The logo consists of two stylized, rounded characters, 'O' and 'Q', in a dark brown color. The 'O' is a simple circle, and the 'Q' has a small tail at the bottom right. The background of the entire page is a photograph of a desert landscape with sand dunes and several wind turbines under a sunset sky. A diagonal white line separates the image from the white text area on the right.

OOQ

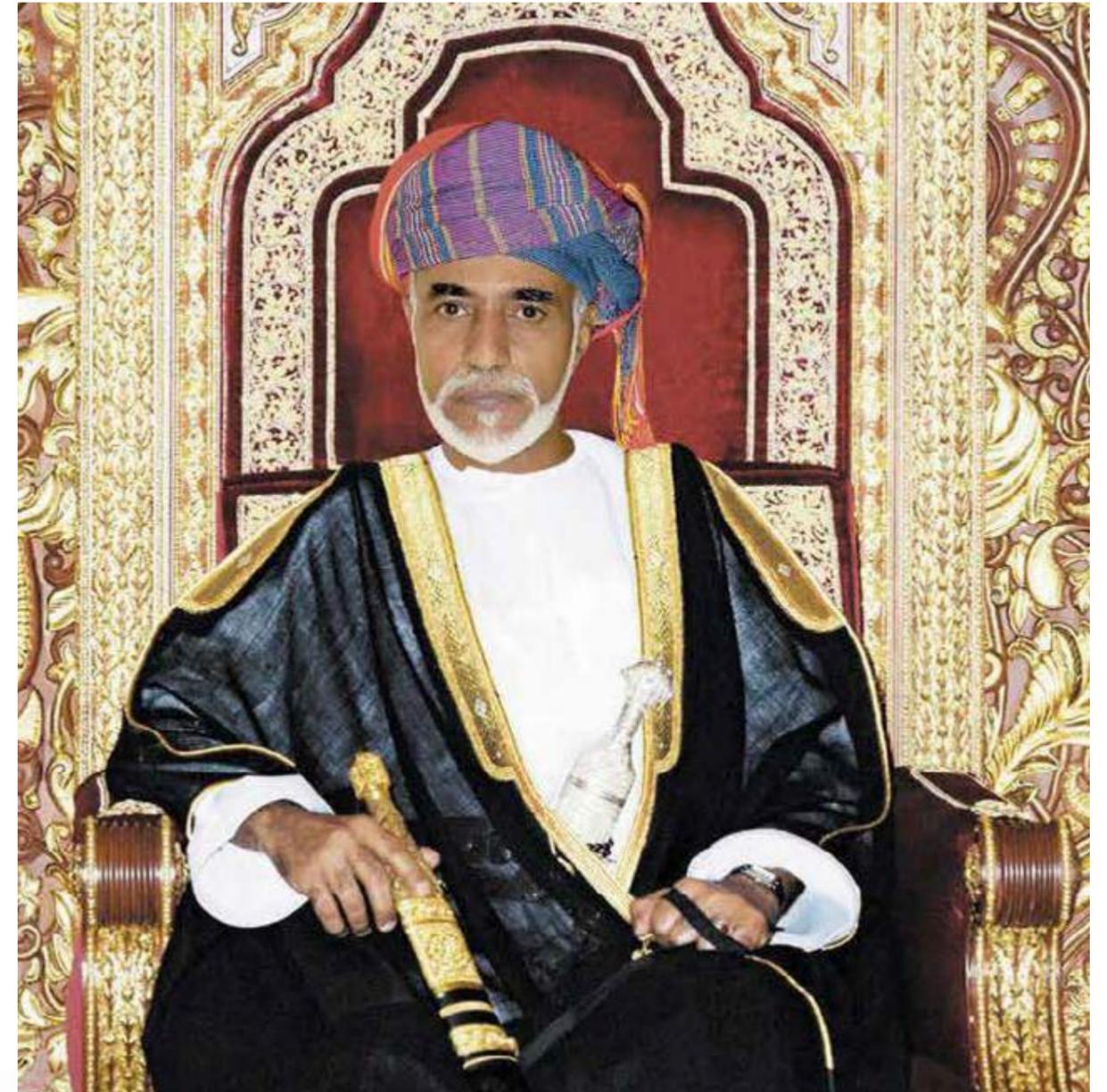
**SUSTAINABILITY  
REPORT  
2020**



Energy  
Beyond  
Limits



HM Sultan Haitham bin Tarik



HM Sultan Qaboos bin Said  
May his soul rest in peace



# TABLE OF CONTENTS

## ABOUT THIS REPORT 6

Scope of the Report .....	9
Reporting Boundaries .....	10
External Assurance.....	11
Contact Point .....	13
2020 At a Glance .....	12
Letter from the Chairman of the Board .....	14
Letter from the Group Chief Executive Officer .....	16

## BUSINESS OVERVIEW 18

About OQ .....	20
Our Global Presence .....	20
Our Integration Journey .....	22
Our Aspirations.....	23
Our Behaviours.....	24
Our Values.....	25
Our Integrated Leadership Team .....	26
Our Operations .....	27
Upstream.....	27
Downstream .....	29
Commercial Business.....	32
Our Growth Projects .....	33
Operational Overview.....	27
Our Strategic Priorities and Progress in 2020 .....	34
Integration .....	34
Project delivery.....	34
Funding plan and Deleveraging Goal .....	35
Refineries Competitiveness.....	35
Organisation Readiness for Privatisation .....	36
Divestments.....	36
Selective Growth .....	36
Retail .....	36
Alternative Energy.....	37
Digitalisation.....	37
Memberships of Associations and Industry Affiliations.....	37

## ECONOMIC IMPACT AND FINANCIAL PERFORMANCE 40

Consolidated Revenues .....	41
Consolidated EBITDA .....	41
Consolidated Net profit .....	42
Consolidated Assets.....	42
Consolidated Debt.....	43

## CUSTOMER SATISFACTION 44

## STAKEHOLDER INCLUSIVENESS 46

Materiality Analysis.....	46
Stakeholder Engagement .....	48

## ACHIEVING BUSINESS EXCELLENCE THROUGH SUSTAINABILITY 50

Sustainability Governance and Management....	50
Our Strategy Framework.....	51
Sustainability Integration.....	52
Sustainability and Risk Management.....	52
Our Sustainability Commitments.....	52

## GOVERNANCE, ETHICS AND COMPLIANCE 54

Our Shareholder .....	54
Our Board of Directors .....	54
Board Responsibilities and Committees.....	54
Ethical Conduct: .....	56
Code of Conduct .....	56
Ethics Committee .....	57
Anti-Bribery and Corruption.....	57
Business Integrity.....	57
Communication and Training .....	58
Workplace Practices and Human Rights .....	58
Anti-Discrimination.....	59
Whistleblowing Policy .....	59
Compliance .....	59
Risk Management .....	60

## IMPROVING SOCIAL WELL-BEING, HEALTH & SAFETY FOR EMPLOYEES AND CONTRACTORS 66

## CYBER-SECURITY 78

## DEVELOPING OUR PEOPLE 80

## BEING A GOOD NEIGHBOUR 90

## MANAGING OUR ENVIRONMENTAL FOOTPRINT 96

## SOURCING RESPONSIBLY 110

## INNOVATION 116

## GLOBAL REPORTING INITIATIVE INDEX - GRI TABLE 118





# ABOUT THIS REPORT

## ABOUT THIS REPORT

(102-45),(102-46),(102-48),(102-49),(102-50),(102-51),(102-52),(102-53),(102-54),(102-56)

This is OQ's second GRI Sustainability Report, presenting our approach and performance overview during the period of 1 January to 31 December 2020. OQ's first GRI Sustainability Report includes 2019 data and was published in 2020. This report has been prepared in accordance with the GRI Standards: Core option. Wherever

possible, we also refer to other frameworks that guide our business practices both at the national and international level. These frameworks include the United Nations Sustainable Development Goals (UN SDGs) and the Oman Vision 2040 national priorities.



## SCOPE OF THE REPORT

The scope of this report includes OQ's business activities during 2020 in Oman and all other countries of operation, encompassing all the business's legal entities. This includes the legal entities that spread across upstream, downstream and commercial sectors, as well as services in Oman and international locations. OQ consists of eight legal entities, namely, OQ Exploration and Production, OQ Gas Network, OQ Refineries and Petrochemical Industries (Suhar Refinery, Mina Al Fahal and Aromatics), OQ Methanol, OQ Chemicals, OQ Liquefied Petroleum Gas (LPG), OQ Trading and OQ8 (formerly Duqm Refinery).

All assets acquired or disposed of during this year are included for the period in which we owned and operated them, unless otherwise stated. Excepting OQ8 and where otherwise stated, assets that we do not wholly own or have operational control of such as joint ventures are not included in this report. The data presented throughout the report highlights our operations for the year 2020, and, wherever possible, comparisons to the previous year's data is made. The report also states where limitations have been identified in the scope of our data. This report presents

the achievements and performance of OQ's social, environmental and governance pillars of sustainability. It is based on the review, assessment and processing of the data received from the company's legal entities. As we continue to build our sustainability journey, we aim to expand the scope of our report to include more disclosures on environmental, social and governance pillars.

The content presented in this report is a result of thorough stakeholder engagement and materiality analysis covered in the chapter entitled "Achieving Business Excellence through Sustainability". We believe that all of the content and data provided throughout this report is represented with the utmost integrity, honesty and transparency in order to provide all our stakeholders with clear and accurate insights on all our business activities and footprint.

Comparison to 2019 data is sometimes excluded due to a change in scope for some of the disclosures in comparison to the previous year. It is also due to the implementation of revised data collection and verification protocols to enhance data accuracy when compared with 2019 data, when much of the integration was in progress.



\* By 31st September, 2021, OQ Chemicals will operate independently from OQ Group.

## REPORTING BOUNDARIES

With regards to the boundaries of this report, the following should also be noted:

- 1** Health and Safety metrics are reported for our owned and operated legal entities and include data of all our full-time employees our contracted employees and contractors
- 2** Human Resources data and metrics are recorded for all our legal entities and include data of all our full-time employees
- 3** Financial Performance data is reported for all our legal entities and joint ventures (on equity basis)
- 4** Environmental data, unless otherwise stated, is reported for all our owned and operated legal entities both onshore and offshore
- 5** Scope 1 CO2 emissions are reported for all our owned and operated legal entities
- 6** Scope 2 CO2 emissions are reported on market-based emission factors for all our owned and operated legal entities
- 7** We seek to ensure the utmost levels of transparency and accuracy in all our provided data in line with the best industry practices



## EXTERNAL ASSURANCE



For this report, the Sustainability Department has carried out an internal assurance process, which includes the revision of all the report's content with management and internal stakeholders. It was decided not to appoint an external party to audit our sustainability report as we are in the process of refining our approach in data collection and validation. This includes continuous engagements and enhancing knowledge from both topics of sustainability and business

requirements. However, third-party report assurance remains an option that we may consider for future sustainability reports.

We welcome your feedback on our sustainability approach and performance.

For further clarification regarding the details within this report, please contact our Sustainability Leader, Ms. Shaima Al Lawati at [shaima.allawati@oq.com](mailto:shaima.allawati@oq.com).

# 2020 AT A GLANCE

## Operational Overview

**145** mboe **14,006** Mn USD  
Oil and Gas Production per Day in Revenue

## Economic Impact & Financial Performance



## Improving Social Wellbeing, Health & Safety



## Developing Our People

**383** graduates enrolled in Graduates Development Program  
**102** apprentices underwent vocational education and on-the job training in Oberhausen



**6149** full-time employees



**14%** of full-time employees are female

**66%** of newly hired employees are aged 18—34

**78%** Omanisation rate in Oman-based entities

## Sourcing Responsibly



## Being a Good Neighbour

**18** CSI programmes delivered in

**USD 16 Mn** invested in CSI programmes

## Environmental Performance



## Letter from the CHAIRMAN OF THE BOARD

(102-14)



2020 was a year of challenges and lessons learned. It was a year where the world as we knew it came to a halt. However, we saw this as an opportunity to reflect on a new reality and quickly adapt ourselves and our businesses. Inspiring progress was made in areas of healthcare, governance, and business, and the power of collaboration was more evident than ever. Throughout this global crisis, the one thing that remained constant is OQ's commitment to our people, community and environment.

Although we worked hard, 2020 proved to be challenging for the oil and gas industry. OQ's business performance was significantly impacted by the global economic slowdown, like many others. Supply and demand dynamics were drastically affected across the spectrum, and our oil prices and product crack spreads were below OQ's targeted budget. Furthermore, COVID-19 caused delays on various other projects, resulting in financial implications. Despite this, OQ's trading business generated record profits and managed to effectively trade through market volatility.

On the other hand, OQ's commitment to the safety and wellbeing of our employees and communities was more evident than ever before. We played our part and took additional steps in making the workplace a safe and comfortable environment for our workforce, and despite the significant reported cases of COVID-19 in OQ, we had a 99% recovery rate by the end of the year. In addition, we extended a helping hand to our local community, supporting learning and innovation at Sohar University in their response to COVID-19 by donating an injection moulding machine, which enabled the production of healthcare equipment and materials.

Despite the disruption in people's livelihoods that was brought about in 2020, OQ was consistent in our efforts to develop our people. Being operational in 17 different countries and having 49 different nationalities at OQ, we are taking the Omanisation agenda seriously in Oman, aligning with governmental directions. In this way, we were able to achieve a 79% Omanisation rate in Oman-based legal entities, and extended opportunities to our youth by enabling 383 graduates to enroll in our graduate programme. OQ also strives to continually increase diversity and promote inclusion, and in 2020, 15% of our full-time employees were female. We believe that fostering our community is important, which is why sustainability is at the core of our decision making.

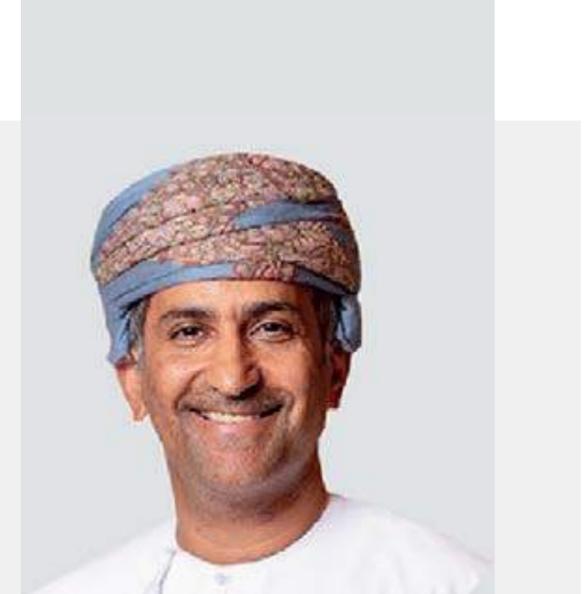
Companies around the world are being challenged to innovate whilst maintaining positive social and environmental impact. In OQ we dedicated our effort and resources into how we contribute to society, and we were able to deliver 18 corporate social investment (CSI) programmes in 2020. Furthermore, our focus on addressing climate change was reflected in our ability to recycle more than 7,500 tonnes of waste, reduce flaring in our upstream operation by 38% from 2019, And achieve more than 14% reduction in hazardous waste compared to 2019. Moreover, Alternative Energy was a new and fundamental growth area for OQ, which is evident from the two major green hydrogen projects announced in partnership with international industry players.

We will continue to step up our efforts and work together to accomplish our goals, despite the challenges we have faced in 2020. To our local community, we will continue to strive for the betterment of our society, to enhance the livelihoods of our people and preserve our beautiful nature. In this way, we can truly deliver the positive impact we seek.

**MULHAM BASHEER AL JARF**  
CHAIRMAN

# Letter from the GROUP CHIEF EXECUTIVE OFFICER

(102-14)



## 2020 – a year of reflection and of setting goals ahead

2020 brought with it a pandemic that dominated the headlines and caused global shockwaves. The world, as we know it, will never be the same following the COVID-19 experience. Over the last 18 months, many industries were forced to move away from the 'conventional' ways of conducting business to more innovate and agile models. In particular, the oil and gas industry was at the forefront of leading these efforts given the monumental challenges it had to endure following the outbreak.

At OQ, we recognized early on the potential damaging impacts COVID-19 could have on our businesses globally and swiftly took proactive measures to address this. As such, we launched a number of initiatives to ensure business continuity, while keeping the safety and wellbeing of our employees as our top priority.

Despite our best efforts, the COVID-19 pandemic severely challenged our businesses and the communities in which we operate. Disruptions to supply and demand dynamics across the oil and gas sector impacted both upstream and downstream businesses and further hindered our logistics. Product prices and crack spreads were significantly lower than expected, and logistical constraints significantly slowed down progress of growth projects.

Unfazed by the challenges and in pursuit of excellence, we at OQ remained committed to push forward with our sustainability strategy which took center stage in 2020 and became a leading corporate objective. As a result, we made significant contributions during the year towards the economic, social and environmental pillars of sustainability. Most notably, we made exceptional progress in reducing our greenhouse gas emissions and had considerable success in recycling waste. We also invested in the Sultanate's youth by continuing to provide training opportunities through our graduate programmes and gave back to the local community through our various Corporate Social Investment (CSI) projects. Since human capital is our most valued asset at OQ, the mental and physical wellbeing of our people was another key focus area with 492 audits carried on employees and contractors to assess their COVID-19 readiness.

Even as we proudly recognize the value and impact of the work we have achieved despite the pandemic, we are cognizant of the importance of a more equitable society and a greener environment. OQ is determined to pursue these aspirations and I look forward to working alongside you in order to achieve these goals.

**TALAL HAMID AL AWFI**  
GROUP CEO

# BUSINESS OVERVIEW



## ABOUT OQ

(102-1),(102-2),(102-3), (102-7)

OQ (SAOC) is a GLOBAL INTEGRATED ENERGY COMPANY with roots in Oman – operating in 17 countries around the world and covering the entire value chain from exploration and production to marketing and distribution of end-user products. Our fuels and chemicals are sold in over 60 countries worldwide.

## OUR GLOBAL PRESENCE

(102-4),(102-6)



**+6000**  
Employees



**53**  
Nationalities



**17**  
Presence in continen



**80%**  
under the age of 40



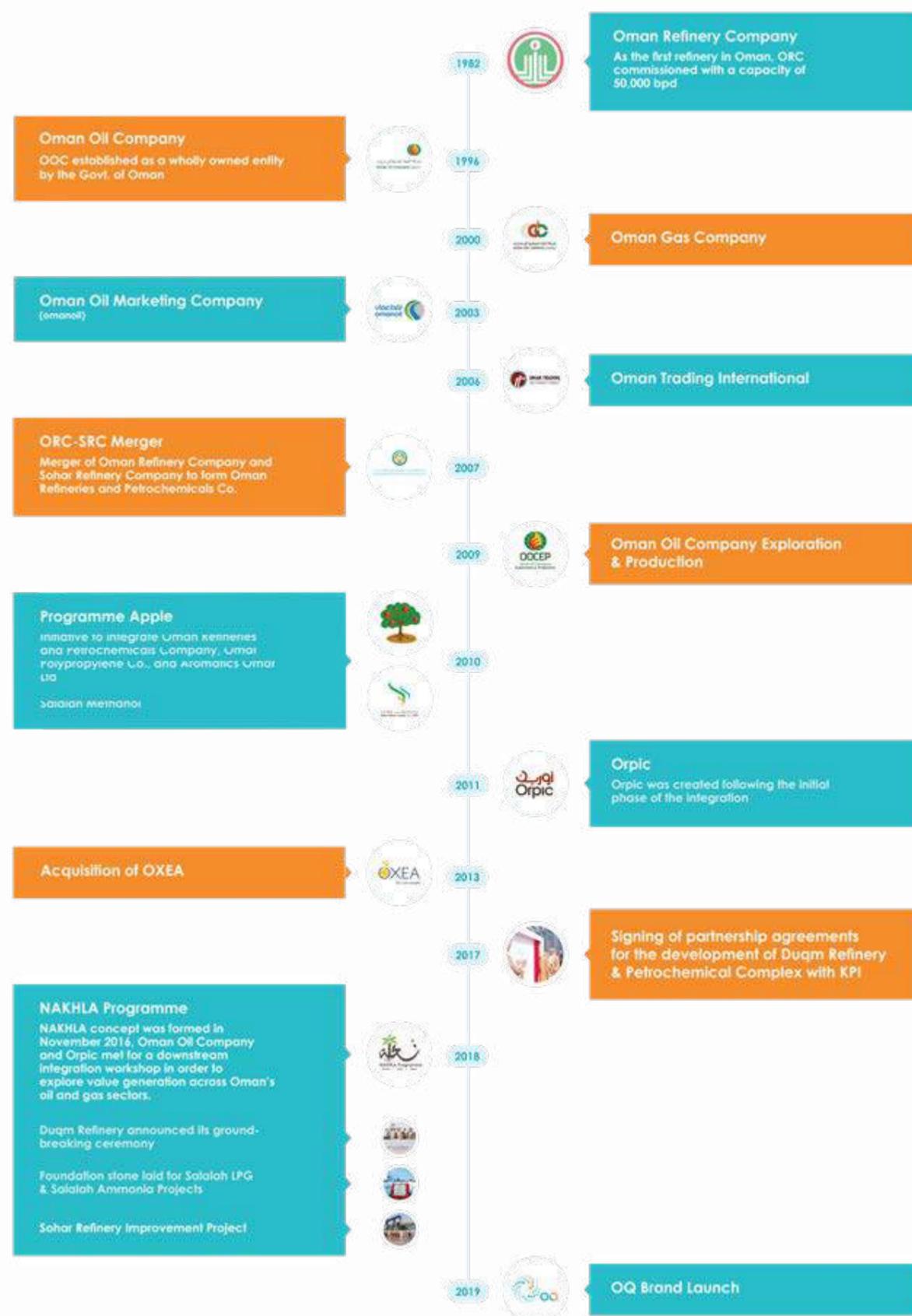
**+60**  
Countries paying out  
our fuel and chemicals



**+2,000**  
International Customers



# OUR INTEGRATION JOURNEY



The origins of OQ can be traced back to more than a century. From the discovery of the OXO process to the founding of the Oman Refinery Company in 1982, we have continually evolved to serve our partners.

The creation of the Orpic Group in 2011, followed by integration with Oman Oil in 2019, were key components in unifying a number of companies into today's integrated global energy company.

The creation of the currently integrated conglomerate translates into a greater global reach, maximizes the overall value chain, and promotes the sharing of resources and expertise. Despite

the increased size, the newly created synergies ultimately unlock improved accessibility, nimbleness and business excellence opportunities.

Central to our strategy is the strengthening and expansion of our relationships with local and international partners.

In addition to leveraging our partnerships, business excellence is achieved through optimised input costs and logistics, allowing for more investment opportunities into innovation. The increased ROI, in turn, delivers long-term growth and new opportunities.



## OUR BEHAVIORS

(102-16)



**Care**

In our operation we put health, safety and the environment first. We respect the local cultures and local values of our people and customers across the world.



**Share**

We are one team with one core vision. We share knowledge, delivering best practices across all area of our business. We are transparent, open, fair and trusted in our dealing with our employees, customers and partners



**Dare**

We think big, and set ambitious goals and aim to exceed them. We are agile and innovative, moving quickly and proactively to challenge the status quo.

**Care:** Across our operations we put health, safety and the environment first. We respect the local cultures and local values of our people and customers across the world.

transparent, open, fair and trustworthy in our dealings with our employees, customers and partners.

**Share:** We are one team with one core vision. We share knowledge to deliver best practices across all areas. We are

**Dare:** We think big, set ambitious goals and aim to exceed. We are agile and innovative, moving quickly and proactively to challenge the status quo.

## OUR VALUES

(102-16)

At OQ, we share a set of core values – people centric, integrity, collaboration, agility and perform to transform – which underpin all the work we do. Our values are reflected in our Code of Conduct and the Ethical Conduct practices we follow.

**People Centric:** Our stakeholders, whether they are our employees, customers or other stakeholders in the community, are treated with care and respect irrespective of who they are, where they come from or how they choose to live their lives.

**Integrity:** All OQ operations are guided by fact, accountability, and moral and intellectual truth, upheld by a deep respect for each other as colleagues, for our communities and our planet.

**Collaboration:** Sharing knowledge, skills and practices between ourselves

and our partners “helps us build” robust approaches, systems and processes that serve the interests of all our stakeholders, both inside and outside the business.

**Agility:** Mental agility, adaptability and intellectual curiosity are crucial attributes that flow through our DNA, driving our ability to innovate, create opportunities, and deliver the technological and service solutions of tomorrow.

**Perform to Transform:** Daring to challenge the status quo both within and outside of the organization enables us to make meaningful, sustainable, and truly transformational impacts on the lives of all those our business touches upon.





**People Centric**

The people who are touched by OQ whether as employees, customers, or other stakeholders in the community, are treated with care and respect irrespective of who they are, where they come from or how they live their lives.



