



中海石油化学股份有限公司
China BlueChemical Ltd.

2022

環境、社會及管治報告

ENVIRONMENTAL, SOCIAL &
GOVERNANCE REPORT



香港股票代碼：3983

(于中華人民共和國註冊成立的股份有限公司)
(a joint stock limited company incorporated in the
People's Republic of China with limited liability)



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COMPANY PROFILE

China BlueChemical Ltd. ("China BlueChem", the "Company" or "we", together with subsidiaries, the "Group", stock code: 03983) is the largest state-owned chemical fertiliser producer and the leading methanol producer in China. Headquartered in Beijing, China BlueChem's production facilities are located in Hainan Province, the Inner Mongolia Autonomous Region, Hubei Province and Heilongjiang Province. Its total designed annual production capacity amounts to 2,360,000 tonnes of urea, 1,000,000 tonnes of phosphate and compound fertilisers, 1,600,000 tonnes of methanol, and 60,000 tonnes of POM. On 29 September 2006, China BlueChem was listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

China BlueChem is one of the largest listed companies in terms of production volume of fertilisers and methanol in China. As a subsidiary of China National Offshore Oil Corporation ("CNOOC"), the competitive advantages owned by China BlueChem laid a solid foundation for its robust development of mineral fertilisers and chemical businesses.

In 2022, the company achieved operating revenue of RMB14.28 billion and net profit attributable to owners of the Company of RMB1.64 billion; As of 31 December, 2022, the total assets of the company are about RMB23.50 billion.



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CEO's Statement



Hou Xiaofeng
CEO & President

Dear friends,

Thanks for your continued care and support to China BlueChem!

over
40,000 tons

Reduced over 40,000 tonnes of carbon dioxide and greenhouse gas emissions

100%

Annual online environmental protection emission data pass rate was 100%

RMB **20.3** million

Total annual expenditure on charity and public welfare amounted to approximately RMB20,300,000

In 2022, international commodity prices rose rapidly due to geopolitical conflicts that disrupted the international energy and grain markets, resulting in a general high inflation across the world. The growth of the world population exceeded 8 billion, and the rigid demand for grain has driven the growth of demand for fertilisers. As "a state-owned enterprise with the highest production volume and production capacity of chemical fertilisers", the Company actively implemented the mission of "as a strong enterprises in China to addresses the three rural issues", strived to ensure chemical fertilizer supply, made a contribution to national grain security, and provided solutions to the problem of hunger. In addition, the Company cooperated with its partners to provide an efficient soil testing and application of fertilisers technology to help farmers increase production and income.

In 2022, with implementation of the concept of green development and practicing the green and low-carbon strategy, the Company focused on the "14th Five-Year" development plan, implemented green development leap-forward projects and strived to promote the transformation of green energy to "accelerate again". The Company continued to maintain its leading position in terms of energy efficiency with its methanol production plants honoured as the "Leading Enterprises in Energy

Efficiency" for 11 consecutive years by the China Petroleum and Chemical Industry Federation and ammonia production plants honoured as the "Leading Enterprise in Water Efficiency" for 3 consecutive years by the China Nitrogen Fertiliser Industry Association, respectively. As part of the initiatives to promote "carbon peak" and "carbon neutrality", the Company vigorously developed the carbon emission management strategy, promoted the implementation of energy-saving and carbon reduction projects, and reduced over 40,000 tonnes of carbon dioxide and greenhouse gas emissions, making positive contributions to tackling climate change. In 2022, the Company's environmental protection facilities operated steadily, with all pollutant discharge indicators being normal, and the total amount of emissions far below the permitted quota. The Company's annual online environmental protection emission data pass rate was 100%.

In adherence to our principle of being "people-oriented and employee-caring", by pursuing a personnel policy that is scientific, reasonable and highly-efficient, we enhanced the establishment of our talent pool and motivation mechanism. In addition to financial supports to employees in poverty, we were also concerned about the physical and mental well-being of employees. By enriching

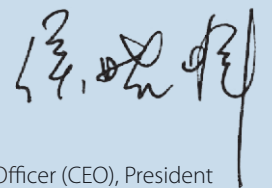
employees' afterwork life, solidarity could be created in the enterprise. The Company regards employee development and training, adheres to the strategy of talent development, refines the talent nurturing and development mechanism and enhances the comprehensive ability and quality of core and high-level talents, the company has 1 National "May Day" Labor Medal owner, 2 National Craftsmen, and 10

National Technical Experts.

The Company accords great importance to the development of the local communities of the places where we operate and deems it obligatory to give back to the general society. In 2022, the Company entered into a strategic cooperation agreement with the Agricultural Divisions of Hainan Province. With the support of the Agricultural

Divisions of Heilongjiang Province, the Company pioneered the "direct supply model of the original plant to eliminate intermediaries through government-enterprise cooperation" in China to reduce farmers' burden and increase economic benefit. The Company paid attention to the rights and interests of migrant workers, and set up special accounts for migrant workers for large acrylonitrile project. The Company also actively participated in charity work, rendered services for community building, made donations and provided aid for students, so as to promote the harmonious development of both the Company and society. In addition, the Company took the initiative in charity donations and targeted assistance, and the total annual expenditure on charity and public welfare amounted to approximately RMB20,300,000. The Company assigned outstanding cadres to Hezuo City and Xiahe County in Tibetan region throughout the year to serve as temporary deputy county chiefs, and projects were carried out to help local economic and social development.

In 2023, under the guidance of the Board, the Company will adhere to the guidance of the "14th Five-Year Plan", actively follow the trend of low-carbon transformation, and continue to improve digital empowerment and scientific research and innovation capabilities. The Company will also promote the implementation of its green value-added compound fertilizer project in an orderly manner, promote the implementation of its green methanol concept, conduct in-depth research on the comprehensive utilization of carbon dioxide chemistry and the alternatives of clean energy, sufficiently reduce the impact of production activities on the climate, so as to facilitate the Company to achieve the "dual carbon" goal, and create a new situation for the Company in transformation and upgrading towards high-quality development.



Hou Xiaofeng
Chief Executive Officer (CEO), President

 Hainan Phase II methanol plant

Introduction

Under Appendix 27 - Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), China BlueChemical Ltd. (the "Company") and its subsidiaries (collectively, the "Group" or "we") are pleased to present the Environmental, Social and Governance Report (the "Environmental, Social and Governance Report" or "ESG Report") for the year ended 31 December 2022 (the "Reporting Period").

Reporting Principles

The Group prepared, assessed and presented the relevant information set out in this report in accordance with the ESG Reporting Guide. The following principles summarised in the ESG Reporting Guide have been incorporated in this report.

1. **Materiality:** The Group identified the material factors through the Board's review and consideration procedures according to the criteria at which ESG issues have material impacts on investors and other stakeholders, and authorized the management to identify significant stakeholders and which entities and operations are included in this report.



2. Quantitative: The ESG targets identified by the Group should be measurable to facilitate the comparison against those in previous years, competitors and industry standards. Emissions are calculated pursuant to the Guidelines for Accounting Method and Reporting Greenhouse Gas Emissions for China Chemical Production Enterprises (Trial); and energy consumption is calculated pursuant to the General Principles for Calculation of Total Production Energy Consumption (GB/T 2589-2020), the Energy Consumption Limit per Unit Product of Synthetic Ammonia (GB 21344-2015), the Energy Consumption Limit per Unit Product of Urea (GB 32035-2015) and the Energy Consumption Limit per Unit Product of Methanol – Part 2: Natural Gas-Derived Methanol (GB 29436.2-2015).
3. Balance: The information set out in this report shall provide an unbiased picture of the Group's ESG performance and should avoid any selection, omission or presentation format that may inappropriately mislead stakeholders in their decision making or judgement process.
4. Consistency: The assumptions and calculation methods adopted in any KPI should be consistent with those adopted in previous years to ensure effective comparisons of the relevant data. If there is any change of the relevant assumptions or calculation methods, clear disclosure should be made to stakeholders.

 CNOOC Fudao plant



Stakeholders' engagement

To formulate the prevailing and future sustainable development strategies of the Group, we must understand stakeholders' views on and expectations for the development and success of the Group so as to facilitate us to assess the potential impacts of our future business activities on the environment and society.

