gross		Gas - Gross		Diesel - Gross		Water Consumed- Gross	
	2020	2019 <sup>a</sup>	2020	2019 <sup>a</sup>	2020	2019 <sup>a</sup>	2020	2019 <sup>a</sup>
	(MW)	(MW)	(mscfd)	(mscfd)	(m <sup>3</sup> )	(m <sup>3</sup> )	(m <sup>3</sup> )	(m <sup>3</sup> )
Pakistan	109,110	82,835	12,945	13,550	4,551	27,016	571,186	730,347
Iraq	8,263	7,129	11,693	7,422	5,648	3,561	81,329	62,801
Egypt	2,431	3,755	150,000	100,000	6,052	6,640	93,407	89,407
<b>Group</b>	<b>119,804</b>	<b>93,719</b>	<b>174,638</b>	<b>120,972</b>	<b>16,251</b>	<b>37,217</b>	<b>745,922</b>	<b>882,555</b>



	Electricity Efficiency		Gas Efficiency		Diesel Efficiency		Water Consumed Efficiency	
	2020	2019	2020	2019	2020	2019	2020	2019
	(MW/mboe)	(MW/mboe)	(mscfd/mobe)	(mscfd/mobe)	(m <sup>3</sup> /mobe)	(m <sup>3</sup> /mobe)	(m <sup>3</sup> /mobe)	(m <sup>3</sup> /mobe)
Pakistan	3.75	2.22	0.45	0.36	0.16	0.72	18.97	19.56
Iraq	0.46	0.89	0.66	0.92	0.32	0.44	4.57	7.82
Egypt	0.29	0.64	17.86	17.15	0.72	1.14	11.12	15.34
<b>Group</b>	<b>2.17</b>	<b>1.89</b>	<b>3.16</b>	<b>2.44</b>	<b>0.29</b>	<b>0.75</b>	<b>13.49</b>	<b>17.80</b>

	Electricity Efficiency Target		Gas Efficiency Target		Diesel Efficiency Target		Water Consumed Efficiency Target	
	2021		2021		2021		2021	
	(MW/mboe)		(mscfd/mobe)		(m <sup>3</sup> /mobe)		(m <sup>3</sup> /mobe)	
Pakistan	3.71		0.44		0.15		19.40	
Iraq	0.75		1.32		0.60 <sup>b</sup>		3.54	
Egypt	0.28		17.00		0.70		10.00	
<b>Group</b>	<b>1.89</b>		<b>3.50</b>		<b>0.35</b>		<b>11.25</b>	

**Note:**

a. Resources used from Pakistan are on yearly basis, from Iraq and Egypt are from 21 March 2019.

b. The increase for 2021 due to the ongoing camp expansion project resulting in increase in diesel consumption. However, the solar power project will kick off in 2022 which will reduce diesel consumption.

In Pakistan, UEP does not consume electricity from the grid and electrical power is self-generated. However, the electrical consumption is indicated for comparative purposes. Overall, diesel consumption observed a sharp decrease of around 80% as compared to the previous year, of which the major reduction was reported in drilling and completion activities followed by two-fifth reduction in Badin/MKK Concessions and around one-third in Mehar Gas Field. This was primarily due to fewer rig deployments and less travel due to impacts of the COVID-19 pandemic. While substantially less water was utilized in Badin and MKK facilities in 2020, an increase in water consumption was witnessed in drilling because of extended drilling of some tenacious wells. Generally, water consumption in 2020 was low in comparison to the previous year.

UEP has set its reduction targets keeping in view the context of its operations and future expansion goals. UEP will endeavor to achieve its targets by adoption of novel processing technologies and efficient use of resources.

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Electricity provided to all B9 operational facilities is also self-generated. Power is provided via diesel generators. This practice will continue where possible during the development of the field, however planning has started on the procurement and installation of a solar power plant facility, to provide power to the B9 main life support camps. The planned CPF, once commissioned, will meet its own power requirement from gas turbine generators. Till that time, B9 facilities will continue to utilize diesel generators for electrical power.

The Siba surface facilities is self-sufficient and produces electrical power through three gas turbine generators, providing power to the plant, permanent staff accommodation (PAC) and laydown area. Siba wellhead areas use Solar power packs.

KEE's electricity consumption increased during the past few years 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.

There is no treated piped water available in our contract area in Iraq, with general non potable water being provided by local vendors via road tankers and decanted into storage tanks. All drinking water is provided by local vendors in 0.5L plastic bottles, delivered as required to meet demands. At the well site, water wells have been drilled that provide water for drilling activities only.