**Integrity**

All OQ operations are guided by fact, accountability, and moral and intellectual truth, underpinned by a deep respect for each other as colleagues, for our communities, and our planet.



**Collaboration**

Sharing knowledge, skills and practices between ourselves and our partners helps us to build robust approaches, systems and processes that serve the interests of all our stakeholders both inside and outside of the business.



**Agility**

Mental agility, adaptability and intellectual curiosity are crucial attributes that flow through our DNA, driving our ability to innovate, create opportunities and deliver the technological and service solutions of tomorrow.



**Perform to Transform**

Daring to challenge the status quo both within and outside of the organisation enables us to make meaningful, sustainable, and truly transformational impacts on the lives of all those our business touches upon.

## OUR INTEGRATED LEADERSHIP TEAM

Our current Integrated Leadership Team (ILT) is comprised of highly experienced Omani executives from diverse backgrounds, who bring together a wealth of knowledge and know-how.

### INTEGRATED LEADERSHIP TEAM

<b>Talal Hamid Al Awfi</b> Group CEO				
<b>Ahmed Saleh Al Jadhani</b> Chief Executive Officer Downstream	<b>Hilal Al Kharusi</b> Acting Chief Executive Commercial	<b>Sabrina Al Bakri</b> Acting Chief Financial Officer	<b>Ashraf Al Mamari</b> Acting Chief People, Technology and Culture	<b>Abdulrahman Al Harthy</b> Chief Assurance Officer
<b>Ahmed Al Azkawi</b> Upstream Managing Director	<b>Muthir Al Kharousi</b> Chief Transformation Officer	<b>Dr. Salim Al Huthaili</b> Chief Executive Alternative Energy	<b>Shihab Al Barwani</b> Chief Projects	

\* These are the ILT members as of the date of the report publication.

## OUR OPERATIONS

(103-1),(103-2),(103-3),(301-1)

OQ legal entities are organised in Upstream and Downstream value chains, in addition to Alternative Energy, and are served by six business units: Assurance, Commercial, Finance & Strategy, Legal, People, Technology & Culture, Projects, Transformation Office.

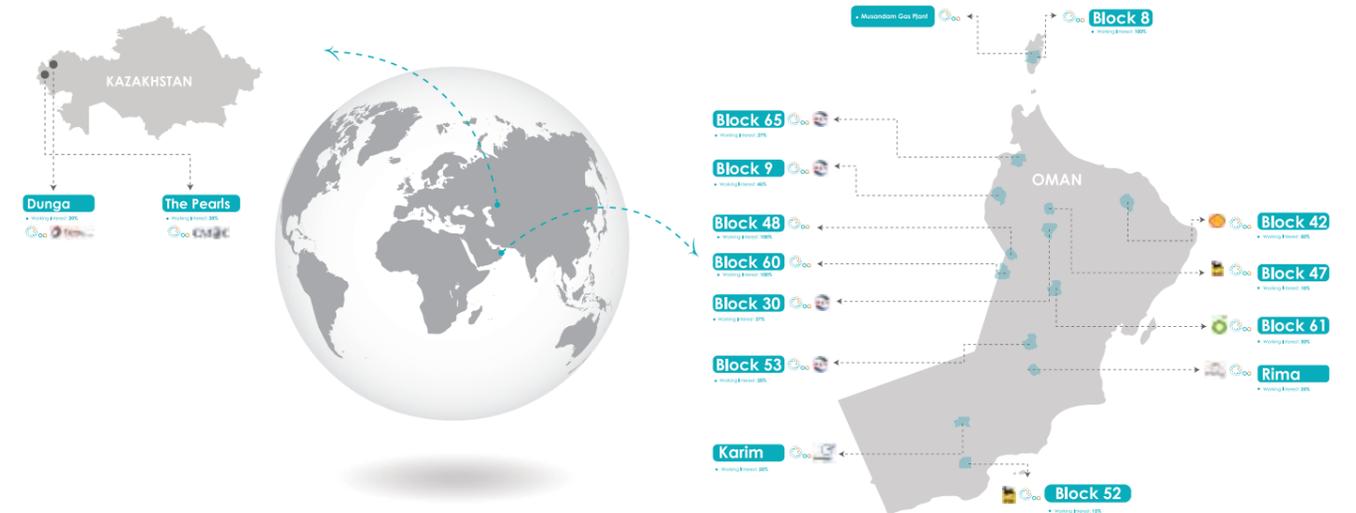


## UPSTREAM

The upstream arm of OQ is responsible for searching for potential underground or underwater crude oil and natural gas fields, drilling exploratory wells, and subsequently drilling and operating the wells that recover and bring the crude oil or raw natural gas to the surface. It includes the following legal entities:

- OQ Exploration and Production (Data included in this report)

Upstream contributes to our strategic long-term shift towards energy transition. Focusing on local legal entities to optimize Oman reserves.

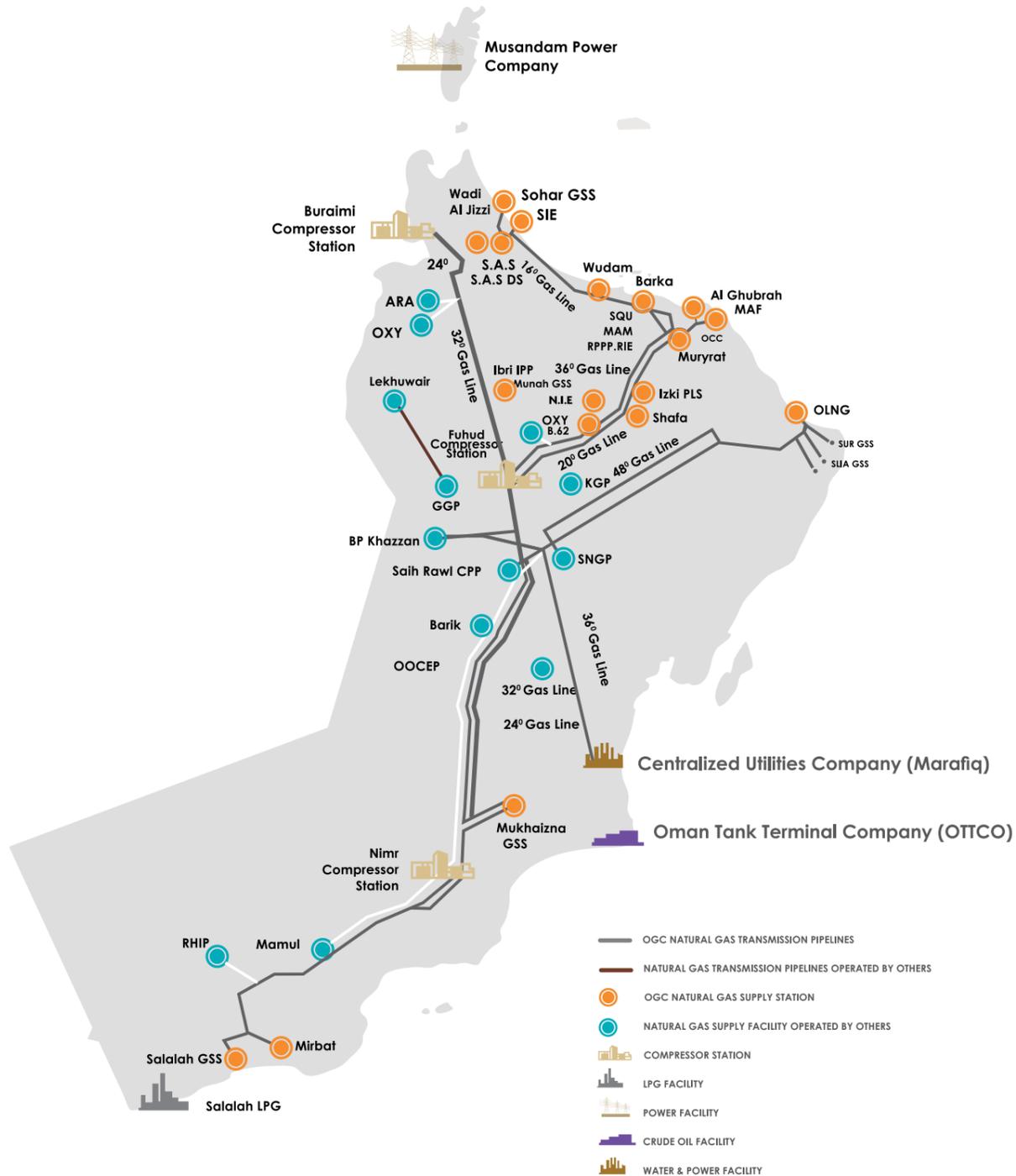


"The project partners and the Ministry of Energy of Kazakhstan signed the Pearls PSA Termination Agreement with an effective date as of 31 December 2020."

## OQ GAS NETWORK

OQ Gas Network delivers natural gas to all major consumers across Oman including Power and Desalination, Fertilizers, Methanol, Petrochemicals, Refineries, Steel and Cement plants.

The transmission and distribution of natural gas is done through a large network of gas pipelines (4000 Km+), 3 compressor stations and 27 gas supply stations.



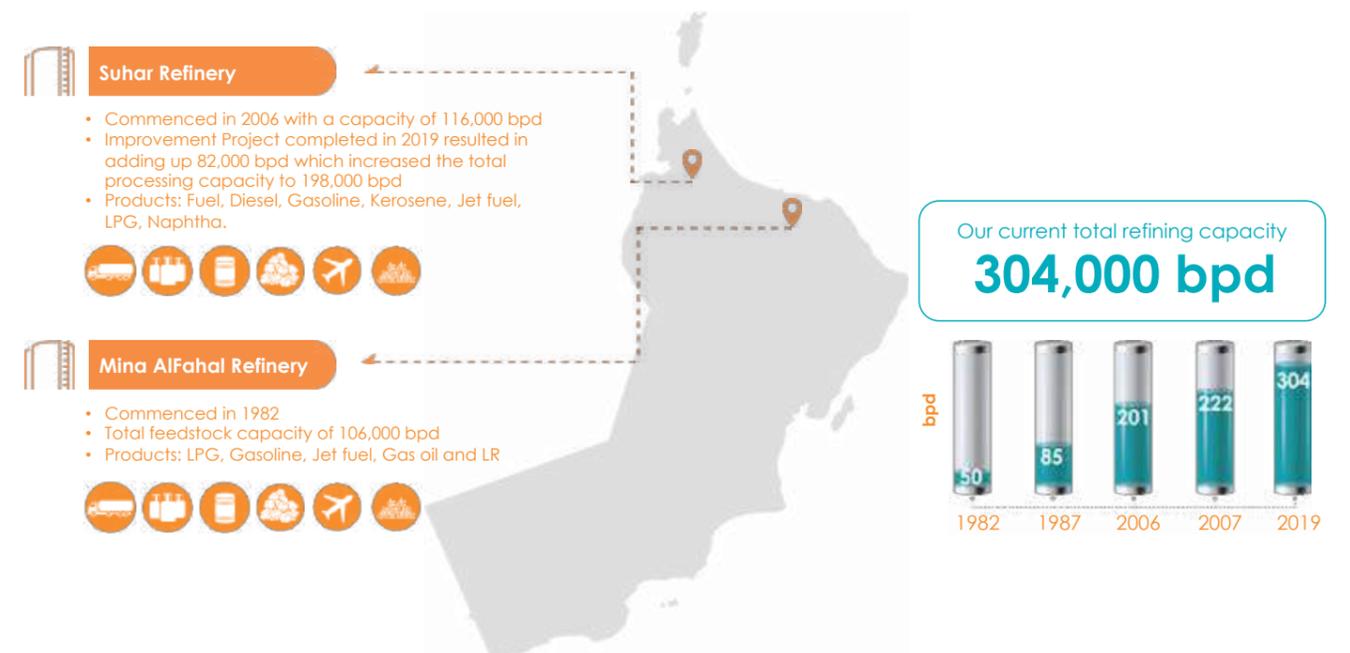
• Joint Ventures (data not included in this report)

## DOWNSTREAM

The downstream arm in OQ is the refining of petroleum crude oil and the processing and purifying of raw natural gas. It includes the below under Oman legal entities:



• OQ Refineries and Petrochemical Industries (data included in this report)



- OQ Methanol (Located in Salah with annual production capacity: 3,000 MTPD of Methanol (data included in this report).
- OQ Ammonia, which was identified as a growth project of OQ (data is not included in this report).
- OQ Aromatics Plant (Located adjacent to the Suhar refinery with annual production capacity of 818,000 MT of paraxylene and 198,000 MT of benzene)

benzene) (data included in this report).

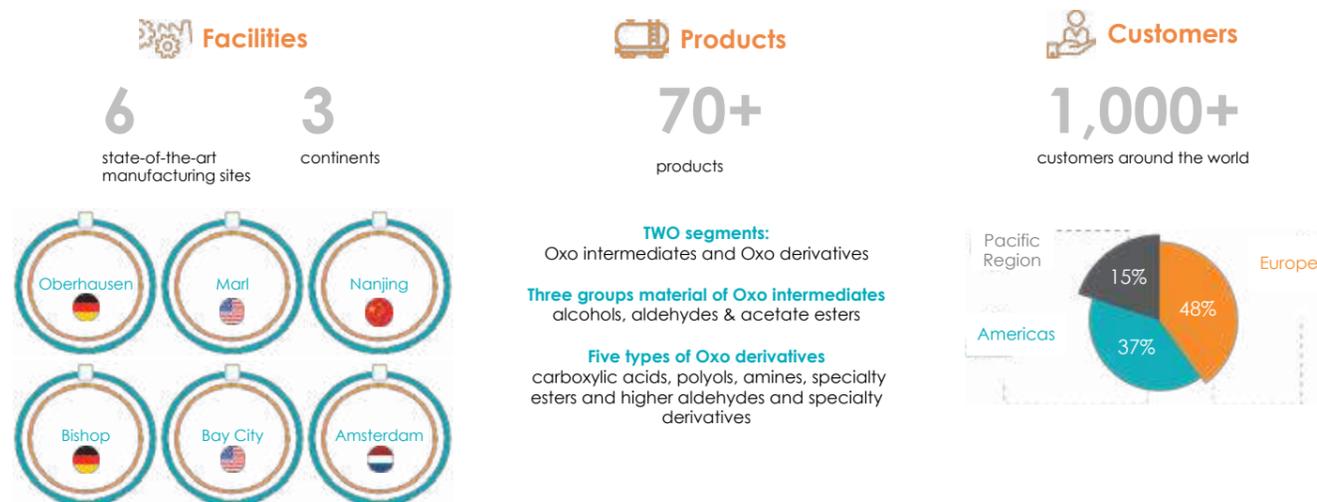
- Polypropylene Plant. It is located adjacent to the Suhar refinery with annual production capacity of 340,000 MT of polypropylene).

This is included under Liwa Plastics Industries Complex Project (under Growth Projects section)(data reported partially on water consumption and emissions only).

## PETROCHEMICAL INDUSTRIES



- OQ Chemicals: It is the world's leading Oxo merchant producer and the second largest manufacturer of Oxo chemicals in the world as measured by production capacity (data included in this report).



## Alternative Energy

The Alternative Energy arm of OQ was built with a focus on three pillars which are: (a) Green Molecules, (b) Energy Assets, (c) Energy Efficiency (Electricity, and Gas Optimisation).

## Commercial

The Commercial business unit of OQ is responsible for marketing and distribution of products derived from crude oil and natural gas. We reach consumers through products such as jet fuel, liquified petroleum gas (LPG), diesel, coke, cooking gas, gasoline, bitumen and sulfur which are under the Gas Processing and Transmission as well as hundreds of petrochemicals (Purified terephthalic acid, Paraxylene, Benzene, Aldehyde Alc/ Esters, Polyols Acids Sp, Esters) and chemicals (Polyethylene, Ammonia, Ethylene Glycols, Polypropylene, Butadiene and Oxo chemicals).

## Finance & Strategy

Finance is responsible for evaluating OQ's financial performance and projecting financial forecasting for OQ's eight legal entities around the world. It includes Finance Control and Tax, Treasury and Insurance, Procurement and Shared Services (data included in this report).

## Legal

The Legal department at OQ consists of the following teams: Regulatory, Employment and Litigation, Legal Corporate, Ethical Conduct, Trade Compliance, Downstream and Commercial Advisory and Upstream and Alternative Energy.

## People, Technology and Culture

This business unit contains diverse and dynamic departments serving OQ's eight legal entities around the world. It includes Human Resources (referred to as "People"), Corporate Identity and Culture, Sustainability, Information and Digital Solutions and Continuous Improvement (Lean). It also includes the Planning and Strategy team which coordinates with OQ's eight legal entities to ensure alignment on different topics (data included in this report).

## Transformation Office

In line with OQ's pursuit to be a more agile and resilient company, the Transformation Office (TO) was formed from the teams managing the Integration Management Office (IMO), and the Strategy and Asset Management teams. TO's mandate is to review the operating model and present its recommendations to the ILT, Board and Shareholders as to how OQ will reduce its Net Debt to EBITDA Ratio and improve its debt to equity ratio. This is in addition to the previous IMO accountabilities for instituting an innovation culture in OQ with SablaX, driving a cost savings awareness program with the Quick Wins program, supporting in setting up the company's Policies, Processes & Procedures with P&P Project and looking at resolving any organizational issue arising from integration.



The Commercial business unit includes the following:

**1** Performance Chemicals: Performance Chemical products serve a wide range of industries and applications, including packaging, construction, automotive, healthcare and agrochemicals (Customer satisfaction data included in this report)

**2** Supply and Trading: It manages the domestic and international supply of OQ products, as well as trading both OQ and third-party crude oil, refined petroleum products, petrochemicals, LNG and dry bulk

**3** Retail: OQ Retail domestic and international presence provides access to retail margins, supports the placement of OQ products, and provides OQ with direct access to end-users

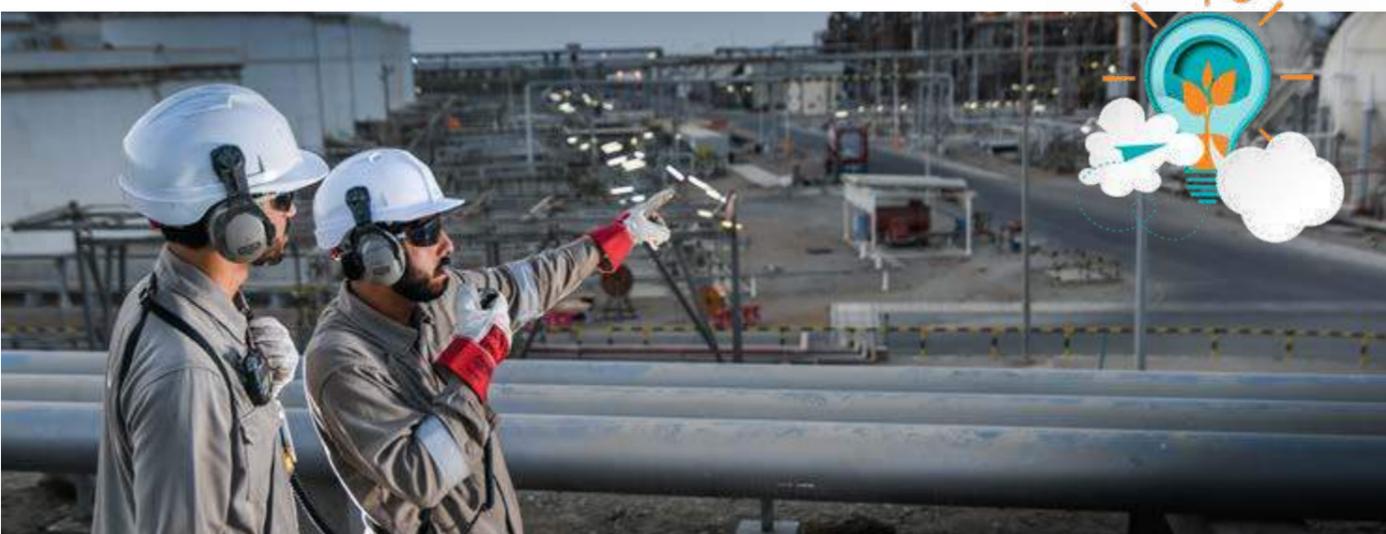
**4** Global Planning

**5** Market Intelligence and Analytics

## CORPORATE HEALTH, SAFETY, SECURITY AND ENVIRONMENT (HSSE)

OQ's HSSE team, part of the Projects business unit, is responsible for HSSE governance, overseeing the overall HSSE management of the Group and defining the Corporate HSSE strategies and plans.

It also acts as the HSSE center of Excellence (CoE), Security & Crisis Management CoE, Occupational Health, Planning & Reporting and Process Safety CoE (data included in this report).



## GROWTH PROJECTS

(103-1),(103-2),(103-3),(301-1)

Additionally, we have identified a number of growth projects at OQ, which are called greenfield projects. These include the following.

### • Liquefied Petroleum Gas (LPG) Project (under Downstream)

LPG project will design, build, operate, and transfer the Salalah LPG Extraction plant to produce LPG products. The project will develop the Extraction plant, the storage tanks, the shipping facilities, and the interconnection pipeline system from the existing tie-ins to the extraction plant, to the storage and, finally, to exporting facilities. The total investment made on this project is USD 826 Mn. OQ is a 100% shareholder of this project, which currently has 138 employees. It's expected completion year is 2021. This project's data is part of this report.

### • OQ Plastics (Downstream project)

OQ Plastics Project is comprised of a natural gas liquid extraction plant in Fahud, Oman. It is connected by a 300 Km 14" NGL pipeline to a new petrochemical complex in the Suhar Industrial Port, Oman. The petrochemical plant will be integrated with the adjacent Suhar Refinery, and aromatics plants and will serve as an integrated facility designed to optimize the value-adds derived from crude oil and natural gas resources. The total investment made on this project is USD 6.7 Bn. OQ is a 100% shareholder of this project, which currently has employed 820 individuals, 372 of whom through direct employment contracts and 448 through indirect employment contracts. Its expected completion year is 2021. This project's data is reported partially on water consumption and emissions only.

### • OQ Ammonia Project (under Downstream)

OQ Ammonia Project, which is being built adjacent to the methanol plant in Salalah, will utilize hydrogen rich purge gas generated by the methanol plant as feedstock, making it capable of producing ammonia. The ammonia plant is utilizing commercially proven technology from the Linde AG holding Haldor Topsoe license and has a design life of 20 years. The total investment made on this project is USD 463 Mn. OQ is a 100% shareholder of this project, which currently has 420 employees. The expected completion year is 2021. Since this project is under establishment, this report does not include its data.

### • Duqm Refinery (OQ8)

Duqm Refinery, thereafter referred to as OQ8 following its rebranding, is located in the Special Economic Zone Authority of Duqm (SEZAD), 600 Km south of Muscat on the Arabian Sea coast of the Sultanate of Oman. Once the refinery is completed, it will have the capacity to process around 230,000 barrels of crude oil per day. Diesel, jet fuel, naphtha LPG, Sulphur and Petcoke are to be its primary products. The total investment made on this project is USD 8.3 Bn. OQ is a 50% shareholder of this project with Kuwait Petroleum Europe B.V (KPE) holding the remaining 50% of shareholding. It currently has 142 employees, and the expected completion year is 2022 (data is included in this report).

## OUR STRATEGIC PRIORITIES AND PROGRESS IN 2020

The 2020 business plan agreed upon with the Board of Directors includes eight strategic priorities for years 2020--2024.

2020--2024 will see OQ go through a transformative phase characterized by integration, growth and new business development such as alternative energy, retail and the gas business. This growth and development path

ultimately aims to transform OQ into a global energy company, that delivers business excellence through sustainability. The scope of our strategy focuses on the eight pillars listed below with a glance of the progress made so far. Currently, OQ strategy is under review and might lead to some changes in the below strategic priorities or their objectives.



### Integration



Aiming to deliver unified Enterprise Resource Planning (One ERP), blueprinting and harmonization of benefits and brand roll-out.

Most activities related to integration were completed during 2020, including organisational design and blueprinting and the new brand roll out. The first phase of One ERP, and the blueprinting of all functions has been completed in 2020. The name 'OQ' was unveiled in Oman in December 2019 and internationally, in May 2020. Activities followed to update the signage across all OQ assets, reflecting one identity.

### Project Delivery



Aiming at delivering OQ's Mega Projects (OQ Plastics, OQ8, OQ LPG and OQ Ammonia), the set target was to complete three of the four projects during 2021. All growth projects are progressing, albeit, at a pace slower than expected. Most projects were challenged by various restrictions resulting from COVID-19 pandemic in one way or the other. Detailed updates on the three major projects - OQ Plastics, OQ LPG and OQ Ammonia is discussed in the section titled 'Growth Projects'. Furthermore, there has been a reduction of 10% below the set target (24 mboe/ day) for Block 60 expansion. The average daily production was 21.7 mboe/ day in 2020.