Stakeholders' Engagement		Major Concerns	Major Channels of Communication
Internal stakeholders	Shareholders and investors	Returns on investments Profitability and financial stability and sustainability Information disclosure and transparency	Periodic reports Annual general meetings Corporate website and email
	Employees	Employees' remuneration and benefits Satisfaction with healthy and safe working environment Career development and training opportunities	Regular meetings and training Performance appraisal Team building activities
External stakeholders	Customers	Quality products and services Protection of customer privacy and interests Business ethics	Customer service hotline and email Face-to-face discussions and on-site inspections Customer satisfaction survey
	Suppliers	Fair, public and impartial procurement Win-win cooperation Environmental protection	Public tender Standardised procurement procedures Face-to-face discussions and on-site inspections Industry seminars
	Professional institutions	Environmental protection and social responsibility Regulating staff conduct and business practices	Questionnaires and online participation Telephone discussions
	Government and regulatory authorities	Compliance with laws, regulations and national policies Occupational health and safety Welfare of people Employment condition	Monitoring compliance with relevant laws and regulations Regular reports and tax payment

Restricted space gas analysis is conducted on the plant site



Corporate Governance





Governance Safeguard

The Board of Directors (the "Board") of the Group accepts responsibility for the environmental, social and governance ("ESG") strategies and reports. The Board is also responsible for identifying and assessing the risks potentially arising during the course of governance and ensuring that the Group has already had appropriate and effective ESG risk management and internal monitoring systems in place. During the Reporting Period, we set a long-term objective, which is to incorporate sustainability into the Group's business development strategies. To this end, the Group has put in place an effective ESG internal control system and taken reasonable risk management steps to embed the ESG concept into our cultural system with the aim of communicating the concept of sustainability to our staff. Having reviewed the subject matters of the KPI indicators in the area of corporate environment (such subject matters relating to the business of the Company), the Board formulated the corresponding targets in respect of the key energy conservation and emission reduction indicators (including pollutant emissions, energy conservation and water saving) and the steps to achieve them, and approved, closely followed up and monitored the progress of the targets by means of meetings and reporting. It is the belief of the Group that sustainable


corporate development is not limited to the endeavours to create the greatest benefits for all stakeholders, and sound corporate governance, emphasis on corporate social responsibility, compliance with the environment protection laws and regulations and always upholding the concept of environment protection, etc. are also the key factors for sustainable development. Accordingly, the Group's business activities of manufacturing and selling urea, phosphate fertilisers, methanol and POM, etc. and other operations conducted in Hainan Province, Hubei Province, Heilongjiang Province and the Inner Mongolia Autonomous Region have been strictly in compliance with the relevant laws and regulations, employment provisions and environment protection policies.

In 2022, the Company continued to be committed to implementing high standard of corporate governance policy and practices, striving incessantly for excellence in corporate governance with the goal of maintaining the healthy and steady growth of the Company and creating greater values for the shareholders.

Since 2006, the Company has established a well-balanced and independently-operating modern corporate governance structure comprising the general meeting, the Board, the supervisory committee (the "Supervisory Committee") and senior management in accordance with the laws and regulations such as the Company Law of the People's Republic of China (the

"Company Law"), the rules and guidelines promulgated by domestic and overseas regulatory bodies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the provisions set out in Appendix 14 thereto.

During the Reporting Period, the Company has complied with all code provisions in the Corporate Governance Code contained in Appendix 14 to the Listing Rules, except for the deviation from the code provision C.2.1 of the Corporate Governance Code. The Company continued to pursue professional governance standards and further strengthened the authority and duties of the Board. The Company organised and convened general meetings, Board meetings and Supervisory Committee meetings in a compliant manner. The information disclosures of the Company were compliant, timely and accurate, and no incident of enquiry, disciplinary hearing or censure by the regulatory authorities in Hong Kong had incurred. The Company maintained smooth and effective communication with the capital market and the media through various platforms and channels to preserve its positive image in the capital market. The Directors and Supervisors were timely and comprehensively provided with production and operation information so as to give strong support for their duty performance. The internal control system was sorted out and improved to ensure that the connected transactions and non-competition are in compliance with the requirements.

 Director Field Research

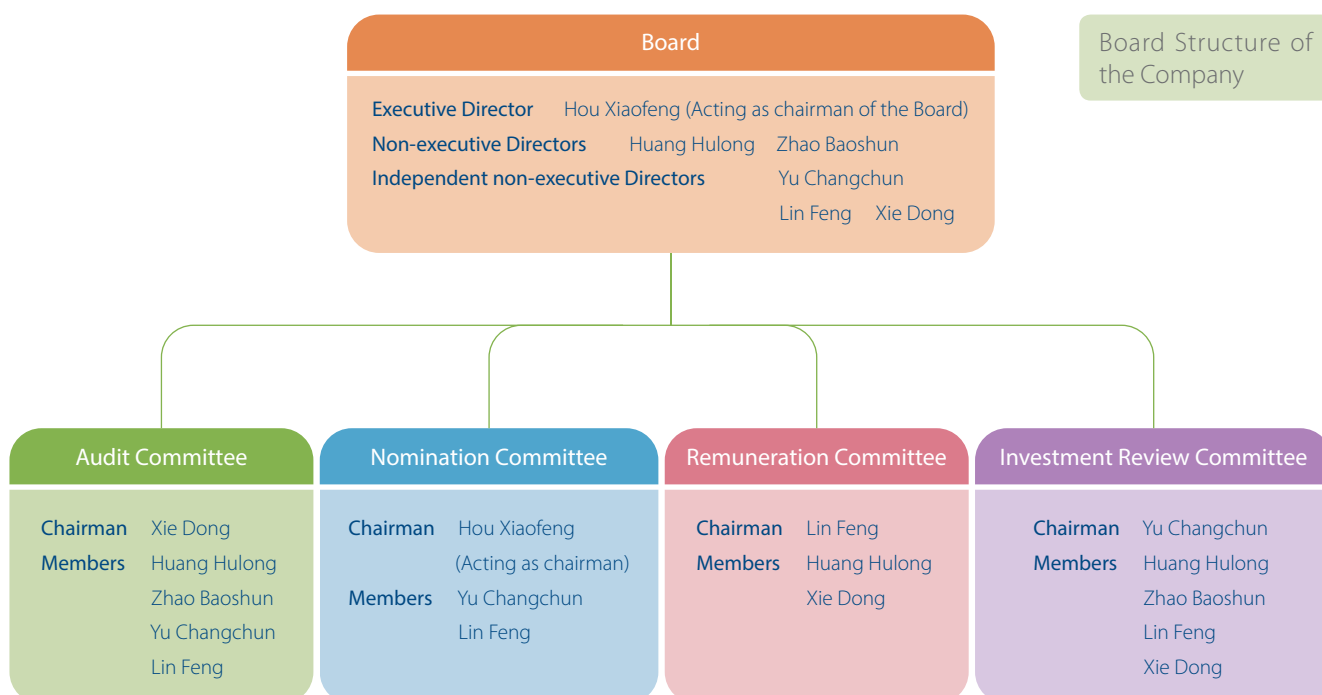


Expert review meeting on the progress plan of the acrylonitrile project

In order to implement the requirements of group companies and ensure the goal of mechanical completion of the acrylonitrile project will be achieved, the Company organised and convened an expert review meeting on the acrylonitrile project progress catch-up plan in Dongfang City, Hainan Province, and engaged 8 experts to form an expert team, which had analysed the current progress of the project, and considered that the construction period was abnormally tight and put forward specific opinions and suggestions from five aspects including planning, design, procurement and warehousing, construction and organisation management, clarifying the project progress catch-up plan and guarantee measures.



Board Structure





ESG Governance


The Company has incorporated ESG governance into its corporate governance. The Board is the top responsible and decision-making body for ESG issues, and has the duty to approve important environmental energy-saving and emission reduction targets, track and supervise the overall situation of ESG. The Directors of the Company have environmental, social and governance related qualifications or experience, respectively. The Company's Board secretary office, the safety and environmental protection department, the human resources department, the audit department, the legal and compliance department and other relevant departments are responsible for managing environmental, social and governance matters, preparing ESG reports, and regularly reporting progress to the Board.

The Board will be briefed on the safety and environmental protection every year, and review the risk management and internal control systems of the Company, including financial, operational and compliance control. It also reviews and approves corporate governance reports, working reports on internal control,

risk management and compliance management, ESG reports of the Company annually so as to ensure the whole-process involvement of the Board in ESG governance and information disclosure. The Company embeds ESG risk management in its daily risk management system. Risks are identified and evaluated by major experts from different business departments and projects, using the unified objectives, classification methods and norms and based on changes in its internal and external environments. The possibility and consequences of every type of risks are evaluated in terms of their impact on the environment, personnel, corporate reputation and finance. The implementation of countermeasures for identified risks is tracked and regularly reviewed to ensure that risks at all levels are adequately monitored and handled.

Risk Management and Internal Control

The Company maintains an internal audit function. In strict compliance with the relevant requirements under the Listing Rules and the Basic Standard for Enterprise Internal Control in the PRC, the Board is responsible for evaluating and determining

 Hainan Fudao Phase I ice machine

Small ice machines renovation project of Hainan Fudao Phase I

Hainan Fudao Phase I is an old plant that has been put into operation for 26 years, with an annual production capacity of 300,000 tonnes of ammonia and 520,000 tonnes of large granular urea. The Group made efforts in replacing the equipment with localized equipment and renovating and optimising the key equipment, and transformed the breakthrough and application of equipment maintenance technology into the results of cost reduction and efficiency improvement, so as to restore the old devices with new momentum.

