



OQ Sustainability  
Report 2019

# CONTENTS

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03 

About this Report

08 

Message from the GCEO

09 

Message from the Chief  
of People, Technology  
and Culture

10 

About OQ

20 

Building our Economic Value

24 

Sustainability at OQ

32 

Governance, Ethics and  
Compliance

39 

Fair, Safe and Inclusive

47 

Corporate Social Investment

59 

Responsible Relations

63 

Energy Transition and Industry  
Innovation

68 

Environmental Performance





An aerial photograph of a large oil refinery at dusk or night. The refinery is illuminated by numerous lights from its complex network of pipes, towers, and storage tanks. In the foreground, several large white cylindrical storage tanks are visible. A decorative graphic element in the upper right corner consists of a cluster of semi-transparent circles in various sizes and colors (teal, orange, yellow) arranged in a roughly circular pattern.

## About this Report

We are pleased to present to you OQ's first Sustainability Report, which aims to highlight key details of our performance across an array of Environmental, Social and Governance (ESG) practices and functions. This report cements our commitment to operating and growing in a sustainable manner whilst generating shared value to all our stakeholders.

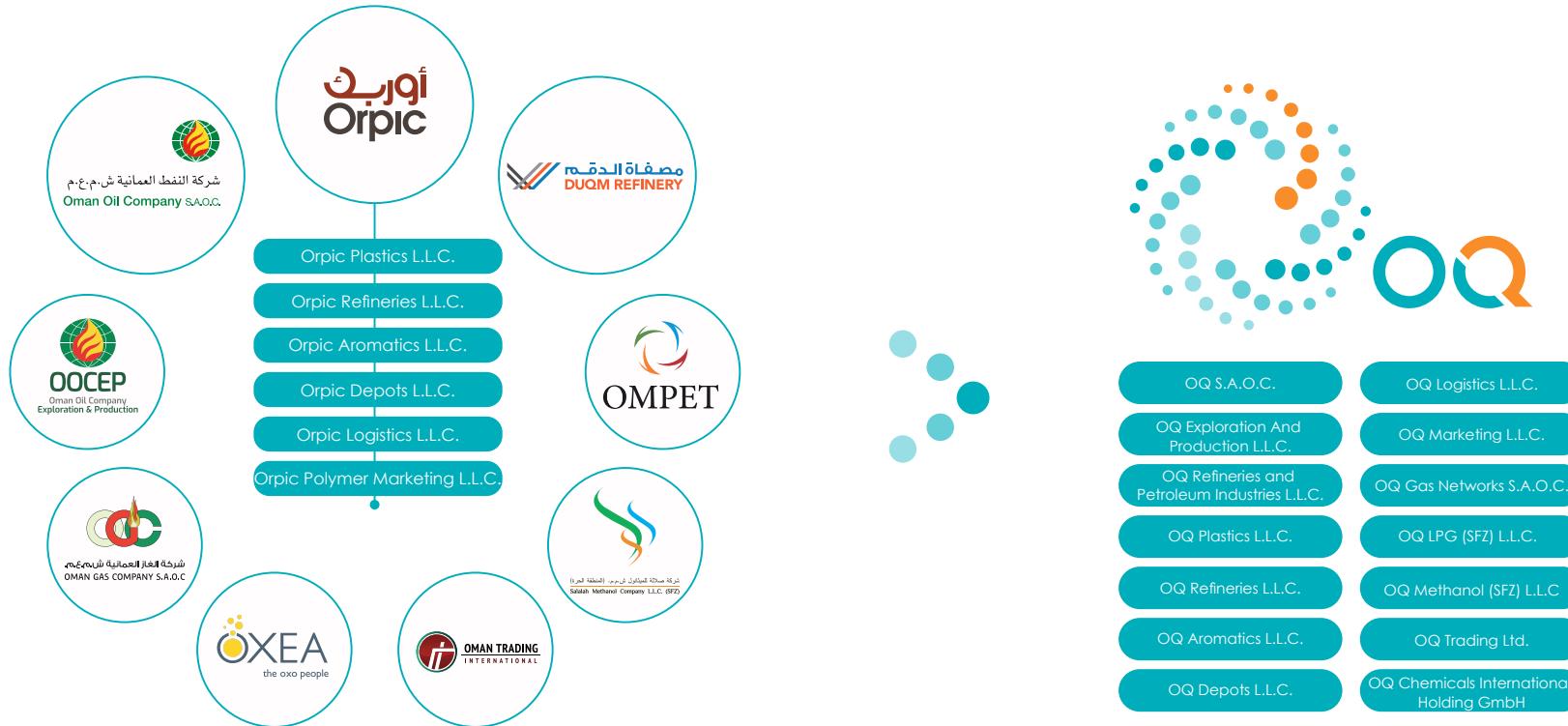
**As OQ was established in 2019, this report marks the beginning of our journey, embracing transparency and accountability by providing key indicators that comprise our adoption of sustainability at our core.**

This report has been prepared in accordance with the GRI Standards: Core option. Nonetheless, whenever possible, we refer to other frameworks that guide our business practices both at the national and international levels. These frameworks include the United Nations Sustainable Development Goals (UN SDGs) and the United Nations Global Compact (UNG) Principles, and the Oman Vision 2040 national priorities.

## Scope of the Report

(102-45, 102-48, 102-49, 102-50, 102-51, 102-52)

The scope of this report includes OQ's business activities during 2019 in Oman and all other countries of operations, encompassing all the business's assets.



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 Duqm Refinery, assets that we do not own or have operational control of such as joint ventures are not included in this report. As OQ was officially formed in 2019, the data presented throughout the report highlights our operations for the year 2019 only, with no comparisons to previous years. As we continue to build our sustainability journey, we aim to expand the scope of our report to include more indicators 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 titled "Sustainability at OQ". We believe that all of the content and data provided throughout this report was represented with utmost integrity, honesty and transparency in order to provide all our stakeholders with clear and accurate insights on all our business activities and footprint.

# Reporting boundaries

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Establishing the reporting boundaries of sustainability reports is a rather complex procedure due to the variety of operational and ownership arrangements of our business functions. However, we opt to ensure the utmost levels of transparency and accuracy in all our provided data in line with the best industry practices both regionally and globally:

**Health and Safety** metrics are provided as per all our assets recorded data of all our full-time employees and our contracted employees for all our operations. It also includes the transportation of products and employees.

**Environmental Key Performance Indicators (KPIs)**, unless otherwise stated, consist of %100 of our operated business units and all our owned assets both on-shore and offshore.

**Scope 1** CO<sub>2</sub> emissions are reported based on an operational control of all our assets.

**Human Resources** data and metrics provided include all our full-time employees and our contracted employees of all our owned and operated assets.

**Financial Performance** data is reported on an equity basis.

**Scope 2** CO<sub>2</sub> emissions are reported on market-based emission factors of all our assets.

## Terminology

Use of the name “OQ” in this report refers to the OQ company, with all its acquired assets included in Oman and other countries of operations.

## Contact Point (102-53)

For more information on our sustainability programmes, the report's content or ways to get involved please contact  
**Name:** Shaima Murtadha Al Lawati, Leader – Sustainability Integrator

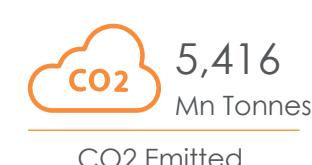
**Email:** shaima.allawati@oq.com

6

## External Assurance (102-56)

For our first Sustainability Report, we engaged in an internal assurance process, which included the revision of all the report's content with management and internal stakeholders. Additionally, and for this year, we chose not to appoint an external party to audit our sustainability report; however it remains an option that we may consider for future sustainability reports.

# OQ at a Glance: 2019



## Message from the GCEO

(102-14)



**"A YEAR OF MANY ACCOMPLISHMENTS  
AND ONE IN WHICH WE TOOK SEVERAL  
KEY STEPS TO SECURE OUR FUTURE  
COMPETITIVENESS AND GROWTH"**

**Group Chief Executive Officer**  
Musab Abdullah Al Mahrui

I am pleased to share OQ's first sustainability report at the very beginning of our journey as an integrated company. In this report, we transparently communicate with all our stakeholders how we deal with our environment, employees, management, and broader social responsibility. Through this report, we also build the foundation of our sustainability priorities, and mark the first of the many steps and commitments that we are undertaking in our journey to provide sustainable growth and prosperity to the societies in which we operate, in Oman and globally.