### Funding Plan and Deleveraging Goal



OQ's Funding plan objective for 2020 envisaged the delivery of priority funding strategies for Group Bond, RAB Bond Issuance and LPIC DSRA conversion. Due to COVID-19 and unfavorable market conditions, OQ decided not to execute the Group Bond issuance in 2020. In response to the market conditions due to COVID-19 pandemic impact OQ Term loan and OQGN bridge loan extension were completed. For OQGN bridge loan, a decision was made to pursue the extension of existing bridge loan by 12 months; up to November 2021. On the other hand, OQ's Term Loan was closed despite limited liquidity in the market, as following:

- OQ secured a term loan of USD 892 Mn
- OQ Term Loan Islamic tranche of USD 221 Mn through Bilateral Wakala Agreement with Bank Nizwa (USD 91 Mn) was signed and closed, and Wakala Agreement with Meethaq Bank (USD 130 Mn).

### Refineries Competitiveness



Continue the effort to bring OQ refineries' performance to Q1 globally by improving reliability, driving further integration and optimizing cost.

To address the deteriorating refineries profitability and cash flow situation, a dedicated task force consisting of OQ's management and representatives from different functions was established in third quarter of 2020 to assess the impact on the refineries and to come up with specific initiatives to improve cash flow. The task force leveraged the recent Solomon study based on 2018 actual operational performance of the refineries and used it as the baseline for assessing various opportunities in OpEx and CapEx.

The task force succeeded in activating the Price Adjustment Factor (PAF) that is applied to OQ's domestic sales on M91, M95 and gas oil. This increased PAF was based on the principle that the price paid ultimately by consumers for fuel should reflect the import parity cost of consumption. As a result, charges were added for storage of fuel, as these are a component of import parity, as well as freight costs. During 2020, this increase in the PAF increased OQ's gross margin by USD 42 Mn over 6 months.

Consequently, the 2021 Business Plan has generated improvements on prior years. The reduction in total costs in 2021 of 6% year on year is taking place in an environment where volumes in OQRPI are increasing 28%.

## Organisation Readiness for Privatisation



Continue (“no regret” organisational improvements that support eventual privatisation. A dedicated team has been assigned in OQ to follow up with the relevant departments on the plans set towards achieving this goal.

## Divestments



The target was set to pursue divestment of selected businesses for the objective of using the proceeds to deleverage or grow selected businesses. During 2020, progress was made in some areas of OQ’s portfolio rationalisation strategy. However, others did not progress due to difficult market conditions and various other reasons. OQ’s plan to exit some of its larger assets was delayed by management as valuations fell dramatically early in 2020. For others, while OQ did secure offers, these offers were not considered sufficiently attractive.

During the year, OQ completed the exit from Lidong/Lixing, generating USD 88 Mn in proceeds, which represented 90% of the transaction value, with the remaining 10% expected to be received during 2021. In addition, Project Jade, a project to exit one of OQ’s large selected assets, has reached a very advanced stage and is expected to close in early 2021. Proceeds from this transaction, should it close, would be in the range of USD 300 Mn. Other transactions currently in progress in this area include early work to consider non-exit monetisation of OQ selected assets.

## Selective Growth



Evaluate and pursue opportunities in upstream and trading and evaluate opportunities in new business lines (Retail and Alternative Energy)

Retail: OQ’s retail strategy was endorsed and approved by the Board. OQ entered a strategic partnership with Oman Oil Marketing Company (OOMCO) which will shape our retail business. Also, OQ Retail, with the support of different internal/external stakeholders, led the initiative of producing - for the first time in Oman - M98 fuel from Al Jifnain Terminal.

## Retail



OQ’s retail strategy was endorsed and approved by the Board. OQ entered a strategic partnership with Oman Oil Marketing Company (OOMCO) which will shape our retail business. Also, OQ Retail, with the support of different internal/external stakeholders, led the initiative of producing - for the first time in Oman - M98 fuel from Al Jifnain Terminal.

## Alternative Energy



An alternative energy department established as a new business line in June 2020, as a cornerstone of OQ’s position to be a leading sustainable integrated energy company and a new avenue of sustained, long-term growth.

## Digitalisation

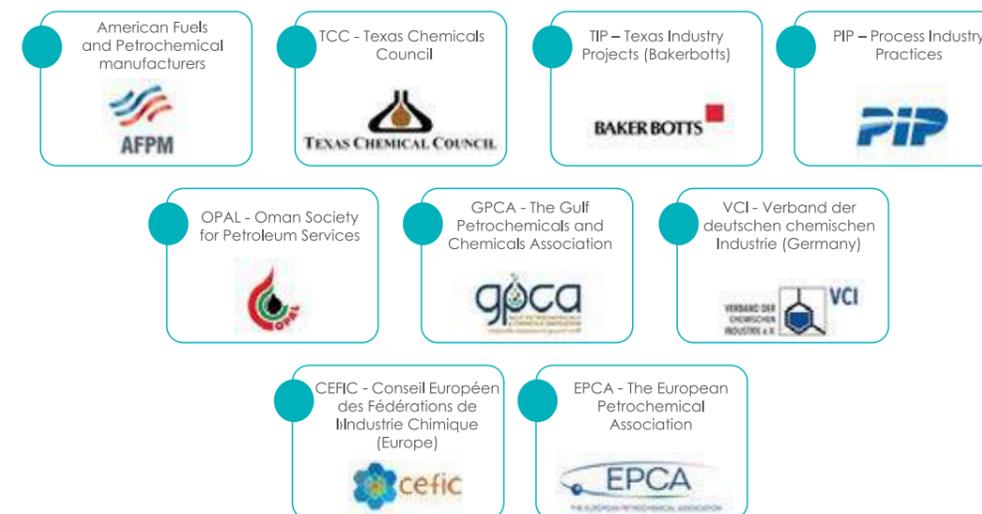


Identify and deliver digitalisation initiatives with short term, clearly demonstrated return on investment (ROI).

OQ’s digitalization team is governed by a Steering Committee made up of Senior OQ executives from across the business to ensure that the initiatives developed by the team are driven by clearly defined needs from the company. The implementation of Digital Transformation Strategy was initiated according to the roadmap. As part of the implementation, three projects namely Digital Turnaround, Predictive Maintenance and Barcode were started and are currently in progress. Moreover, the Upstream Asset Integrity management team has completed setting up the maintenance digitalisation platform which was launched recently. This allows technicians to perform the job with high quality and visibility of full data, reducing human error, time consumed to complete the task and leading to cost savings. The digitalisation platform will enhance reliability and integrity, and it will allow maintenance professionals to analyse big data, that was not possible using the conventional way of maintenance activities at the site. This achievement is an infrastructure for artificial intelligence and machine learning applications, which enables us to move further to achieve maintenance excellence. The project was initiated back in 2017 with Operator Driven Reliability (ODR) in OQ Gas Network.

## MEMBERSHIPS OF ASSOCIATIONS & INDUSTRY AFFILIATIONS

(102-13)





ECONOMIC

# ECONOMIC IMPACT AND FINANCIAL PERFORMANCE

(103-1),(103-2),(103-3),(201-1)

## OPERATIONAL OVERVIEW

2019

### UPSTREAM



### DOWNSTREAM



2020

### UPSTREAM



### DOWNSTREAM

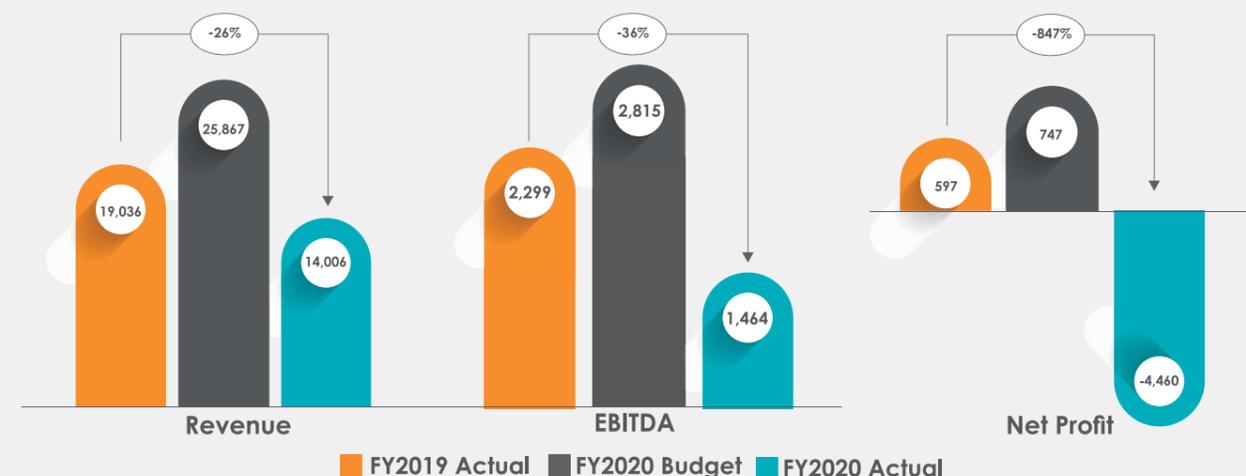


The year 2020 has proven a difficult one for the oil and gas industry. Most of OQ's businesses were adversely impacted by the global economic slowdown caused by COVID-19. The pandemic drastically affected the supply and demand dynamics of the oil and gas industry across the spectrum, impacting both our upstream and downstream businesses, and disrupting logistics. Oil prices and product crack spreads were significantly below OQ's budget. Moreover, COVID-19 also affected OQ's ongoing projects on various fronts, causing delays in completion with financial implications. OQ's trading business, on the other hand, generated record profits by trading effectively through the market volatility. Due to market and operational factors,

OQ fell short of its 2020 full year (FY) budget across all financial parameters (revenues, EBITDA and net profit). In 2020, OQ reported consolidated revenue and EBITDA of USD 14,006 Mn and USD 1,464 Mn, respectively and a net loss of USD 4,460 Mn. This performance was lower than the budget FY 2020 and also lower than 2019 actuals. This was primarily caused by a steep drop in the crude oil price, weak refinery margins, unfavourable inventory valuation and delays in commissioning of two downstream projects – OQ Plastics and OQ LPG. OpEx optimisation efforts across the group could only partly offset the unfavourable variances. Net loss was further impacted by impairments across upstream and downstream segments.

\* Oil and gas production are only reported for Block8 and Block60."

## Consolidated Financial Results (USD Mn)



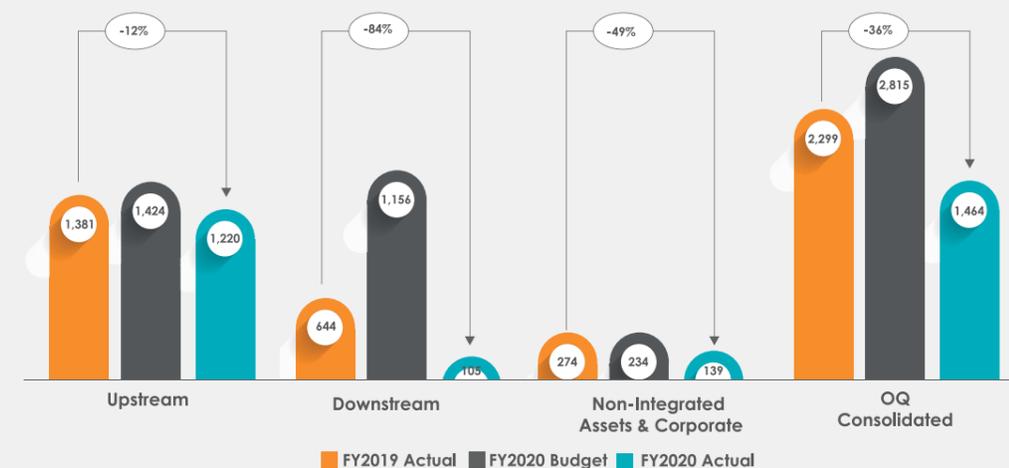
## CONSOLIDATED REVENUES

In 2020, OQ realised lower consolidated revenues of around USD 14,006 Mn compared to the preceding year, where the consolidated revenue for 2019 stood at USD 19,036Mn. The main factors attributed to this drop in revenue were lower realised Oil Equivalent Barrel price and weaker market for downstream across the spectrum, driven by lower volumes and margins.

## CONSOLIDATED EBITDA

In 2020, consolidated EBITDA was reported at USD 1,464 Mn, 36% lower than FY 2019 EBITDA and 48% lower than FY2020 budget. A weaker performance, compared to FY2019, was witnessed across all business segments. However, on sub-segment level, Gas Network and Trading EBITDA was higher than the previous year.

## EBITDA Performance (USD Mn)



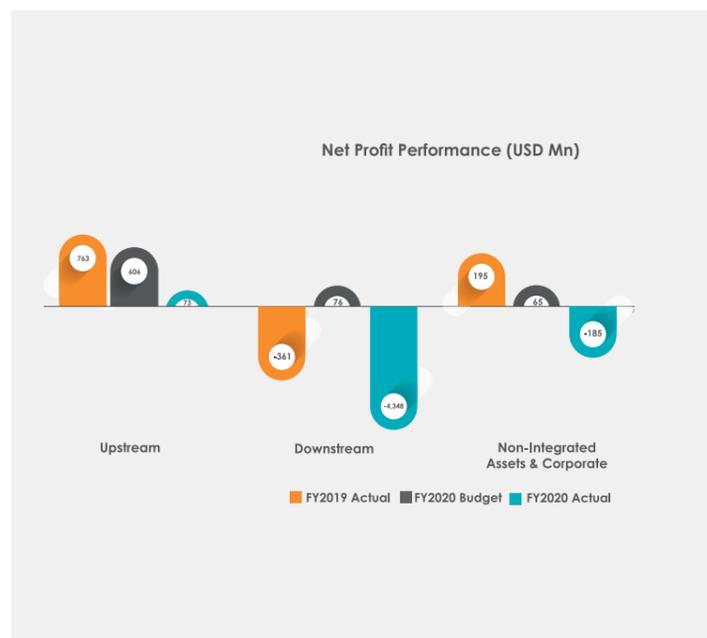
## CONSOLIDATED NET PROFIT

In 2020, OQ recorded a net loss of USD 4,460 Mn, which was dramatically lower than FY 2019 actuals (USD 597 Mn) and below FY2020 budget (USD

747 Mn). Over 90% of the net loss was contributed by impairments, the most significant of which were:

**1** An impairment charge of USD 401 Mn across upstream legal entities resulting from worsening economic and Oil Price environment

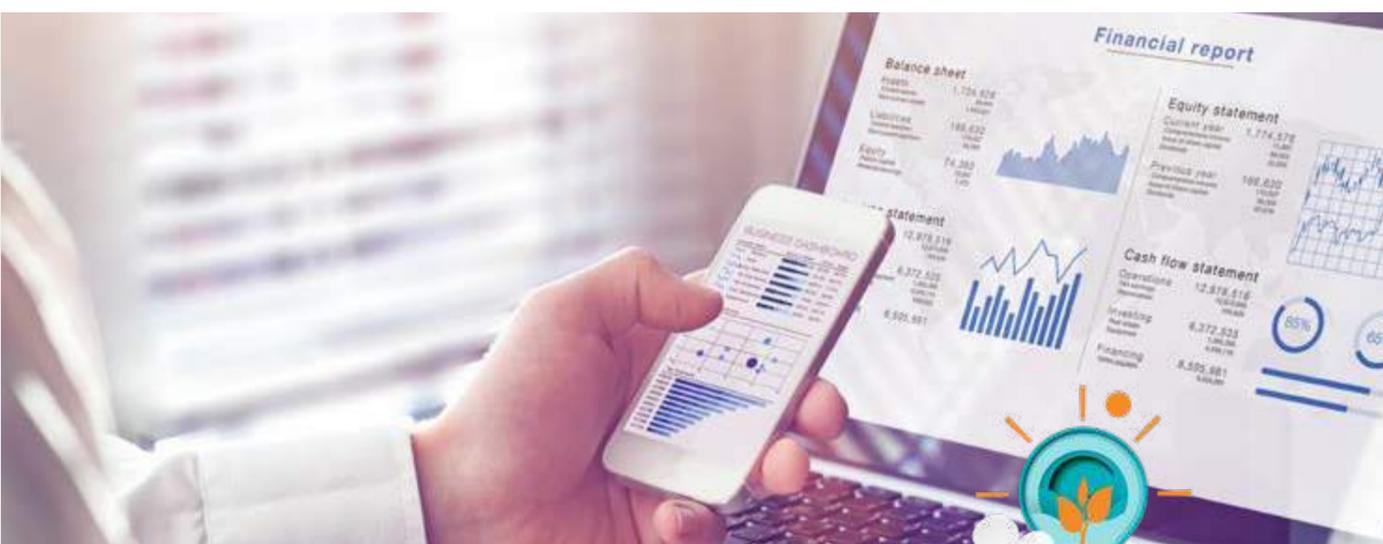
**2** An impairment charge of USD 2,957 Mn for OQ Plastics and USD 1,205 Mn for OQ8 (of which OQ's share was USD 603 Mn). These projects are challenged, along with unfavourable commodities and product price movements, by a relatively higher carrying value reflecting the full cost of the plants, which are yet to start depreciating



## CONSOLIDATED ASSETS

As of December 31st, 2020, OQ consolidated assets were at USD 25,677 Mn, 13% lower than financial year 2019's total assets, mainly due to the aforementioned impairments.

Plant, property and equipment (PPE) remained the dominating portion of the gross assets at 43% followed by oil and gas exploration, production and development assets with 11% share.



## CONSOLIDATED DEBT

The OQ consolidated outstanding debt as on December 31st, 2020, was USD 13,152Mn. A net increase of 6% compared to the closing balance on December 31st, 2019.

## OQ PREPARATION FOR VALUE ADDED TAX

On 12 October 2020, His Majesty Sultan Haitham Bin Tariq issued Royal Decree No. 121/2020 to introduce Value Added Tax (VAT in Oman, effective on April 16th 2021.

In line with our commitment of operational excellence, we have thus increased our efforts in preparing OQ for the implementation of VAT in

Oman. The Tax team in the Finance and Strategy Function leads the VAT readiness project in collaboration with different business lines and functions within OQ, to ensure the readiness of OQ to comply with VAT Law at the go live date. The project was an opportunity for employees to learn and understand the impact VAT will have on our operations.

## SIDE STORIES

### GHAZEER GAS FIELD STARTS PRODUCTION



The commencement of production from Ghazeer in Block 61 took place in cooperation with our partners BP and Petronas, under the supervision of Oman's Ministry of Energy and Minerals. Production from Ghazeer started on 8th of October, ahead of schedule and below budget. Total production from Block 61 is expected

to rise to 1.5 bcf/d and more than 65,000 bbls/day of condensate during 2021.

The block has the capacity to deliver approximately 35% of Oman's total gas demand and develop an estimated 10 trillion cubic feet of recoverable gas resources.

## CUSTOMER SATISFACTION

Customer satisfaction is a key focus area at OQ. Gathering customer feedback helps us in understanding what meets customers' expectations, and in determining what we need to do in order to enhance the perceived value of our products, services and internal processes.

OQ Chemicals conducted a global customer satisfaction survey in June and July 2020, where 925 customers across Europe, Asia and the United States were invited to participate in an online survey. 22% of the customers completed the survey, which covered customer relations, sales, logistics, complaint management and product reliability. A high satisfaction rating was achieved citing OQ's high quality products, good reputation, and stable portfolio as strengths.

OQ Plastics conducted a customer satisfaction survey in 2018 and 2019 with an average participation rate of

31%. 213 and 328 customers in 2018 and 2019, respectively from across Europe, Asia, Africa and Americas rated OQ plastics' performance in the areas of product reliability, delivery performance, complaint handling, product innovation, commercial terms, and technical services. The results between the two surveys were statistically the same. Therefore, the team decided to defer the customer satisfaction survey until the key improvement areas have been implemented for at least a year.

The Liwa Plastics Industries Project (LPIC) is a transformative undertaking that will influence polymer customer experience in the years to come. LPIC commissioning has been completed in Q1 2021 with the on-spec Propylene and Ethylene production having been achieved. The plant focuses on ramping its operations to reach 100% capacity within 2021. We have already started to distribute the expanded

Polymer product range across the world, and favourable customer feedback has already been received on the comparable good quality of OQ's first ever Polyethylene production in Oman.

In addition, OQ has implemented supply and technical support hubs in key markets providing customers with accelerated delivery times and technical support to meet their energy-efficiency and sustainability goals by working hand-in-hand with them in a tailored and locally-focused approach. We work alongside our partners' technical and engineering teams as a seamless extension and integral part of our research and development roadmap. Through the integrated company's active hub solutions, converters, processors, and compounders have reliable partners in selecting and optimising innovative new grades.

As with many other businesses, COVID-19 has impacted the mobilization of our resources. On the other hand, it has also emphasised the importance of delivering what matters most to our customers, and our team and business partners are working diligently to ensure improved and reliable operations, where we look forward to a strengthened supply chain to meet the ever growing needs of our customers.

By 2022, we will be carrying out a more integrated approach in gathering customer satisfaction and loyalty rating. For OQ's Performance Chemicals, we plan to establish a baseline customer satisfaction rating for OQ as an integrated organisation. This baseline will underpin our priorities for further improvements.



# STAKEHOLDER INCLUSIVENESS

## MATERIALITY ANALYSIS

(102-21),(102-40),(102-42),(102-43),(102-44), (102-47)

Materiality in sustainability reporting, according to the GRI Standards, includes topics and disclosure that reflect the organisation's significant economic, environmental, and social impacts or would substantively influence the assessments and decisions of its stakeholders.

The purpose of any materiality analysis is to identify topics that have a direct or indirect impact on an organisation's ability to create, preserve or erode economic, environmental and social value – not only for itself, but also for its stakeholders and society at large.



We followed the following steps to define this report's content:

- 1** We began the process with an extensive desk research which identified material topics for the oil and gas sector resulting from detailed stakeholder dialog by benchmarking peer practices of eleven local, regional and international companies set out in their GRI reports
- 2** We then consulted a cross-section of fifteen business leaders from across the organisation (our internal stakeholders) to define a list of business topics. They ranked the topic's importance to business
- 3** We took account of Oman's national plans and visions, OQ's International sustainability guidelines and best practices and previous dialogues with our stakeholders
- 4** We then carried out a survey of OQ's key stakeholders, asking them to rate the importance to them of OQ addressing each topic
- 5** As a result of the stakeholder consultation, all the 29 identified topics were found to be material with scores above three points in a scale of one to five. These 29 topics correspond to the GRI Material Topics defining the content of this report

# STAKEHOLDER ENGAGEMENT

(102-42), (102-43),(102-44), (102-47)

At OQ, Stakeholder Engagement refers to the process of developing strong, proactive, long-term and consistent relationships with identified key stakeholders of the company. This is integrated into our sustainability strategy, because we recognise it is not only important for sustainability but it is also an essential aspect for achieving business excellence.

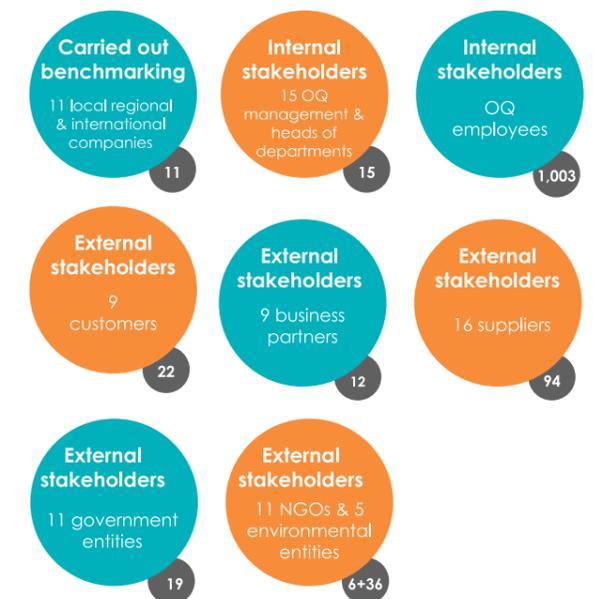
We define stakeholders as the groups or individuals we influence through our activities, products and services, and who in their turn affect our ability to achieve our goals.

In 2020, we carried out a stakeholder mapping exercise, which included internal engagement sessions to determine the influence of respective stakeholder groups on OQ and OQ's influence on them. As a result, we have

identified our key stakeholders and categorised them into seven groups:

OQ employees, business partners, suppliers, customers, environmental organisations, governmental organisations, and non-governmental organisations (NGOs) and community partners.

We were successful in engaging with 11 government organisations, 1003 employees, nine business partners, 16 suppliers, nine corporate customers of the trading arm of OQ, and 11 environmental organisations, NGOs and community partners. The total number of survey respondents engaged amounted to 1,192 stakeholders.