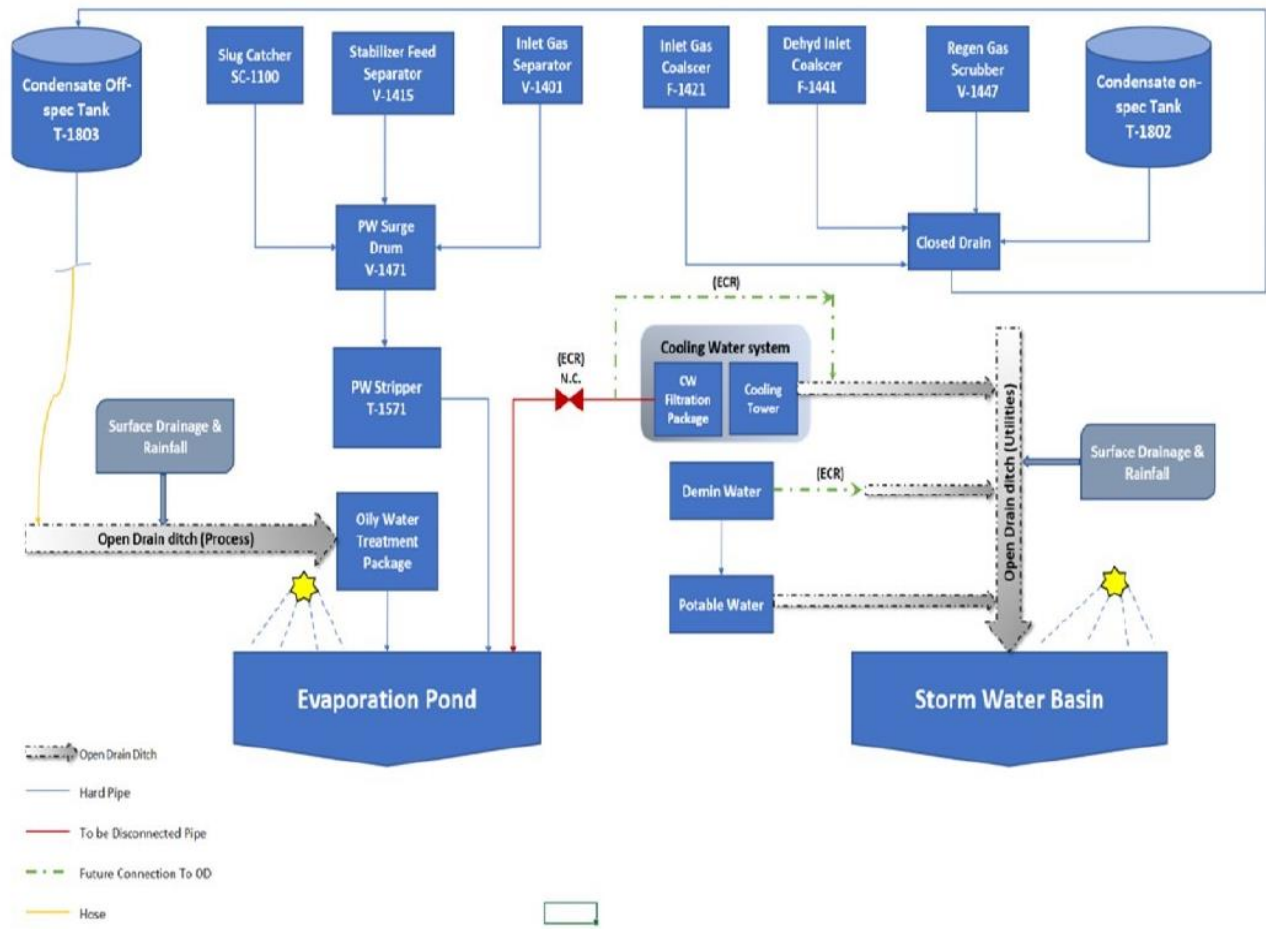
In Block 9, wastewater treatment facilities have been planned for implementation in 2021, and wastewater from the main camp will be treated and sent to an evaporation pond.

In Siba, the Reverse Osmosis (RO) water is provided by local vendors and decanted into PAC water tanks. Water from the CPF Storm Water Basin is reused in irrigation. Recycled PAC wastewater is also used in irrigation after treatment.

CPF Chemical Lab in Siba: All hydrocarbon waste is reintroduced into the processing system in order to recover hydrocarbons (reuse) after the periodic analysis, where the condensate waste returns to off-spec condensate tank, and amine waste returns to amine system.

CPF Oil Recovery and Drainage System: A closed drainage system is provided to collect hydrocarbon fluids from the process equipment, piping items, closed loop sample points, etc. These drains are routed to the Closed Drain Vessel. This vessel is vented to the low-pressure flare header. The collected liquids from the vessel are pumped back to the off-spec condensate tank.

An oily water treatment package is designed to recover traces of oil from open drains. Recovered oil is pumped back to the off-spec condensate tank. Treated water is routed to the evaporation pond.



### A3 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. UEP conducts independent monitoring through third party contractors during project activities in environmentally sensitive areas to ensure compliance to the regulatory approvals granted and safeguard the environment less from any negative impacts. The Group provided accumulated provisions of decommissioning costs of HK\$494,925,000 (2019: HK\$506,004,000) as of 31 December 2020 and incurred relevant actual costs of HK\$7,202,000 (2019: HK\$31,307,000) during 2020. 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.

In Block 9, the EIA study of the early production has considered the impact of operational processes on the surrounding communities. Air sampling (Air Diffusion) analysis has been undertaken by a third party before and during the early production phase. Groundwater contamination is prevented by using High-density polyethylene (HDPE) liners in cutting

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pits at the well sites.

During the Front End Engineering Design (FEED) stage of CPF, engineering designs for spill containment will be incorporated by tertiary containment, such as bunded areas, and spill prevention managed by level controllers with alarms and executive action. During the EIA study for production phase, the impact of the main aspects (Thermal Oxidizer, Evaporation Pond and Flare) along with air modeling study will be considered.

The Siba CPF, metering stations and well sites have a number of failsafe systems in place to minimize adverse environmental damage. These are documented in the HSE Safety Case, Hazard Identification (HAZID), Environmental Impact Assessment (EIA) and Environment Risk Assessment (ERA) studies are undertaken. The consequential effects are minimized by having, as a minimum, spill kits (absorbent booms and blankets available), bunds for secondary containment, Material Safety Data Sheet (MSDS) and a 24/7 Emergency Response Team.

The EIA and ERA studies have considered the surrounding communities and the impact the operational processes could place upon them. Air modeling and air sampling (Air Diffusion Tubes) have been undertaken and analyzed before the production phase and during the production phase by a third party. Further air monitoring is planned and budgeted for 2021-2024. A CPF flare radiation study was undertaken to ensure compliance.

Environmental protection and monitoring regarding air pollution are outlined in the EIA studies undertaken by KEIL. The HAZID report stipulates engineering controls for the production phase. The Flammable and Toxic Risk Assessment and the Quantitative Risk Assessment (QRA) report also consider on-spec and off-spec tanks venting and dispersion and is being followed by KEIL.

Groundwater contamination is prevented by using HDPE liners in cutting pits at the well sites, and evaporation ponds at the CPF. Spill containment is managed by tertiary containment, such as bunded areas, and spill prevention is managed by level controllers with alarm voting and executive action. Maintenance work resulting in breaking the containment is managed by the O&M Hazard and Effect Management Process.