In 2019, we were proud to see the unified identity, values, and aspirations of OQ come to life with the integration of nine business assets, all working together to deliver sustainability and business excellence, the Omani way. The integration journey - referred to as Nakhla programme - which we started in 2019 made significant progress throughout the year, including the development of an integrated business model, a leadership team, and a unified brand. Today, OQ merges agility and technology to deliver innovative solutions for consumers in over 60 countries worldwide.

On the financial side, and despite all the transformational changes in 2019, OQ continued its profitable operations, and closed the year with an EBITDA of USD\$ 2,299 Mn, and a Net Profit of USD\$ 597 Mn. With many different projects currently at various stages of completion, we will continue to expand and develop our upstream and downstream

portfolios, which will increase our production and open new markets to OQ. These efforts will be supplemented by a well-developed employment plan which will ensure a strong culture across OQ – a culture that is open, transparent and value oriented.

In 2019, demands for action on climate change grew ever stronger. All our stakeholders, from consumers, businesses, community members, to governments highlighted the urgent need to reduce emissions and tackle climate change. OQ takes this topic very seriously, as we work towards effectively managing our consumption, production, emissions, and ecological footprint. Through a number of initiatives, which are detailed further in this report, OQ continues aiming to play a responsible role in the on-going efforts to combat climate change.

Accelerating our sustainability agenda is one of our key focus areas. We do so by having a new OQ strategy for the "Energy Transition". We will implement this new strategy in close partnerships and collaborations with various organisations and foundations. We will continuously strive to inspire each other to improve, help each other to find better solutions, and share best practices with each other to increase efficiencies.

As we publish this report, the spread of COVID-19 is impacting people, communities, and economies worldwide. We, at OQ, are doing everything we can to help in the global response to the virus. We remain focused on protecting our employees, contractors, suppliers and customers and supporting the communities in which OQ is present. While we still remain uncertain about how this crisis will unfold in the coming future, the recent developments show us that the transformational journey that we are undertaking is crucial for us to remain relevant and resilient in the long-run and to survive a crisis like this one.

Finally, I would like to thank my colleagues and members of the OQ family for their dedication and commitment to the continued growth and development of OQ. I would also like to thank our Board and shareholders for their continuous guidance and support, and I thank our valued customers, suppliers and communities around us as we continue our journey together in achieving our vision.

# Message from Chief of People, Technology and Culture

(102-14)



## Chief- People, Technology and Culture

Ibtisam Al Riyami

Reducing the impact that the industry of Oil and Gas has on climate change cannot wait. OQ is highly committed to increase efforts to drive the shift towards renewable energy and industry innovations since its very beginning, whilst also continuing to grow and deliver business excellence the Omani way.

Upon my appointment as Senior Vice President of People, Technology, and Culture, I already had a clear vision for our sustainability journey – by putting it at the heart of our operations, and ensuring that it is embedded primarily in our culture as a company, and all our day to day business activities.

To put sustainability at the centre of our business is a big opportunity that accelerates the speed of change. We understand that this process is not easy, and that we have a long way ahead of us. However, our commitment is firm towards driving our sustainability agenda at each and every level of our operations in the coming years.

The intersectional value of this report and our sustainability approach and agenda allowed us to take an honest look at the impact of our operations. We are conscious of the environmental

effects of our operations and products. Although we supervise and monitor our consumption of energy and natural resources, and measure both Scope 1 and Scope 2 of our Greenhouse Gas emissions, we are committed to better measure and enhance our environmental management approach in the coming years.

Our journey towards creating a sustainable business is not achievable without our most valuable asset: people. In 2019, we celebrated a workforce of more than 6,150 employees that come from 49 different nationalities. Simultaneously, we contributed to the localisation goal of Oman, where Omani talents represent over 78% of our workforce in Oman. We have taken additional steps this year to increase the number of women in our workforce. While women make-up 13% of our total workforce, we continue to be committed to increase this representation by working on recruitment and training practices to secure a more gender-diverse workplace.

Moreover, this year, we have contributed in USD\$ 12.7 Mn to our Corporate Social Investments aimed at communities throughout Oman offering Prosperity through 30 different projects and over 130 sponsorships, impacting the lives of over 830,000 beneficiaries.

Finally, I would like to take a moment to thank each and every person that contributed to this report, as I truly appreciate all your efforts and contributions to this journey that we have embarked on. Transparency will always remain our guiding principle, as we continue to make a real contribution to people's lives through hard work and commitments, by keeping sustainability at the heart of how we do business.

# About OQ



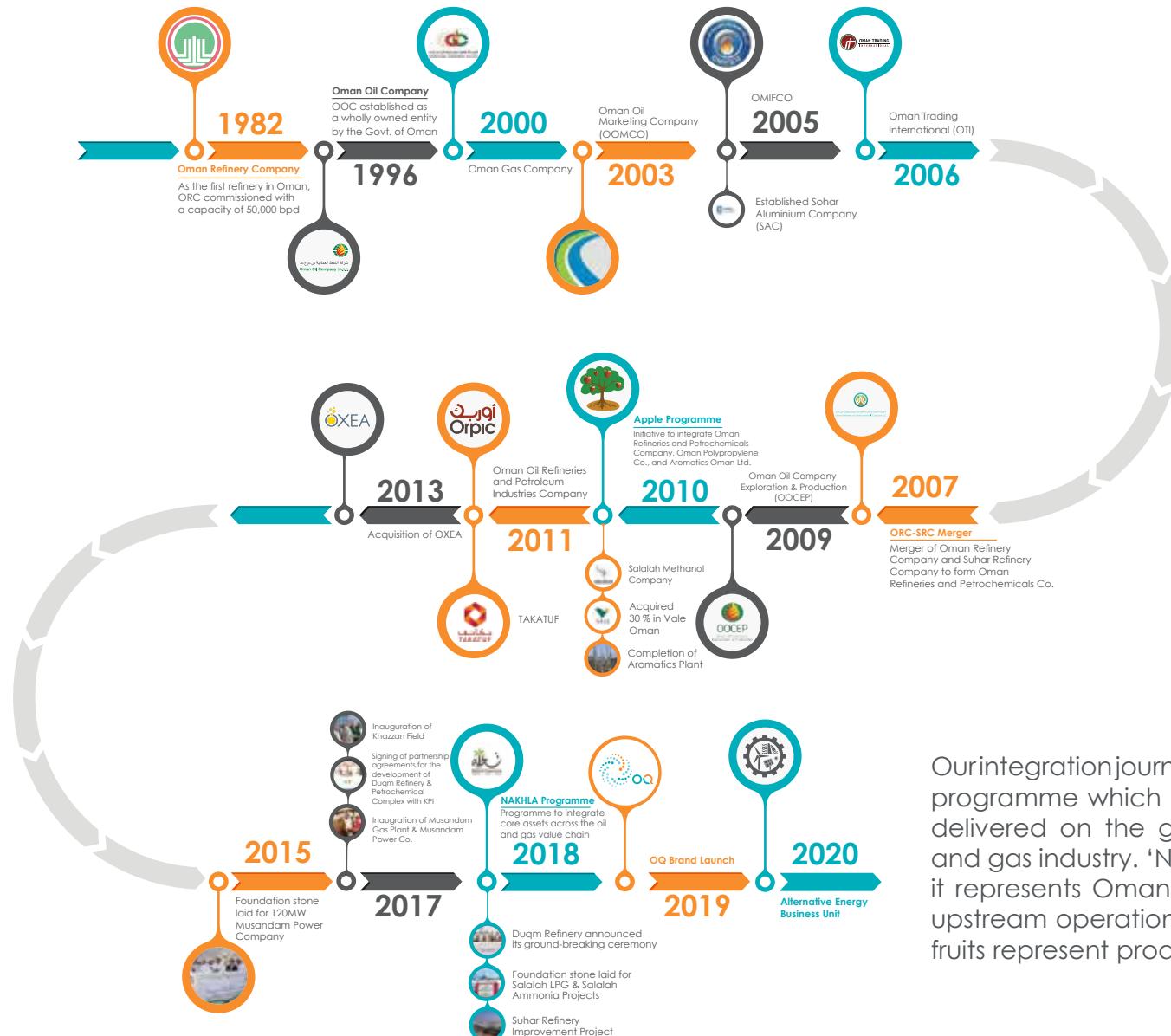


OQ is a global, integrated energy company originated in Oman, owned by the Sultanate of Oman. It emerged in 2019 upon the successful integration of nine legacy companies, united to form a stronger, more efficient, and consolidated entity.