We strive to maintain a constructive dialogue with these stakeholder groups and to take account of their views in our decision-making process.

## MATERIALITY ANALYSIS

A key output of the above explained process is the evidence-based sustainability materiality matrix, reference figure 3. This matrix plots significant topics related to sustainability along two axes. It indicates the degree of importance stakeholders accord to each topic, the ability of OQ to make a positive difference on these topics and the level of impact they may have on OQ's reputation.

The resulting 29 topics with their impact boundaries were as follows:

Material Topics	Impact Boundaries	Alignment to SDGs
1 Social Investment and Community Engagement	NGOs & Community Partners, Government	SDG 11
2 Health and Safety of Employees and Contractors	Employees	SDG 3
3 Non-Discrimination and Grievances	Employees	
4 Workforce Training and Development	Employees	
5 Recruitment and Nationalisation	Employees, Government	
6 Employee Benefits and Compensation (Welfare)	Employees	
7 Workplace Diversity and Equal Opportunities	Employees, Government	
8 Human Rights	Employees, Government	SDG 4,8,10
9 Customers Satisfaction and Wellbeing	Customers, Business Partners	SDG 3
10 Economic Performance and Contribution	Customers, Business Partners	SDG 8
11 Responsible Supply Chain Management	Suppliers, Government, Environmental Organisations	SDG 12
12 Risk Prevention and Emergency Response Preparedness	Government	SDG 16
13 Strengthening Research and Development	Business Partners	SDG 9
14 Anti-Corruption and Ethical Business Practices	Customers, Business Partners	
15 Corporate Governance and Compliance	Government, Business Partners	SDG 16

Material Topics	Impact Boundaries	Alignment to SDGs
16 Market Presence (Marketing)	Customers	SDG 8
17 Indirect Economic Impacts	NGOs & Community Partners	SDG 12
18 Product Stewardship	Customers	SDG 9
19 Greenhouse Gas Emissions (Climate Change)	Environmental Organisations & Customers	
20 Flaring	Environmental Organisations	
21 Biodiversity and Environmental Impact	Environmental Organisations	SDG 13
22 Preventing and Remediating Spills and Leakages	Environmental Organisations, Government, Customers	SDG 14
23 Energy Efficiency and Emission Reduction	Environmental Organisations, Government, Customers	SDG 7, 13
24 Effluents and Waste	Environmental Organisations, Government	SDG 12
25 Water Management	Environmental Organisations, Government	SDG 6
26 Renewable Energy and Environmental Technologies	Environmental Organisations, Customers, Business Partners	SDG 7
27 Environmental Assessment of Suppliers	Environmental Organisations, Suppliers	SDG 12
28 Corporate Volunteering	Employees, NGOs & Community Partners	SDG 11
29 In Country Value ( Domestic economic growth, Local Procurement)	Government, Suppliers	SDG 12

Identifying these material topics helps us determine our long-term strategic direction, manage risks and opportunities and understand relationships between ourselves and our stakeholders.

# ACHIEVING BUSINESS EXCELLENCE THROUGH SUSTAINABILITY

## SUSTAINABILITY GOVERNANCE AND MANAGEMENT

(102-20), (102-26)

In 2020, OQ established a specialized sustainability function consisting of three teams: Performance Management and Reporting, Research, Development (R&D) and Planning, and the Business Partner/Talent Partner Team. These teams seek to drive sustainability across various business lines in order to reach OQ's ambitious targets and aspirations while contributing towards achieving sustainable development.



Sustainability at OQ is governed by the Sustainability Council, which consists of members of OQ's Integrated Leadership Team (ILT) in addition to the Sustainability Leader. Its purpose is to evaluate the effectiveness of sustainability initiatives and their implementation, and to provide direction, ambitions, targets and guidelines on the sustainability General Plan of OQ.

<b>Talal Hamid Al Awfi</b> Chief Executive Officer		
<b>Ahmed Al Azkaw</b> Upstream Managing Director	<b>Ahmed Saleh Al Jahdhami</b> Chief Executive Officer – Downstream	<b>Hilal Ali Al Kharusi</b> Acting Chief Executive – Commercial
<b>Sabrina Al Bakri</b> Acting Chief Financial Officer	<b>Ashraf Al Mamari</b> Acting Chief People, Technology and Culture	<b>Dr. Salim Saif Al Huthaili</b> Chief Executive Officer – Alternative Energy
<b>Muthir Mohammed Al Khrousi</b> Leader – Transformation Office	<b>Shihab Salim Al Barwani</b> Chief – Projects	<b>Shaima Murtadha Al Lawati</b> Leader, Sustainability Integrator

The Council sets OQ's sustainability ambitions, targets and guidelines. It also oversees our sustainability program plan, its implementation and progress against set KPIs, in addition it provides guidance and direction on relevant topics. The Head of the Sustainability Department, referred to as "Leader - Sustainability Integrator", on the other hand, is responsible for implementing the annual sustainability plan. This involves engaging relevant business partners from identified OQ departments and any relevant stakeholders, holding internal and external meetings and strategic discussions, conducting budget planning.

The relevant departments are the owners of the Sustainability initiatives. They are responsible for communicating and monitoring the implementation of these guidelines.

## OUR STRATEGY FRAMEWORK

We followed the following steps to define this report's content:

**1** Managing, monitoring and reporting sustainability data: This includes defining the company's purpose, embedding sustainability in the business by developing a sustainability strategy and roadmap, and by proposing and driving initiatives which create the desired change in identified business areas. It also includes developing OQ's annual Sustainability Report

**2** Activating the Sustainability operating model: This includes introducing frameworks and methodologies for continuous enhancements such as conducting a Sustainability Maturity Assessment, evaluating our Sustainability Report and enhancing our sustainability framework

**3** Raising awareness and capability in sustainability: Through this pillar, we seek to increase employee engagement in sustainability and create positive change through organization wide capability building activities



## SUSTAINABILITY & RISK MANAGEMENT

At OQ, we have aligned our sustainability material topics with OQ's key risks, ensuring that the topics are managed within OQ's corporate risk register.

### OUR SUSTAINABILITY COMMITMENTS

(102-12)

We aspire to deliver business excellence through sustainability as a global integrated energy company and remain committed to demonstrating efforts directed towards managing our environmental, social and economic impact. In our business practices and operations, we continue to set ourselves ambitious targets and goals in order to embed sustainability in all business processes whilst contributing towards the achievement of the objectives of Oman Vision 2040 and the UN SDGs.

To honor our commitments, we shall:

- Integrate sustainability in OQ business processes, activities, strategic priorities and its corporate governance
- Contribute towards global and national sustainability principles and objectives
- Work with employees and contractors to maintain and promote high standards of health, occupational safety and well-being
- Promote research and development of innovative sustainable solutions and initiatives across all business processes and activities to create business value, improve economic performance and profitability
- Work with local communities, organizations, suppliers and other stakeholders to contribute towards sustainable economic development
- Enhance market presence by offering customers access to responsible energy through OQ's products and services

- Support the implementation of solutions and initiatives that focus on reducing greenhouse gas emissions, mitigating climate-change related impacts and conserving natural resources

- Invest in measures that help in protecting the environment through initiatives focused on minimizing adverse impacts on biodiversity, responsible use of OQ's products and effective water and waste management approaches

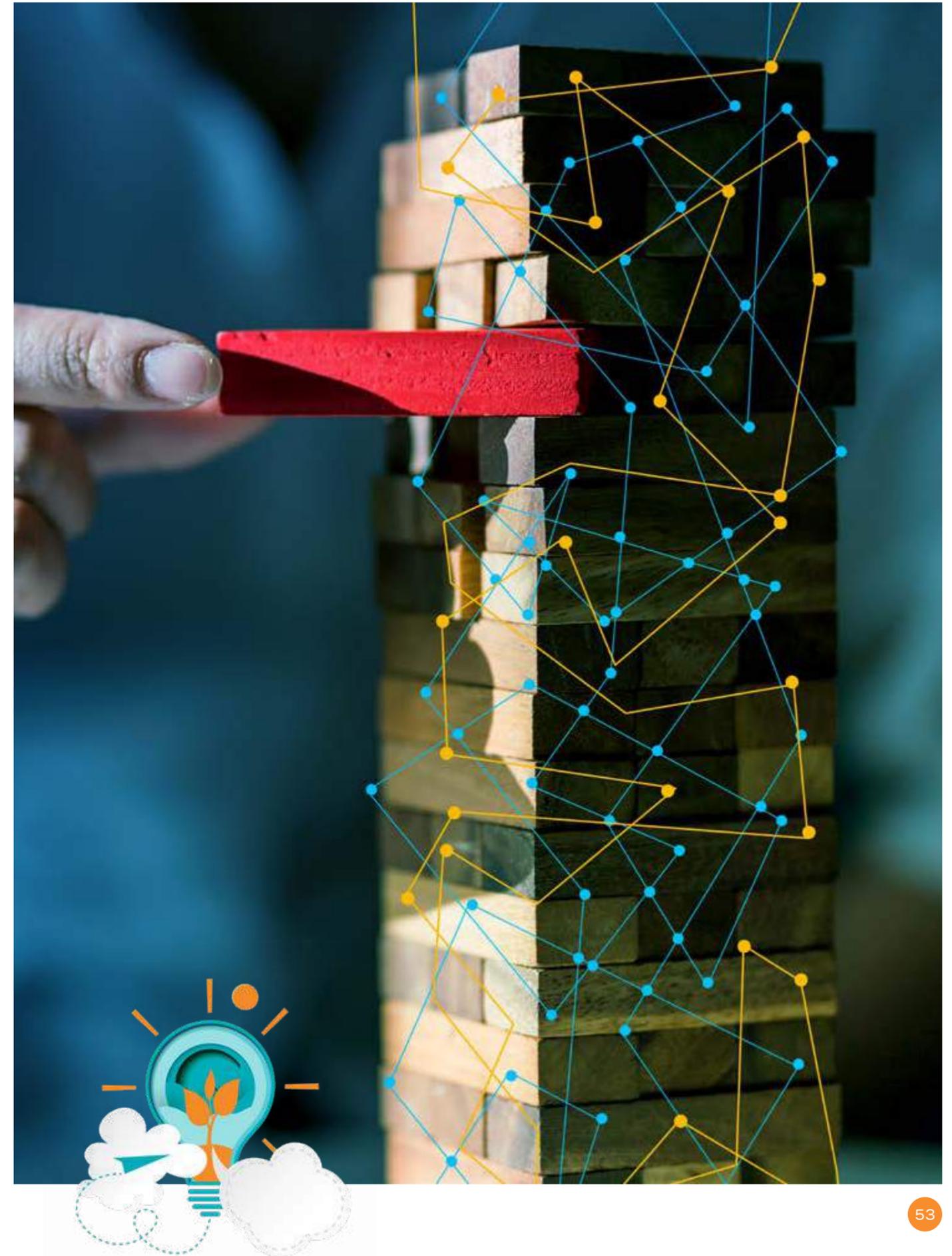
- Endeavour to achieve a high standard of ethics, integrity, governance and zero tolerance to illegal activities, and work to promote human rights of all individuals across the organization.

- Promote a culture of equal opportunities at the workplace and foster diversity and inclusion

- Create shared value for employees, contractors and the communities where OQ operates by creating employment opportunities, developing capabilities and generating economic value for the society and local communities

- Integrate sustainable practices across the value chain, targeting customers, business partners, suppliers, and other relevant stakeholders

- Identify, assess and respond to stakeholder expectations and concerns regarding our sustainability performance



# GOVERNANCE AND ETHICAL CONDUCT

## OUR SHAREHOLDER

(102-10)

Royal Decree 61/2020 was issued on 4 June 2020, establishing Oman Investment Authority (OIA). It also transferred the ownership of government companies and investments from the Ministry of Finance, OQ's previous shareholder, to OIA.

We adhere to the latest Corporate Governance practices and standards to ensure consolidation of business objectives across all levels, enhancing our shareholder value. Since the

company is in its second year of integration, some of our policies, processes and procedures are still under development and are planned to be finalised by end of 2021. The Governance team of OQ is coordinating closely with relevant departments and business units to guarantee that they act responsibly with great accountability, transparency and integrity to maintain the highest degree of confidence and reliability amongst all stakeholders.

## OUR BOARD OF DIRECTORS

(102-18),(102-22),(102-23),(102-24)

OIA has become the 100% owner of OQ as of August 2020. It appointed OQ's Board of Directors (the Board) in August of that year to serve for a three-year term.

The Board consists of seven members, listed in the below table, all of whom are independent and non-executive members.



Muitham  
Basheer Al Jarf  
Chairman



Said  
Abdullah Al Hatmi  
Deputy Chairman



Graham  
Ford  
Member



Dr. Abdullah  
Mohammed Al Lamki  
Member



Abdurrahman  
Salim Al Hatmi  
Member



Tore  
Myrholt  
Member



Eng. Omar  
Khalfan Al Wahaibi  
Member

## BOARD RESPONSIBILITIES AND COMMITTEES

The Board sets OQ's strategic direction and regularly reviews OQ's operating and financial position. It ensures that the necessary resources are in place

to enable OQ to meet its strategic objectives. The board monitors the performance of management and aims to ensure that the strategy, policies,

The Board sets OQ's strategic direction and regularly reviews OQ's operating and financial position. It ensures that the necessary resources are in place to enable OQ to meet its strategic objectives. The board monitors the performance of management and aims to ensure that the strategy, policies, and procedures adopted are in line with OQ's mandate. Currently, the prime

strategic objective is deleveraging. In addition, the Board approves the preparation and auditing of OQ's financial statements, alongside the Board Audit Committee. Moreover, the Board has established a Remuneration and Nomination Committee, and a Strategy Committee, the Board Audit and Risk Committee (BARC) and Ethics Committee ([Ethical Conduct](#)).

## BOARD AUDIT AND RISK COMMITTEE (BARC)

The BARC assists the Board in fulfilling its oversight responsibilities related to:

**1** The integrity of the financial reporting process

**2** The effectiveness of internal control

**3** The performance & independence of OQ's internal audit function & external auditors

**4** The systems for compliance with the laws and regulations

**5** The adequacy and effectiveness of risk management

The BARC has a wide range of responsibilities, including:

- Oversight of external audit, including recommending external auditors for appointment by the annual general meeting, approving their fees, agreeing on the audit approach, evaluating issues arising from the audit and reviewing the performance of the external auditors;
- Oversight of internal audit, including reviewing and approving internal audit plans, approving the internal audit budget and ensuring that internal audit is appropriately resourced;
- Oversight of risk management, including reviewing and recommending to the Board the risk policy and risk appetite, overseeing the implementation of the agreed risk policy, and reviewing periodic risk

reports submitted by management to the Board;

- Oversight of financial statements, including reviewing and challenging where appropriate management's actions and significant judgments in preparing the financial statements and discussing financial statements with external auditors and management before recommending them to the Board for approval; and
- Control and compliance, including reviewing all control areas, ensuring that all weaknesses identified by internal and external auditors and third parties such as regulatory agencies are addressed, and reviewing periodic management reports, including those relating to fraud prevention, complaints and compliance with the OQ Group's Code of Conduct.

# ETHICAL CONDUCT

(102-16),(102-17),(102-25),(103-1),(103-2),(103-3)

## CODE OF CONDUCT

We have a strong rooted practice of establishing, maintaining and enforcing high standards of behaviour. Companywide policies such as our OQ Code of Conduct (the Code) are implemented to ensure ethical conduct of all our employees. Such policies are established by our Executive Management (Leadership Team) and implemented by the Ethical Conduct team.

The Code applies to all employees of OQ worldwide, as well as any agent or person working under contract that occupies a permanent or temporary position within OQ. We ensure that our independent contractors, consultants and suppliers are informed, aware and comply with our standards.

OQ is active worldwide. This means that we are subject to the laws and regulations of different countries. The Code establishes a set of principles of business conduct that apply regardless of the location of the Personnel. Wherever local customs, standards, laws or regulations differ from these principles, we comply with either the Code or local regulations, whichever are stricter.

The Code of Conduct sets out the broad principles based on which the Company's ethical framework is built. It is implemented by the Ethical Conduct team, raises issues to the Ethics Committee to decide on.

The substantive content of the Code includes guidance on the following:

**1** Personal integrity, conflict of interest and insider trading

**2** Gifts and entertainment

**3** Interactions with competitors or public officials



\* For more information about the Code and what it includes, please click here.

# ETHICS COMMITTEE

The Ethics committee reflects OQs commitment to the highest ethical standards. The Ethics committee is responsible for:

**1** Reviewing violations of the Code brought to its notice and recommending appropriate measures to the management

**2** Acting as an advisory and recommendatory body on all matters relating to the Code including reviewing relevant procedures and implementation guidelines as proposed by the management

**3** Overseeing OQ's whistleblowing programme

**4** Assisting the Group CEO and the BARC in their oversight responsibilities of the compliance to the Code by providing periodic reports

## ANTI-BRIBERY AND CORRUPTION

OQ has a zero-tolerance policy against bribery or corruption. Our employees, contractors and suppliers are expected to abide by the highest standards of business conduct and are explicitly

banned from engaging in any form of non-ethical behaviour such as bribery or facilitation payments.

## BUSINESS INTEGRITY

We value our partnerships with customers, suppliers and partners. We treat them in the same manner we expect to be treated, with fairness, honesty and respect. We do not engage in unfair, deceptive or misleading practices and always represent OQ in an honest and forthright manner. We

are always careful not to infringe any relevant antitrust or competition law. OQ also implements a Third Party Code of Conduct, covering human rights and slavery, and other matters, which we seek to ensure are not infringed in OQ's direct supply chain.

## COMMUNICATION AND TRAINING

(205-2)

Establishing an ethical culture requires effective communication to reach all our employees, contractors and suppliers. We will raise awareness and reinforce our message regarding unethical business practices. These

guidelines are all detailed in our company's Personal Integrity Policy presented in the OQ Code of Conduct that is available to all our employees at all times and accessible on our website.



## WORKPLACE PRACTICES AND HUMAN RIGHTS

(102-41)

We respect the rights and dignity of employees throughout our own operations and those of our business partners. Furthermore, we are committed to offering high-quality working conditions in line with internationally recognised principles on labour and human rights. We do not employ any children under 16 years of age. If local law stipulates a higher minimum working age or mandatory schooling until a certain age, such higher age shall prevail. We strictly oppose any forced or compulsory labour in all its forms. We are committed to providing a safe and healthy working environment; and respect

trade unions and the right of workers to organise and bargain collectively, trade union representatives will not be discriminated against.

As publicly declared on our website, OQ complies with the UK Modern Slavery Act, undertaking that all OQ's direct supply chains are as free as possible of forced labour, slavery, or any other human rights infringements. We work closely with our own employees and direct suppliers to uphold our standards and to address any inadvertent risks of modern slavery through the Third Party Code of Conduct.

## ANTI-DISCRIMINATION

At OQ, a culture of respect is central to a harmonious workplace, where the rights of individuals are upheld and their dignity is affirmed, free of intimidation, discrimination or coercion of any kind.

## WHISTLEBLOWING POLICY

(102-17)

OQ is committed to providing a workplace conducive to open discussion of its business practices. It is OQ's policy to comply with all applicable laws, rules, regulations and standards that protect its Personnel against discrimination or retaliation as a result of lawful reporting of, or participation in investigations involving potential violations of the Code.

For raising issues and concerns, OQ has identified any member of the Ethical Conduct Team as a primary point of contact, who are individually bound to keep the identity of the employee secure and confidential. If, for any reason, the employee prefers

We therefore prohibit discrimination on the basis of race, gender, religion, age, sexual orientation, politics, or on the basis of any other personal characteristic protected by law.

to raise any issues or concerns through an external channel, they have the option to turn to OQ's anonymous whistleblowing system. All raised issues and concerns are considered, and, where appropriate, an investigation is launched to establish their validity and ensure that action is taken where necessary. Some concerns may be resolved without the need for investigation. If urgent action is required, this may be taken before an investigation is conducted. All investigations and their progress are treated confidentially.

## COMPLIANCE

(103-1),(103-2),(103-3),(307-1),(419-1)

OQ proactively manages its compliance risk. The Board and Leadership Team ensure OQ's operations are consistent with the laws and regulations of the Sultanate of Oman and other countries where we operate. These include, but are not limited to; Laws and Regulations issued by the Environment Authority, Ministry

of Finance, Central Bank of Oman and the Capital Market Authority. During the reporting period, there have been no cases of non-compliance with any laws and regulations related to the provision and use of products and services, as well as environmental and societal impact.



# RISK MANAGEMENT

(102-15),(102-30),(403-2)

## RISK MANAGEMENT FRAMEWORK, STRATEGY & ORGANIZATIONAL STRUCTURE

At OQ, Group Risk Management carries out its practices using a framework that is in alignment with a combination of Enterprise Risk Management leading practices from Committee of Sponsoring Organisations (COSO) and ISO 31000 standards. The framework followed at OQ defines the full ERM cycle, starting from identifying business objectives and associating

the potential risks to each objective and moving on to analysing and assessing the risks through its phases, identifying how to control and mitigate the risks and, finally, how to report and monitor the identified risks.

Below is a figure outlining OQ's Risk Management structure.



## RISK OVERVIEW

### OPERATING RISKS

There is an inherent risk of operational challenges that could affect the bottom-line of the organisation's revenue. To mitigate the risk, OQ is continuously looking at all parameters to ensure smooth, safe, and reliable operations, in addition to continuously achieving a well-planned optimisation of the feedstock yield. Performance improvements over the years come because of the organisation's

introduction and implementation of the best practices in Reliability and Integrity management within the industry. For example, a risk management programme on an operational level has been implemented throughout the years as a tool to reduce the plant's unavailability. In addition, Reliability and Risk based practices like Reliability centered Maintenance (RCM) and Risk Based Inspection (RBI)

are used to help manage technical integrity and Reliability by enabling efficient allocation of resources to minimise cost and deliver a smooth, uninterrupted operation. It also ensures that our facilities comply with all relevant technical and HSE requirements.

OQ has prepared a draft Modern Slavery Act Statement, to be displayed

soon publicly on the OQ website, undertaking that all OQ's direct supply chains are as free as possible of forced labour, slavery, or any other human rights infringements. We work closely with our own employees and direct suppliers to uphold our standards and to address any inadvertent risks of modern slavery.

## FINANCIAL RISKS

The protection against financial risks is a material part of the risk management process of OQ. It is based on OQ's detailed guidelines and instructions and is controlled by Management.

Compliance with requirements set out in financing contracts is regularly ensured through stringent contract management and forecasting of the agreed financial covenants.



## COMMODITY PRICE RISKS

OQ is directly exposed to crude oil price volatility. Global growth is slowing down, leaving the levels of demand below the oil supply which, consequently, pressurized oil price levels to fluctuate. Upstream operations are more prone to suffer the hardest hit, and this, in return, may impact the rest of the business. OQ has revisited its business plans and introduced measures to combat the unprecedented impact through financial restraint.

Many raw materials purchased and produced by OQ are directly or indirectly related to naphtha or other crude derivatives. As feedstock cost is one of the primary drivers for raw material price developments, along with supply and demand changes and exchange rate developments, OQ is exposed to contracts with major suppliers to ensure secure supplies at contract market conditions, in order to avoid spot price risks.

## CURRENCY RISKS

Currency risks, as defined by International Financial Reporting Standard 7 (IFRS 7), arise on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature; differences in the Group's reporting currency are not taken into consideration.



## MARKET RISKS

Besides the risks associated with the development of general economic conditions, fluctuations in demand from important customers represent a risk in the sales market. OQ counteracts these risks through its active customer relationship management and related

strategic measures. OQ is exposed to currency risks from its investing, financing, and operating activities. OQ's assessment of exchange rate risk from operations is low, due to the countermeasures taken.

## MACROECONOMIC RISK

Macroeconomics are dynamic with a challenging outlook. OQ's strategy to deal with this reality is to proactively recognise factors relating to

microeconomic conditions that affect the ability to maintain or increase revenue and profitability in a specific business environment.

## MARGIN EROSION

The gross margin of the downstream business is affected by the changing dynamics of consumers and customers internationally and domestically. Also, competition in the global market and in the core market, in addition to the

geopolitical environment of the region and export markets, are all contributing to erosion of margins. The best leverage OQ has is the integration of a diversified product pool, which has enabled OQ to hedge; especially by locking in the forward margin.

## TRADING RISKS

This is defined as price risk, below-price or spread risk, and a long period of low-price volatility. All leading to price variation which impacts the market value. To mitigate the risk, the

group is adopting the risk as part of the risk appetite, and hedging the price; plus, taking advantage of our diverse trading portfolio.

## PROJECT EXECUTION AND COMMISSIONING RISKS

The intensity of current projects is coupled with typical project risks, cost overruns, schedule risk, and performance risk. These risks are mitigated by having the proper project

governance such as project control and major project steering committee to oversee the progress. Performance risk is mitigated by the joint efforts of operations and project teams.