There are no activities within Siba Field that could impact the nearest main water source (Shatt Arab) and pollute the water.

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#### **A4 Climate Change**

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. We endeavor to utilize Best Available Technologies to curb emissions and reduce its overall environmental footprint.

In Iraq, during the FEED stage of Block 9's CPF, the installation of a Weather Forecast Station or device within the project facility to monitor the wind speed, wind direction, ambient temperature, and humidity etc., will be considered.

In the EIA study for the construction facilities, the scenario of the collapse of the bund wall of the water channel along the Iraq-Iran border, causing large quantities of water to flow in from the Iranian side of the reservoir to Iraqi side affecting the drilling activities, early production and CPF, will be considered.

During the FEED stage of the Siba CPF, it has been considered in the HAZID report the main elements of Climate Extremes such as temperature, high wind, dust, flooding, sandstorms, earthquakes, erosion, heavy rain, subsidence, etc. Based on this report, concrete piles have been driven in all facilities, lightning poles have been installed in different areas, as well as weather indicator devices, storm water basins have been constructed to collect water from heavy rains, and the stability of the thermal oxidizer and microwave tower against the high wind speed was also ensured.

A soil berm has been built in the Shatt Al-Arab River shoulder from Siba Field side to prevent any flooding to the field and Siba City.

## **6. OUR EMPLOYEES**

### **B1 Employment**

Employees are the 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. We are promoting diversity in the workplace by recruiting a diverse workforce from different races, ethnicities, religions etc. We are an equal opportunity employer, and

do not discriminate based on gender, color, race, religion, disability, nationality etc. In those countries with our Projects, priority is given to Local Nationals in hiring if required qualification and experience are available in such countries.

The Group has put in place a robust HR Management system that comprises of several policies, processes and workflows covering all aspects of the Human Resource Management. All HR policies have been formulated in compliance with the applicable local labor and Social Security laws.

The HR Delegation of Authority provides further clarity and guidance on the decision-making process regarding all HR activities. The Human Resources Committee (HRC) is composed of senior management.

As 31 December 2020, the Group employed 2,058 full time employees (2019: 1,903) in Pakistan, Iraq, Egypt, China, and The United Arab Emirates (UAE). Below is a summary of workforce and employee turnover rate (Turnover Rate 2020 represents the number of dismissed, retired and work-related deaths employees in 2020 divided by the total employees of 2020).

**Total workforce by Age Group:**

	Year 2020	Year 2019	Turnover Rate 2020
Below 20 years	1	4	-
20 to 24 years	45	47	-
25 to 34 years	654	624	5%
35 to 44 years	722	642	3%
45 to 54 years	478	414	2%
55 years and above	158	172	14%
<b>Total</b>	<b>2,058</b>	<b>1,903</b>	<b>4%</b>

**Total workforce by Gender:**

	Year 2020	Year 2019	Turnover Rate 2020
Female	171	142	11%
Male	1,887	1,761	4%
<b>Total</b>	<b>2,058</b>	<b>1,903</b>	<b>4%</b>

**Total workforce by Geographical Region:**

	Year 2020	Year 2019	Turnover Rate 2020
PRC (Include Hong Kong)	144	118	13%
Pakistan	1,212	1,139	2%
Iraq	512	464	7%
UAE	21	10	-
Egypt	169	172	8%
<b>Total</b>	<b>2,058</b>	<b>1,903</b>	<b>4%</b>

**Total workforce by Education Category:**

	Year 2020	Year 2019
Masters and Above	414	384
Bachelor	914	833
Junior College	252	226
Technical Secondary School & High School	330	308
Junior High School & Below	148	152
<b>Total</b>	<b>2,058</b>	<b>1,903</b>

**B2 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, considering 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 standards of compliance.

Personal safety	2020	2019	2018
Number of work-related fatalities			
- employee	-	-	-
- contractor	-	1	-
Recordable injury (RI) frequency			
- employee (per 200,000 hours worked)	-	-	-
- contractor (per 200,000 hours worked)	-	0.009	-
Lost days due to work injury	98	25	2

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Lost days due to work injury in 2020 were higher as compared to the previous year due to an incident of a contractor employee falling from height. The affected person was absent from work for more than 90 days; however, he was able to make a successful recovery and back to work. All medical expenses were borne by the Company.

### **Occupational Health and Safety in Pakistan**

The organization has well elaborated processes and systems to ensure a healthy and safe working environment throughout the lifecycle of its operations. This begins with fitness for work assessment of employees at the time of hiring and then providing them the required training and competency so that they can adequately understand and comply with organization's safety standards. The inherent risk associated with our operations are mitigated through a robust risk assessment program followed by stringent control of work protocols. All employees are provided with required safety gear to protect them from any eventuality.

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), LPG Rules (2001), Sindh Occupational Safety & Health Act (2017) and Sindh Occupational Safety & Health Rules (2019).

Moreover, UEP details its health and safety protocols to all contractors through a dedicated program of Contractor Safety Management System (CSMS). Besides ensuring that our activities throughout our entire assets are conducted safely, risks that arise during transport of its staff, contractors as well as products are managed through an intricate program of Road Transport Management System (RTMS). All the changes within the organization are carried out after a thorough review and approval process under the Management of Change protocol. With the help of all these systems, UEP strives to protect the health and safety of not only its employees but everyone who is directly or indirectly associated with its business activities including the community at large.

### **Occupational Health and Safety in Iraq**

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.

Directed by the B9 Leadership Team, a HSE Management System has been implemented in B9. This system is being continually improved to meet the evolving needs of the field development and the associated hazards and risks.



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The HSE Department organizational structure is evolving to meet the needs of the organization by adding key technical positions in line with the HSE personnel recruitment plan through to 2025.

All HSE operations are conducted in accordance with the management system, considering and focusing on internationally recognized standards, including, but not limited to American Petroleum Institute (API), National Fire Protection Association (NFPA), Occupational Safety and Health Administration (OSHA), British Standard (BS) and Europe Standard (EU). These standards are considered the minimum standards of compliance.