The Company's self-modified small ice machines are designed based on the flash steam AG flow in the liquid ammonia tank (液氨儲罐閃蒸氣氨流量), and its working efficiency is 1.4 times that of the original small ice machines. The equipment components are manufactured by domestic equipment manufacturers, and the cost is one tenth of the imported equipment, saving RMB7 million in costs. After the new small ice machines are put into use, it can reduce the AG emissions in the liquid ammonia tank by approximately 100 tonnes per year, equivalent to 105 tonnes of standard coal for energy consumption and 300 tons of carbon emission, with significant carbon reduction effect.



the nature and extent of the risks that the Company is willing to take in achieving its strategic objectives, and maintaining robust and effective risk management and internal control systems. The Board, by itself and through the Audit Committee, reviews the adequacy and effectiveness of the risk management and internal control systems of the Company in order to protect the investment of Shareholders and the Company's assets. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, for which the Board only provides reasonable and not absolute assurance against material misstatement or loss.

The Company has developed an internal control system and a comprehensive risk management system as well as internal systems such as comprehensive risk management measures. The Company has set up a three-tier risk management structure consisting of the Risk Management Committee, the risk management department and the subsidiaries, under which, each subsidiary identifies and reports risk issues; the risk management department analyses and identifies major risks of the Company and reports to the management of the Company; and the Risk Management Committee reviews the Company's monthly risk management reports, discusses and determines measures to cope with such major risks, and requires the subsidiaries to organize the implementation. During the reporting period, the Company continued to promote risk prevention and control, strengthen internal control, promote compliance construction, and focus on revising corporate governance, internal control laws, financial capital, sales and trading systems. With the goal of building an "equality of power and responsibilities" authorization system, the Company optimised the list of duties and responsibilities for the business approval process in the field of procurement and marketing, and incorporated it into the assessment system to enhance the sense of responsibility of personnel at all levels. While coordinating prevention and mitigation of major business risks, the Company continued to refine its monthly risk reporting mechanism by reporting to the Board and management of the Company the key control risks. The internal audit department of the Company plays an important role in supporting the Board, the management and the risk management



Signing ceremony of cooperation among three parties

The Company cooperated with BASF and Wuhuan Engineering to develop the technology of conversion of CO₂-rich natural gas into synthesis gas

On 4 January 2022, the Company entered into the Cooperation Agreement on R & D and Demonstration of Technology for Conversion of CO₂ into Synthesis Gas (《二氧化碳转化制合成气技术的研发与示范合作协议》) with BASF and Wuhuan Engineering, pursuant to which, the three parties will jointly develop a new technology of conversion of CO₂ into synthesis gas to facilitate the development and application of carbon-rich natural gas resources in the South China Sea in a cleaner and low-carbon way.

Leveraging on its own advantages, the Company will jointly promote technological innovation in the fields of catalyst, special reactor equipment and related process technology development with BASF and Wuhuan Engineering, and improve the energy efficiency and carbon efficiency in the conversion and utilisation process of carbon-rich natural gas, aiming to solve the problem of development and large-scale utilisation of carbon-rich natural gas resources in the South China Sea, and contribute to the realisation of carbon peak and carbon neutrality goals.

"Protect renewable resources of arable land" volunteer micro charity activity carried out by the Company

The "Blue Power" voluntary activity in Qionghai, Hainan



and internal control systems. During the year, the Board reviewed the risk management and internal control systems of the Company, including financial, operational and compliance control. The Audit Committee of the Board was briefed twice on the risk management and internal control systems of the Company, and held discussions in this regard. The Company considers that its risk management and internal control systems are effective and adequate.

Environment

The Company has all along insisted on adopting an investment decision-making mechanism which prioritises ecological protection over economic gains aside with the aim of building itself into a “green chemical enterprise”. In active response to the call of its stakeholders for environmental protection, the Company took various measures to conserve energy and reduce emissions, as well as strengthen the compliance management of the Company’s environmental protection work, while exploring a new green development model enabling a win-win situation for production and operations and ecological environment protection. In 2022, as the Company continued to press ahead with its green and low-carbon development strategy, it maintained its leading position in terms of energy efficiency with its methanol production plants honoured as the “Leading Enterprises in Energy Efficiency” by the China Petroleum and Chemical Industry Federation for 11 consecutive years and its ammonia production plants honored as the “Leading Enterprise in Water Efficiency” for three consecutive years by the China Nitrogen Fertilizer Industry Association.

11 years

The methanol production plant was honoured as the “Leading Enterprises in Energy Efficiency” for 11 consecutive years by the China Petroleum and Chemical Industry Federation



3 years

The ammonia production plant was honoured as the “Leading Enterprise in Water Efficiency” for three consecutive years by the China Nitrogen Fertilizer Industry Association

Hainan Phase I methanol plant





Emission and its management

The Company uses natural gas and coal as raw materials to generate urea and methanol, and uses phosphate ores, sulphur and ammonia as raw materials to produce ammonium phosphate (MAP and DAP) and compound fertilisers. The production process mainly gives off exhaust gases such as CO₂, SO₂ and NO_x, chemical oxygen demand (COD) of industrial wastewater, and solid wastes such as coal ashes, as well as hazardous solid wastes including catalysts and radioactive materials (cobalt and cesium) used in production. The Company strictly abides by the relevant environmental protection laws and regulations of the PRC and endeavours to ensure clean production. We are actively engaged in pollution prevention and control to minimise environmental impacts. In 2022, the allowable pollutant emissions of the Company were 2,699.34 tonnes of SO₂, 2,962.14 tonnes of NO_x, 120.698 tonnes of COD and 17.4 tonnes of NH₃-N, whilst the actual emissions were 348.62 tonnes of SO₂, 1,281.16 tonnes of NO_x, 60.67 tonnes of COD and 2.76 tonnes of NH₃-N, which were all controlled within the range of the allowable emissions. The Company expects that from 2022 to 2025, the growth rate of

the exhaust gas and wastewater emissions will not be higher than the growth rate of business revenue.

Management of exhaust gas and reduction of greenhouse gases

The Company strictly complies with the applicable laws, regulations and standards, including Atmospheric Pollution Prevention and Control Law of the PRC, Integrated Emission Standard of Air Pollutants as well as Emission Standards of Air Pollutants for Thermal Power Plants, with all our production plants having satisfied the standards of SO₂ and NO_x emissions under the national environmental protection requirements. By focussing on the major environmental protection projects such as the fumes control for coal-fired furnaces, our atmospheric pollutant emissions were significantly reduced.

As part of the initiatives to promote “carbon peak” and “carbon neutrality”, the Company vigorously developed the carbon emission management strategy. DYK Chemical continued to promote carbon asset management and the carbon contract for 2021 was fulfilled on 6 December 2022 with the volume of carbon traded under the contract being 144,732 tonnes. Since 2017, the Company has completed the contracts involving 893,938 tonnes

of carbon emissions in aggregate and it has been the sixth year in a row for the Company to have fulfilled its contractual obligations in carbon trading. In 2022, the production and sales of liquid CO₂ of CNOOC Fudao amounted to 6,229 tonnes, thereby reducing greenhouse gases emission. The Company’s planned annual carbon emission for 2022 was 5,690,000 tonnes, whilst the actual CO₂ emission was 5,439,400 tonnes (not audited by a third party), down approximately 2% from the same period of last year. In particular, the direct CO₂ emission (including emissions from the industrial production process and combustion emissions from fossil fuels) amounted to 5,058,700 tonnes, the indirect CO₂ emission (emissions from the net power and heat energy purchases) amounted to 380,700 tonnes and the annual carbon intensity per unit of the total industrial output value (in terms of comparable price) amounted to 5.76 tonnes of CO₂/RMB 10,000, approximately 2% lower than those in the same period of last year. Among the emission output, 3,380,600 tonnes were attributable to Hainan area, accounting for 62.15% of the total, which was followed by 4.56% from CNOOC Tianye, 2.48% from DYK Chemical and 30.81% from CNOOC Huahe. See the table below for details.

Wastewater produced by DYK Chemical was recycled and reused and zero discharge was achieved

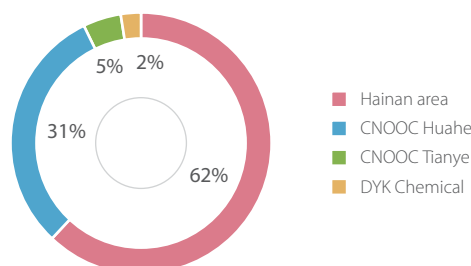
Wastewater recycling and purification station of DYK Chemical



Entity	CO ₂ Emission Amount	
	10,000 tonnes	Percentage
Hainan area	338.06	62.15%
CNOOC Tianye	24.82	4.56%
DYK Chemical	13.49	2.48%
CNOOC Huahe	167.57	30.81%
Total	543.94	100.00%

Note: Hainan area covers CNOOC Fudao, CNOOC Kingboard, CNOOC Plastic and Hainan Basuo Port.