## AUTOMATION

As part of optimising the processes of risk management, OQ has procured a risk management tool (R2C GRC) that enables real-time risk assessment, analysis, and reporting in line with the leading practices and standards, reflecting the ERM Framework followed at OQ.

dashboards and simulations that are suitable for both Bottom-Top and Top-Down risk assessment approaches.

The tool provides various options, including out of the box built-in

The web-based, friendly user interface of the system and various customising options makes it easy to customise environments for each business line to fit the respective requirements, as well as applying controls on user accessibility and data visibility.

## BUSINESS CONTINUITY MANAGEMENT - RESPONSE TO COVID-19

Despite the challenges of the pandemic outbreak of COVID-19 and its preceding consequences, OQ, like other businesses across the world, has battled to sustain operations by adjusting to the new norm and maintaining our employees' safety as the ultimate priority (see Health and Wellbeing on p. 64-67).

pandemic and the outbreaks scenarios to ensure operational resiliency and minimise business interruptions. They are being continuously updated due to the changes that the pandemic risk brings about by regular walkthroughs and preparedness reviews to identify any existing gaps.

The Emergency Command Centre (ECC) of OQ was promptly activated. It consists of members from Business Continuity Management, HSSE and Occupational Health departments who are monitoring the situation. The Business Continuity Plans (BCPs) across all our legal entities have also been activated to combat the global developments in the COVID-19

The use of digital tools was introduced, such as virtual platforms that connect all employees across the business lines. For on-site employees, shift strategies have been identified and applied to suit the COVID-19 scenario where the risk exposure of an outbreak in the plants is minimised. Moreover, hygiene and safety measures are always being monitored to ensure the safety and wellbeing of our employees.



SOCIAL



# IMPROVING SOCIAL WELLBEING, HEALTH & SAFETY OF EMPLOYEES & CONTRACTORS

(102-11)

## CHAPTER HIGHLIGHTS



## HEALTH AND WELLBEING

(103-1),(103-2),(103-3),(102-11),(403-1),(403-2),(403-3),(403-4),(403-6),(403-7)

At OQ, we recognise that a healthy and productive workforce is essential to our success, and we are committed to preventing occupational illness. Our target is to achieve a significant reduction in new cases year after year through the identification, evaluation and control of workplace exposures and the implementation of health and well-being programmes. Despite our current efforts to promote positive work conditions, however, we are committed to deepen our

understanding of how to improve the health and wellbeing of our workforce. As a step towards this direction, and realizing that our employees' wellbeing is as equally important as their physical health, a Wellbeing team was created in August of 2020. Its framework includes five wellbeing pillars: health, finance, empowerment, work and the social aspect of employees' work life, and a number of initiatives in these areas are planned to be launched in 2021.



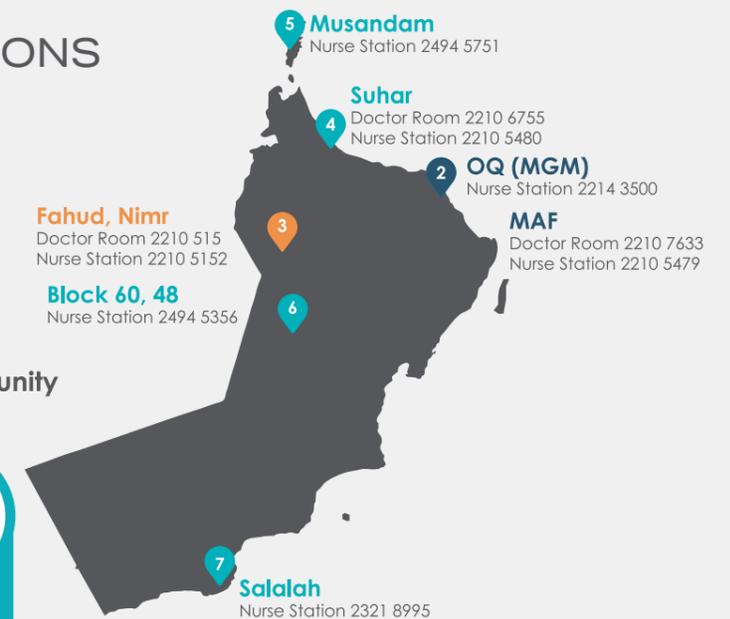
## RESPONSE TO COVID-19

To combat the unprecedented COVID-19 pandemic, OQ undertook all proactive measures to reduce risk and safeguard the health and wellbeing of employees and all other stakeholders. OQ promptly activated the Business Continuity Plan (BCP) to ensure minimum impact on business, while keeping employees safe. Several measures were undertaken to comply with all the precautionary measures advised by Oman's Supreme Committee and Ministry of Health. These include regular COVID-19 audits, setting up PCR machines and thermal scanners, contact tracing, regular fumigation of offices and enhanced cleaning of elevators, handrails, door handles, meeting rooms and

bathrooms, banning sharing of food, installing acrylic partitions at office desks and distributing OQ sanitisers across our different locations. Additionally, OQ employees and any visitors to our offices were asked to fill the self-disclosure form 48 hours before arriving to the offices to ensure their safety and the safety of those around them.

OQ's dedicated Occupational Health team had activated all OQ's clinics around Oman to keep following-up on the health status of OQ employees affected by the virus. The clinics also maintained a list of Covid-19 test centres and advised employees on procedures for testing.

## BELOW ARE THE LOCATIONS OF OQ CLINICS.



### COVID19- Statistics : OQ Community



AT THE END OF 2020, 2,386 COVID-19 CASES WERE REPORTED AT OQ, WITH A RECOVERY RATE OF 99%.

We established a call-center at the height of the pandemic to follow up with employees on their well-being, and to engage proactively, demonstrating the OQ core behaviour of "CARE". This gave rise to dialogue between the Emergency Management Team (EMT), the BCP and the workforce, where questions and suggestions could be logged, and feedback on these items could be given. The HR team worked systematically through the employee list and ensured when employees could not be reached by landline, that SMS (short message service) and other communication methods were employed to enquire on their wellbeing. This included employees in quarantine in the Mina Al Fahal Camp, which had

been allocated as an OQ quarantine facility to ensure employees are taken care of, but also to drive cost saving initiatives, showing our "DARE" behaviour. Additionally, our employees received regular communication under the title of "Salmeen" (Staying Well and Safe), an internal e-newsletter, providing regular health and safety guidelines and instructions in-line with government mandates, information about new initiatives, guidance on how to transition to working from home, tips on how to maintain a healthy state of wellbeing and updates on the number of positive cases in OQ and in Oman. The first of these was launched when Oman first went into lockdown, announcing the following:

**1** All Business Continuity Plans (BCPs) had been activated as of 23 March 2020.

**2** Employees had been enabled with virtual communication technology to attend meetings and conference calls.

**3** Fumigation of Oman premises was being carried out.

**4** All clinic entrances were changed to isolate emergency teams from potential infections and interactions.

**5** Control rooms, shelters and critical offices were being isolated to allow only critical people access to areas.

The communications had also included tips from Salmeen for a smooth experience when working from home, which related to establishing a routine, setting up an appropriate workspace, specifying working hours to maintain work-life balance, dressing appropriately, remembering to take short breaks and to exercise, and to

stay connected to people so as not to feel isolated. Several web based multi-language health promotion sessions were delivered on how to cope with stress during COVID-19 Pandemic, and Salmeen's motto during that time was to "stay home, stay safe and stay connected".

## SAFETY

(403-1),(403-5),(403-7),(403-9)

At OQ, we always strive to deliver safe, reliable, and compliant execution of business. Our goal is zero harm to people, the environment, and property. We aim to build a sustainable safety culture that requires visible and

committed Leadership, a high level of participation from employees and contractors, and the development of a proactive safety culture in the workplace.



## OPERATIONAL SAFETY

We aim to carry out our activities by employing safe work practices to prevent accidents, harm to people, the environment and property. We strive

to ensure that our business HSSE risks are managed in a structured manner by:

- 1 Fostering a culture where the Leadership proactively supports measures to reduce HSSE risks continually
- 2 Identifying HSSE hazards and assessing, controlling, and mitigating their risks
- 3 Systematically managing our operating activities to reduce HSSE risks continually
- 4 Complying with applicable laws, regulations, and standards
- 5 Ensuring all employees and contractors are provided with information, instruction, and training on the expectations to comply with our HSSE Management System requirements
- 6 Providing employees with the appropriate equipment, facilities, and training to enable them to carry out their tasks safely
- 7 Continually striving to improve HSSE performance by establishing clear & measurable objectives & targets, monitoring, & reporting performance (both good & bad), auditing the business, conducting reviews & recognizing those who contribute positively
- 8 Consulting and communicating openly and honestly with those who may be affected by our activities
- 9 Periodically reviewing our HSSE performance and identifying and implementing areas of improvement continually

To ensure our safety standards are cascaded across all OQ, we developed the OQ 12 Safety Rules, which form

part of the HSSE specifications shared with our contractors and suppliers. These are:

<p><b>Permit To Work (PTW)</b> Work with a valid permit when required</p>	<p><b>Energy Isolation</b> Verify isolation and zero energy before work begins</p>
<p><b>Overriding</b> Obtain authorisation before overriding or disabling safety critical equipment/systems</p>	<p><b>Confined Space Entry</b> Obtain authorisation before entering a confined space</p>
<p><b>Hot work (open flame)</b> Control flammable and ignition sources</p>	<p><b>Lifting Operation</b> Plan lifting operations and control the area</p>
<p><b>Line of Fire</b> Keep yourself and others out of the line of fire</p>	<p><b>Working at Heights (1.8m)</b> Protect yourself against a fall when working at heights</p>
<p><b>Safe Driving</b> Follow safe driving rules</p>	<p><b>Personal Protective Equipment (PPE)</b> Always wear Personal Protective Equipment (PPE) in the workplace</p>
<p><b>Electrical Safety</b> Obtain authorisation and safe working within the vicinity of power cables</p>	<p><b>Drugs and Alcohol</b> No alcohol or drugs while working or driving</p>

OQ expended a total of 106 Mn man hours during 2020. Unfortunately, 35 total recordable incidents (TRIs) were reported. These include one fatality in the third quarter of the year when a contractor employee tragically succumbed to injuries. We have since identified the root causes through a

thorough investigation and corrective and preventive measures have been implemented through mitigation plans.

The below table presents some statistics related to our safety performance in 2019 and 2020



## MINIMIZING INCIDENTS

Incident prevention and mitigation of consequences in OQ is underpinned by the following enablers:

- 1 Identifying, recording, and investigating Near Miss incidents as if they have caused loss as free lessons.
- 2 Proactively identifying the HSSE hazards and assessing the associated risks and applying controls, preventing undesirable events from escalating to an accident situation.
- 3 Empowering all our workforce to intervene and stop unsafe work without the fear of repercussion.
- 4 Inculcating a "no blame" culture for reporting HSSE non-compliance cases, near miss events and accidents.
- 5 Investigating accidents to identify root causes and critical factors that cause incidents to happen and implement actions to avoid recurrence.
- 6 Sharing lateral learnings and lessons from accidents (both OQ and external) to prevent recurrence.

## SUSTAINABLE SAFE OPERATING VISION

OQ remains committed to providing, so far as is reasonably practicable, a work environment where risks to health, safety and the environment are controlled to As Low As Reasonably Practicable (ALARP) level using the best available techniques.

Delivering business excellence while protecting people, the environment and property and complying with

applicable laws and standards are our core values.

Below presents the numbers of spill incidents in 2019 and 2020

OQ reports zero sabotage spills and zero operational spills in 2020. That compared with zero spills due to sabotage and one operational spill in 2019.



## BUSINESS INTELLIGENCE REPORTING AND ANALYSING HSSE METRICS WITH I-HSSE

OQ Upstream launched i-HSSE – a unified HSSE metrics recording, reporting and analysis web-based and remote accessible solution.

i-HSSE leverages on an industry leading HSSE software application suite to facilitate HSSE performance management. The system comprises modules for reporting incidents, HSSE

observations and tracking actions, among others.

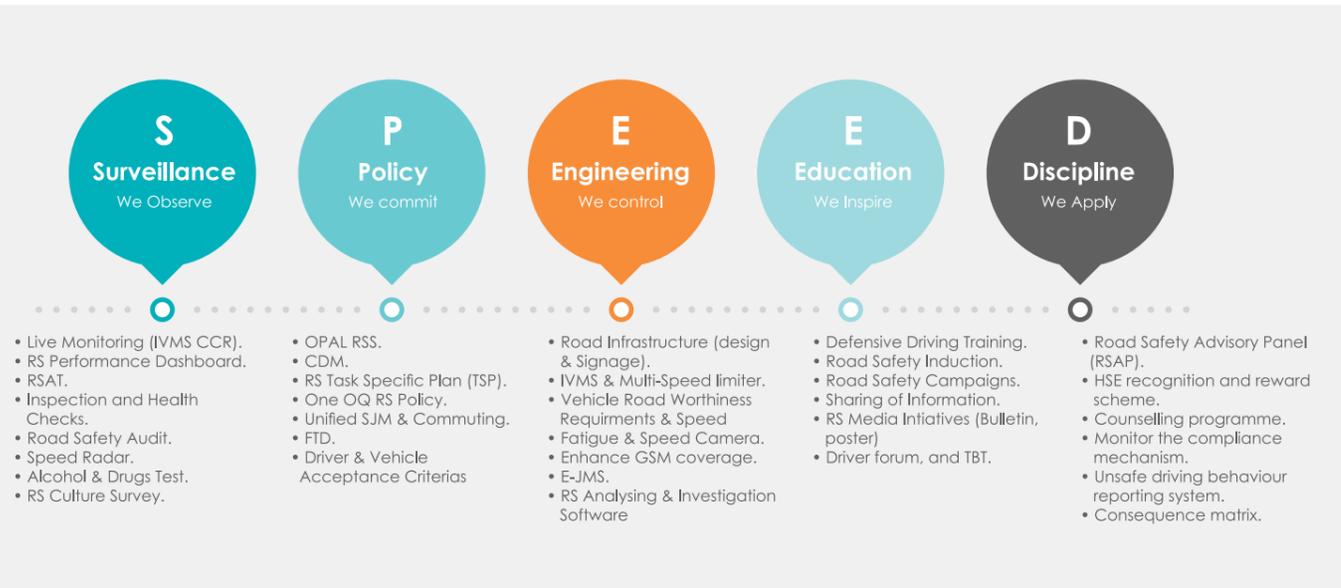
Key features include standard and custom designed reports and graphical dashboards which offer an instant insight into the reported data and extract useful information for prioritised decision making according to risk ranking.



## ROAD SAFETY AND SOLAR POWERED SPEED VARIABLE SIGNS AND SPEED VIOLATION DETECTOR

At OQ, road safety is an important focus area as exposure to driving related hazards constitutes a significant risk, particularly with OQ upstream.

Accordingly, OQ Upstream has adapted a five-pillar strategy S.P.E.E.D to promote safety in roads.



Keeping with OQ's behaviour of "Care", and as a deliverable of the company five pillar strategy S.P.E.E.D. to continually reduce driving risks, OQ Road Safety Team has implemented two Solar Powered Speed Detectors in Block-60 concession which monitors the traffic for violations on a 24/7 basis. The concept of this solution was envisaged internally in OQ, and the complete solution has been designed, developed and commissioned locally in Oman by OQ in collaboration with a local Company. OQ has pioneered this state-of-the-art solution in Oman's oil and gas industry which will be adopted by others.

The salient features of the solution are enabled through real time speed tracking and recording identification of passing vehicles. Data is streamed live to a remote server and a notification feature is available on events such as exceeding speed limits.

A comprehensive reporting suite creates reports which helps obtain intelligent insight into the driving behaviour which can be used to react and perform longer term trending analysis.

The system will help OQ further improve the driving behaviour in the concession and hence raise the road safety standards.

## PROCESS SAFETY

Process Safety in OQ is not just a technical discipline, it's a way of doing business, driven by the Leadership from all levels, from board room to front line employees and contractors. Everyone shares process safety

leadership responsibilities that vary by level and role. We recognise that process safety not only helps in preventing incidents, but eventually leads to asset integrity, reliability, productivity, and sustainability.



The need to protect workers, the community and the environment is as obvious as the need to ensure safe production and to protect market share. We are convinced that we cannot maintain safe and reliable operations without systematic application and compliance of Process Safety principles. We consider Process Safety a high priority and have taken several steps to assign appropriate consideration and resources to Process Safety in OQ.

The best approach for achieving good process safety performance in the organisation is to build a proactive 'Process Safety Culture' and adopt a structured fit for purpose 'Process Safety Management System'. This system facilitates the organisation to streamline the design, engineering, operation and maintenance activities and to harness employees' knowledge, skills and experience for accomplishing safe and reliable operation.

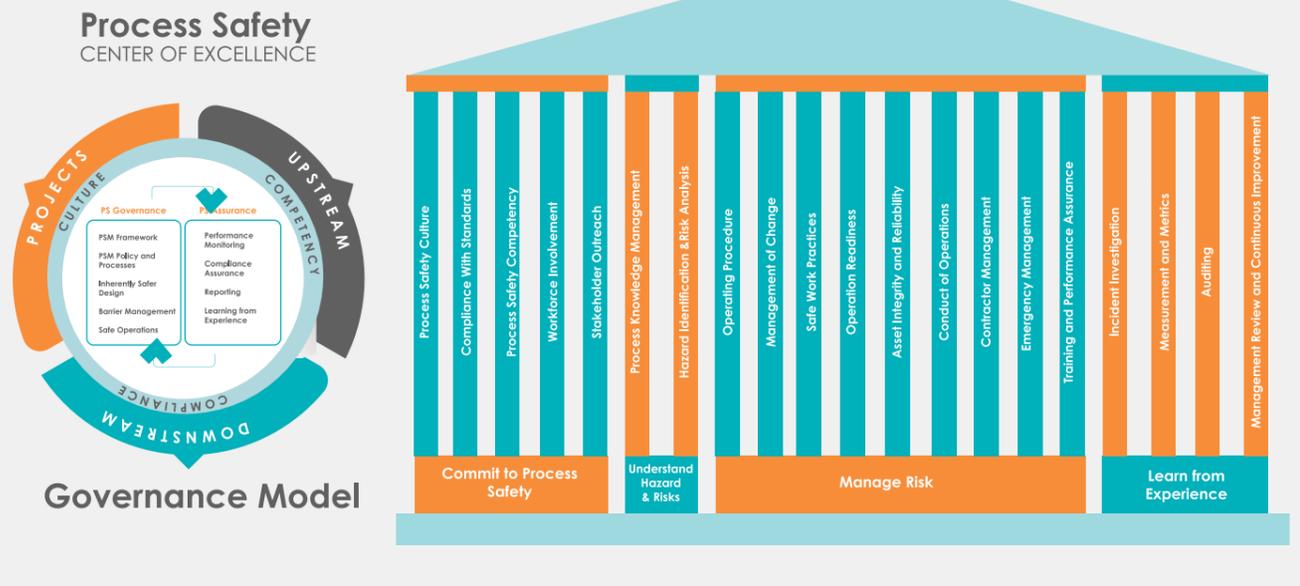
All the eight legal entities are well versed with process safety and have been diligently applying Process Safety principles and practices in their operations. This is evident from the

Process Safety performance for the group companies, which recorded zero Tier-1 incidents in the past two years.

We also recognise that Process Safety implementation is an ongoing journey with no place for complacency. Bearing in mind our belief for continual improvement and Process Safety Excellence, OQ established Process Safety Center of Excellence (CoE) under Corporate HSSE. The site based Process Safety teams are responsible for appropriate employees awareness and disciplined implementation, while the corporate Process Safety Center of Excellence is mandated to lead the process of standardisation through unified policy, framework, processes and to manage effective Process Safety governance and assurance across OQ. In line with this strategy, our Process Safety approach is also upgraded to next-generation Process Safety Model i.e. RBPS (Risk Based Process Safety) of CCPS (Center of Chemical Process Safety). This RBPS model is based on four pillars, divided into 20 elements. It is structured to achieve an effective Process Safety Culture, Competence & Compliance for safe and reliable operation.

## SIDE STORIES

### SUHAR REFINERY CLINIC MOVING TO HSE NEW BUILDING



Beside the adoption of advanced version of PSM system, a governance model is also formed to drive Process Safety across all OQ legal entities. This governance model represents the components of Process Safety Governance and Assurance framework for an Integrated Process Safety Management System for OQ.

We are confident that we will achieve and sustain the desired Process Safety Excellence for OQ, by:

- 1** Providing Process Safety Leadership, from the very top of the organisation to first line supervisors
- 2** Implementation of next-generation PSM System
- 3** Application of PSM Governance Model
- 4** Focusing on nurturing Process Safety Culture, Competence & Compliance
- 5** Maintaining healthy Sense of Vulnerability
- 6** Maintaining Process Safety Imperative i.e. Production is not possible without application of Process Safety principles
- 7** Ensuring Consistent compliance and not just 'Paper Compliance'



The Suhar Refinery Clinic was moved from the old building to the new HSE facility to provide improved medical services to our employees. The new clinic is equipped with an advanced medical emergency room and medical examinations facility. It also has a fully equipped emergency room and medical examinations room installed with new audiometry and booth, with advance vision screening machine, spirometer, hearing fit test machine and respirator fit test machine. In

addition to this, two emergency beds, two observation beds, five patients couches are also part of the new facility. The annual periodic medical examinations for employees are now being conducted in the clinic because of the availability of the right resources for conducting these tests in-house. Keeping the current Covid-19 pandemic in mind, the clinic is also complying with all the Ministry of Health (MOH) requirements and will be open for 24 hours.

# CYBERSECURITY

OQ is a global company with worldwide operations. Information Technology (IT), Operation Technology (OT) and digitalised solutions are at the heart of OQ's business and industrial operations. Digitalisation is one of the strategic pillars of OQ and, as a result, more processes and operations will be digitalised. OT is not an exception and convergence of IT and OT is inevitable and it is essential for the success of these projects. Therefore, these technologies and digitalised services are mission critical to OQ.

IT, OT and digital solutions are accompanied with cybersecurity risks that need to be managed to avoid impacting the mission-critical operations of OQ. Prior to the integration, cybersecurity controls were built fit-for-purpose, and security

controls were suited for smaller companies. Moreover, other security threats arose during the Covid-19 pandemic where working-from-home (WFH) has quickly become part of the cybersecurity attack surface, resulting in the widening of threats landscape.

From the first day of integration, cybersecurity has been a critical workstream to enable successful integration of OQ's information & digital solutions. Since then, the Cybersecurity team has been working to standardise, integrate and optimise cybersecurity governance, controls and solutions to achieve the maximum level of cybersecurity maturity across OQ. Though the integration of Cybersecurity is still in progress, many major achievements have been scored including but not limited to:



**1** Approval of Cybersecurity Policy

**2** Completion of multiple cybersecurity gaps and risk assessment to identify potential threats and vulnerabilities that may expose OQ to cybersecurity risks

**3** Approval of Cybersecurity Roadmap for years 2021 to 2023

**4** Standardisation of cybersecurity controls and solutions

**5** Standardisation and expansion of monitoring capabilities of Cybersecurity Security Operations Centre (SOC) to include all critical information and information resources

**6** Standardisation of Cybersecurity awareness campaign across OQ. The campaign objective is to spread awareness about cyber security within the organisation, in line with the following OQ key behaviours



## Care

about people, technology equipment, digital assets, systems and services and ensure that cyber security risks are reduced



## Share

the responsibility of protecting OQ's digital assets from intruders



## Dare

our employees are the first line of defence promoting cyber security resiliency.

**7** Delivering a Cybersecurity awareness programme with the objective of raising user awareness about Cybersecurity threats and risks. The Cybersecurity awareness programme is comprehensive and covers a vast range of Cybersecurity topics that qualify OQ employees to protect OQ and themselves from Cyber threats. For Oman-based entities, 92.7% of targeted employees and contractors completed the programme in 2020, and additional cybersecurity awareness sessions are scheduled to take place in 2021 targeting our international locations

There are many forthcoming initiatives including, but not limited to:

**1** Cybersecurity Governance and Management System.

**2** Cybersecurity Architecture and Maturity Model

**3** Cybersecurity procedures, processes, standards, guidelines, forms and checklists

**4** Reviewing and exploring use of several security capabilities including Artificial Intelligence (AI) for Cybersecurity operations

Cybersecurity is a non-stop journey, and OQ's Cybersecurity team will continue towards realising tactical and strategic objectives and to achieve Cybersecurity resilience.