HSE assurance is monitored and validated through self-verification audits and inspections based on international standards and best practices. This is complemented by the scheduled leadership visits to various sites and work faces to demonstrate visible HSE leadership commitment.

Prior to year end 2020, HSE Assurance Plan including KPIs was developed for 2021, which will drive HSE focus, assurance, and continual improvement for the coming year.

Our operation in Iraq was challenged with the spread of COVID-19 pandemic during 2020. The response from the HSE and leadership was to implement numerous control measures to manage and mitigate the associated risks, enabling continuous operation of the assets. Implemented controls include:

1. Reduced workforce to essential staff only
2. Formation of a Covid Management Committee
3. Developing and implementing a COVID-19 procedure, including protocols, which was reviewed frequently to meet both Iraqi and various international requirements
4. Setting up of an external 3<sup>rd</sup> party quarantine camps
5. Implementing testing requirement including PCR and antigen/antibody

All operations are controlled by utilizing an Asset Integrity/Safe System of Work methodology via policies, procedures, and work instructions, culminating from an integrated HSE Management System by:

1. Fostering an environment of transparency and empowerment, where all employees have the authority to STOP any operation, if they feel that the situation is unsafe or that the work is being performed in an unsafe manner
2. Each employee must, regardless of position, accept and whole heartedly execute their responsibility for HSE
3. Ensuring total adherence to the HSE standards, procedures, and regulations

We have taken immediate actions at the very early stages of the pandemic in Iraq to mitigate the risk like temperature check before entering the camp, screening of all staff before moving to the field, reducing the movement of employees & contractors' personnel and reminding staff with high personal hygiene standard. Several guidelines, risk registers and advisories were issued throughout 2020 to manage COVID-19 risk.

In order to assist the business to continue uninterrupted, there was a requirement to rotate personnel in and out of Iraq and our concessions; at the same time we complied with laws, regulations, and the company HSE policy. Considering the long incubation period (14 days) and high contagiousness of the COVID-19 virus, we obtained the approval from The Iraqi Ministry of Health to have a quarantine in our Iraq asset and later we received a certificate of compliance for the quarantine from Iraqi Ministry of Health.

### **Occupational Health and Safety in Egypt**

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).

### **B3 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. During 2020, the number of employees who took part in training was 1,071. Almost 57% of our employees took part in training. The table below outlines a summary of the trainings we have provided to our employees during the reporting period.

<b>Training Area</b>	<b>Year 2020 (Hours)</b>	<b>Year 2019 (Hours)</b>
Management Skills	5,046	2,368
Legal	100	1,536
Technical	14,054	13,685
Language	304	675
Personal Effectiveness	3,916	5,808
Competence	3,718	1,936
<b>Total</b>	<b>27,138</b>	<b>26,008</b>

Year 2020 Training	Percentage	Average Training Per Employee (Hours )
Employees trained by gender		
- Female	12%	15
- Male	88%	26
Employees trained by category		
- Senior Management	3%	27
- Middle Management	11%	38
- Others	86%	23

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 2020, there was a complete shift to virtual training due to the pandemic. We were able to reach multiple industry experts and technical pioneers to conduct virtual training sessions for the employees. Greater investment was attributed toward technical training, while utilizing internal resources and facilitators for personal effectiveness sessions. Two exclusive leadership development programs were also concluded with high-impact projects, along with a Leadership Offsite event that took place prior to the pandemic spread. There has also been an increase in compliance and certifications especially for technical teams. All of this is in line with the needs of the business to bridge the gaps and enhance competency levels across the organization.



*Picture 1: Leadership Offsite in February 2020 at the Airmen Golf Club*



*Picture 2: Virtual Graduation Ceremony for the Leadership Advantage Program*

In Iraq, the total training hours were conducted to the local employee as part of localization plan. The initially planned training activities for year 2020 were impacted by the COVID-19 pandemic. However, in order to continue the learning and development process during this critical time, on-line mode of training was adopted in addition to the classroom sessions following standard safety protocols to continue creating awareness amongst employees and contractors.

In addition to other key operational areas, HSE remained the key component of the Company's training portfolio during 2020. Special focus was given to educate employees and contractors for enhancing safety awareness and active incorporation of industry best practices in the overall operating setup of the organization.

In Siba, a wide range of courses were applied mainly by in-house efforts due to the current health situation of COVID-19. KEIL was successful to provide all its employees from all categories (all organization layers and for all departments) with various types of courses that range from Technical to Non-Technical to Soft Skills and Language. Siba initiated the in-house training modules during the COVID-19 shutdown. This innovative approach involved efforts from multiple departments and from various layers of employees with HR took the lead. The training varied from online, virtual, face-to-face classrooms, videos, phone applications tutorials and software curriculums, and resulted in including all employees at no costs.



Picture 3: Snapshots from some of the inhouse technical courses delivered by Siba

In Egypt, in the light of COVID-19 and the absence of employee training due to the conditions, HR department came out with an initiative to carry out internal knowledge sharing workshops across the company. These workshops aim at increasing employees' awareness with the different functions across the company in addition to increase the level of engagement, communication and presentation skills for employees.

The main topics that KEE HR worked on were as a result of the competency management project and the development needs generated from the assessment. In 2020, we delivered 3 knowledge sharing workshops as follows: Finance (Accounting, Treasury & Budget monitoring), Fundamentals of the Oil and Gas Industry, and Contracting, Procurement & Supply Chain.

All the sessions are followed by surveys to get attendees feedback on the session. To increase employees' participation, special gifts were presented to attendees who were interactive, responded to questions quickly and accurately.



*Picture 4: Accounting Manager delivering the online knowledge sharing workshop*



*Picture 5: Sr. Well Services Technician receiving his gift for his active participation in the knowledge sharing workshop*



*Picture 6: Legal Manager receiving gift from PSCM workshop presenter for her active participation*

#### **B4 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.

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,

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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 of Block 9 Contract Area.