At present, OQ is a US\$ 28Bn worth company operating in 13 countries across the globe. We cover the entire value chain in the hydrocarbon sector from exploration and production, to marketing

and distribution of end-user products. Our fuels and chemicals are sold in over 60 countries worldwide. We also partner with local and international companies in the hydrocarbon sector to increase value for the shareholders and reap greater benefits for the communities.

# Our Integration Journey



Our integration journey was initiated by the Nakhla integration programme which is a continuation of initiatives that have delivered on the government's objectives for Oman's oil and gas industry. 'Nakhla', meaning palm tree, was used as it represents Oman's symbol of heritage. The roots represent upstream operations, the stem depicts midstream, and the fruits represent products from downstream.

## Our Integration Journey

The 'Nakhla' programme was launched in December 2018 to integrate nine core assets of Oman Oil and Orpic Group's value chain. The expectation from the integrated corporation is to provide more value to its stakeholders than the individual entities by themselves. The nine core assets integrated were Orpic, Oman Oil Company, Oman Oil Company Exploration and Production, Oman Gas Company, Duqm Refinery, Salalah Methanol Company, Oman Trading International, OXEA and Salalah Liquified Petroleum Gas. These nine businesses represent more than 80% of the Group's EBITDA (earnings before interest, taxes, depreciation, and amortization) and were selected because of their potential for unlocking value and their ease of integration.

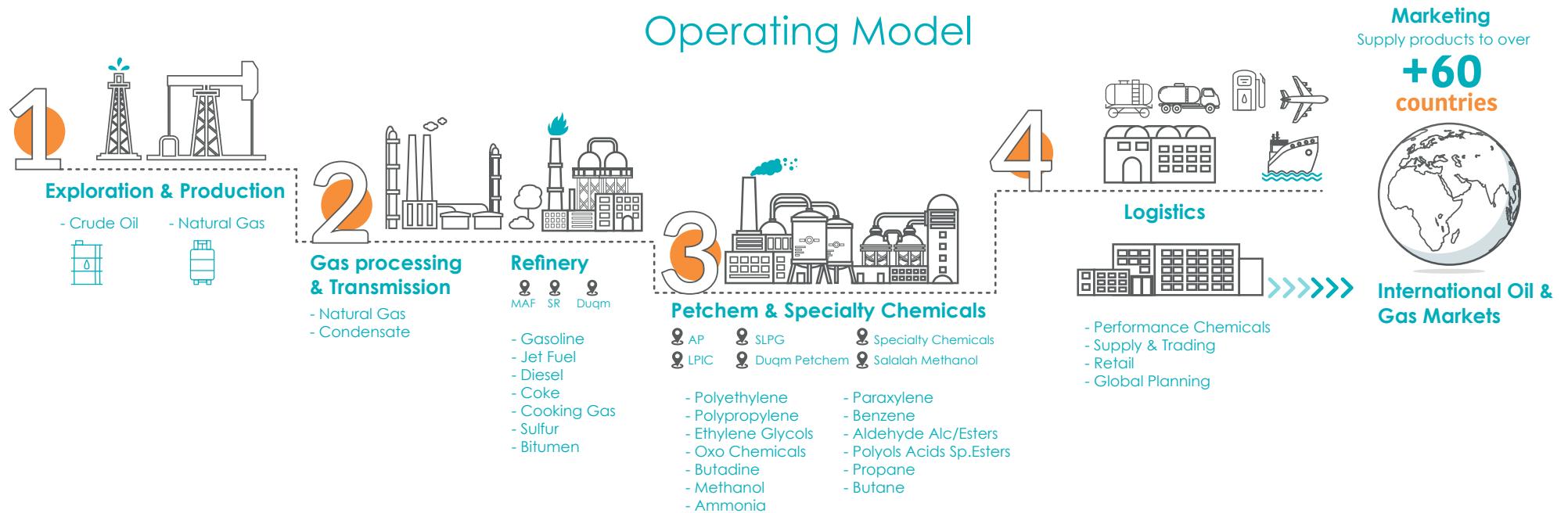


Value created from the integration of these assets through cost and revenue synergies and through a renewed focus on identifying value across the Group. Several additional benefits are expected from the integration:

- Shareholders unlock more value and hedge their risks;
- Employees get better growth and mobility opportunities;
- Customers have access to better products through our investments in innovation and research and development (R&D);
- Oman will have a stronger private sector with more jobs created.

# Value Creation

OQ is an international integrated company with roots in Oman. We operate in 13 countries and cover 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, making us pioneers in the energy sector.



# Areas of Operations

## Downstream Assets



### United States of America



### Europe



### Asia



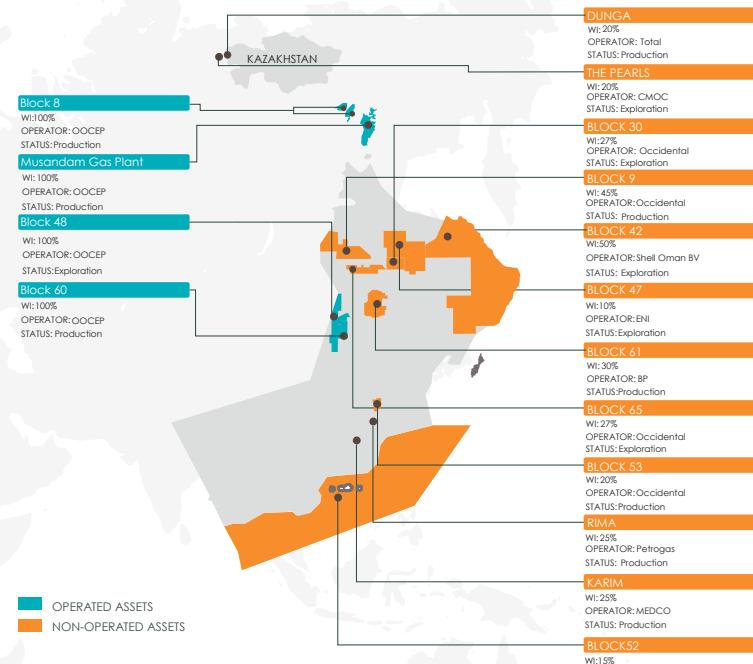
### Duqm

**Duqm Refinery**  
Special Economic Zone of Duqm (SEZAD)  
Value: USD\$ 8,278 Mn  
**Current status:**  
• Contract signed with Project Management Consultant in August 2017  
• Contract signed with main contractors of engineering, procurement and construction (EPC) works in February 2018  
• EPC contract commences in June 2018  
• Construction of temporary facilities to manage the development in the site was completed  
• 5.29% progress made until October 2018  
**Expected production capacity:** 230,000 bbl/d  
**Expected commercial operation:** Q1 2022

**Gas Supply to Duqm Industrial Area (Pipeline)**  
Sain Nihayda to Duqm Gas Supply Station  
Value: Pipeline USD\$ 75.4 Mn % GSS: 23 Mn  
**Current status:**  
• The first pipeline to Duqm is at 87% complete with substantial completion planned for April 2019  
• GSS is at 40% complete with commissioning planned by end of Q3 2020  
**Expected capacity:** 25 MMSCMD  
**Expected commercial operation:** Q1 2022

**OTCO/Marafiq**  
Ras Markaz/70 km South of Duqm  
Value: USD\$ 932 Mn  
**Current status:**  
• Completed FEED in October 2016  
• Commenced EPC in Q4 2018  
**Expected production capacity:** to be built over phases - from 8 to 26.7 million barrel (first phase)  
**Expected commercial operation:** Q4 2020