## DEVELOPING OUR PEOPLE

(102-8),(103-1),(103-2),(103-3)



**6149**  
full-time employees



**15%** of full-time employees are female



**65%** of newly hired employees are aged 18--34



**79%** Omanisation rate in Oman-based assets



**383** graduates enrolled in Graduates Development Programme



**102** apprentices underwent vocational education & on-the job training in Oberhausen

At OQ, our employees are our most valued asset. Throughout our operations, we continue to invest in our people by providing various platforms to grow their talent, innovate and make an impact through numerous training, learning and development opportunities at all organisational levels, helping them to fulfil their

potential and lead a life that allows them to thrive. Our People Function (Human Resources) is established in a way that initiates a performance culture that spurs continuous learning, open and transparent dialogue and career development while awarding and acknowledging great performance.



## DIVERSITY AND INCLUSION

(103-1),(103-2),(103-3),(405-1)

At OQ, we believe everyone brings a unique perspective to the table. We value diversity and believe our differences make us stronger. We also believe that implementing Diversity and Inclusion across OQ will impact our business and provide improved benefits.

Our approach to Diversity and Inclusion includes the following:

**Educate:** We have engaged with the executive leadership of OQ, highlighting Diversity and Inclusion trends and discussing the current and future state, showcasing market trends, lessons learnt and insights to

create an OQ Diversity and Inclusion journey

**Assess:** We have assessed the current situation to understand the Diversity and Inclusion maturity across OQ and where the gaps and opportunities are. **Design:** We have set a vision for OQ Diversity and Inclusion and set some targets to achieve what is required to get there.

**Execute:** Taskforces have been established to support the efforts throughout the management, implementation and transition activities and we are gearing up to set key performance indicators (KPIs) towards enhancing OQ's Diversity and Inclusion.

## EMPLOYEES WITH DISABILITIES

OQ follows Oman's and the United Nation's (UN) definition of "Disability". "Persons with disabilities include those who have long-term physical, mental, intellectual or sensory impairments which in interaction with various barriers may hinder their full and effective participation in society on an equal basis with others." Vision impairment, deaf or hard of hearing, mental health conditions, intellectual disability, acquired brain injury and autism spectrum disorder are the different types of disabilities identified by the UN and the Omani Ministry of Social Development (MoSD), referred to in OQ under the term 'Employees with Disabilities'.

In line with Oman Vision 2040, Goals five and 10 of the United Nations Sustainable Development Goals (SDGs) and the United Nations Convention on Rights of Persons with Disabilities (2007), ratified by Omani Royal Decree

No. 121/2008 to protect the rights and dignities of persons with disabilities, we have kicked-off the initiative of People Data Center Project to enhance our existing employee database. Maintaining, managing and centralising these official records would better enable us to serve the needs of OQ employees with disabilities and special needs. We seek to update current policies/guidelines to accommodate the requirements of employees with disabilities and special needs, work with different departments to provide the required accessibility support and maintain continuous communication with concerned employees about updated processes and changes to policies, identifying concerns, areas for improvement etc.

As per our current records, OQ has 55 registered and identified employees with disabilities in our locations in Muscat, Suhar, Salalah and Germany.



## WOMEN EMPOWERMENT

(103-1),(103-2),(103-3)

As a step towards empowering women through education, training, awareness and literacy programmes to equip women with the tools/skills/ means to be leaders, decision makers and confront the challenges they may face, OQ has created "Women@OQ". It is an informal forum, which acts as an internal network for women, connecting female employees from across the business to engage with and learn from one another. It aims

to uplift the legacy of women in the energy sector by promoting diversity, leadership, representation, and recognition for women within OQ. It also provides platforms where women can share their ideas surrounding diversity and empowerment as well as collaborate, support and advise each other on these topics. It focusses on OQ women community spread in OQ's eight legal entities in Oman and globally.



Through **Women@OQ**, our targets to achieve the following:

- 1 Educate women on local, state and national laws related to women's issues
- 2 Motivate and support women to build their self-esteem
- 3 Provide women with leadership and educational training to fulfill leadership positions
- 4 Enable women to voice their opinions, discuss challenges of women workers in the workplace with the leadership and offer solutions
- 5 Review effectiveness of internal policies and suggest improvements
- 6 Suggest enhancements to advance women's career development from earliest stages to post-career through advocacy
- 7 Raise awareness of women's issues in collaboration with other OQ relevant departments
- 8 Plan and organise relevant events and workshops and networking opportunities that serve that purpose

All women holding a full or part-time job appointment at OQ may hold an active membership, and the female employees manage the forum through assigned Taskforces. Male employees

are also welcome to be part of this forum. The taskforces include three pillars that are; women in the field, women leaders and needs of working women.

## EMPLOYEE RETENTION

(401-1)

Retaining employees is a crucial factor for our success, and we are pleased to show that our turnover rates are low for both genders, and especially for women. This may be attributed to the various practices

that we embed to ensure that both genders have opportunities to grow both professionally and personally while working at OQ. The below table showcases the figures of turnover rates by gender in 2019 and 2020.

## TURNOVER BY GENDER

(401-1)



\* This data excludes OQ Chemicals.

## FULL-TIME EMPLOYEES BY GENDER

Moreover, the percentage of fulltime female employees has slightly increased from 13% in 2019 to 14% in 2020, supporting our agenda to offer diversified opportunities towards

achieving suitable gender balance across our operations. The table below provides further figures.



## NEWLY HIRED EMPLOYEES BY GENDER

(401-1)

The below table showcases the percentages of newly hired male and female employees in 2020.



## SENIOR MANAGEMENT BY GENDER

The below table showcases the percentages of male and female employees in the senior management of OQ, where the percentage of male employees has slightly increased from 87% to 88%, whereas the percentage of female employees has slightly decreased from 13% to 11%.

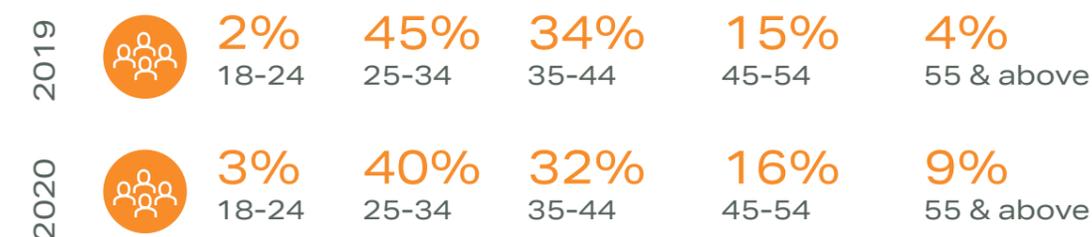


## AGE DIVERSITY

OQ supports employees from all age groups and offers them various growth and employment opportunities. Employment of the young is among the most critical topics that are currently important to Oman and other countries where we operate, and we look to address this topic by providing talented young individuals with good

and stable job opportunities. The below tables showcase fulltime employees by age, newly hired employees by age, and turnover rate of fulltime employees by age, respectively. It is worth noting that, in 2020, newly hired employees were mostly aged from 25 to 44 years old.

## FULL-TIME EMPLOYEES BY AGE

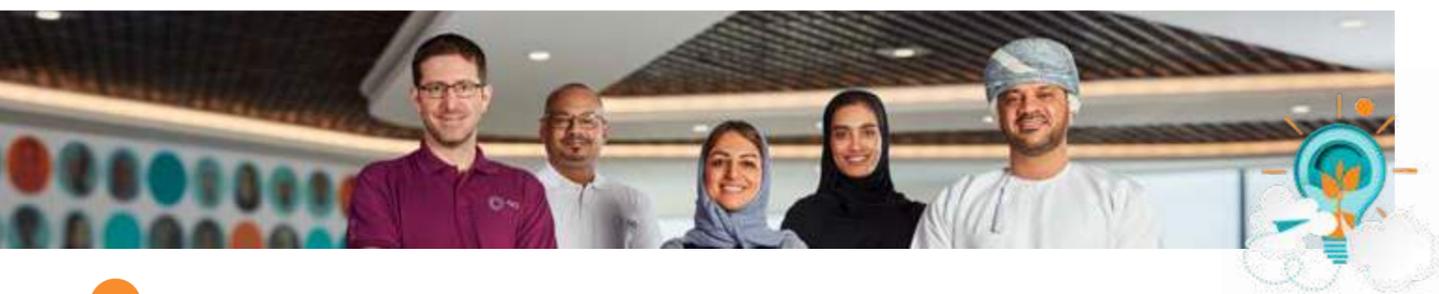
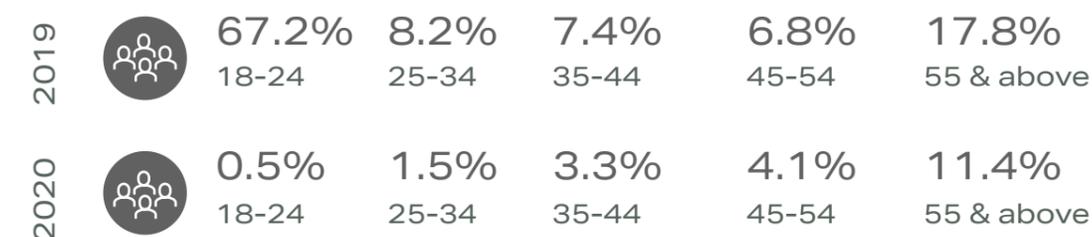


## NEWLY HIRED EMPLOYEES BY AGE

(401-1)



## TURNOVER RATE OF FULL TIME EMPLOYEES BY AGE



## OMANISATION IN OMAN-BASED ASSETS

As an Omani state-owned company, we are committed to the development and prosperity of Omani nationals as per the objectives and goals of Oman Vision 2040. Empowering Omani talent contributes positively to the country's national economy

and creates opportunities for future generations. We are therefore proud to state that our local representation in Oman accounts for 79% of our total workforce in Oman. The below tables showcase the relevant figures for 2019 and 2020.



Our workforce is also highly diverse. Our employees come from varied backgrounds and cultures. They bring with them a wealth of knowledge and

expertise, and we seek to foster this knowledge transfer by enhancing our talents' mobility across our different geographical locations.



## TRAINING AND DEVELOPMENT

(103-1),(103-2),(404-2),(404-3)

At OQ, we strive to enable our employees to realise their full potential by providing them with opportunities to enrich their skills, develop their capabilities and learn and grow within the organisation in order to achieve their personal and professional

development targets. We continue to provide our employees with many opportunities to undertake different learning pathways to close their competency gaps through diverse learning methodologies

## MASAR LEADERSHIP TRAINING PROGRAMME

In order to build future transformational OQ leaders who are agile agents of change, a comprehensive training programme was conducted in partnership with the Institute for Management Development (IMD). The program, named "MASAR", was

a learning experience aimed at 100 Leaders who had been nominated from across OQ. They have learnt from leading faculty members and highly-qualified coaches during the programme, where key topics covered in the modules included:

**1** A Better Leader: Developing self-awareness to create alignment between OQ's needs and the individual

**2** A Stronger Team: Delivering affective results by working with and through others

**3** A Thriving Organisation: Building a cohesive culture of agility and competitiveness

## OQ SCHOLARS PROGRAMME AND GRADUATES DEVELOPMENT

OQ offers two types of scholarships, one is aimed at our employees while the other targets school students through the Takatuf International Scholarship Program.

### Employee Scholarships

To further enhance our employees' knowledge and education in their areas of expertise academically, 29 of our employees received scholarships, 19 of whom have been offered scholarships in colleges and universities based in Oman, while 10 have been enrolled in renowned international institutes.

### Takatuf Scholars Programme

Established in 2012 with the aim of providing some of Oman's top high school students with the tools for success in university and beyond, the programme annually selects 60 scholars who participate in a series of enrichment opportunities prior to graduation. For 10 scholars who distinguish themselves, it leads to the award of a Takatuf International Scholarship for study at some of the world's leading colleges and universities. Once they graduate, they join OQ in a 2-years well-structured competencies-based development program.



## GRADUATES DEVELOPMENT

OQ is always committed to the development of graduates as part of its strategies to reach its goals and aspirations. In 2020, 383 graduates went through well-structured development programmes. After which, graduates were placed across all our departments. This programme aims at expediting time to autonomy, building business acumen and enhancing the Employee Value Proposition (EVP).

### Apprenticeship programme

In our Oberhausen location, OQ offers apprenticeships in technical and commercial areas through OQ Chemicals, acting as a prominent provider of industrial apprenticeships in the city. The apprenticeship model is run as "dual education", offering apprentices the opportunity to work

and study at the same time. Nearly 100% of the apprentices are offered a permanent job within OQ Chemicals once they finish the program successfully. The apprenticeship program is an important pillar to balance out demographic changes. In 2020, 29 apprentices completed their education, and 27 started a permanent job at OQ Chemicals.

With 20 new apprentices, a total of 102 young people worked and studied at OQ Chemicals' center for vocational education and on the job training in 2020. Compared to 2019 where the number of apprentices were 114, the number decreased by twelve individuals. This is due to different factors such as the coronavirus pandemic and organizational change.

## COMPLAINTS AND GRIEVANCES

(406-1)

To ensure that our employees' complaints and grievances are addressed in a prompt, systematic and unbiased manner, OQ has formed the Performance Assessment Grievance Committee, which is responsible for studying the grievances related to the 2020 annual performance evaluation, providing recommendations, proposals and optimal resolutions. The Performance Assessment Grievance Committee consists of the Committee Chairman and a number of fixed and alternate members, who have been selected to represent the committee.

In 2020, only 1% of the overall population reported complaints and grievances for our Oman-based legal entities, 70% of which were handled and resolved by the end of the year.

Grievances include employee complaints on a number of issues such as harassment and discrimination, among others, whereas actions taken to resolve grievances raised include conducting one-to-one meetings with concerned employees, investigations and legal consultations. In OQ Chemicals (Germany based), a whistle-blowing hotline is set up through an external provider.



# BEING A GOOD NEIGHBOUR

(103-1),(103-2),(103-3),(413-1)

## CHAPTER HIGHLIGHTS



OQ CAREs about our neighbours wherever we are located, our time, talents and resources while our employees to become involved in the well-being of neighbouring communities.

We do this through our Corporate Social Investment (CSI) arm, seeking to create a continuous positive impact on communities where we operate. That is why the CSI practice was revisited towards the end of 2020, and

a Communities' Needs Assessment Survey was conducted. The survey took into consideration the company aspirations and strategic priorities, Oman Vision 2040 and the UN SDGs, as well as our stakeholders' expectations. It has resulted in an updated Corporate Social Investment (CSI) framework targeting fewer but more sustainable and higher impact projects within three focus areas:

- 1** Innovation & Education
- 2** Environment & Health
- 3** Economic Prosperity



Key achievements under each focus area are detailed below;

### Innovation & Education

- **Autism Centre:** Providing educational and therapeutic programmes to autistic children in Dhofar, the centre offers needed support to families and caregivers. One of its prime objectives is to raise awareness about autism in the community, targeting the successful integration of autistic children into society.
- **Dhalkout Cultural Centre:** Located at the south of Oman, the community centre will host a variety of cultural and educational events for community members of all age groups.
- **State-of-the art Science and Innovation Centres in Ibri and Al Buraimi:** Hubs for creative and daring minds, the centres promote innovation and engagement in sciences to foster learning, problem solving, risk taking and great ideas.
- **Dibba Visitor Centre:** Located in this coastal city in the north of Oman, known for its archaeological sites and natural beauty, the centre will act as a museum and a tourist attraction centre, preserving 2,111 historical artefacts discovered at the site and displaying them for public viewing.

### Environment & Health

- **Co-funding polymers chain reaction PCR laboratory:** To support the Ministry of Health in the fight against Covid-19, OQ joined forces with Sohar Port, free zone, and five of its tenants to invest in establishing and equipping a regional molecular PCR (Polymerase Chain Reaction) laboratory in North Al Batinah Governorate, contributing to expediting diagnostic processes and the timely treatment of patients.
- **Agricultural drone technology and expertise exchange:** A memorandum of cooperation (MOC) was signed with the Ministry of Agriculture, Fisheries and Water Resources to support the strategic projects and studies the Ministry aims to carry out with the amount of OMR 100,000 (USD 260,000).
- **Maintenance of Falaj Al-Waset:** To contribute to preserving Oman's cultural and natural heritage, a memorandum of understanding (MOU) was signed with Wali Al-Buraimi's office to reconstruct and restore Falaj Al-Waset. A Falaj is an ancient and more sustainable method of irrigation in the form of water channels.
- **Environment Preservation and Research Development Projects:** An MoC was signed between OQ and the Environmental Authority towards the initiation of several projects dedicated towards the preservation of Oman's environmental and natural resources. This strategic partnership is in line with OQ's commitment to advocating for environmental education, increasing public knowledge and awareness about natural resources, and environmental preservation.

## Economic Prosperity

Strategic projects in Musandam: OQ signed a memorandum of cooperation in strategic partnership with the Minister of State and Governor of Musandam Office to fund several social projects in Musandam Governorate, in addition to around 12 environmental and tourism projects, which are expected to be implemented in five years between 2020 and 2024.

Development of Hayour Cave in Samhan Mountain: Located among the highest peaks within the Dhofar mountain range, restoring this cave and developing the surrounding location has had a tangible impact in supporting local tourism and is expected to create business opportunities for the local community.

## VOLUNTEERING

We believe in the value of volunteering as an important expression of giving back to our local communities, and we are committed to supporting our volunteers and local partners in their activities.

Statistics on number of beneficiaries and volunteering hours in 2020 are detailed here.



## SPONSORSHIP AND DONATIONS

Green Oman: We launched this initiative by distributing native lemon and mango trees to the general public with the objective of raising awareness

among the younger generation on the importance of environmental preservation, especially in light of the threats of global deforestation.

## EFFORTS TO COMBAT COVID-19

Standing true to our social investment principles towards the welfare of the community, OQ joined the Omani government's efforts to contain the outbreak of the pandemic by contributing OMR two million Omani Rials (USD 5.2 million) to the fund created for this purpose. Moreover, our employees also made personal contributions to support the government in countering the outbreak of Covid-19 through All for Oman Campaign.

OQ Sanitisers: Another initiative in our fight against the pandemic was born in OQ's laboratories, which successfully manufactured hand sanitisers. These were then distributed by our employees to communities where we operate, including local schools in Musandam and Oberhausen.



1 North Al Batinah, Muscat, Duqm  
Covid-19 protection initiatives

2 Musandam  
Distribution of Hand Sanitizers  
Musandam schools

3 Muscat  
Environment-Friendly bags distribution

4 Duqm  
Supporting Oman Woman Association

5 Salalah  
Sponsoring walking day for raising cancer awareness.

1 USA  
Supporting Distributive Education Clubs of America (DECA) to encourage the development of business and leadership skills through academic conferences and competitions

Sponsor Baseball Challenge Tournament

2 Germany  
Supporting Sophie-Scholl-High School with tablets

Provision of playground equipment to kindergarten at Oberhausen

## RAMADAN WITH EHSAN:

OQ employees from Ehsan Volunteering Team ran a donation drive to raise funds for purchasing and distributing selected essential food

items to families with low income during the Holy Month of Ramadan. The amount raised was matched by OQ, increasing our outreach efforts.

## JUSOOR FOUNDATION

OQ is a proud co-founder of Jusoor Foundation; a pioneer in social responsibility in Oman, aiming to develop and implement sustainable

social projects. It's a social investment arm of OQ, Sohar Aluminium and Vale. For more information, visit [www.jusoor.om](http://www.jusoor.om) or contact [info@jusoor.om](mailto:info@jusoor.om)

## ENGAGEMENT WITH SOCIETIES

OQ ensures sustaining constructive and robust relationships with all stakeholders and community members, creating a shared value through proactive engagement and aiming at fostering responsible and

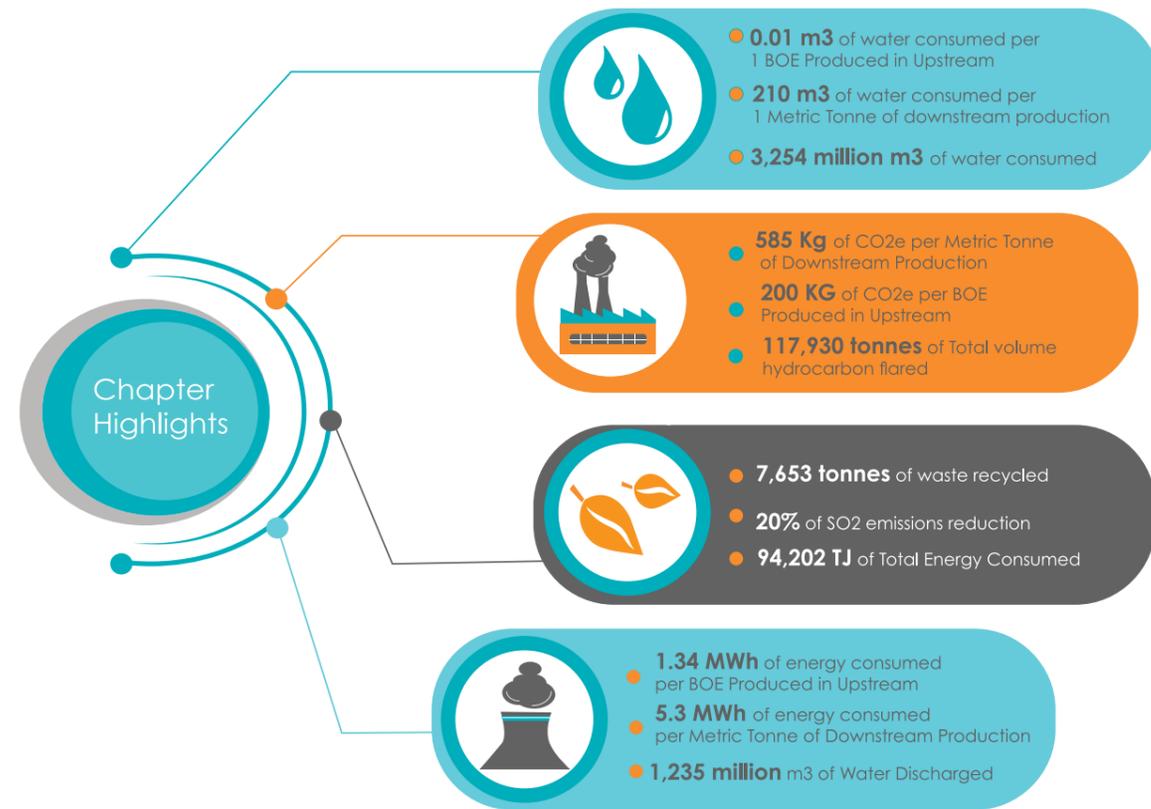
sustainable business practices. Please refer to OQ's 2020 CSI Report for more details on our community engagement programmes from last year. [CSI Report 2020](#)



ENVIRONMENTAL



# ENVIRONMENTAL PERFORMANCE



Climate change and energy transition both present profound risks and opportunities to every oil and gas company. Realising this, and being a responsible global integrated energy company, OQ seeks to

meet the world's energy needs and supply petrochemical products while managing its carbon footprint and greenhouse gas emission by complying to environmental rules and regulations.

Our environmental performance metrics and areas of scrutiny include the following:

- Enhancing energy efficiency in all our operations
- Monitoring and evaluating our GHGs
- Reducing volume of flared gases and stacks emissions
- Preventing spills and leakages of hazardous material
- Managing consumption of water and minimising water contamination
- Managing our waste, and utilising environmentally friendly disposal methods and handling

# CLIMATE CHANGE AND GREENHOUSE GAS (GHG) EMISSIONS

(102-11),(103-1),(103-2),(103-3),(305-1),(305-2),(305-4),(305-7)

We take the threat of climate change seriously at OQ and proactively implement mitigation measures as a part of our strategies and operations. Innovative leadership ensures that we go the extra mile to make our operations more efficient, thereby enhancing our environmental performance and promoting more sustainable solutions. In 2020, we established Alternative Energy (AE) as a new business line with a strategy focused on energy transition (please refer to p 100 - 105 for more details).

We are committed to accurate reporting of total GHG emissions to ensure streamlined GHG reporting across the entire organisation, considering the diverse nature of our operations and OQ's recent integration journey. Quality of reported data is

constantly enhanced by applying accountability and transparency through best practices despite the complexity of calculating emissions in our business. The numbers shown below include Direct Scope 1 Emissions and Indirect Scope 2 Emissions. These values were derived from the total direct and indirect energy consumption at all locations of all our facilities as detailed in p.97.

Our total Scope 1 and 2 GHG Emissions for 2020 amounted to 10.36 million tonnes of CO<sub>2</sub> equivalent, and the GHG intensity per unit of production was 200.Kg of CO<sub>2</sub> equivalent per Barrel of Oil Equivalent for our upstream oil and gas productions. Our downstream GHG intensity was 585 per tonnes of our total sold products in our downstream business entities.

## GREENHOUSE GAS EMISSIONS BY SCOPE



## GREENHOUSE GAS EMISSIONS INTENSITY



## FLARING

Occasional flaring is part of our operations and maintenance of different business entities, both across upstream and downstream. Our flared gases are measured and monitored across all our business

entities and reported on operational basis. As of 2020, the flared volumes of OQ Gas Network, OQ Exploration and Production, OQ Refineries and Petroleum Industries and OQ Methanol are listed below.