In addition, the Company has a full suite of policies related to all aspects of Human Resources Management including Code of Conduct and Disciplinary Action Procedures, Recruitment Procedure, Resignation & Termination Procedure, etc. These policies are readily available on our intranet site for employees to download. In Iraq, all these policies and procedures are designed in accordance with the related Iraqi laws with the necessary consultation and submission to Basra Oil Company. Based on the frequent change of actual situation in Iraqi Labor Market and the Project, all policies are reviewed periodically to ensure they meet the requirements.

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. We strictly follow the minimum age requirement of 18 years for any new recruitment. At the time of hiring, we ask for an age proof to be provided, to confirm its adherence to the policy. This is also a condition of every service and contract that enters into with third parties, and any violation of this requirement will automatically disqualify the sub-contractor from doing any further business with UEG.

## **7. OPERATION**

### **B5 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.

<b>Number of Suppliers by Geographical Region</b>	<b>2020</b>
PRC	66
Pakistan	516
Iraq	144
Egypt	173
Others	287
<b>Total</b>	<b>1,186</b>

### **Procurement and supply chain management In Pakistan**

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, and identifying potential areas of improvement. 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, in its primary objective of deriving best overall value. This takes into account total cost, delivery and timely completion, suitability and quality of goods and services, health, safety and environmental protection, financial and legal implications of contractual obligations, continuous improvement, compatibility with existing equipment and processes, and reliability.

### **Procurement and supply chain management In Iraq**

In Iraq, Procurement and Supply Chain Management (PSCM) function is very well established, and since acquisition radical changes were made to ensure that procurement activities are adequately authorized and efficiently completed to meet operational objectives. As per requirement of EDPS/GDPSC, there exists an approved Contracts Procurement Procedures (CPP) by the Joint Management Committee 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 and local goods if they meet the technical specifications, availability, prices and delivery time is comparable to those available in international

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market. It is an obligation to procure goods and services on a competitive basis unless otherwise agreed by the Joint Management Committee or BOC as special approvals are required for single source procurements.

KEBL has developed comprehensive practices on procurement and supply chain management with clear assignment on roles and responsibilities of PSCM, user departments, finance, HSE and other stakeholders throughout the complete Procurement to Payment (PTP) process including budget allocation, business requirement verification, bidder nomination, Invitation to Bid (ITB) documents preparation, bidding process, technical and commercial evaluation, award approval, contract execution, till payment to contractor for service/material supplied.

We maintain a vendor database by conducting necessary prequalification process, while vendors on BOC's vendor database will be automatically qualified as our supplier. Except under special circumstances, such as procurement of OEM Equipment and Proprietary Services on single source basis, all the procurement activities are conducted on competitive bidding basis. Bidders list for each tender is jointly nominated by user department and PSCM and submitted to BOC for approval when the estimated cost exceeds US\$500,000.

During tendering phase, contractors' competence on both technical and commercial aspects are evaluated by the designated evaluation committee according to criteria approved in the contracting strategy to ensure that they have the required and necessary competence to complete the job. Contractor's performance is closely monitored throughout the whole execution phase on HSE, quality, schedule, and overall cost of the contract. Contractors with poor performance may result in early contract termination after thorough assessment and may be blacklisted from participating in future business with us. Contractors with good performance will be invited for new tenders and be considered for long term relationship with the Company which is beneficial for both parties.

Environmental and social risks will be identified and taken into consideration at the initial stage whenever a business requirement is raised. All work requirements as part of ITB documents are developed by user department and reviewed and commented by HSE department before being finalized for tender issuance.

Bidders' proposal is evaluated by the designated evaluation team based on pre-approved strategy and criteria to ensure bidders' proposals are in compliance with our requirements on all aspects including technical, commercial, environmental etc. before qualified bidders are finally selected for the work.



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All the contract documents, after award recommendation has been approved, will go through an internal vetting process by all relevant departments to ensure the most updated clauses and requirements are properly incorporated prior to being officially issued to the successful bidder for contract execution.

We conduct Corporate Social Responsibility (CSR) projects every year in Iraq by working closely with BOC. The CSR projects are mainly infrastructure projects on roads, bridges, treatment facilities, buildings, education and healthcare for local communities. All the CSR projects are processed on open tender basis with announcements in the local newspapers for interested local contractors to participate. The bidding process strictly follows the tender procedure to ensure competitiveness, fairness, and transparency. We contribute to the local community by improving the environmental conditions and by providing opportunities to develop local contractors.

### **Procurement and supply chain management In Egypt**

In Egypt, the PSCM model is split into specialized sector-wise procurement teams along with dedicated support from Customs & Logistics, Materials Management and Contract teams. At the end of the procurement process cycle, our Inventory Management teams are 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.

The suppliers are registered in Company vendor list through a pre-qualification procedure and are engaged in business through competitive bidding. There is a procedure to evaluate the vendor's performance annually.

### **B6 Product Responsibility**

Products of the Group are oil, natural gas and liquefied petroleum gas. The Group is firmly committed to ensure production storage and delivery as per 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 facilities. We regularly monitor the specifications of oil and gas to ensure that our products meet all the requirements from sales agreements with various parties. Through monitoring and flexible operations, any deviations in product specification are identified and rectified immediately.

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Robust emergency response procedures and incident management procedures are in place and regular drills are conducted to ensure safety of all stakeholders. We maintain high level of HSE standards. In 2020, no product was recalled by the buyer based on any safety and health reasons. No buyer complaints received either. We maintain a high level of quality assurance system. All products conform to ASTM and API standards, and the criteria as per GDPSC. Quality assurance is backed by lab analysis, fiscal metering and 3rd party meters proving.

### **B7 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.

The Group has established whistleblowing channels. We have communicated the Whistleblowing Policy to all employees and vendors. Any person can report improper conduct through whistleblowing hotline. The Group promotes a culture of compliance and ethical behavior by offering protection to whistleblowers to ensure the reporting of improper conduct. All reports are to be investigated by the Ethics Committee and results will be communicated with the reporter.

No legal cases regarding corruptions were brought against the Group or its employees during the reporting period.