## Upstream Assets



## Commercial Business



4,000,000 kg of LPG per day

68,000 barrels of gasoline per day

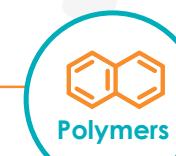
51,000 barrels of diesel per day



818,000 metric tonnes of paraxylene per annum

12 major global destinations

198,000 metric tonnes of benzene per annum

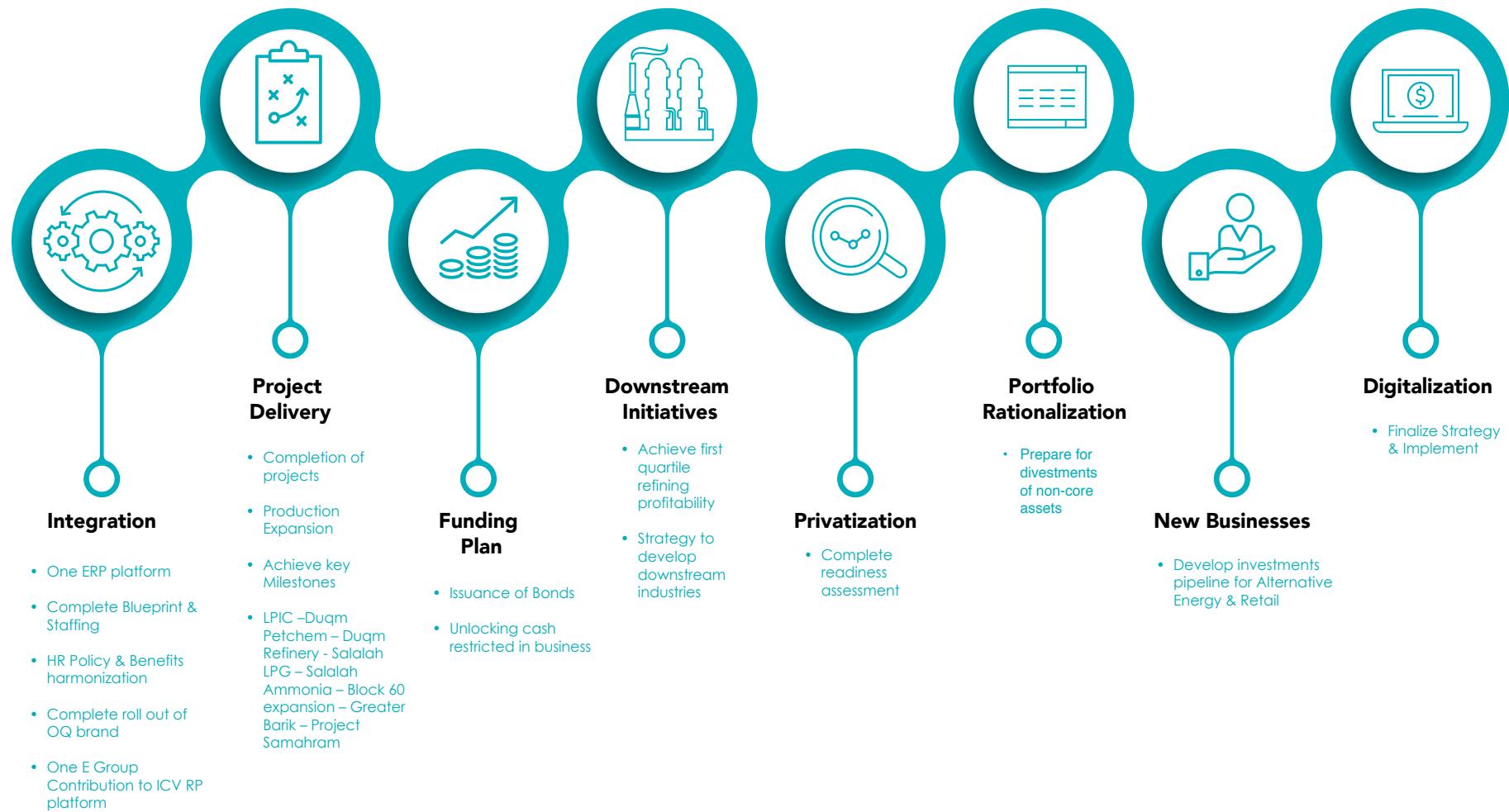


340,000 metric tonnes of polypropylene

**Flexible Packaging:** BOPP/ Raffia & TQPP/ Cast Film    **Rigid Packaging:** Injection Moulding / Thermoforming    **Fiber & Filaments:** Staple fiber/ BCF/ Non-woven

# Strategic Priorities 2020 - 2024

For the period from 2020 to 2024, OQ expects to be in a transformative phase characterised 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 sustainability and business excellence. The scope of our strategy focuses on the eight pillars listed below:



# Strategic Priorities 2020 - 2024

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## Integration

This is a two-year programme focused on fulfilling the integration strategy and exploiting opportunities arising from the integration, including, for example, enhancing manpower mobility, and centralising the project management, procurement and human resource functions across the integrated core companies.

## Project delivery

Completing and delivering projects on time and on budget is critical to ensure OQ is on track to deliver financial returns. Mega projects include: LPIC, DRPIC, Salalah LPG, Greater Barik, Project Samahram and Bisat's field development programme.

## Funding plan

Funding will be managed at the OQ level across the integrated core companies with a view to optimising both sources of funding and funding opportunities. Where appropriate, project finance and other debt may still be raised at an entity level, although the intention is to develop a capital structure that fits a more integrated business.

## Downstream margin

Achieving downstream operational and commercial excellence (in particular in refining). Our objective is to be in the first quartile for profitability in refining businesses worldwide.

## Portfolio rationalisation

OQ maintains a legacy portfolio of investments in non-core and non-integrated businesses in which we have invested a total of USD\$ 2.9 billion. It is part of our strategy to rationalise our portfolio of non-core assets and to maximise the value of those assets over the medium term, using any cash generated to fund further growth aspirations.

## New businesses

Developing new businesses, principally targeting alternative energy, retail and asset-backed trading.

## Digitisation

Digital opportunities are being pursued across OQ, to i) drive operational efficiencies: reduce human error, to maximize operating margins, and enhance safety and ii) capture new opportunities in adjacent businesses through analysing big data.

## Privatisation

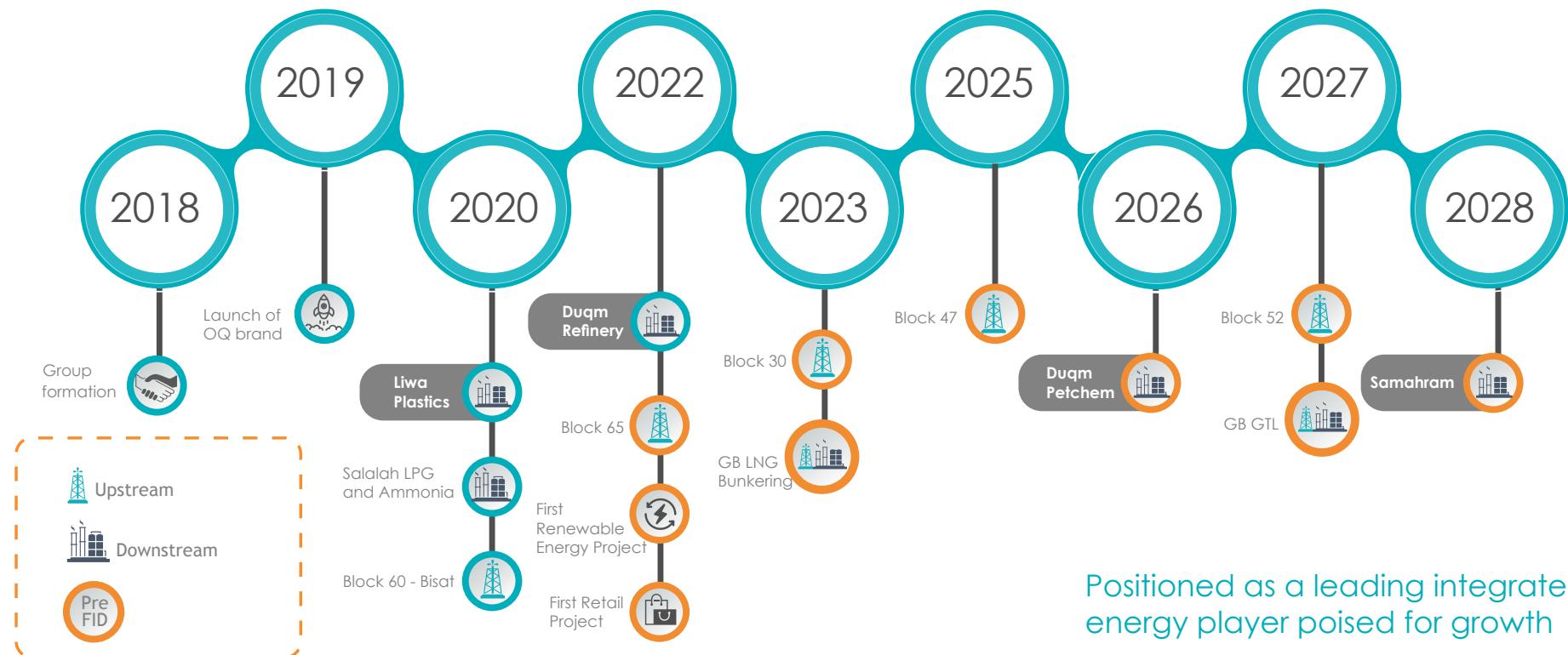
Privatisation readiness, will enable the shareholders to «Partially» monetise its shareholding .