Percentage of carbon emission in 2022





Laying the impermeable membrane of mining pit of CNOOC Huahe

Wastewater management

In compliance with the requirements under the Discharge Standard of Water Pollutants for Ammonia Industry, Emission Standard of Pollutants for Petroleum Chemistry Industry and Emission Standard of Pollutants for Petroleum Refining Industry, the Company put in place stringent treatments for its industrial and domestic sewage to ensure compliant discharge and emission and raise the efficiency of recycling wastewater, which reduced wastewater emission. Wastewater produced by DYK Chemical was recycled and reused with the tailings pool wastewater achieving 100% treatment and use of recycled water through the water filtering and purification plant, which in turn reduced the use of fresh water in each plant. In 2022, the Company discharged an aggregate of COD and NH₃-N amounted to 60.67 tonnes and 2.76 tonnes, respectively.

Disposal of solid wastes

The Company attaches immense importance to the generation and disposal of hazardous and non-hazardous wastes and complies strictly with the requirements under, amongst others, the Standards for Pollution Control on Storage and Disposal Sites for General Industrial Solid Wastes, the Standards for Pollution Control on Hazardous Waste Storage. In 2022, the hazardous waste produced by the Company amounted to approximately 59,088.8 tonnes in aggregate and the non-hazardous waste amounted to approximately 3,012,857.15 tonnes in aggregate. And the hazardous waste were disposed of in a professional manner by the processors with the national environmental protection accreditations commissioned by the Company with the safe treatment and disposal rate reaching 100%. Based on the characteristics of the Company's production, the production volume of solid wastes is uncertain, and it is difficult to set a clear production reduction target, but the Company will continue to carry out safe treatment and disposal to maintain the safe treatment and disposal rate at 100%.

Sewage system of CNOOC Tianye POM plant achieved stable and up-to-standard discharge

In recent years, CNOOC Tianye has carried out system transformation of the POM sewage system by conducting detailed technical selection, strict and safety operation management, and overcoming the impact of COVID-19 to ensure the progress of projects. Up to now, the sewage discharge treatment system has been running smoothly, and the impact resistance has been further enhanced. The indicators are far better than expected and the main indicators meet the requirements of sewage recycling to the circulating water system. The sewage discharge treatment system experienced heavy rainfall, wastewater discharge and other impacts during the parallel operation. The COD of external drainage is stable below 60mg/L, and more than 90% of the data showed that the COD of the external drainage was less than 30mg/L. During the year, a total of approximately 55,000m³ of sewage was recycled and utilized, basically achieving the planned goal.



Revampment of sewage system of POM plant

After the revamp



Before the revamp





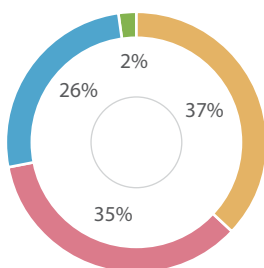
Manufacturing of woven bags

Use of resources

The Company is committed to conserving energy and resources and developing circular economy. In strict accordance with the requirements under the Energy Conservation Law of the People's Republic of China, various management systems were formulated, such as the Administrative Measures for Energy Conservation and Emission Reduction, the Implementation Rules for Monitoring and Controlling Energy Conservation and Emission Reduction and the Implementation Rules for Water Conservation Control. The Company currently has in place a management authority designated for energy saving and emission reduction, which have imposed quotas on energy consumption and incorporated criteria of energy conservation and emission reduction into the scope of the annual appraisal. The Company has also established an energy-saving and carbon-reduction steering body to coordinate energy-saving and emission and carbon-reduction efforts.

aggregate of 8,385.6 tonnes of woven bags, of which approximately 2,934.8 tonnes or 35% were attributable to Hainan area, followed by CNOOC Tianye (152.9 tonnes or 1.82%), DYK Chemical (3,149.4 tonnes or 37.56%) and CNOOC Huahe (2,148.5 tonnes or 25.62%). See the table below for details.

Percentage of Woven bags consumption of the Company in 2022



- Hainan area
- CNOOC Tianye
- CNOOC Huahe
- DYK Chemical

Company	Woven bags	
	(Total volume) Tonnes	Percentage
Hainan area	2,934.8	35%
CNOOC Tianye	152.9	1.82%
DYK Chemical	3,149.4	37.56%
CNOOC Huahe	2,148.5	25.62%
Total	8,385.6	100.00%

Use of energy

The energy used by the Company mainly includes, amongst others, natural gas, coal and electricity. In 2022, the Company's comprehensive energy consumption amounted to 3,547,642.72 tonnes of

In 2022, the Company consumed an

Energy conservation

In 2022, the Company set its carbon emission target at 6,460,000 tonnes of CO₂ with the actual emission being 6,173,207 tonnes of CO₂; the energy conservation target at 9,500 tonnes of standard coal with the actual energy conservation being 20,705 tonnes of standard coal; and the energy consumption target per RMB10,000 of production value at ≤3.76 tonnes of standard coal/RMB10,000 with the actual consumption being 3.73 tonnes of standard coal/RMB10,000. These pre-set targets for carbon emission, energy conservation and energy consumption per RMB10,000 of production value were all achieved. The Company vigorously promoted the use of advanced energy-saving technology, technique and equipment through technological upgrades. In 2022, the Company undertook eight projects on energy-saving and carbon reduction. In particular, CNOOC Huahe implemented the project of re-engineering the main circulating water pipelines of syngas compressors, which was put into operation at the end of 2021. The vacuum of syngas compressors surface cooler reached the design value through technological upgrades, effectively lowering steam

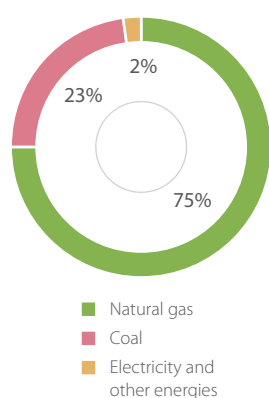


On-site equipment revampment

CNOOC Huahe implemented the re-engineering project of the main circulating water pipelines of syngas compressors, which was put into use at the end of 2021

consumption and reducing 6,136 tonnes of CO₂ by 2022. Through the combination of “technology + management” energy conservation, the energy consumption per unit product of CNOOC Huahe as of the end of December was 1,599 kgce/t, representing a decrease of 3.1% from 1,650 kgce/t in 2021, and achieving phased energy saving with remarkable results.

Percentage of energy consumption of the Company in 2022



standard coal, of which the natural gas consumption amounted to 3,449.7597 million Nm³, accounting for 75% of our total energy consumption; the coal consumption amounted to 1,091,905.27 tonnes, representing 22.69% of our total energy consumption; and the electricity and others accounted for 2.31% of our total energy consumption.

Type of energy	Unit	Actual consumption	Standard coal equivalent
			(Tonnes of standard coal)
Cleaned coal	Tonne	581,050.18	502,434.09
General bituminous coal	Tonne	510,855.09	302,630.56
Natural gas	10,000Nm ³	344,975.97	2,655,314.54
Gasoline	Tonne	3.67	5.40
Diesel	Tonne	1,235.82	1,800.71
Liquefied petroleum gas	Tonne	229.35	393.17
Heat	million KJ	493,920.02	16,842.67
Electric power	10,000kWh	55,509.83	68,221.58
Total	Tonne of standard coal		3,547,642.72

The Company expects that at the end of the 14th Five-Year Plan (2025), the total amount of energy to be saved between 2021 and 2025 will reach 34,844tce, the comprehensive energy consumption in 2025 will be controlled at 4,835,500tce, and the comprehensive energy consumption per RMB10,000 will be below 3.85tce/RMB10,000. To increase the power usage effectiveness, the Company will press ahead with the technical revamp and technological measures for energy conservation and emission reduction as well as project initiatives during the course of the 14th Five-Year Plan. The power usage effectiveness target would be achieved by enhancing the recycling and reuse of the waste heat and pressure, increasing the energy effectiveness of electric engines, optimising production and operation through the adjustment to the product structure, and launching the photovoltaic power project.

Comprehensive energy consumption of the Company's major products

Products	Comprehensive energy consumption per unit product (tce/t)	Energy consumption quota (tce/t)
Urea	0.1492	0.1800
Methanol	1.1061	1.5600

Note: Standard of energy consumption quota per unit urea product GB/T 32035- 2015.

Water resources conservation

In 2022, the Company's water conservation target was 90,000 tonnes and the actual amount of water saved was 164,400 tonnes with predetermined targets being achieved. In 2022, the Company consumed 26,161,084 tonnes of fresh water. The Company successfully obtained and utilised the water sources and caused no significant impacts on the environment or the external world. The Company expects that at the end of the 14th Five-Year Plan (2025), the total amount of water to be saved between 2021 and 2025 will reach 283,000t. To increase the water use performance, the Company will press ahead with the projects of technical revamp and technological measures for water conservation during the course of the 14th Five-Year Plan. The water use performance would be enhanced through recycling and reusing the wastewater and commencing the integrated water management, further reducing one-off water consumption and lowering the cost of reclaimed water treatment.