\*Scope 1 accounts for all our direct energy consumption. Emission factors used in Scope 1 are based on the 2006 IPCC Guidelines for National Greenhouse Gas Inventories  
 \*\* Scope 2 accounts for all our indirect energy consumption, purchased from third parties. Emission factors are calculated on location-based methods.

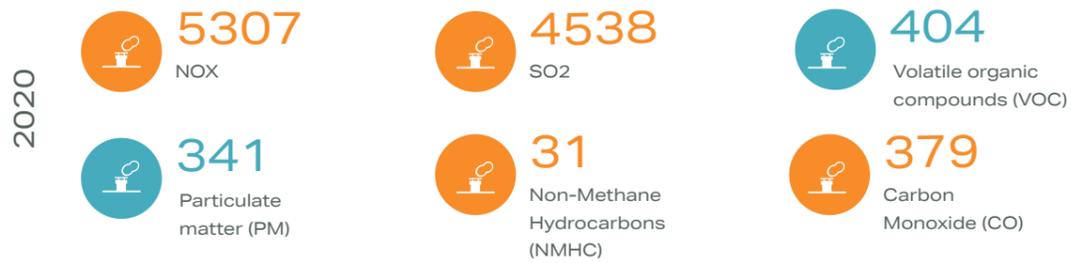
## OTHER EMISSIONS

Many of the activities in oil and gas production and processing include operations in piping systems, combustion furnaces stacks, storage tanks and other functions result in gaseous emissions, including Carbon Monoxide, NOx, SO2, Volatile Organic Compounds and Particulate Matter. We have monitoring programmes in place

to ensure our impacts are properly controlled and ensure emissions are within nationally and internationally accepted limits.

The majority of our emissions are from downstream legal entities. The table below shows emissions from the downstream entities.

### STACKS EMISSIONS (TONNES)



In addition, to minimise fugitive emissions and conserve precious resources, we maintain an active programme for leak detection and repair (LDAR). The programme entails

locating, documenting, and verifying leaks. It, hence, drives maintenance activities to reduce emissions to the atmosphere, effectively.



## ENERGY CONSUMPTION

(103-1), (103-2), (103-3),(302-1),(302-2),(302-3), (302-4)

OQ strives to reduce the emissions associated with its energy consumption by monitoring and managing energy consumption and efficiency at operated legal entities. We recognise that without knowing our consumption patterns and volumes, it will be challenging to identify energy-saving opportunities across all different operations and, therefore, we are dedicated to improve the monitoring, managing and reduction of our environmental footprint in the years to come.

Our total energy consumption for 2019 was at 101,758 TJ for all our operated legal entities. However, we anticipate that this number will rise in the near future as both OQ LPG and DRPIC were under construction and development projects and were not fully operational in 2020. In addition, our energy intensity for upstream oil and gas production was at 1.08 MJ per Barrel of Oil Equivalent and at 5.16 MJ per Metric Tonne for our products sold in our downstream businesses.

### ENERGY CONSUMPTION (TJ)



### UPSTREAM



### ENERGY INTENSITY



## WATER MANAGEMENT

(303-1),( 303-2),(303-3),(304-4),(303-5)

At OQ, water consumption is primarily used for cooling purposes in our production and refinery units and is reused and recycled multiple times across operations. Due to scarcity of Oman's ground freshwater, water consumption is derived from the sea. In the minority of areas where we have ample fresh water, it is extracted from the surface or the ground.

minimise freshwater consumption. One example of water conservation was when a significant amount of water was conserved during Hydrotesting activities of OQ8 facilities which used alternative water sources of treated wastewater or reusing of hydrotesting water. In 2020, our seawater extraction accounted for 41% of our total water consumption, i.e 1,330 million cubic meters. Total fresh water extracted was 3,159 million cubic meters.

Water conservation opportunities are continually explored and pursued to

## WATER CONSUMPTION (MILLION M3)



## \*WATER CONSUMPTION INTENSITY



The table above Considers all types of water consumed (extraction-rejection) except produced water or water used from other organizations

Water discharged back into the sea amounted to 93% of the total seawater extracted. The quality of discharged water is monitored on an hourly basis according to the required regulations by the Environment Authority \* in Oman.

The aspects in which the quality of water is monitored and controlled are governed by the Ministerial Decision

## WASTE MANAGEMENT

(306-1),(306-2),(306-3),(306-4),(306-5)

We seek to enhance the efficiency of our operations and reduce any resulting waste through partnering with the relevant authorities and hire licenced waste collection, disposal, and treatment companies. These companies manage our waste and ensure that both hazardous and non-hazardous waste is disposed of safely and with no impact on the environment while adhering to local regulations.

Our waste streams include both liquid and solid wastes, which are either hazardous or non-hazardous

No: 159/2005, promulgating the bylaws to discharge liquid waste in the marine environment and include the below listed boundaries that we measure and report on, on a monthly basis. In 2020, we ensured that all our discharged water was within the limits established by the regulations, and in most cases, our water quality metrics were well within limits.

in nature. All waste generated across our operations is efficiently monitored and managed by the category of waste and disposal method used. Wherever possible, we pursue opportunities to recycle our waste by utilising it in energy recovery or as by-products in other industries. The remaining amount of hazardous waste is disposed of through nationally approved third-party service providers. The volume of recycled waste for 2020 amounted to 6,644.96 tonnes reused in a cement factory.

## GENERATED WASTE (THOUSAND TONNES)



## WASTE GENERATED (THOUSAND TONNES)



In 2020, OQ signed an in-country industrial waste disposal contract with Oman Environmental Service Holding Company S.A.O.C (be'ah). Subsequently, all industrial waste,

including hazardous waste, has been disposed of through be'ah and no more industrial hazardous waste is disposed of outside Oman.

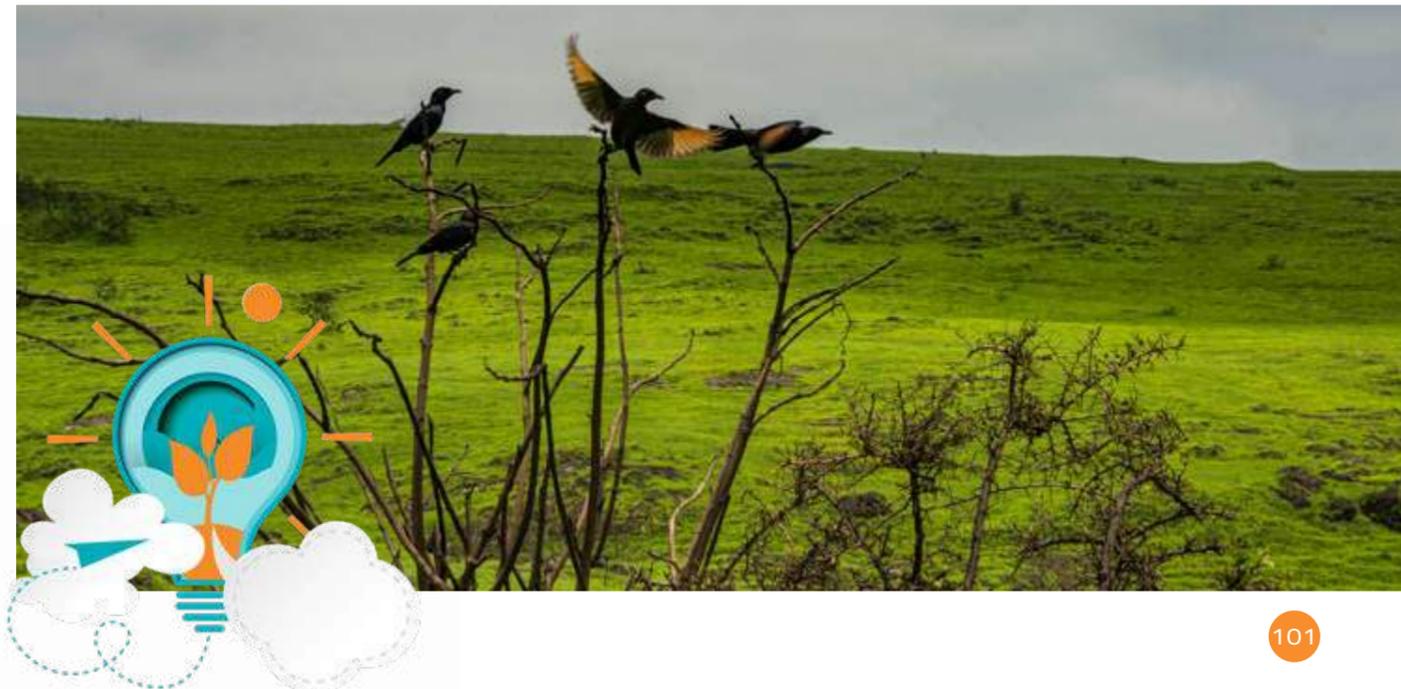
## BIODIVERSITY

(103-1),(103-2),(103-3),(304-1),(304-2),(304-3)

OQ is committed to the protection of the natural environment. OQ8 is the project within OQ that has prominent biodiversity significance, largely because it is located in close proximity to Important Bird Areas in Oman. Following International Financial Corporation Performance Standard 6 (IFC PS6) requirements, OQ8 invested resources to consider its impact on the local and surrounding biodiversity. Impacts Assessments studies were conducted at an early stage of the project where all the habitat and species were assessed. Moreover, a Biodiversity Management Plan (BMP) for construction, commissioning, and start-up was developed. In 2020, a biodiversity action plan to offset

the residual impact after avoidance, minimisation and restoration mitigations was applied.

Six offsetting sites were identified within Duqm Special Economic Zone (DSEZ) and allocated as Biodiversity Offsetting Sites to be managed by OQ8 as part of the Corporate Agreement with Special Economic Zone Authority Duqm (SZED). A detailed action plan will be developed for each site following a comprehensive multi-seasonal baseline study that is planned to be conducted during 2021 and concluded by 2022. We also support conservation through our CSI initiatives (see p.88)



# ALTERNATIVE ENERGY

(102-12)

As the world starts to head towards strong decarbonisation targets and countries start to impose stringent carbon limits along with decarbonisation incentives, alternative and especially renewable energy has established itself as an important component of the energy mix and future trend. Most industry experts forecast the eventual decline and necessary decarbonisation of the Oil and Gas industry stemming from global societal forces. There is a growing need to decarbonise the global energy sector (i.e. the energy transition). Scientific consensus tells us we have a carbon dioxide budget of approximately 16 years left at current production levels in order for global temperatures to remain within relatively "safe" levels.

2020 has been a decisive year for decarbonisation, which witnessed political consensus in Asia, Europe and North America. More countries are pledging to become zero-net carbon by 2050. The 26th UN Climate Change

Conference of the Parties (COP26), taking place in Glasgow November 2021, is expected to increase the voluntary national contributions and commitments to fighting climate change. The Energy Transition is therefore firmly in motion, and OQ has the opportunity, as a leading integrated energy player, to adapt with the energy transition by reducing its carbon footprint through alternative energy and bringing green products to market.

In addition, the activities within AE contribute to several SDGs by ensuring that clean, sustainable and responsible energy consumption and production will be embedded in our value chain, allowing OQ and Oman to combat climate change and mitigate its risks in the long run. Furthermore, AE is aligned with Oman Vision 2040's objective of 'Renewable energy, diversified sources of energy and rationalised consumption to achieve energy security'. It considers the following relevant indicators:

**1** Renewable energy consumption (percentage of total consumption); 20% by 2030 and 35-39% by 2040 from renewables in the total energy consumption as per Oman Vision 2040

**2** GDP per unit of energy use



Sustainable cities & communities



Affordable & Clean Energy



Responsible Consumption & Production



Climate Action

## Performance Indicators

	Baseline Values	2030 Target	2040 Target
Environmental Performance Index	Value: <b>51.32</b> 2018 Rank: <b>116/127</b> (0-100)	Value > 65.46 or Top 40 Countries	Value > 7.69 or Top 20 Countries
GDP Per Unit of Energy Use	Value: <b>6.92</b> 2014 Rank: <b>97/130</b> Intl Dollar (fixed 2011)	Value > 14.57 or Top 20 Countries	Value > 17.3 or Top 10 Countries
Oman Water Index	Value 2015: <b>395</b> million cubic meter per person	550 - 600	650 - 700
Renewable Energy Consumption percentage of total consumption	Value: <b>0%</b> 2015 Rank: <b>200/210</b>	20%	35% - 39%

Source: Oman Vision 2040.

In 2020, the Board approved OQ AE's strategic pillars and the establishment of Alternative Energy as a new business line. Following the establishment of Oman Investment Authority (OIA), OIA transferred Oman

Energy Development (OED) in order to consolidate OIA's investments in alternative energy under one entity. This brought in the OED team as well as the projects under OED into OQ's AE business line.



## VISION AND MISSION

Drawing from OQ's aspiration to be "an integrated energy company delivering business excellence through sustainability", our AE vision is that "Alternative Energy will be the cornerstone of OQ's position as a leading sustainable integrated energy company and a new avenue for sustained, long-term growth". In becoming a global integrated energy company, OQ needs to preserve the present while fully integrating the future. As such, we see OQ Alternative Energy's mission being: "To transform

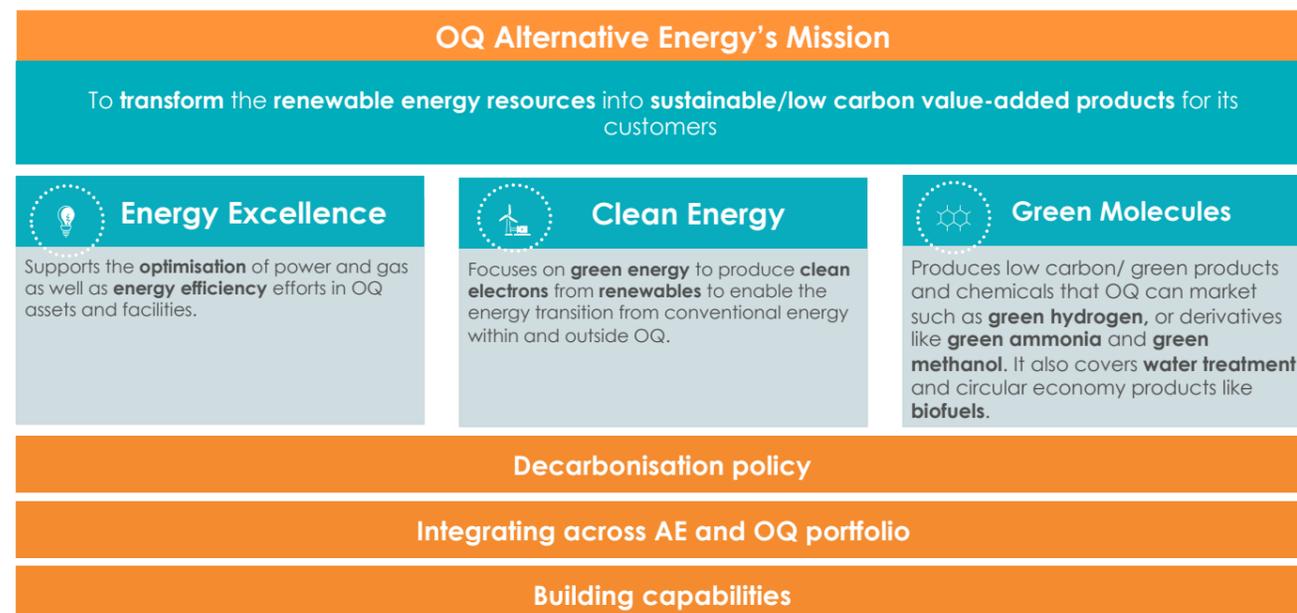
the renewable energy resources into sustainable/low carbon value-added products for our customers".

While the use of the word "Alternative" is used to indicate a shift in the energy resources, it is believed that the world is accepting that it is only sustainable to look at the entire energy resource space and that the word "Alternative" would disappear as the energy mix would include renewable sources towards more sustainable energy harnessing and use.

## OQ ALTERNATIVE ENERGY STRATEGY

OQ's AE strategy is built around three pillars and three enablers that would allow OQ to achieve its aspirations:

### THE PILLARS:



### a. Green Molecules

The strategy for Green Molecules is to focus on products for the export market as an immediate step. As the cost of green hydrogen is still prohibitively high in comparison to grey hydrogen and, because hydrogen is a challenging molecule to transport, we will be targeting the production of green ammonia or methanol from green hydrogen. We expect that green ammonia/methanol, besides being easier to transport, to fetch green premiums.

The company has been working on various opportunities in the green molecule field and advanced progress has been achieved through the signing of the Hyport Cooperation Agreement in Dec 2020, with DEME Concessions from Belgium concluding the pre-feasibility stage and taking the project to the next stages. The envisaged first phase of the project would be a 250-500 MW electrolyser powered by 750-1500 MW solar and wind energy to produce green hydrogen or its derivatives like green ammonia to be exported to international customers. Other business opportunities are being studied in the same field.



### b. Clean Energy :

Alternative Energy – Clean Energy (AE-CE)'s objective is to maximise the value of Oman's Renewable Energy resource's conversion into green electrons for domestic consumption and export via green molecules.

Several opportunities for solar and wind power plants have been studied with advanced progress achieved on LPIC Solar Project in Suhar. The



project consists of a 181 MWdc solar PV plant and an approximately 11 km transmission line to the LPIC site. The basis for design works is progressing well to achieve FID by Q2 2021. Additionally, an EPC tender to install 2 MW solar panels at the car parking of the non-technical facilities in Suhar has been floated and construction is planned to commence in the second quarter of 2021.

### c. Energy Excellence:

The strategy for Energy Excellence involves the following:

1. Reducing the energy use in OQ's buildings and industrial entities through energy efficiency projects. This will be enabled through installing energy management systems to track energy performance and ensure energy savings are continuously captured. New entities will have to adhere to stringent designs to ensure energy efficiency is maximised.

2. Energy optimisation, to perform the following:

a. Allow optimisation between different sources of energy sources and supplies at any instant. This means deciding the most cost-effective way of generating and supplying electricity and natural gas to an OQ entity. However, since a full market liberalization is required for such optimisation to be fully enabled, and given OQ's position as a major energy user in specific industrial zones, the interim solution would be to partner

with other private sector specialists to form a utility inside specific industrial zones such as Suhar and Salalah. This would unlock several benefits including:

- Enabling OQ to start optimising across a portfolio of natural gas and electricity assets as a licensed utility, without having to wait for full electricity and natural gas market deregulation.

- Ensuring that new renewable energy assets of OQ are fully utilised, hence reducing offtake risk and maximising the use of the transmission infrastructure.

- Allowing OQ to master demand side management and test the newest technologies to maximise revenue and reduce risks and losses.

- Receiving access to a wide range of data which is not available outside OPWP and OETC today, hence enabling OQ to specialise in energy use and efficiency potential for industrial entities.

legal entities. Retrofits in Mina Al Fahal (MAF) buildings have started and two energy optimisation projects in Musandam Gas Plant (MGP) have been successfully implemented.

the necessary information to make climate-informed decisions as well as set up appropriate institutional arrangements to manage and mitigate the risks associated with GHG emissions.

For OQ to define a decarbonisation policy, it will need to ensure that this policy is holistic in nature, aligned with energy efficiency and sustainability measures and includes the following elements based on benchmarks and best practices:

1. A decarbonisation strategy that forms an essential part of OQ's strategic agenda and sets the organisation's plans to achieve short, medium and/or long term decarbonisation targets.

2. A board level steering committee that drives the decarbonisation strategy.

3. Tools that the organisation can use to develop, monitor, manage and

#### Integrating across Alternative Energy Portfolio and OQ

To maximise value, OQ will look to integrate its three pillars as much as possible. This is to reduce any value leakage outside OQ. As an example, Green Molecules require a renewable source of energy for its projects. This

#### Building New Capabilities

With Alternative Energy being a new area for OQ to venture in, it will require new skillsets to be acquired and developed within the OQ workforce in order to successfully deliver on its mandate. For example, various capabilities to support project delivery such as detailed techno-economic

achieve the decarbonisation strategy including:

a. A GHG inventory (or database), defined by a globally accepted standard, and capable of serving multiple goals including emissions measurement, public reporting and target setting.

b. Key Performance Indicators (KPIs) to manage and monitor performance.  
c. Risk management tools such as policy scenario analysis and internal carbon pricing.

c. A strategy for communicating decarbonisation policy and targets to internal and external stakeholders.

can be delivered through Energy Assets while Energy Efficiency and Optimisation can ensure that off-take risks are mitigated whilst maximising the benefit out of the transmission infrastructure.

assessment and modelling, contract negotiation, power optimisation / dispatching, project/EPC management will need to be developed or acquired. In addition, the appropriate policies, procedures and processes will need to be in place.

### THE ENABLERS:

#### Internal Decarbonisation Policy

With climate change being a key driver for alternative energy globally, a key enabler to the realisation of OQ's alternative energy strategy is the adoption of a decarbonisation policy which should provide OQ with





ECONOMIC



## SOURCING RESPONSIBLY (SUPPLY CHAIN & ICV)

### EXTENDING OUR SUSTAINABILITY COMMITMENT TO OUR PROCUREMENT

(102-9),(103-1),(103-2),(103-3)

#### CHAPTER HIGHLIGHTS



\* This is a correction of the figure stated in our 2019 Sustainability Report.

OQ's Procurement department plays a crucial role in facilitating sourcing of goods and services to fulfil the needs of its projects and activities. Main strategies in operating the department include timely processing of requirements and needs, maintaining competitiveness and financial health in outsourcing decisions, and complying with policies and procedures to assure compliance with our code of conduct.

In 2020, OQ spent around USD 4.255 Bn on goods and services for operation activities from more than 1680 suppliers from all over the world. These suppliers and contractors are integral to our ability to run our operations, and they not only contribute to our business success but also to creating a positive impact in the communities where we operate.

As the world is going through difficult conditions due to the COVID-19 pandemic of Covid-19, many organizations had to take extreme

decisions in terms of prioritization and/or reduction of business activities and allocation of budget. This impacted directly the activities within the procurement in both positive and negative ways. The main negative aspect was the need to revisit the planned activities and, in some cases, reduce the original scope of work. On the bright side, the pandemic has made us adopt new ways of conducting our day to day activities and running the business. Although the nature of procurement activities is more engaging, working away from the office did not affect productivity. Other than that, with the reduction of scope, the negotiation power played a vital role in minimising the impact on our activities.

The Procurement Department serves key projects including LPIC, BISAT, Gas Network 32" & 48" pipeline, OQ8, OTTCO Ras Markaz and Salalah LPG. Under the Projects Contract division, the team processed:

**1** Major Projects: a total of seven contracts and tenders worth USD 22 Bn

**2** Minor Projects and Turnaround: a total of 89 contracts and tenders worth USD 1.1 Bn

**3** ORA: a total of 72 contracts and Tenders worth USD 600 Mn

In addition, the Contracts division has awarded 221 contracts and 546 PO Awarded with 96% approval rate from the Tender Board. Collectively, they are worth USD 560 Mn.

### HSSE IN OUR SUPPLY CHAIN

OQ aims to work with contractors and suppliers that operate in an economically, environmentally and socially responsible manner. Our approach to our contractors and suppliers is embedded in the Health, Safety, Security and Environment (HSSE) Specifications section of all our contracted parties, where it is the responsibility of all contracted parties to ensure that their employees

and subcontractors are aware of and understand all HSSE rules and conditions, and that they fully comply with them.

These HSSE conditions cover a number of areas such as the Contractor HSE plan, which lists requirements for several topics including but not limited to:

- 1** Identification of potential risks, mitigation measures and emergency response plan
- 2** Waste management
- 3** Employee training and training matrix

- |                                      |  |   |
|--------------------------------------|--|---|
| <b>a</b> Employee welfare,           | <b>b</b> Lifting / rigging plan (When applicable), | <b>c</b> Personal protective equipment (PPE),     |
| <b>d</b> Job Safety Analysis ((JSA), | <b>e</b> Adjacent work / facilities,               | <b>f</b> Interfaces with OQ & other Contractor's, |
| <b>g</b> Work at Height,             | <b>h</b> Hot works,                                | <b>i</b> Restricted access/ egress and            |
| <b>j</b> Environmental protection.   |  |   |

Additional requirements detailed in the HSSE Specification include; topics relating to safe method of working, permits, use of chemicals, radioactive source, and mobile phones and electronic gadgets, smoking regulations, equipment management and licencing of operators, fatigue management, site construction and

project requirements, scaffolding standards, safety equipment, crane operations and rigging, site restoration, occupational health and hygiene, security requirements, traffic management, audit, monitoring and inspection, housekeeping, stoppage of work, suspension or termination of work and HSE deliverables.