# Major Projects

We are investing significantly in growth projects in upstream oil and gas fields and also in a number of significant downstream projects, which are under construction. These projects include:

- A new refinery and associated facilities under construction in Duqm.
- A petrochemical plant nearing completion at Liwa.
- A second petrochemical plant, to be located at Duqm, in the front-end engineering and design phase.
- An NGL plant and associated pipeline undergoing pre-commissioning activities and a second NGL plant and associated pipeline in the pre-construction phase.

- An expansion of the methanol plant to enable the production of ammonia.
- An LPG project to extract various components of LPG, such as propane, butane and condensate, from the natural gas pipeline in the Salalah region which is nearing completion.
- Two projects being undertaken by OQ Chemicals: the construction of a sixth carboxylic acid unit and an additional TCD Alcohol productionline.



## Memberships of Associations and Industry Affiliations

(102-13)

American Fuels  
and Petrochemical  
manufacturers



TCC - Texas Chemicals  
Council



TIP – Texas Industry  
Projects (Bakerbotts)



PIP – Process Industry  
Practices



OPAL - Oman Society  
for Petroleum Services



GPCA - The Gulf  
Petrochemicals and  
Chemicals Association



VCI - Verband der  
deutschen chemischen  
Industrie (Germany)



CEFIC - Conseil Européen  
des Fédérations de  
l'Industrie Chimique  
(Europe)



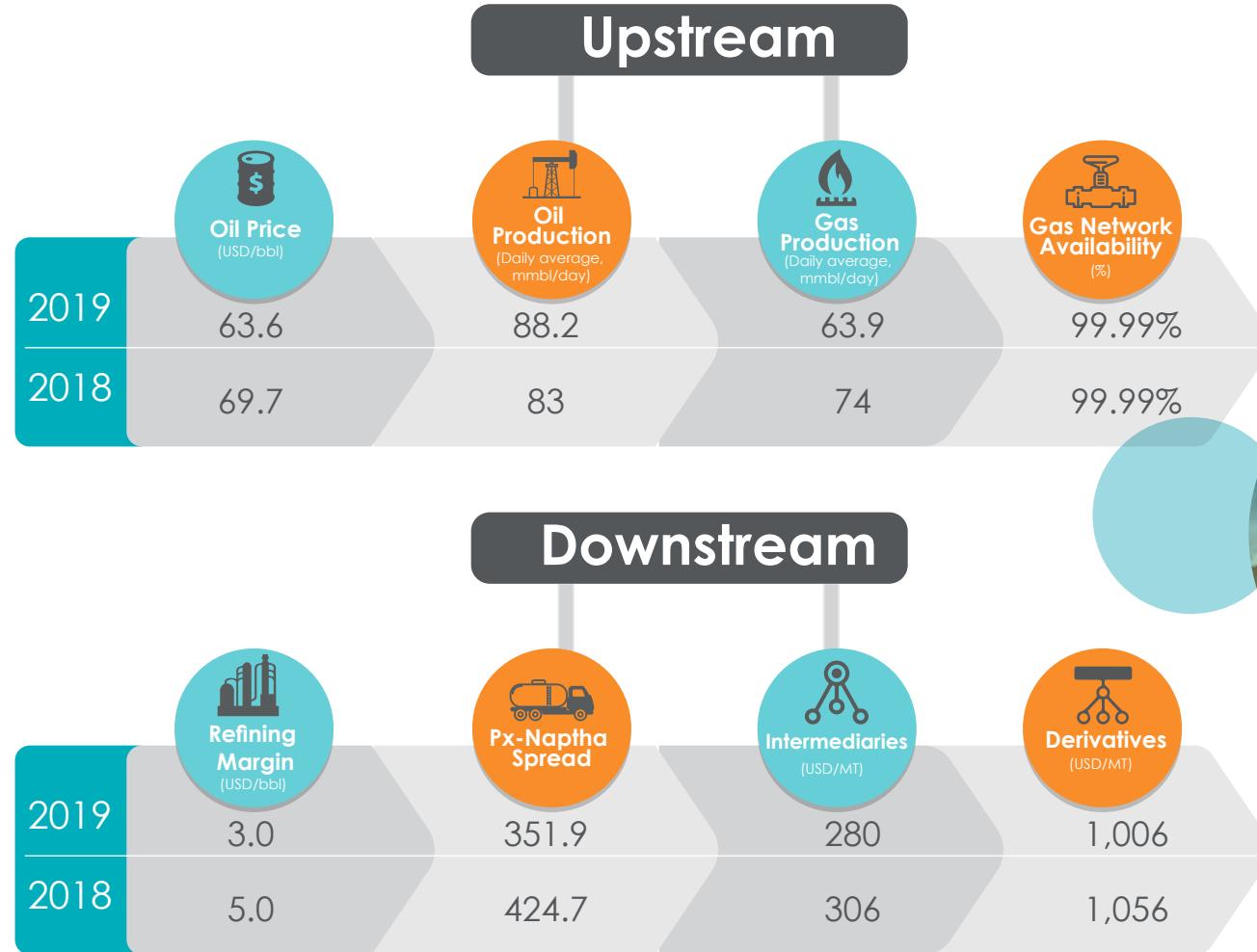
EPCA - The European  
Petrochemical  
Association



An aerial photograph of a city at night, showing a dense network of illuminated streets and buildings. In the foreground, a large, brightly lit highway interchange with multiple curved lanes is visible. The city extends into the distance under a dark sky.

Building our Economic Value

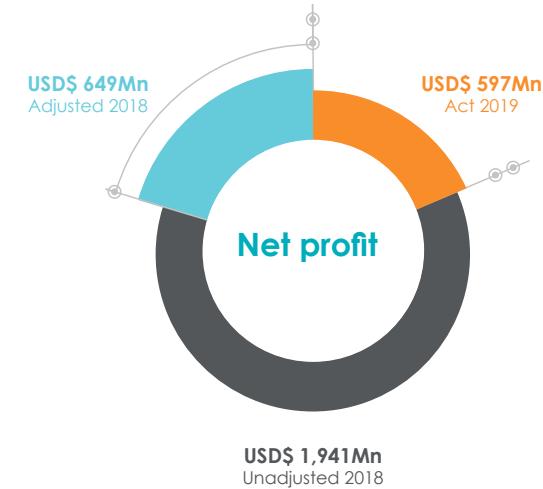
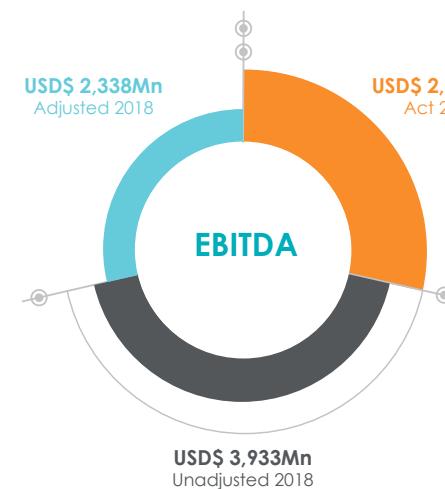
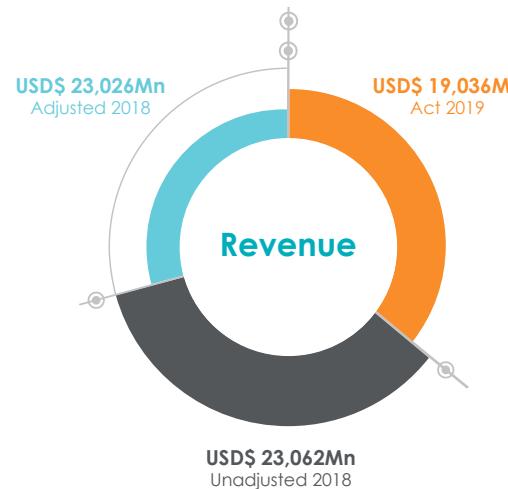
## Operational Overview