Type	Running water	Underground water	Surface water	Total
Freshwater consumption (10,000 tonnes)	649.0147	55.3873	1,809.0675	2,616.1084

Water consumption of the Company's major products

Products	Water Consumption per Unti (t/t)	Water Intake Quota (t/t)
Urea	2.61	3.00
Methanol	3.60	/

Note: Urea water intake quota standard GB/T 18916.27-2017.

Environment and natural resources

The Company consistently applies its philosophy of "green, clean, low-carbon and circular economy" and is engaged in clean production in order to realise sustainable development for both the Company and the environment. In June 2022, SACF passed the review of green product certification and renewal successfully after being strictly examined and assessed by the authorised institution of Certification and Accreditation Administration of the PRC (CNCA), which indicates that the products of SACF continuously meet the requirements of national green manufacturing standards in terms of high efficiency in resource utilization, lowest energy consumption and minimisation of impact on ecological environment, and optimisation of product ecological indicators in accordance with the concept of full life cycle, and possessed and maintained the ability to design and develop, and produce products with the characteristics of harmless, energy-saving, environmental and low consumption, which further improved the industrial competitiveness and reputation of the Company's products. Meanwhile, the Company actively participated in the revision of national standards of the Energy Consumption Limit per Unit Product of Fertilisers Industry and the Energy Consumption Limit per Unit Product of Alcohol Ether Industry, and actively grasped the discourse power in the industry.

Environmental protection

The Company established and has continuously improved the Health, Safety and Environment (HSE) management system, and formulated several management regulations, such as the Administrative Measures for Environmental Protection, the Administrative Measures for HSE in Construction Projects and the Administrative Measures for HSE for Contractors. The Quality, Health, Safety and Environment Committee was established, which is responsible for major decision-making in relation to safety and environmental concerns of the Company. The production safety department formulates the general policies for environmental protection and oversees their implementation. All subsidiaries are responsible for the practical execution of

environmental protection measures and accountable for the compliance with the same.

The Company earnestly implemented the Environmental Protection Law of the People's Republic of China and its ancillary requirements, and strictly complied with the requirements of concurrent design, construction and introduction of both the environmental protection measures and project construction works. Management initiatives for potential environmental hazards were enhanced in order to control environmental risk exposures in a comprehensive manner.

Green mines

In 2022, the Company continued to carry out the construction of green mines by focusing on strengthening measures

to curb and control dust in mines and ensuring that the ores and waste rocks in the mines are stacked in a standardized and orderly manner. The Company has continuously improved the production technique, efficiently recycled and utilised underground drainage and production wastewater and optimised the mining design, thereby reducing the damage to the geological environment of mines. With increasing investment, the construction of centralised control automation platform and micro-seismic monitoring system of intelligent mines has been completed and put into use. At the same time, in accordance with the annual plan for geological environment restoration and treatment, the Company has increased efforts in mine greening and land reclamation to protect the ecological environment of mines.



CNOOC Fudao improved the utilisation efficiency of water resources by adhering to the principle of giving priority to conservation and green development

In recent years, CNOOC Fudao has actively implemented the concept of ecological civilization, adhered to the principle of green development and combination of production and research, jointly researched and developed and utilised advanced water-saving technologies with scientific research institutes, and used them on the CNOOC Fudao’s circulating water plant. All water efficiency indicators reached the advanced level of the industry, saving 1,050,000 tonnes of circulating water and reclaimed water annually, reducing 1,050,000 tonnes of wastewater discharge, and increasing economic benefits of RMB12 million. CNOOC Fudao insists on implementing refined management and building green factories to achieve green and low-carbon development. The overall greening rate of CNOOC Fudao is more than 50%, and the greening water is all from the tail water after the sewage treatment of the factory.

Energy saving and carbon reduction of DYK Chemical by adjusting product structure and optimizing operation mode

DYK Chemical achieved structural energy-saving through the transformation and upgrading of product structure, indirect energy-saving through gradient utilization of phosphorus resources, system energy-saving through optimized operation mode, technical energy-saving through the operation of energy-saving and technological transformation projects such as ammonium phosphate device with zero coal consumption, and management energy-saving through strengthening the management of long running water and long bright lights, leakage and dripping, so as to further improve its comprehensive energy efficiency and reduce greenhouse gas emissions. DYK Chemical implements the green and low-carbon development strategy with practical actions to make a contribution to the response to climate change and the mitigation of greenhouse effect.



Climate change

Located in Hegang in Heilongjiang Province where the extreme weather conditions such as continual snowstorms and extremely freezing and windy conditions are common, CNOOC Huahe continuously improved the “Scheme of Production and Anti-Cold Weather in Winter”, under which an anti-cold weather emergency group was formed on a team leadership basis to continuously monitor the anti-cold and warming measures taken to ensure the operation of the plants. All staff gave early consideration to all potential areas of risks and took steps to prioritise heating inspection as a key mission to ensure the operation of the plants in winter. These measures have formed a “three-tier gatekeeping” mechanism where individual staff members are responsible

for execution, team leaders are responsible for inspection and rectification and the technology team is responsible for review and evaluation. During the non-heating period, heating pipelines which were mis-arranged were upgraded and re-engineered to achieve the effects that no equipment was frozen and damaged, no pipelines were blocked by frozen liquid and no condensate was discharged directly.



In the future, the extreme weather risk, market risk, compliance risk and other relevant issues arising from climate change may have adverse impact on the Company’s operations. As part of the initiatives to promote “carbon peak” and “carbon neutrality”, the Company vigorously developed the carbon emission management strategy to cope with such risks.

CNOOC Huahe carried out on-site anti-cold works

Society





Employment and labour practices

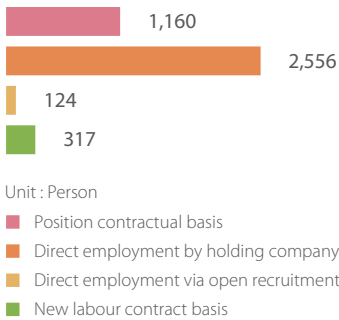
The Company strictly complied with the relevant national employment laws and regulations. In adherence to our principle of being “people-oriented and employee-caring”, by pursuing a personnel policy that is scientific, reasonable and highly-efficient, we enhanced the establishment of our talent pool and motivation mechanism. In 2022, in accordance with our principle of “controlling the total volume, making good use of the storage volume to improve quality”, the Company firmly controlled the five processes of selection, cultivation, examination, employment and management of cadre talents. Multiple measures have been taken to optimise the structure of the cadre team, refine the human resources allocation, improve the incentive and restraint mechanism and strengthen the organisation efficiency, which provided a solid and secured

organisational and personnel foundation for the transformational upgrade and high-quality development of the Company.

Codes on employment and labour

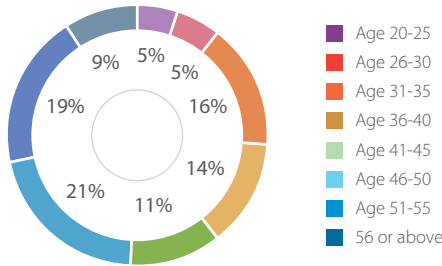
In compliance with the laws and regulations such as the Labour Law, Labour Contract Law, Social Insurance Law, Women’s Rights and Interests Protection Law and Provisions on Prohibition of Child Labour of the People’s Republic of China, the Company formulated such administrative measures as the Administrative Measures on Employment, the Administrative Measures on Daily Personnel Affairs and the Administrative Measures on Remuneration, whilst setting up a labour management system covering such aspects as employment, promotion, decruitment, working hours, wage, insurance and benefits, leaves, remuneration, equal opportunities, diversity, anti-discrimination, fair treatment and prevention on child labour using or force labour.