### **Anti-corruption Management in Pakistan**

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. Adherence is also strived to the legislation implementing the Organization for Economic Co-operation and Development (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. All employees have to mandatory undergo online training on the code of ethics which includes guidance on

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corrupt practices. To date, no litigation has been filed against UEP in relation to alleged corrupt practices.

### **Anti-corruption Management in Iraq**

In Iraq, we are following the policies of the Group including Code of Conduct and UEG Compliance & Ethics Committee and Whistleblowing Policy, to prevent corruption, theft, fraud and embezzlement. All employees sign the acknowledgement form of Code of Conduct when he/she joins the Company and are expected to abide by Code of Conduct 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 the employee is protected from harassment of any kind or victimization because 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 the Company's 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 the Company. EDPSC further requires that parties of contracts shall follow the principles described in the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

### **Anti-corruption Management 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 several clauses that governs the Business Ethics which covers the areas of anti-corruption, anti-money laundering, fraud, sanctions etc.

Egypt office has an Internal Audit Department that has a dual reporting to the Country Manager & Head of UEG Internal Audit Department, the local Internal Audit Department's goal is to review and audit the business practices and to ensure the compliance with all

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policies and procedures in place.

KEE has taken several measures and controls to implement the preventive measure and whistle-blowing Policy:

1. An updated Whistle Blowing Policy was issued early in 2021, emphasizing that Company does not tolerate any improprieties, including corruptions/briberies, frauds, unlawful conducts, and misbehaviors by employees and/or business partners.
2. The Whistle Blowing Policy nominated the Compliance and Ethics Committee members, specified their responsibilities, announced reporting channels, and confirmed the protection of whistleblowers.
3. Both the Code of Conduct and the Whistle Blowing Policy were shared with all our employees both in Field and Office.
4. Further, all our contracts contain clauses that govern the Business Ethics which covers the areas of anti-corruption, anti-money laundering, fraud, sanctions etc., and both the Code of Conduct and the Whistle Blowing Policy are enclosed to all our contractors.
5. The Internal Audit Department is continuously reviewing and auditing the business practices to ensure the compliance with all policies and procedures in place.

In addition, the Bid Committee reviews and approves procurement and supervises the work performed by Procurement team.

## **8. OUR COMMUNITY**

### **B8 Community Investment**

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

#### **Social and local community in Pakistan**

All E&P companies in Pakistan are obligated to spend on social welfare projects based on production. UEP not only deposits the obligatory social investment amount but also earmarks a sizeable budget for discretionary CSR projects. This report covers CSR projects undertaken from our obligatory and discretionary funds in 2020.

#### **Health**

In 2020, we contributed approximately US\$840,000 for COVID-19 related medical supplies from our discretionary CSR budget.

To support the national pandemic response, we provided medical supplies of about US\$400,000 to the National Disaster Management Authority (NDMA). These supplies included protective health gear for frontline medical workers and testing kits.

For the Sindh province, in which we explore and produce oil and gas, we donated medical supplies worth about US\$400,000 to the Indus Hospital, the Aga Khan University Hospital, the Jinnah Post Graduate Medical Center (JPMC) and the Sindh Institute of Urology and Transplantation (SIUT). These organizations are working alongside the provincial government to combat the virus.

For our concession districts in Sindh and Balochistan, we contributed protective equipment worth over US\$40,000 for frontline medical workers.

These pandemic-related donations included about US\$50,000 generously raised by our employees from their salaries. Our pandemic contribution builds on our long heritage of supporting our country during difficult times.



*Picture 7: Provision of protective health gear for frontline COVID medical workers and testing kits support to provincial & federal government*

Continuing our efforts to provide quality healthcare for local communities, we donated a solar power system for the dialysis center in Civil Hospital Sanghar.



*Picture 8: Solar powered RO Plant installed in district Sanghar*

We also contributed essential medical equipment for a Rural Health Center in Tando Allahyar, renovated a Basic Health Unit in Qambar Shahdadkot and constructed six dispensaries in Khairpur.



*Picture 9: A newly constructed dispensary in district Khairpur*

*Picture 10: Renovated Basic Health Unit in district Qambar Shahdadkot*



## **Education**

In 2020, our company funded the construction of a secondary school in partnership with The Citizens Foundation. TCF is a leading Non-Government Organization (NGO) focused on imparting quality education to underprivileged communities. Construction of this secondary school started in 2019, and this effort will bring the number of primary and secondary schools we have established in partnership with TCF to 17.

Our company also renovated 24 government schools in Sanghar, Jamshoro, Qambar Shahdadkot, Dadu and Khairpur districts. We funded the tuition fees of 28 local boys at the Army Public School & College, Pano Aqil and six girls at the Pakistan Rangers Public School, Chundiko. UEP awarded the scholarships to these students in 2019, and they are currently in their second year of study. Furthermore, the company continued to support the operating expenses of four local schools located in Sanghar, Tando Allahyar and Matiari districts.



*Picture 11: Renovated Government Primary Schools in district Dadu*



*Picture 12: The construction of a secondary school in partnership with The Citizens Foundation*

### **Potable water**

To provide clean drinking water for local communities, we installed eight solar-powered reverse osmosis plants in Badin, Sanghar and Ghotki districts. We also set up 22 water reserve ponds in Badin and upgraded five water supply schemes in Sujawal, Qambar Shahdadt and Khairpur.

### **Social and local community in Iraq - Block 9**

To help build a mutually supportive society, we have been heavily involved in philanthropic activities in the Block 9 area over the past few years to show gratitude to the local community for the development of the business in the area.

### **Refurbishment of Al Muthanna and al Zahra schools**

This project was consisted of refurbishing two schools close to the B9 contract area, which were in poor condition. Works included replastering cracks in the walls, painting all the walls, repaving the outer walkways, replacing all doors with new doors, servicing the outer roof areas and supplying air conditioning units. The Local District was extremely grateful and compared to the previous state of the school and the classrooms, students are now enjoying their studies in a much-improved environment. By comparison of how the schools used to be, we are confident that the students will be in a much safer environment to study.