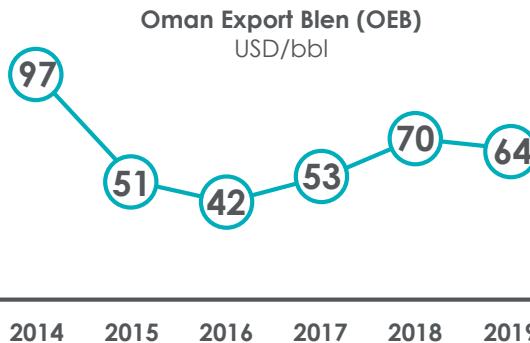
## Economic Impact and Financial Performance

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

The oil and gas industry has endured several years of weak demand and low prices, with the average crude oil price declining in 2019 by around %9 when compared to 2018. Nonetheless, other unfavourable downstream market factors created pressure on our financial performance, resulting in lower realised revenues for 2019 when compared to the preceding year.



In 2018, OQ divested some of its assets, which allowed it to realise high EBITDA and Net Profits. Because this is a one-off event, we have adjusted the 2018 figures in this section to capture the financials without considering the divestment and therefore the readjusted EBITDA and Net profits are USD 2,338 Mn and US\$649Mn, respectively.



The Oman Export Blend has shown downwards trend as indicated in the graph; 2019 actuals stood at USD 64 per barrel.

### Consolidated Revenues

The consolidated revenues for 2018 stood at **USD\$ 23.026 Bn**. However, in 2019, OQ realised lower consolidated revenues of around **USD\$ 19.036 Bn**. The drop in revenues had its impact on cost of sales.

This effected the revenues across crude and other products

# Economic Impact and Financial Performance

## Consolidated EBITDA

In 2019 EBITDA stood at **USD 2,299 Mn** which is lower than 2018 adjusted EBITDA of **USD 2,338 Mn**. The decrease in EBITDA is driven by:

1. Decrease in refineries and trading contribution to EBITDA by around USD 66 Mn.
2. OXEA and Salalah Methanol Company (SMC) realized lower EBITDA and therefore the net EBITDA effect was USD 100 Mn. However; there is a positive contribution by E&P and gas network to EBITDA by around **USD 140 Mn**.

## Consolidated Net profit

In 2019 OQ realised a net profit of **USD 597 Mn**, which is lower than the net profits realised in 2018, of **USD 649 Mn**. This drop is driven by unfavourable market conditions for downstream and trading that pulled profits down through lower product prices.

## Consolidated Assets

As of 31 December 2019, the OQ Group's consolidated assets were valued at USD 29.478 Bn; in line with 2018 total assets. Plant, Property and Equipment (PPE) remained the dominant portion of the gross assets by 45% followed by oil and gas exploration, production and development assets with a share of 11% of the gross assets.

## Consolidated Debt

OQ consolidated outstanding debt as of 31 December 2019 is USD 12.881 Bn compared to USD 11.853 Bn on 31 December 2018. The net change (increase) in debt is amounting to USD 539 Mn or 4.5%. The future principal and interest payments will be met by internally generated cash and the Priority Funding Strategies.





Sustainability at OQ

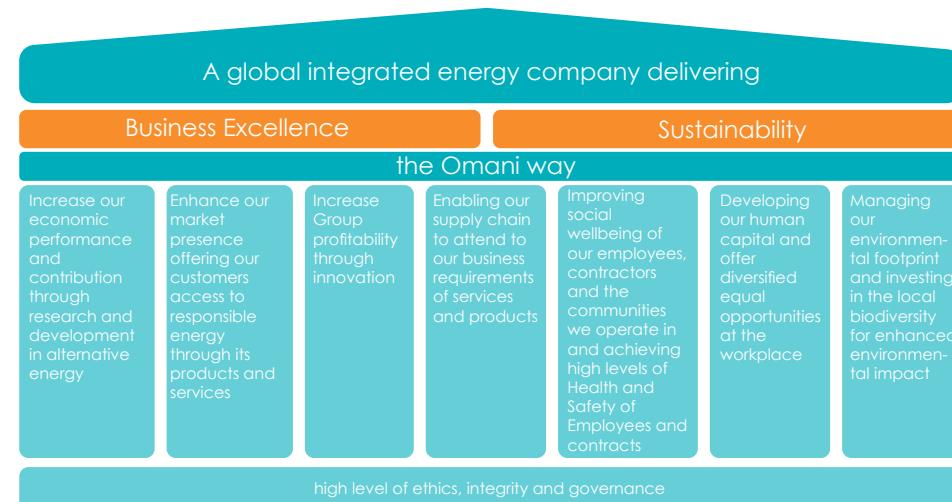


# Sustainability at OQ

## Our Sustainability Approach

Climate change, sustainable development and social justice are amongst the most critical challenges facing humanity today. Governments and companies are responding to these challenges by aligning their strategies and core businesses around global directives and initiatives that seek to minimise the impacts of these risks and eliminate them in the long run. The Paris Convention on Climate Change, the United Nations Sustainable Development Goals (UN SDGs), the United Nations Global Compact (UNG) and the United Nations Guiding Principles for Business and Human Rights (UNGPs) are some of the many global initiatives and guidelines addressing social, environmental and economic sustainability and wellbeing.

Since the inception of OQ, we have recognised and highlighted our current progress in targeting these issues, and we are committed to take the additional steps needed to demonstrate how environmental integrity, climate change, human rights, sustainable development and other sustainability related key areas are directly aligned with our operations, investments and corporate strategy.



25

## Strategy Framework

At OQ, our aspiration is to drive sustainable practices in order to be a leading global integrated energy company delivering business excellence, the Omani way. We seek to deliver business excellence and sustainability while maintaining a high standard of ethics, integrity and governance. This is reflected in our work by being efficient, managing productivity, making the most of our resources, investing in our employees and creating opportunities while adhering to relevant policies and regulations. At the same time, we are committed to striking a balance between developing both our business and the local communities where we operate.

Our strategy guides how we tackle the sustainability matters that confront us and our customers in today's dynamic business environment. As a result of the materiality analysis we have conducted, we identified the topics that are material to OQ. Our stakeholders expect from us good corporate governance and compliance, product stewardship, energy efficiency and emissions reduction, investing in renewable energy and environmental technologies, and focusing on the environmental assessment of our suppliers.

### Chapter Highlights

**29**  
Sustainability  
Material Topics

**1,192**  
Stakeholders  
Surveyed

All Topics Ranked  
Important to Most  
Important

# Sustainability at OQ

## Achieving Business Excellence

OQ strives to deliver business excellence through the following pillars:



Enhancing our economic performance and contribution through research and development in alternative energy



Enhancing our market presence, offering our customers access to responsible energy through our products and services



Increasing our profitability through innovation



Enabling our supply chain to procure services and products by developing SMEs and entrepreneurs through different programmes

impact through designing and carrying out communication and awareness campaigns in collaboration with community members and other stakeholders.

Each pillar of the Sustainability Framework has clear objectives and is reinforced by various initiatives. We focus on achieving delivering our Sustainability agenda based on the highest international standards, using a wide range of methods and tools to cope with changes we face in the markets we operate in. We believe that our approach to delivering business excellence the Omani way is the key factor determining our long-term success.