Employee distribution by type of employment

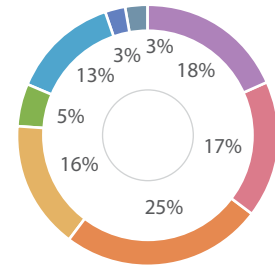


Employee Jogging

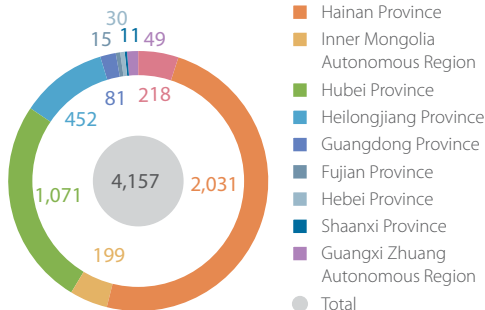
The percentage of employee distribution by age



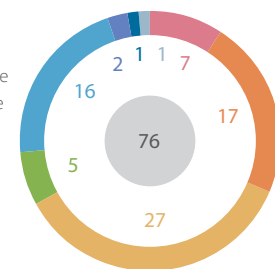
The percentage of employee turnover by age



Employee distribution by geographical region



Employee turnover by geographical region





The Company provides labour protection for its employees and makes full and timely contributions to each of the social insurance and housing provident funds. Female workers' rights and interests are protected and discrimination of all kinds is strongly opposed. By properly undertaking the pre-employment reference checks, the Company reviewed the backgrounds of all incoming staff members and maintained all documentation for record-keeping purposes with the aim of firmly keeping the "examination gate" of employment. With active promotion of our policies and rules, we set firm boundaries against the use of child labour and force labour and conduct regular inspections to stamp out child labour and force labour, which has formed a routine mechanism to guard the "supervisory gate" during the daily use of labour. The policy mechanism for staffing was set through strengthening internal training and raising the awareness of legal and regulatory requirements in a bid to hold the "ideological gate" in place for governing the use of labour. The ultimate purpose of these gates is to prohibit the employment of child labour and force labour. Employees are entitled to various kinds of leaves, including annual leave, sick leave and maternity leave. Taking into account the basis of market competition and internal fairness, the Company provides employees with a sophisticated and competitive remuneration and benefit regime. Staff remunerations are determined according to their positions, performance and capabilities, taking into account the Company's results. In addition to financial supports to employees in poverty, we were also concerned about the physical and mental well-being of employees. By enriching employees' afterwork life, solidarity could be created in the enterprise.

Employee distribution by gender

Male 3,464



Female 693



Unit : Person

Employee turnover by gender

Male 63



83%

Female 13



17%

Unit : Person

Note: The statistical measurement is based on direct employment, which refers to the employees who entered into labour contracts directly with the Company.



Nucleic acid sampling team consisting of volunteers

Health and safety

The Company diligently complied with the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases and maintained the approach of "Precaution-based Prevention and Control". Accordingly, the Company stepped up efforts to enhance the training on the prevention and control of occupational hazards, to raise employees' awareness of occupational safety and health, to exercise active control on the elements leading to occupational hazards, to control and eradicate occupational diseases, and to

enhance the management performance of the prevention and control of occupational hazards. The Company also focused on improving both the working environment and the occupational health of employees by vigorously promoting the knowledge of occupational disease prevention and control, developing the training management system, offering protective facilities and taking dust prevention measures. These produced a remarkable result in preventing and controlling occupational diseases and therefore created a safe and healthy workplace for all employees of the Company. In 2022, a total of 2,818 employees were exposed to occupational disease hazards with the physical examination rate reaching 100%. No case of suspected occupational diseases and confirmed occupational diseases was identified through the occupational physical examination.

The Company actively implemented the prevention and control measures against the COVID-19 epidemic and effectively handled multiple rounds of epidemic in many regions in accordance with the four-early principle. The Company closely followed up on the epidemic policies

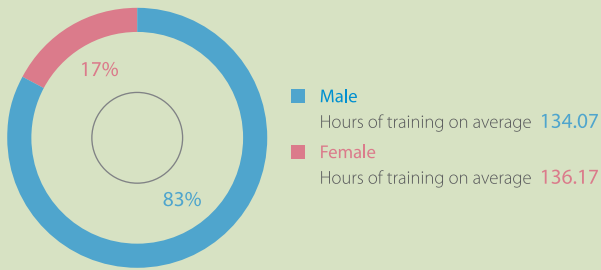
and developments, which developed into a standardised management and control system characterised by five major elements, namely well-established structure, systematisation, contingency plans, sufficient resources and available places. By taking project-based controls during the specific periods, holidays and renovation periods, as well as conducting grid unit-based inspections in response to local confirmed cases, the Company combined the standardised and specific prevention and control measures with part of the localised emergency measures dynamically. In 2022, Dongfang City, Hohhot City and other regions experienced an outbreak of the pandemic successively. The Company held a special meeting on anti-epidemic in the first time and effectively blocked the spread of the epidemic by means of timely identification of the close contact person and rapid implementation of closed management measures, achieving the goal of "timely epidemic prevention while ensuring adequate supply".

The Company has been highly concerned about production safety and abided by the core values, namely "Safety First,

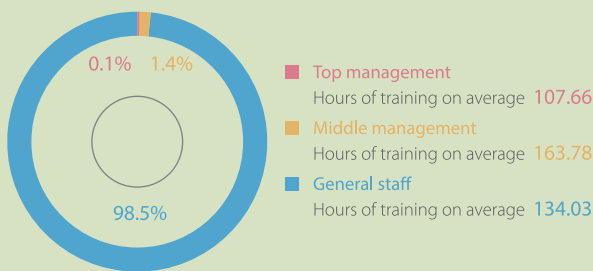


Device guardian

Percentage of training by gender during the year



Percentage of training by type of employment during the year



Audit training

High-skilled talents training



Environmental Protection Supremacy, People-oriented, and Adequate Equipment". The Company continued to enhance various protective facilities to minimise the number of work-related accidents or work injuries. In 2022, the Company worked together and actively promoted to complete various key HSE works, such as the consolidation and improvement of the three-year special rectification action on production safety, the centralised treatment of hazardous chemicals, 15 stringent measures, the strengthening of foundation management of production safety, the safety supervision and inspection, the identification and mitigation of potential risks and the effective response to natural disasters and epidemic prevention and control, so that the Company's situation of production safety continued to improve steadily. In 2022, the Company recorded nil dangerous chemical leakage accident, fire and explosion accident, environmental pollution accident and other types of liability accidents involving direct losses of more than RMB1 million were recorded. According to industry rules and as required by the Group, the Company mainly adopts OSHA to count the work injury incidents. In 2022, the rate of accidents recorded

with the Occupational Safety and Health Administration (OSHA) is 0.04, and 42 working days lost due to work injury. During the last three years including the reporting period, there were no work-related fatalities.

Development and training

The Company highly regards employee development and training. The training management has always been guided by the strategy of promoting corporate development with high-quality talent, the "3 plus 1" talent project and the "14th Five-Year" talent development plan that applicable to all group companies. The Company aimed to intensify three institutional reforms, improve the basic management at the grass-roots level, refine the talent nurturing and development mechanism and enhance the comprehensive ability of core and high-level talents, which was regarded as the annual working objective. By rolling out a series of measures such as implementing the training responsibility, clearly defining the duties and responsibilities of the management, innovating and changing the training methods and tightening the training evaluation, the Company spared no effort to overcome difficulties, and

launched training activities combining online and offline for the purpose of nurturing three teams of talents systemically and specifically according to the categories and levels. The Company also carried out training on compliance awareness, safety management and integrity for all employees, successfully completing the annual work tasks.

During the year, there were a total of 104,025 attendees of the training activities offered by the Company with the total training hours and the average training hours per attendee being 565,892 and 134.42, respectively (excluding the safety-related training). If analysed by gender, the male attendees accounted for 83%, who received 134.07 hours of training on average; and the female attendees accounted for 17%, who received 136.17 hours of training on average. If analysed by type of employment, the top management of the Company accounted for 0.1%, who received 107.66 hours of training on average; the middle management accounted for 1.4%, who received 163.78 hours of training on average; and the general staff accounted for 98.5%, who received 134.03 hours of training on average.

Operating practices

Supply chain management

The Company formulated a supply chain management system comprised of, amongst others, the Administrative Measures for Suppliers and the Implementation Rules for Management of Suppliers to conduct the centralised management of suppliers while allocating responsibilities by levels. The project procurement department is responsible for formulating the supplier management system, while the Company's procurement sharing centre is responsible for developing and maintaining the supplier database, which includes the admission assessment and approval of suppliers, the annual assessment and appraisal, as well as the improvement of the management of the supplier database. The executives assigned by the procurement sharing centre to each subsidiary are specifically responsible for the matters relating to the referral, preliminary review and evaluation of suppliers.

In applying the principle of "management first, engagement later" to its management of suppliers, the Company created a register

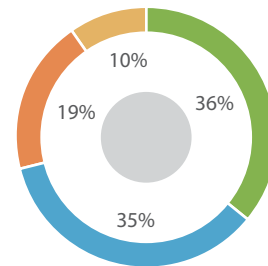
of qualified suppliers. Suppliers could be added to the register after a procurement contract is concluded or after the necessary assessment is completed in response to a direct application. The registered suppliers could be invited to participate in the Company's procurement of the relevant products falling within their registered categories of products. In 2022, the number of registered suppliers increased by 279, of which 27 are in the Northeast region, 97 are in Northern and Central China, 66 are in Southern China and 89 are in other regions. As at the end of 2022, there were 3,544 existing suppliers on the register of suppliers, of which 369 are in the Northeast region, 1,283 are in Northern and Central China, 744 are in Southern China and 1,148 are in other regions.