*Picture 13: Refurbishment of Al Muthanna and Al Zahra Schools*

Ranging from unstable ceilings to peeling walls, the condition of the medical centers was extremely poor and unsafe for patients to visit. A project was completed with intention to completely revamp the majority of health centers in Al Hartha and allow a safer environment for people seeking medical treatments. The project's work included plastering inner and outer walls, repainting all the walls, replacing doors, installing new air-conditioning systems and in some cases requiring the upgrade of the electrical system to a higher and safer standard. The work carried out was highly appreciated by the Health Department of the local district.



*Picture 14: Rehabilitation of 12 Medical Centers in Al Hartha Area*

### **COVID-19 Outbreak**

With the outbreak of the pandemic in March 2020, due to significant drop in business activities and less employment opportunities, local communities around B9 area suffered a lot. We took it as an obligation to offer help by reducing the financial burden on the local communities through distribution of medical supplies protecting them against the spread of Coronavirus. Various items including medical gloves, N95 masks and sanitizers were purchased for US\$13,500 and distributed to local communities through the Zuraiji Medical Center. In addition, a donation of US\$50,000 was also made to the Basra Oil Company assisting in their COVID-19 relief efforts.

By investing in the community, we have encouraged loyalty from the communities whilst benefited from an improved supporting system. This form of philanthropy has also served as a way of representing our commitment to society's basic needs and requirements.



## Social and local community in Iraq – Siba

In Iraq Siba contact area, there are three local communities around Siba gas field, located at Siba, Al Faw and Abu-Al Khaseeb Districts. Siba, together with partners have been supporting these three communities as a part of its Corporate Social Responsibility (CSR) through below two categories:

- Welfare Donations
- Infrastructure Projects – through the CSR projects

KEIL continuously focuses on education, environmental concerns of local communities.

### Welfare donations

In 2020, KEIL spent US\$240,000 for executing welfare activities for the needy families in the above mentioned three communities around Siba Field.

The welfare activities included provision of food packages during the Holy month of Ramadan, COVID-19 related Personal Protection Equipment (PPE), educational books, school furniture, clothing during Eid Festival, cash donation to Basra Oil Company for supporting the local Public Health Institutions during early days of the pandemic, maintenance of the school buses, a portable cabin for the community use, post flood emergency materials (household goods, water pumps, sub-base material, etc.) to the flood affected communities.



*Picture 15: Welfare activities in Siba*

### Confronting poverty

Providing assistance to the poor and needy families in the communities surrounding Siba Field is the core aim of KEIL's annual welfare program. In 2020, due to the ongoing COVID-19 pandemic, KEIL contributed lots of resources and efforts to the communities, especially food supplies to the needy families, including 3,000 food packages to needy families of Abu Al-Khaseeb, Siba and Al Faw districts during Ramadan and the COVID-19 curfews. KEIL also provided clothing to the needy families of Abu Al-Khaseeb, Siba and Faw communities during the Eid-ul Fitr and Eid-ul Adha festivals.

### **Supporting education**

KEIL continuously follows up with the communities for their needs regarding schools and students' education. KEIL has provided several educational books to students, and school furniture (350 whiteboards, 210 sets of chairs/tables, 16 school tables, 72 school desks, etc.) to the schools. KEIL also provided maintenance for one of the school's buses.

One of KEIL's employee taught the students in Siba community English through virtual classrooms. As a story of success, one of the students achieved 100% in the Secondary School English Language final exam.



*Picture 16: Education Supports*

### **Infrastructure projects**

In addition to welfare activities, KEIL also put plenty of efforts and allocates a sum of US\$ 5 million per year, towards execution of infrastructure projects in the three districts surrounding the Siba Field, commencing from September 2018, when the Siba Field achieved first commercial production.

KEIL has successfully completed 2 Phases of CSR Projects during 2018 and 2019. The following projects were completed and handed over to the district beneficiaries: repair & maintenance of 11 schools, construction of water and lighting network, pipeline network and maintenance of pumping station in Abu Alkhaseeb, and provision of earth works to prevent flooding.

Phase 3 of KEIL CSR Projects included the following two infrastructure projects which commenced during 2019 and completed/handed over to the beneficiaries in 2020: repair and maintenance of Al Faw entrance road & Corniche Street, and construction of two steel structure bridges and box culvert.



*Picture 17: Phase 3 - Faw entrance road & Corniche street*

In 2020, we initiated Phase 4 CSR projects, including the following projects:

1. Construction of one Steel Bridge, 3 Box Culverts and 15 Km roads in Siba
2. Restoration of Education Department building, rehabilitation of a school and construction of 10 additional classrooms in Abu Al Khaseeb
3. Construction of a Fish Market building in Al Faw

Of the above listed Phase 4 CSR projects, two projects are under execution (one in Siba and one in Abu Al Khaseeb) and one project (in Al Faw) was in tender process for contractor selection at the end of 2020.



*Picture 18: Phase 3 - Steel structure bridge*

*Picture 19: Phase 4 - Siba Project - 15 KM Roads Construction in progress*





*Picture 20: Phase 4 - Abu Al Khaseeb -Rehabilitation & Restoration of Education Buildings in progress*

## **Social and Local Community in Egypt**

The Company is committed to improve the lives of the local communities. Our strategy is to position the local social issues at the core of the company’s strategy and operations, create shared value and implement the triple bottom line: People, Planet, Profits. The strategy supports the delivery of the company’s vision and strategic objects via:

1. Creating Stable Environment by promoting a stable operating environment in the areas where we operate and belong to
2. Being a Responsible Corporate Citizen by positioning Kuwait Energy Egypt as a socially responsible leader and citizen
3. Showing Commitment by engaging and empowering our employees and local communities

We are committed that our operations create value and opportunity for local communities. We develop progress and support sustainable development by considering and following the United Nations’ Sustainable Development Goals (SDGs).



We are dedicated to investing a high-end budget in order to achieve our CSR sustainable goals. In 2020, our focus area was as follows:

**Goal-1: No Poverty** - to improve people’s lives and end poverty

**Goal-3: Good Health & Well-Being** - to ensure healthy lives and promote well-being

**Goal-4: Quality Education** - to ensure inclusive and equitable quality education and promote lifelong learning opportunities

**Goal-5: Gender Equality** - to achieve gender equality and empower women and girls

**Goal-8: Economic Growth** - to promote inclusive and sustainable economic growth

Our purpose is to make an effective and sustainable difference in the communities where we operate and add value to the Company’s brand.