## HSSE TRAINING

All contractors are required to attend the mandatory OQ HSSE induction. This is intended to familiarise Contractors' employees with the OQ Specification, site specific conditions / requirements, the associated hazards and their controls, emergency response plans, Permit to work and other HSSE Specifications.

## COMPLIANCE WITH STATUTORY REGULATIONS AND STANDARDS

Contractors are required to work in accordance with relevant provisions of the OQ HSSE Specifications and statutory legislation including but not limited to:

a. National regulations such as those issued by Oman's Environment Authority, PACDA, MoM and others as well as international regulations (where applicable).

b. Local government legal requirements

c. Other applicable and recognised International Codes and Standards for incorporating best applicable industry practice like Occupational Safety

and Health Administration (OSHA), National Institute for Occupational Safety & Health (NIOSH), American National Standards Institute (ANSI), American Petroleum Institute (API) standards / requirements, National Fire Protection Association (NFPA) Codes, National Electric Codes (NEC), American Conference of Governmental Industrial Hygienists Threshold Limit Values (ACGIH TLV) Values/Exposure Indices etc. as appropriate.

Contractors are also expected to strictly adhere to OQ's 12 Safety Rules (see Safety on p.57) or face serious consequences in case of non-compliance.

## SQAS REQUIREMENTS

OQ is committed to the International Council of Chemical Associations Responsible Care programme that promotes continuous improvement in all aspects of Environment, Health, Safety and Security (EHSS). We are also committed to the Gulf Sustainability and Quality Assessment System (SQAS), which drives continuous improvement in Environment, Health, Safety, Security and Quality (EHSS&Q)

throughout the land-based product supply chain.

### Worker Welfare

To maintain the welfare of all workers and contracted employees in our operations, the HSSE Specifications also list several requirements that contractors are expected to follow, a sample of which is included below.

**1** Maintaining an employee welfare area and ensuring that the construction of the office/ welfare facilities (if any) conforms to OQ HSSE Specification with respect to electrical, fire protection including smoke detectors & fire extinguishers, Air conditioners, cleaning etc. and is certified or approved by PACDA for occupancy as required

**2** Maintaining the facilities to the required hygienic standard acceptable to OQ while aligning with OPAL Camp standard specification

**3** Ensuring that the facilities also contain adequate toilet(s) for the number of Contractor workers on the project

**4** Providing welfare facilities with adequate seating capacities and food catering facility, such as tables and chairs and availability of drinking water on each table. Employees are expected to be served nutritious meals from a menu selected by a committee comprising the employees and management personnel from the Contractor. OQ has a right to audit such facilities, and any recommendations arising from such audits / inspections will be required to be implemented

**5** Installing proper adequate shelves to hold any tools or equipment brought to the site and maintaining them at the highest order of housekeeping free from all clutter

Optionally providing long term contractors permanent facilities within the purpose-built Contractor building at OQ's discretion Providing access to catered medical facilities and ensuring all employees have

medical insurance as per applicable laws Complying with the medical examination requirements as is stipulated in the Oman labour law R/D 35/2003 as amended along with other welfare requirements stated therein.



## IN-COUNTRY VALUE

(204-1)

At OQ, we are committed to benefiting local suppliers and maximising In Country Value (ICV) by increasing the total spends retained in country. The ICV initiatives focus on developing national manpower mainly in skilled and professional categories, and boosting Oman's small and medium enterprises (SMEs), local services and the manufacturing sector. We strive to accomplish this by working in cooperation with contractors, the Ministry of Energy and Minerals (MEM) and other relevant authorities in Oman.

In 2020, value spend on local goods, services and SMEs in country was USD 713.8 Mn out of total procurement spend of USD 1.001 Bn, from OQ legal entities: OQ EP, OQ RE, OQ GN, OQ Methanol & OQ 8 (excluding major projects spend).

The value retained (ICV index) was around 28 % (USD 281.8 million), – as an ICV contribution from local goods and services, together with the SMEs

spending which was (USD 89.6 million) for sourcing different types of goods and services.

Note: The value retained is calculated based on assumption applied only on parts of the expenditure which is considered to be local, this approach is used by the oil and gas sector to calculate ICV retained value on the basis of the blueprint strategy and Oman's Ministry of Energy and Mineral directives.

Moreover, for our major projects, we have contributed to the local goods, services and SMEs through our contractors, as well as providing scholarships and training opportunities for Omanis. In addition, all of our EPC contractors have ICV contractual obligations to be fulfilled by the end of each project, and we require our contractors to submit quarterly ICV performance reports which are monitored and validated by OQ.

In order to optimise the ICV opportunities, the ICV team undertook the following activities:

- 1** Developing Multi-Tenant ICV Monitoring & Reporting System to consolidate all OQ ICV reporting (the same system has been approved by MEM and implemented by all oil & gas operators in Oman)
- 2** OQ qualified as one of the top three companies in Oman providing best support to SMEs in Riyadh Award 2020
- 3** Floated local manufacturing of FFS packaging material tender to the market
- 4** Contracts stipulated minimum requirements in recruitments and training of Omani fresh graduates, subcontracts to local sourcing of goods, services and SMEs and fund Research and Development programs



In addition, the below main scopes were ring-fenced to local suppliers during 2020:

- 1** Manufacturing of Wooden Pallet
- 2** Manufacturing of HDPE Pipes
- 3** Manufacturing of Electrical Cables
- 4** Manufacturing of Pipes for Export Pipeline
- 5** Third-Party Inspection & Quality Support Services
- 6** Additionally, the following was ring fenced to SMEs
  - Waste management services at block 60.
  - Portable Water Tankers.
  - Laundry Service at OQ Capital Sites.
  - Translation Services.

## INNOVATION (SABLAX)

SablaX is the innovation hub of OQ, where our employees are encouraged and welcome to submit ideas to address current business challenges or create future opportunities.

With the support of SablaX, ideas are assessed through a disciplined and agile process to ensure they are innovative, aligned to OQ's strategy, economically viable and scalable.

Ideas are then developed in more detail in collaboration with the concerned parties within or outside OQ.

SablaX's value proposition is driving innovation through strategic alignment, ecosystem governance and promotion of innovation culture. Our aim is to maximise shareholder value in both the short and long-term.

## COVID-19 INITIATIVE

Considering the anticipated need for ventilators at hospitals in Oman during the Covid-19 pandemic, and to support the country's readiness for COVID-19, OQ sponsored the manufacturing and distribution of basic ventilator units to the Ministry of Health (MoH). These units are designed for emergency use as back up for typical models used in MOH hospitals.

Developed by Innotech, an Omani SME, and tested in collaboration with medical employees at the Royal Hospital, these ventilators were designed and manufactured in Oman, inspired by open-source concepts.



## VIRTUAL OPPORTUNITY FRAMING SESSIONS – RESPONDING TO COVID-19

In 2020, OQ's SablaX Team reacted creatively to the COVID-19 pandemic. The team creatively combined multiple digital tools to conduct effective workshops. Zoom and Miro.com were used as online tools to conduct and record ideas and move them through an agile filtration process by the participants. Menti.com was used as a quick survey tool during the sessions.

This led SablaX to conduct several opportunity framing sessions in 2020 for three different OQ business lines, involving over 50 participants and generating more than 56 ideas. Eight of these ideas were developed into high-level business cases, of which five were subjected to further development into detailed business cases.

## BISAT RESEARCH AND DEVELOPMENT (R&D)

One of the key challenges facing many oil fields in Oman is the high ratio of produced water to extracted oil. Our Bisat oil field is no different in this regard.

During 2020, the SablaX team developed an idea proposed by a fellow OQer – Dr. Hamed Al Shuraiqi – to investigate the use of algae for treating such produced water. Detailed analysis of the case showed potential value to reduce operational costs and enhance sustainability. The case was

well received by the upstream team and supported by our colleagues on the Bisat project. This led to kicking off a R&D project with Sultan Qaboos University (SQU) to identify algae strains/cultures that can treat the produced water from Bisat and remove any remaining hydrocarbons and heavy metals. The R&D project is showing promise so far. Using this technology could help bolster the value of our Bisat field and could lead to exploring further revenue streams in the future.

## GRI STANDARDS CONTENT INDEX (102-55)

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented, and the references for disclosures 102-40 to 102-49 align with appropriate sections in the body of the report. The service was performed on the English version of the report.



### GRI STANDARDS

GRI Standard	Disclosure	Referenced Section (Page), URL Reference or Notes
--------------	------------	---

#### GRI 101: Foundation 2016

General Disclosures		
GRI 102: General Disclosures 2016	102-1 Name of the Organisation	About OQ (20)
	102-2 Activities, brands, products and services	About OQ (20)
	102-3 Location of headquarters	About OQ (20)
	102-4 Location of operations	Our Global Presence (20)
	102-5 Ownership and legal form	Our Shareholder (52), Government-owned
	102-6 Markets served	Our Global Presence (20)
	102-7 Scale of the organization	About OQ (20)
	102-8 Information about employees and other workers	Developing Our People (78)
	102-9 Supply chain	Extending our Sustainability Commitment to our Procurement (108)
	102-10 Significant changes to the organisation and its supply chain	Our Shareholders (52)
	102-11 Precautionary Principle or Approach	Our Sustainability Commitments (50) Improving Social Wellbeing, Health & Safety of Employees & Contractors (64) Climate Change and Greenhouse Gas (GHG) Emissions (95)
	102-12 External Initiatives	Our Sustainability Commitments (50) Alternative Energy (100)
102-13 Membership of associations	Memberships of Associations and Industry Affiliations (37)	
Strategy	102-14 Statement from senior decision-maker	Letter from Chairman of the Board (14) Letter from Group CEO (16)
	102-15 Key impacts, risks, and opportunities	Risk Management (58)
Ethics and integrity	102-16 Values, principles, standards and norms of behavior	Our Behaviours (24) Our Values (25) Ethical Conduct (54)
	102-17 Mechanisms for advice and concerns about ethics	Ethical Conduct (54) Whistle-Blowing Policy (57) Please refer to OQ's Code of Business Conduct, available at: <a href="https://oq.com/en/about-oq/company/code-of-conduct">https://oq.com/en/about-oq/company/code-of-conduct</a>
Governance	102-18 Governance structure	Our Board of Directors (52)
	102-20 Executive-level responsibility for economic, environmental, and social topics	Sustainability Governance and Management (48)
	102-21 Consulting stakeholders on economic, environmental and social topics	Materiality Analysis (46)
	102-22 Composition of the highest governance body and its committees	Our Board of Directors (52)
	102-23 Chair of the highest governance body	Our Board of Directors (52)
	102-24 Nominating and selecting the highest governance body	Our Board of Directors (52)
	102-25 Conflicts of interest	Ethical Conduct (54)
	102-26 Role of highest governance body in setting purpose, values, and strategy	Sustainability Governance and Management (48)
	102-27 Collective knowledge of highest governance body	<a href="https://oq.com/en/about-oq/company/board-and-leadership-team">https://oq.com/en/about-oq/company/board-and-leadership-team</a>
	102-30 Effectiveness of risk management processes	Risk Management (58)
	General Disclosures	102-40 List of stakeholder groups
102-41 Collective bargaining agreements		Workplace Practices and Human Rights (58)
102-42 Identifying and selecting stakeholders		Materiality Analysis (46) Stakeholder Engagement (47)
102-43 Approach to stakeholder engagement		Materiality Analysis (46) Stakeholder Engagement (47)
102-44 Key topics and concerns raised		Materiality Analysis (46) Stakeholder Engagement (47)
Stakeholder engagement	102-40 List of stakeholder groups	Materiality Analysis (46)
	102-41 Collective bargaining agreements	Workplace Practices and Human Rights (58)
	102-42 Identifying and selecting stakeholders	Materiality Analysis (46) Stakeholder Engagement (47)
	102-43 Approach to stakeholder engagement	Materiality Analysis (46) Stakeholder Engagement (47)
	102-44 Key topics and concerns raised	Materiality Analysis (46) Stakeholder Engagement (47)

### GRI STANDARDS

GRI Standard	Disclosure	Referenced Section (Page), URL Reference or Notes
--------------	------------	---

Reporting practice	102-45 Entities included in the consolidated financial statements	About This Report (8)
	102-46 Defining report content and topic boundaries	About This Report (8)
	102-47 List of material topics	Materiality Analysis (46) Stakeholder Engagement (47)
	102-48 Restatements of information	About This Report (8)
	102-49 Changes in reporting	About This Report (8)
	102-50 Reporting period	About This Report (8)
	102-51 Date of most recent report	About This Report (8)
	102-52 Reporting cycle	About This Report (8)
	102-53 Contact point for questions regarding the report	About This Report (8)
	102-54 Claims of reporting in accordance with the GRI Standards	About This Report (8)
	102-55 GRI content index	GRI content index (118)
102-56 External Assurance	About This Report (8)	
Material Topics		
Economic Performance		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Economic Impact and Financial Performance (40)
	103-2 The management approach and its components	Economic Impact and Financial Performance (40)
	103-3 Evaluation of the management approach	Economic Impact and Financial Performance (40)
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Economic Impact and Financial Performance (40)
Procurement Practices		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Extending our Sustainability Commitment to our Procurement (110)
	103-2 The management approach and its components	Extending our Sustainability Commitment to our Procurement (110)
	103-3 Evaluation of the management approach	Extending our Sustainability Commitment to our Procurement (110)
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	In-Country Value (114)
Anti-corruption		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Ethical conduct (56)
	103-2 The management approach and its components	Ethical conduct (56)
	103-3 Evaluation of the management approach	Ethical conduct (56)
GRI 205: Anti-Corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	Communications and Training (58)
Materials		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Our Operations (27) Growth Projects (33)
	103-2 The management approach and its components	Our Operations (27) Growth Projects (33)
	103-3 The management approach and its components	Our Operations (27) Growth Projects (33)
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Our Operations (27) Growth Projects (33)
Energy		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Energy Consumption (99)
	103-2 The management approach and its components	Energy Consumption (99)
	103-3 Evaluation of the management approach	Energy Consumption (99)
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Energy Consumption (99)
	302-2 Energy consumption outside of the organization	Energy Consumption (99)
	302-3 Energy intensity	Energy Consumption (99)
	302-4 Reduction of energy consumption	Energy Consumption (99)

## GRI STANDARDS

GRI Standard	Disclosure	Referenced Section (Page), URL Reference or Notes
<b>Water and Effluents</b>		
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Water Management (99)
	303-2 Management of water discharged-related impacts	Water Management (99)
	303-3 Water withdrawal	Water Management (99)
	303-4 Water discharge	Water Management (99)
	303-5 Water consumption	Water Management (99)
<b>Biodiversity</b>		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Biodiversity (101)
	103-2 The management approach and its components	Biodiversity (101)
	103-3 Evaluation of the management approach	Biodiversity (101)
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Biodiversity (101)
	304-2 Significant impacts of activities, products and services on biodiversity	Biodiversity (101)
	304-3 Habitats protected or restored	Biodiversity (101)
<b>Emissions</b>		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Climate Change and GHG Emissions (97)
	103-2 The management approach and its components	Climate Change and GHG Emissions (97)
	103-3 Evaluation of the management approach	Climate Change and GHG Emissions (97)
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Climate Change and GHG Emissions (97)
	305-2 Energy indirect (Scope 2) GHG emission	Climate Change and GHG Emissions (97)
	305-3 Other indirect (Scope 3) GHG emission	Scope 3 emissions are not included in 2020 report, however OQ is working on maturing in the processes and methodologies used for reporting GHG emissions including scope 3 emissions and endeavour to report on Scope 3 in the future.
	305-4 GHG emissions intensity	Climate Change and GHG Emissions (97)
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions	Climate Change and GHG Emissions (97)
<b>Waste</b>		
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Waste Management (100)
	306-2 Management of significant waste-related impacts	Waste Management (100)
	306-3 Waste generated	Waste Management (100)
	306-4 Waste diverted from disposal	Waste Management (100)
	306-5 Waste directed to disposal	Waste Management (100)
<b>Environmental Compliance</b>		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Compliance (59)
	103-2 The management approach and its components	Compliance (59)
	103-3 Evaluation of the management approach	Compliance (59)
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	Compliance (59)
<b>Employment</b>		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Developing our People (80)
	103-2 The management approach and its components	Developing our People (80)
	103-3 Evaluation of the management approach	Developing our People (80)
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Employee Retention (84) Turnover by Gender (84) Newly Hired Employees by Gender (84) Newly Hired Employees by Age (85)

## GRI STANDARDS

GRI Standard	Disclosure	Referenced Section (Page), URL Reference or Notes
<b>Occupational Health and Safety</b>		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Developing our People (80)
	103-2 The management approach and its components	Developing our People (80)
	103-3 Evaluation of the management approach	Developing our People (80)
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Health and Wellbeing (66)
	403-2 Hazard identification, risk assessment and incident investigation	Risk Management (60) Health and Wellbeing (66)
	403-3 Occupational health services	Health and Wellbeing (66)
	403-4 Worker participation, consultation and communication on occupational health and safety	Health and Wellbeing (66) Safety (69)
	403-5 Worker training on occupational health and safety	Safety (69)
	403-6 Promotion of worker health	Health and Wellbeing (66)
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Health and Wellbeing (66) Safety (69)
	403-9 Work-related injuries	Safety (69)
	<b>Training and Education</b>	
GRI 404: Training and Education 2016	103-1 Explanation of the material topic and its Boundary	Training and Development (84)
	103-2 The management approach and its components	Training and Development (84)
	103-3 Evaluation of the management approach	Training and Development (84)
	404-2 Programs for upgrading employee skills and transitional assistance programs	Training and Development (84)
<b>Diversity and Equal Opportunity</b>		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Diversity and Inclusion (80) Women Empowerment (82)
	103-2 The management approach and its components	Diversity and Inclusion (80) Women Empowerment (82)
	103-3 Evaluation of the management approach	Diversity and Inclusion (80) Women Empowerment (82)
GRI 405: Diversity & Equal Opportunity 2016	05-1 Diversity of Governance Bodies and Employees	Diversity and Inclusion (80)
<b>Non-discrimination</b>		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Ethical Conduct (56)
	103-2 The management approach and its components	Ethical Conduct (56)
	103-3 Evaluation of the management approach	Ethical Conduct (56)
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Being a Good Neighbour (88), Partially covered
<b>Local Communities</b>		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Being a Good Neighbour (90)
	103-2 The management approach and its components	Being a Good Neighbour (90)
	103-3 Evaluation of the management approach	Being a Good Neighbour (90)
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments and development	Compliance (57)
<b>Socioeconomic compliance</b>		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Compliance (57)
	103-2 The management approach and its components	Compliance (57)
	103-3 Evaluation of the management approach	Compliance (57)
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	Compliance (57)

# DEFINITIONS OF TERMS

## OQ, OQ Group and "the company"

a set of legal entities that spread across upstream, downstream, commercial, and services in Oman and internationally. They are eight legal entities. The legal entities are OQ Exploration and Production (OQ E&P), OQ Gas Network (OQGN), OQ Refineries and Petrochemical Industries (OQRPI) (includes Suhar Refinery, Mina Al Fahal, OQ Aromatics and OQ Plastics), OQ Methanol (includes OQ Ammonia), OQ Chemicals (previously referred to as OXEA), OQ Liquefied Petroleum Gas (OQLPG), OQ Trading (previously referred to as OTI) and OQ8 (previously referred to as Duqm Refinery).

## Legal Entities

The eight legal companies under OQ

## OQ Exploration & Production

Includes upstream arm of OQ searching for potential underground or underwater crude oil. is further segmented into two categories:

1. OQE&P Operated Assets (Block 60, Block 48, Block 8, Musandam Gas Plant (MGP) and OQ E&P Corporate) and 2. OQE&P Non-Operated Assets that includes all OQ's joint venture assets in Oman. It is part of the OQ Group and one of the eight legal entities.

## OQ Gas Network

Is the major gas transportation company in Oman and part of upstream arm of OQ delivering natural gas to main economic sectors and major consumers comprising of Domestic, Power and Desalination plants, Fertilizer, Methanol, Petrochemical, Refinery, Steel and Cement plants. It is part of the OQ Group and one of the eight business units.

## OQ Refineries and Petrochemical Industries (OQRPI)

Includes Suhar Refinery 1, Suhar Refinery 2, Mina Al Fahal and Aromatics. These are part of the OQ Group and form one of the eight business units.

## OQ Methanol

Is part of downstream arm of OQ. It is located in Salalah with annual production capacity: 3,000 MTPD of Methanol. It is part of the OQ Group and one of the eight business units.

## OQ Chemicals

It is part of OQ international assets under downstream. It is part of the OQ Group and one of the eight business units.

## OQ Liquefied Petroleum Gas (LPG) Project

Is located in Salalah and part of downstream projects designed to utilize 8.0 million SM3/d of gas to produce 153 kilo tonnes per annum (ktpa) of propane, 115 ktpa of butane and 59 ktpa of condensate. It is part of the OQ Group and one of the eight core assets.

## OQ Trading

Previously referred to as OTI. Is under Commercial arm of OQ. It is part of the OQ Group and one of the eight legal entities.

## OQ8

Is one of the identified growth projects. It is part of the OQ Group and one of the eight business units.

## OQ operated assets

OQ assets that are fully operated by OQ. It includes Block 60, Block 48, Block 8, MGP and OQ EP Corporate

## DEFINITIONS OF TERMS

### OQ non-operated assets

OQ assets that are not operated by OQ. It includes OQ's joint ventures assets in Oman.

### Integrated Leadership Team (ILT)

Is the top ranking members of the management of OQ that includes OQ's Group Chief Executive Officer (GCEO) and individuals reporting directly to him.

### Senior Management

Are the Business Leaders and Vice Presidents who direct and control OQ at the highest level to ensure that an effective and efficient quality management system is established, implemented and maintained to achieve these quality objectives. It includes ILT members and one level lower employees.

### Oman Investment Authority (OIA)

A software used by OQ's legal entities to manage day-to-day business activities such as accounting, procurement, project management, risk management and compliance, and supply chain operations.

### Blueprinting

Recruitment process for suitable candidates for jobs (either permanent or temporary) within OQ's eight legal entities (after integrating under one company – OQ)

### Brand roll-out

Establishing OQ's brand ensuring the visual identity, design, and content are consistently executed and aligned with the strategy including the eight legal entities.

### Takatuf

Institute for Competency Development.

### Be'a'h

Oman Environmental Service Holding Company S.A.O.C  
In 2009, a Royal Decree No. 46/2009 granted Be'a'h the mandate and the legal status as the entity responsible for solid waste management in Sultanate of Oman.

### Greenfield project

A project free of constraints from existing work or installation (describes a new project that has been executed by OQ).

### International Organisation for Standardization (ISO)

An International Standard providing guidelines

### Stakeholder Engagement

The process by which an organisation involves people who may be affected by the decisions it makes or can influence the implementation of its decisions

### Internal Stakeholders

Selected employees in OQ that have been assigned as owners of a set of identified Key Performance Indicators (KPIs)

## DEFINITIONS OF TERMS

### Environmental Stewardship

Responsible use and protection of the natural environment through conservation and sustainable practices.

### Incident Management Team (IMT)

A team of personnel managing the incident in the impacted Business Line

### Emergency Management Team

A team of personnel in OQ Headquarters appointed to assist the Business Line Incident Management Team (IMT) and the Crisis Management Team (CMT) in the coordination of resources, information, mutual aid and other requests.

### Crisis Management Team (CMT)

A team of personnel assigned to manage a crisis with the Company's senior management

### Crisis Management Team (CMT)

Business Continuity (BC) is the capability of the organisation to continue the delivery of products and services at pre-defined acceptable levels following a destructive incident. To achieve effective BC, there are a Business Continuity Management Team (BCM) and a Business Continuity Plan (BCP) for any given incident.

### In Country Value (ICV)

Total spend retained in country that benefits business development, contributes to human capability development and stimulates productivity in Oman's economy.

### Intergovernmental Panel on Climate Change (IPCC)

Is the United Nations body for assessing the science related to climate change.

### The Environment Authority (EA)

Previously known as Ministry of Environment and Climate Affairs. It is considered one of the government agencies responsible for developing plans and programmes to protect the environment and preserve its natural resources. Through the application of its policy to ensure the safety of the environment, combat pollution and preserve the various environmental systems within the framework of the basic objectives of sustainable development, protection of wildlife and preservation Nature and the preservation of renewable resources and work to exploit them in a sustainable manner.

### IFRS 7

refers to disclosures about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.

### Oman Society for Petroleum Services (OPAL)

A non-profit organisation established on the 27th of October 2001, under the regulations governing the formation of societies with the Ministry of Social Development. OPAL has become the voice of the oil and gas industry with more than 430 members, made up of oil and gas companies, including producers and operators, contractors and suppliers – large, medium and small.

## CAUTIONARY STATEMENT

This report includes forward-looking statements. All statements other than statements of historical facts in this report (with no representation as to investment purposes), including, without limitation, those regarding OQ's future expectations in respect of the energy industry, are forward-looking statements.