Regarding the bidding qualifications and requirements of suppliers, the terms and conditions of bidding were formulated according to specific project requirements to require bidders to provide the qualification certificates as well as supporting materials such as the certificates of green, environmental protection and social credit. At the stage of assessing the qualifications of suppliers, inquiries were conducted in relation to the qualifications,

track records, and environmental and social risks of suppliers by making reference to the information available on the websites of government agencies such as the State Tax Administration, China Judgements Online and Credit China in order to understand and review the information about suppliers such as their productivity, quality system, environmental accreditation and environmental protection work, and on-site assessment and inspection of the capacity of suppliers would be carried out on a case-by-case basis to sufficiently identify risks with the aim of ensuring that the products supplied by the selected suppliers are of stable and credible quality and complied with the relevant national standards of production safety and environmental protection. At the evaluation and rating stages, review, approval and supervision would be conducted on a level-by-level basis according to the supply chain management system of the Company so as to confirm that a contractual relationship would be established with a qualified supplier in the end. In 2022, there were 831 suppliers in cooperation with the Company, of which 79 are in the Northeast region, 300 are in Northern and Central China, 161 are in Southern China and 291 are in other regions.



Percentage of suppliers cooperating with the Company during the year



- North-eastern China 79
- Northern and Central China 300
- Southern China 161
- Other regions 291
- Total 831

Pandemic prevention and inspection

The procurement sharing centre cooperated with CNOOC Fudao to carry out equipment overhaul and pandemic prevention work in 2022, and appointed personnel to join the special group for pandemic prevention and control. It completed the Information Statistics of Contractors and Operators of CNOOC Fudao, which included 48 sub-items, collected 1,301 personnel information of 65 suppliers, and strictly investigated 288 people in the infected areas.

The Company has attached growing importance to the management of environmental and social risks within the supply chain system by making it clear in the supply chain management system that appropriate preferential and incentive policies would be applied to the suppliers of green and environment-friendly energy-saving products and services. During the course of practical procurement, the Company would consider giving extra credits to the suppliers who applied green and environment-friendly energy-saving products and services on a case-by-case basis under the comprehensive evaluation and rating scheme and supervise the procurement process and performance of contracts under the Company's supply chain management system.

The Company monitored the performance of contracts by suppliers in accordance with the relevant systems and the terms and conditions of the relevant contracts to ensure that suppliers provided quality products on a timely basis and their production procedures complied with the local government policies and the requirements for safety and environmental protection. By adopting the procurement business information system, the Company

conducted online centralised control and management of procurement dealings as well as the supplier database information. Suppliers' services were monitored throughout the procurement process. The Company implemented dynamic assessment, that is, one-to-one assessment. Suppliers were overseen and appraised on a yearly basis so as to enable evaluation and management by category and ranking.

The Company is committed to maintaining an orderly market, complying with its policies and undertakings to suppliers, and advocating the establishment of a business environment with fair competition, equality and mutual benefits. In addition to capitalising its advantages in terms of procurement scale and professionalism, the Company stepped up its efforts to keep the information on procurement and bidding transparent and enhanced the risk controls during the procurement process, which successfully prevented breaches of laws and regulations, such as black box operations and commercial bribery, as well as effectively fostered cost control.



Handover of translational pipe

For the furnace reformer tubes project of Fudao Phase II, a three-party communication group for supply, demand and transportation has been established to share information in real time and work together to ensure on-site needs.

Supporting the resumption of production by the procurement centre

The procurement sharing centre took actions after accurate layout, and strived to win the first battle of "safeguarding grain", so as to facilitate the Fertiliser Phase I and Phase II projects to fully resume production in advance by focusing on the overall overhaul goal of "safety, quality, progress, cost, risk, and anti-pandemic. During the 15-day maintenance period of the Phase I project and the 40-day overhaul period of the Phase II project, the Company overcame numerous difficulties such as excessive maintenance personnel, severely restricted material transportation, and great pressure of pandemic prevention and control, and provided a total of 866 + 1,270 required materials for 619 + 664 maintenance items.

On-site supervision by relevant personnel



Product liabilities

The Company has abided by the laws and regulations, such as the Product Quality Law of the People's Republic of China, the Trademark Law of the People's Republic of China and the Anti-unfair Competition Law of the People's Republic of China and the national standards for various

Methanol loading



Employees stationed at the plant to check the quality of fertiliser produced



types of products; and enhanced its own systems such as the Administrative Measures for Complaints from Customers about Self-manufactured Products and the Administrative Rules for Packaging Materials Distribution of Self-manufactured Products. Comprehensive and stringent quality control measures have been put in place to govern the product quality and safety, advertisements and promotions, trademarks, labels, privacy and remedies. These all constituted a set of professional, standardised and effective administrative measures for product quality, which not only addressed the relevant after-sale issues about the marketed products and therefore facilitated the Company to boost the sales, but also provided the Company with a basis of decision making for enhancing the quality and effectiveness of products and improving the quality of its products and services.

In 2022, the Company successfully passed the certification renewal review of environmental protection and sustainable development conducted by the IFA (International Fertiliser Industry Association), and gained industry

recognition in six sectors, namely the protection and sustainable development system, product development and planning, supply source and contractor management, production and manufacturing, customer supply chain and marketing, sales and application, with obvious brand benefit.

The Company played an active role in setting industry standards and has been committed to promoting the research, development and application of new techniques and new equipment as well as constantly strengthening the product quality control by leveraging on technological innovation as a driving force and enhancing the development of systems. In 2022, none of the sold or delivered products was recalled due to the safety and health concerns; 3 reports of market feedback on quality issues were received, of which 0 involved the applications for packaging bags after verification and 3 involved business claims of compensation with the amount of compensation totalling RMB38,000. The Company has strictly complied with the relevant national laws and regulations

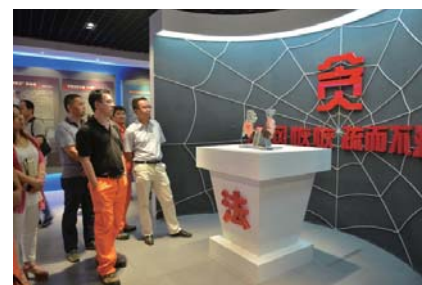
governing the protection of intellectual property (IP) rights and is legally entitled to the relevant IP rights without being involved in any IP infringement activities. During the course of branding and marketing activities, if the IP rights of other entities were to be used, the right of use would be obtained in a lawful manner and the relevant contracts would be signed with the payment of reasonable fees for the use of those IP rights to ensure the legitimacy of such use. Efforts were stepped up to investigate and monitor any suspected incidents of infringement of the Company's IP rights, while anti-counterfeiting campaigns have been launched from time to time to safeguard the basic interests and rights of the Company. The Group fully recognised the importance of protecting and safeguarding the personal data of customers. Accordingly, the Company has put in place the "Corporate Secrecy Requirements" policy to protect the data and privacy of customers and raise the awareness of confidentiality among employees. All employees are required to sign the confidentiality agreement and must observe the guideline on prohibition against the disclosure of confidential

information without authorisation. The Company encourages creativity and innovation. During the reporting period, the Company submitted a total of 24 patent applications with 19 patents being granted, one trademark application, and submitted one copyrights application; the product delivery and quality supervision taskforce was set up to conduct specific quality supervision, including inspecting whether there were any circumstances of broken bags, dirty bags, caking, dampening and mixing up of bags, and eliminating and punishing any failures to comply with the product delivery requirements alongside collecting evidence; and the Company formulated the Administrative Measures for Complaints from Customers about Self-manufactured Products to govern the handling of product quality issues relating to the Company's self-manufactured products arising during the course of production, warehousing and transportation and to devise standardised solutions, including the measures such as return or change of goods, in response to the issues such as complaints from distributors and ultimate users and administrative punishments imposed by the government authorities. Based on product characteristics, the recall system is temporarily not applicable to the Company's products. In 2022, the quality check passing rates of the Company's urea and methanol products were 100%, while the rates for such products graded as superior were 99.85% and 100%, respectively. There were no major legal proceedings or complaints arising from the quality of products and services.