### **Goal 1 – No Poverty**

Year after year, during the month of Ramadan, Kuwait Energy Egypt dedicates to serve those in need. In April 2020, Ramadan boxes were distributed in Ras Gharib and in the Cairo office surrounding areas. Each box contains basic food such as rice, sugar, lentils, pasta, dates, tomato paste, flour and ghee. We believe that community service is a reminder of all the blessings we take for granted in our lives. It makes us realize how these basic things for us are luxurious for others.



*Picture 21: Distributing Ramadan boxes in Ras Gharib & surrounding Cairo office*

In November 2020, we provided children in Ras Gharib with new winter school outfit. Each clothing kit contains winter jacket, woolen hat and gloves.



*Picture 22: Distributing winter school outfit to children in Ras Gharib & areas surrounding Cairo office*

### **Goal 3 – Good Health & Well-Being**

In July 2020, we participated with Egypt’s oil and gas sector companies in COVID-19 Medical Supplies Collective Initiative named “Eid Wahda/One Hand” phase-1 under the leadership of H.E. Eng. Tarek El Molla, Minister of Petroleum & Mineral Resources. Phase-1 initiative succeeded in collecting donations with amount of EGP 4.5 million to purchase medical equipment.

In December 2020, in collaboration with Shefa El Orman hospital located in Luxor and serve the Red Sea Governorate, we have partnered to install Kuwait Energy Egypt fully equipped intensive care room for cancer patients providing free cancer treatment to sufferers in Upper Egypt and Red Sea governorates. This comes into two phases. In February 2021, the phase two of collaboration is resumed and completed.



Picture 23: Major Participating in EID Wahda collective Initiative phase 1&2 to combat COVID-19



Picture 24: Installment of Intensive care room at Shefa El Orman Hospital

In November 2020 and to be continued in 2021, we collaborated with Misr Al Kheir to construct five medical clinics as Unit of Motherhood & Childhood at Ras Gharib, adjacent to the Ras Gharib Hospital. This comes from our commitment to promote health in our local community.

#### Goal 4 – Quality Education

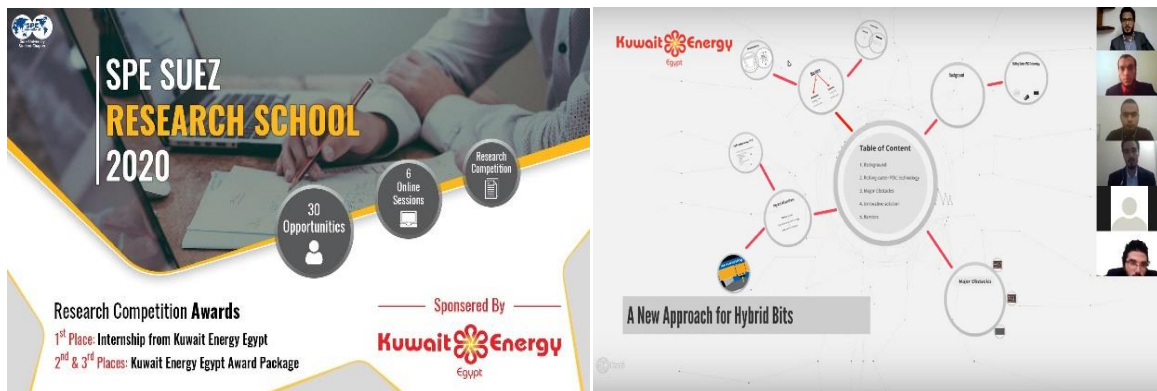
We have successfully funded the teacher development program of 90 hours training in partnership with the school of Continuing Education of American University in Cairo. The training was designed for primary & elementary governate teachers providing them with necessary training within a framework of a communicative teaching approach, interactive instructional strategies needed for planning classroom tasks and activities. After registration & interview phases, around 75 trainees were selected for enrolling in the program.

In response to COVID-19 pandemic, the program was suspended till emergency remote teaching was applied. Luckily, the virtual training provided an opportunity to introduce to the trainees the different online learning solution platform to make better use of distance learning and digital tools which they may need in the future. Finally, trainees have successfully passed the training & examination phases, and received their certificates.



Picture 25: Sponsoring Teacher's Training Program

From January to April 2020, we proudly sponsored SPE Research School Project, which provides online sessions for university students lectured by experienced mentors followed by competition. After the projects have been accomplished, the participants presented their ideas to the mentors and raced for the first-place award, then published their paper in SPE regional paper contest. SPE then provided them with the support to implement their ideas experimentally in the laboratory. Kuwait Energy Egypt spent a long journey with SPE providing sessions, judges and rewards for the winners till the final outcome of the project.



Picture 26: Sponsoring the Research School Project by SPE SU SC

## GOAL 5 - Gender Equality

In November 2020, we sponsored Young Petro Women competition in partnership with SPE Future and SEG Al-Azhar Universities Student Chapters. The aim of the networking event was to clarify misconceptions & promote the advancement of women in the field in Oil & Gas industry. The competition reached its final phase but due to COVID-19 outbreak, the final phase has been postponed. Accordingly, a virtual competition was held including panel discussion and final judging stage between the finalists.



Picture 27: Sponsoring Young PetroWoman Competition by SPE FU & SEG Al Azhar

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### **Goal 8 - Economic Growth**

From September 2019 to November 2020, we continued sponsoring Micro Financing Projects Phase 2 in partnership with Misr Al Kheir foundation which is designed to provide small-scale financial services to low-income individuals. Besides, Loans are designed to foster sustainable economic empowerment for people in developing regions. In phase 2, we have continued executing a total number of 10 micro-financed small projects at Ras Gharib, Area A, Eastern Desert.

## **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 to better meet the changing needs of an advancing society.