## Sustainability Governance and Management

Throughout the integration journey that we began in December 2018, we have worked to ensure that all our efforts keep working together, along with our ever-changing growth in our vision, ambitions and strategy. To ensure effective management of sustainability from day one, we began by establishing a sustainability committee as an advisory and decision-making body. It consisted of key internal stakeholders and subject matter experts who guide our sustainability agenda. Reporting directly to our Group CEO, the committee met on a regular basis to review and monitor our performance, set targets and agree on the way forward.

OQ has since established a thorough and highly-specialised sustainability department with various functions and oversight. The Sustainability department and its operational structure will be in effect in the upcoming fiscal year to ensure that sustainability is further managed from within the business, and to ensure that the adequate expertise and capital are put to achieve our ambitious targets and aspirations in line with numerous sustainability guidelines and frameworks.

## Alignment with Sustainability Guidelines and Frameworks

To ensure that our sustainability approach and areas of focus are influenced by a spectrum of sustainability priorities, we referred to the following guidelines and frameworks. The elements of each aligned framework have been mapped to all our material topics and focus areas, all illustrated in the GRI Standards Content Index at the end of this report.

### First: The United Nations Sustainable Development Goals (UN SDGs):

The UN SDGs is a blueprint of collective international efforts to achieve a more sustainable future for all. This blueprint consists of 17 overarching goals that are all focused on environmental, social and economic global challenges that we face today. The sole objective of these goals and the targets within them is to leave no one behind, where all defined targets are to be achieved by 2030<sup>1</sup>.



### Second: The United Nations Global Compact (UNG)

The UNGC is a directive issued by the United Nations in the aim to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. The compact calls all companies to align their strategies and operations with universal principles on human rights, labour, environment and anti-corruption, and take actions that advance societal goals<sup>2</sup>.



### Third: The Global Reporting Initiative (GRI):

The Global Reporting Initiative is an international independent standards organization that helps businesses, governments and other organizations understand and communicate their impacts on issues such as climate change, human rights, societal well-being and corruption, to execute benefits for all stakeholders. The standards were developed with genuine multi-stakeholder involvement and contributions and rooted for public interest<sup>3</sup>.



<sup>1</sup><https://sustainabledevelopment.un.org/sdgs>

<sup>2</sup><https://www.unglobalcompact.org/>

<sup>3</sup><https://www.globalreporting.org/Pages/default.aspx>

## Fourth: Oman Vision 2040

The Oman Vision 2040 is an ambitious, yet practical vision that was initiated at the direction of His Majesty Sultan Qaboos bin Said – May his soul rest in eternal peace. The vision was built on a wide community consensus and participation of many different social groups, so that the vision is fully integrated into the economic and social realities and objectively orientated towards the future foresight, as a key guide and reference for planning in the next two decades<sup>4</sup>.



## Listening to our Changemakers

Changemakers are all of the stakeholders, whether people, groups or institutions that help us at OQ achieve our goals and aspirations, and are also impacted or influenced by our activities, products and services. Through effective collaboration and communication, we will be able to expedite impact to drive long-lasting positive change for our country, community, environment and the whole world at large.

At OQ, we believe that the key to a successful sustainability approach is to closely involve those who are impacted. Our stakeholders affect and contribute to our ability to achieve goals, thus ongoing involvement and engagement is key to maintaining our sustainability agenda.

To identify and ensure inclusivity of all stakeholders, we follow an internal mapping process which is continuously being updated as our business grows and expands. We have identified our stakeholders and categorised them into seven groups.



<sup>4</sup><https://www.2040.om/en/>

Materiality analysis aims to pinpoint the most relevant sustainability topics, highlighting how they affect our organisation, and how we are able to manage them and create a positive impact by doing so.

## First: Identifying Relevant Sustainability Topics

This year we conducted an annual review of our gross list of material issues, to which we were able to derive our material topics of focus. This first step was based on a thorough analysis of the following:

- 1 Researching and benchmarking against industry and peers.
- 2 Country context as distinguished in national plans and visions.
- 3 International sustainability guidelines and best practices.
- 4 Previous dialogues with our stakeholders

## Second: Prioritising and scoring material topics

- **Internal stakeholder perspective – Significance to Business-Based Approach:** The assessment applied to internal stakeholders included 15 senior managers at OQ from all different lines of business. Where all managers were asked to assess the proposed topics based on their significance to the company's operations, growth and prosperity, and to provide any additional organisation specific topics that were not listed.

- **External stakeholder perspective - Importance and Satisfaction-Based Approach:** The engagements carried out with our external stakeholders included all the seven of the aforementioned stakeholder groups, where around 1,200 participants' feedback was collected and accounted for. The stakeholders were asked to rank the topics in order of importance from their specific point of view, highlighting which topics they thought OQ should focus on.

# Material Topics and Materiality Analysis

(102-47)

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

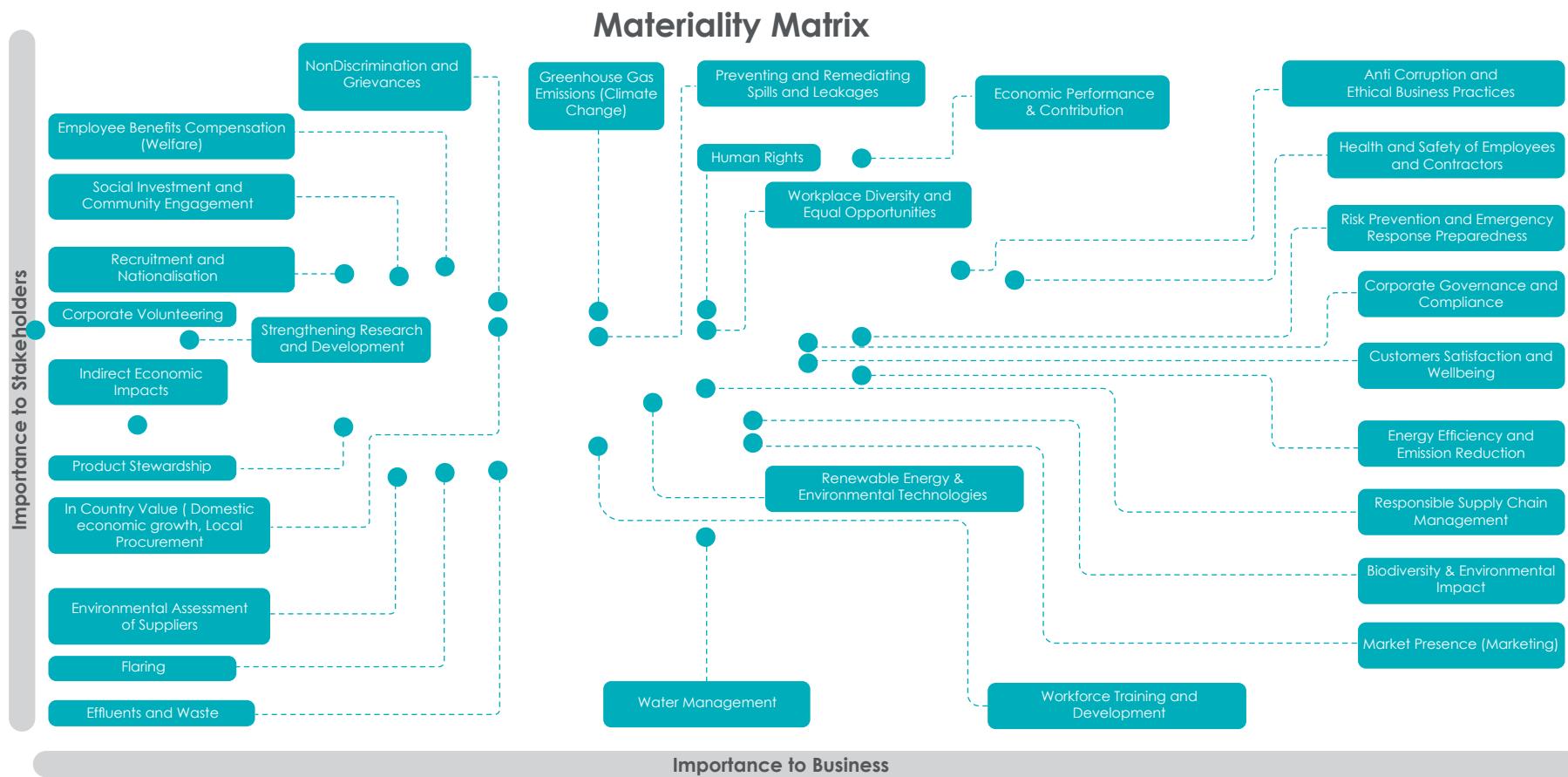
Material Topics	Impact Boundaries	Alignment to SDGs
1 Social Investment and Community Engagement	NGOs & Community Partners, Government	SDG 11
2 Health and Safety of Employees and Contractors	Employees	SDG 3
3 Non-Discrimination and Grievances	Employees	
4 Workforce Training and Development	Employees	
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

30

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

# Material Topics and Materiality Analysis

Below is the Materiality Matrix in detail that includes all 29 topics. The findings of this exercise were rather compelling and perfectly aligned between the internal business and the external stakeholders' views on the importance of these topics. As all topics were ranked 3 and above from both internal and external stakeholders (from a 1 to 5 likert scale of importance), making all of these topics range from Important (3) to Most Important (5).