Anti-corruption

Prevention and control of the corruption risk has become an integral part of the

Company's risk management framework. In addition to taking actions against individual cases of corruption, the Company has attached greater importance to addressing such issue at root by adopting preventive measures to nip corruption in the bud as well as pressing ahead with the construction of the anti-corruption risk prevention and control mechanism. In rigorous compliance with the laws and regulations such as the Criminal Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China and Certain Rules on Integrity of Executives of State-owned Enterprises, the Company introduced a column to promote integrity education and issued reminders concerning the celebration of festive times with probity during certain major festivals and holidays in a bid to call on employees to act in strict conformity to the laws and requirements and ethical codes in relation to the prevention of bribery, extortion, fraud and money laundering. By coordinating and aligning the disciplinary supervision and the audit, financial and inspection supervisions, the Company established a regular communication mechanism, thereby forming a macro supervisory framework covering and integrating all aspects of supervision. The Company has in place a Supervisory Committee, which is responsible for overseeing the discharge of duties by Directors, president and other senior management members. A group of discipline inspectors is responsible for scrutinising disciplinary actions and accountability matters, overseeing the discipline of the Party members and leading cadres, and investigating and dealing with violations of discipline and rules, which has developed a comprehensive integrity and risk control system. The Company introduced a regime



Anti-corruption and integrity education

which aims to eliminate the courage, capability and intention to be involved in corruption by publicising the reporting hotline, mailbox and address to accept reports from the public by letter or in person. Both the identities of a reporters and contents of reports are rigorously protected and officers in charge are strictly prohibited from disclosing all information concerned while no liaison with the persons involved and their related persons is allowed without authorisation. Through the constant enhancement of both stopgap measures and durable solutions, further promotion of daily anti-corruption and integrity education, implementation of specific governance and control initiatives, and formulation of the systems such as the Requirements for Disciplinary Actions Against Employees and the Implementation Rules for Complaint Cases, a stringent internal prevention and management regime was established to standardize employees' performance of duties and responsibilities. The Company has built an information platform for acceptance of reports and handling of the governance and control matters in the entire procedures to enable the centralised online management of all reports, as well as formulated the systems such as the



"Quality Open Day" activity held by CNOOC Huahe

CNOOC Huahe and the Market Supervision and Administration Bureau of Hegang jointly held the "Quality Open Day" activity. On the day of the event, representatives of more than 20 enterprises in Hegang City were invited by the CNOOC Huahe to carry out quality management exchanges. Starting from the quality issues that everyone is most concerned about, CNOOC Huahe conveys the correct quality management concept to the enterprise representatives through introduction of production process, quality risk control, system construction and implementation, product improvement, etc.

Quality Open Day activity site



Science popularisation activities were promoted to campus to light up children's scientific and technological dreams

Implementation Rules for Acceptance of Reports by Letters or In Person to govern such matters as the scope of acceptance of reports, handling procedures, and review and approval authority.

The Company coordinated the anti-corruption risk controls and the production and operation business by conducting routine monitoring of the key projects and critical processes as part of the preventive measures as well as supervision of on-going incidents. In 2022, the company hold a Warning and Education conference for all employees, regularly sent out the featured monthly "Clean and Honest", compiled "Internal Cases of Clean and Honest Warning Education", and issued notices on the rectification of four winds and creation of new winds during the Mid-Autumn Festival, National Day, New Year's Day and Spring Festival.

In 2022, neither the Company nor its employees were subject to any legal proceedings in respect of corruption.

the development of the local communities of the places where we operate and deems it obligatory to give back to the general society by active participating in charity work, rendering services for community building, making donations and providing aids for students, thus promoting the harmonious development of both the Company and society.

Since 2002, the Company has deployed a total of 11 temporary cadres to the State-designated supported areas, including Hezuo City and Xiahe County, Gannan Prefecture, Gansu Province, and Wuzhishan City, Hainan Province, to make topnotch contributions to poverty relief by assisting the group companies in implementing nearly 100 special construction projects involving more than RMB100 million, as part of our efforts to provide economic assistance to underprivileged areas and develop their own abilities to promote economic growth. Hezuo City, Xiahe County and Wuzhishan City have been removed from the list of regions in poverty in 2018, 2019 and 2020, respectively.

In 2022, the Company continued to actively engage in charity and public welfare

①	②
③	④

Community building

The Company accords great importance to





The poverty alleviation primary school in Gansu Province

- ① CNOOC Fudao's "one-on-one" assistance responsibility card-family portraits
- ② A large-scale free medical consultation activity in autumn was jointly launched by DYK Chemical and Jingmen Hospital of Traditional Chinese Medicine
- ③ A training course on sugarcane cultivation technology was organized by CNOOC Fudao in Danzhou City
- ④ The Company donated 2,000 tonnes of urea to the disaster area in Guangdong

donations and designated assistance, with a total contribution of approximate RMB20,300,000, contributing value to the country's "firmly upholding the two bottom lines of ensuring national food security and preventing large-scale return to poverty". The Company vigorously carried out consumption assistance by centralised purchasing and distributing products listed in the "List of CNOOC Consumption Assistance Products" at a standard of no less than RMB400 per person per year. The procurement of RMB2,086,000 was achieved in only half a year, and exceeded the target of the Group (i.e. RMB1,693,000)

in advance with a completion rate of 123%. All of the Company's uniform and working shoes were purchased from the Gannan Supporting Plant, with a purchase amount of approximately RMB8,038,000 in 2022.

CNOOC Fudao and Basuo Port donated a batch of epidemic prevention materials to Dongfang City during the critical period of epidemic prevention and control in Dongfang City. CNOOC Tianye donated RMB1,000,000 to the Red Cross Society of Inner Mongolia Autonomous Region during the critical period of epidemic prevention and control in Hohhot City, Inner Mongolia Autonomous Region. Basuo Port actively carried out employment assistance and recruited one college graduate from Baoting County, which is designated to assist by the group companies. In addition, CNOOC Fudao and Basuo Port dispatched 4 cadres to the village to assist and support the local rural revitalisation work, and carried out other actions such as continuously consolidating the "three guarantees" and drinking water safety, comprehensively implementing the dynamic monitoring of preventing return

to poverty and leading to poverty, and continuously strengthening employment stability.

At the same time, the Company currently has 5 youth volunteer service teams and 359 youth volunteers in the frontline, actively participating in various activities such as epidemic prevention and control, rural revitalisation, poverty alleviation, public welfare and environmental protection, and volunteer teaching services.

In 2022, save as disclosed in this report, the Company complied with the "comply or explain" provisions set out in the ESG Reporting Guide.

- Notes: ① This report covers the Company and its subsidiaries.
- ② In case of any discrepancy, the Chinese text of this report shall prevail over the English version.

Glossary

Ammonia	NH_3 , a colorless, combustible alkaline gas. Ammonia is a compound of nitrogen and hydrogen, it is used extensively for the manufacture of fertilisers and a wide variety of nitrogen-containing organic and inorganic chemicals;
BB fertilisers	Bulk blended fertilisers, according to the PRC national standard being a chemical compound containing at least two primary plant nutrients among N, P and K;
Compound fertilisers	Chemically obtained fertiliser, composed of at least two primary plant nutrients, also contained secondary nutrients;
DAP	di-ammonium phosphate, $(\text{NH}_4)_2\text{HPO}_4$, a type of phosphate fertiliser;
Formaldehyde	CH_2O , a colorless, poisonous gas, made by the oxidation of methanol;
MAP	mono-ammonium phosphate, $\text{NH}_4\text{H}_2\text{PO}_4$, a type of phosphate fertiliser;
Methanol	CH_3OH , or methyl alcohol, or wood alcohol, a colorless, flammable liquid, produced synthetically by the direct combination of hydrogen and carbon monoxide gases, heated under pressure in the presence of a catalyst;
Natural gas	Colorless, highly flammable gaseous hydrocarbon consisting primarily of methane and ethane. It is a type of petroleum that commonly occurs in association with crude oil. Natural gas is often found dissolved in oil at the high pressures existing in a reservoir, and it also can be present as a gas cap above the oil;
P fertiliser or phosphate fertiliser	a fertiliser containing phosphorus (P) as the main nutrient, common examples include MAP and DAP;
Polyoxymethylene (POM)	$-(\text{O}-\text{CH}_2-)_n-$, also known as acetal resin, an engineering plastic used to make gears, bushings and other mechanical parts. It is a thermoplastic with good physical and processing properties;
Urea	$\text{H}_2\text{N}-\text{CO}-\text{NH}_2$, nitrogen fertiliser formed by reacting ammonia with carbon dioxide at high pressure (containing 46% nitrogen);
Utilisation rate	A percentage calculated by dividing the actual annual production volume by the designed annual production volume.

Company Information

Registered Office	NO.3, Park Third Road, Basuo Town, Dongfang City, Hainan Province, the PRC
Address of headquarter	Kaikang CNOOC Mansion, No.15, Sanqu, Anzhenxili, Chaoyang District, Beijing, the PRC
Principal place of business in the PRC	NO.3, Park Third Road, Basuo Town, Dongfang City, Hainan Province, the PRC
Representative Office in Hong Kong	65/F., Bank of China Tower, No.1 Garden Road, Central, Hong Kong
Company Secretary	Kuang Xiaobing
Authorized representatives	Hou Xiaofeng Kuang Xiaobing
Principal banker	Industrial and Commercial Bank of China, Hainan Branch
Auditor	BDO Limited 25th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong
Hong Kong law legal adviser	Freshfields Bruckhaus Deringer 55th Floor, One Island East, Taikoo Place, Quarry Bay, Hong Kong
The PRC law legal adviser	Jun He Law Offices China Resources Building, 20th Floor, 8 Jianguomenbei Avenue
H Share registrar and transfer office	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong
Investor Relations/Public Relations Hong Kong	Tel: (852) 22132533 Fax: (852) 25259322
Beijing	Tel: (86) 010 84527343 Fax: (86) 010 84527254
Webiste	www.chinabluechem.com.cn
Stock Code	Hong Kong Stock Exchange: 3983