# Governance, Ethics and Compliance



OQ is characterised by clear ethical values and highest standards of conduct. Wherever we operate, the health and safety of our workforce, contribution to sustainable development and conducting business with integrity are our key priorities. Integrity is one of OQ's fundamental values and the manner in which it conducts its activities.

The ethical conduct of businesses worldwide is under more scrutiny than ever before, not just from governments and law-makers, but also from a wider audience that includes customers, employees, NGOs and the general public. The key to our business resilience lies in our commitment to a culture of integrity, ethical business practices, and effective governance.

Our values of Care, Share and Dare form the foundation of how we conduct business. These values, along with all relevant policies are developed and implemented in adherence to all applicable laws and regulations in all the countries in which we operate. Nonetheless, our policies and guidelines are all benchmarked against prominent international standards and best practices to ensure that we are able to continuously respond to the growing expectations of all our stakeholders for good and ethical corporate citizenship.

The OQ Code of Conduct (the Code) approved by the OQ board is a key part of our ethical and compliance framework. The Code defines our responsibilities and aims to help guide us on how we should conduct ourselves in our dealings with each other and towards our partners, advisors, customers, suppliers, consumers and all other stakeholders.

Underpinning the ethical and compliance framework and the Code, the Chief Executive Officer has established the OQ Ethics Committee to support the management and the Board Audit and Risk Committee in their oversight of the framework and compliance to the Code.

OQ has a strong rooted practice of establishing, maintaining and enforcing high standards of behaviour. Companywide policies such as our Code of Conduct are enforced to ensure proper and ethical behaviour of all our employees. Such policies are established by our executive management and approved by the board. The Ethics Committee is responsible for:

- Review the case of violations of the Code brought to its notice and recommend appropriate measures to the management;
- Act as an advisory and recommendatory body on all matters relating to the Code including reviewing of procedures and implementation guidelines relating to the Code as proposed by the management.
- Oversee the OQ's whistleblowing program;
- Assisting the Group Chief Executive Officer (CEO) and the Board Audit and Risk Committee (ARC) in their oversight responsibilities of the compliance to the Code by providing periodic reports.

## Chapter Highlights

**Zero**  
Harassment Cases

**Zero**  
Child-Labour Cases

**123**  
Employees Trained  
on Human Rights  
Policies

## OQ's Code of Conduct

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Upon the integration of OQ, we ensured integrity being the heart of OQ's values, as it allows us to reflect positively on the image and reputation of the company, its shareholders and other stakeholders. From that perspective, we have developed OQ's Code of Conduct that allows us to promote transparency, consistency, and impartiality for the benefit of all our stakeholders.

*"Performing to the highest ethical standards is a requirement to enable OQ to compete at the highest levels globally."*

*"At OQ, we are characterised by our core behaviours to 'care, share and dare'. The code has been designed to help all of us live by these behaviours, and in doing so to ensure that we reflect positively on the image and reputation of OQ, its shareholders and other stakeholders."*

*"Compliance with the Code is mandatory for everyone working at OQ."*

*"This Code will guide you and help define how you should conduct yourself as an employee and representative of OQ. If you have any reason to doubt your understanding, always seek advice as set out in the Code or contact the legal department."*

*"Thank you for your commitment and compliance".*

**Musab Abdullah Al Mahruqi**  
**Group Chief Executive Officer**



Whilst the Code of Conduct sets the broad principles based on which the Company's ethical framework is built, the principles are supplemented with case specific policies and procedures which include:

- Personal Integrity
- Gifts and Entertainment
- Public Officials
- Business Integrity
- Company Information
- Company Assets
- Health, Safety and Environment Protection
- Workplace Practices
- Whistleblowing

In 2019, there was only one case of a breach of the company's Code of Conduct, where appropriate disciplinary measures were taken to prevent a recurrence of such violations.

## Anti-Bribery and Corruption

### 'OQ has a ZERO tolerance policy for any form of bribery or corruption'

At OQ, 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 in any form or facilitation payments.

Establishing an ethical culture requires an effective communication framework to reach all our employees, contractors and suppliers to raise awareness and to reinforce our message regarding unethical business practices. These guidelines are all detailed in our company's Personal Integrity Policy presented in the Code of Conduct that is passed along to all our employees and is available to them at all times. In 2019, we are proud to announce that there were zero cases of bribery or corruption as per our guidelines.

## Whistleblowing Policy

The Company is committed to providing a workplace conducive to open discussion of its business practices. It is the Company's policy to comply with all applicable laws, rules, regulations and standards that protect its Personnel against unlawful discrimination or retaliation by the Company as a result of their lawfully reporting information regarding, or their participating in, investigations involving potential violations of the Code. At OQ, we all have an obligation to uphold the ethical standards of the company, and all employees are encouraged to promptly raise any issue they observe that may represent a violation of the Code.

## Workplace Practices and Human Rights

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



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.



Value diversity highly, and welcome Personnel from a wide range of cultures and races, as well as treat genders equally.



Forbid using inappropriate language in the workplace, including profanity, swearing, vulgarity or verbal abuse.



Do not allow coercion or intimidation in the workplace. Workplace harassment includes threats, bullying and subjecting individuals to ridicule or exclusion.



Oppose, and do not permit the use of, forced or child labour.



Work to improve employment skills and competencies by regular performance reviews and undertaking education, training and coaching as appropriate.



Do not tolerate sexual harassment. Sexual harassment may include unwanted sexual advances, sexual jokes, subtle or overt pressure for sexual favours, sexual innuendoes and offensive propositions.

# OQ's Code of Conduct

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We are highly 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 respect the rights and dignity of employees throughout our own operations and those of our business partners;



Strictly oppose any forced or compulsory labour in all forms;



Are committed to providing a safe and healthy working environment;



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



With these standards in place, we are very pleased to report that we had zero cases of workplace harassment or discrimination for the year 2019, and zero cases of child or forced labour reported for all our employees, contractors, suppliers and partners for this year. These numbers are a reflection of effective training and development of our employees in human rights policies and procedures to ensure that such cases are handled or ultimately avoided.

# Risk Management

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The aim of Group Risk Management is to facilitate to the business and management the leading practices and methodologies used in Risk Management and Resilience to identify and evaluate risks at the earliest possible stage, to limit the negative impacts, and capture the possible opportunities that may jeopardise OQ's ability to achieve business objectives.

All functions report potential risks directly through a risk management reporting process to the Management Team. The Risk Management team reports the top risks to the Integrated Leadership Team (ILT) on monthly basis and quarterly to the Audit and Risk Committee.

There are three functions under the Group Risk Management at OQ:

- Enterprise Risk Management
- Business Continuity Management
- Financial Risk Modelling

## Operating risks

OQ has high safety standards for the operation of its plants, in order to protect employees and the environment. It has also taken organisational measures to avoid illegal acts or noncompliance with guidelines.

There has been good performance improvement over the years, however; 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. Plus, continuously a well-planned optimisation of the feedstock yield and achieve product diversification is done.

## Financial risks

The protection against financial risks is a material part of the risk management process of OQ, is based on detailed guidelines and instructions, and is controlled by management. Compliance with the requirements set out in the financing contracts is regularly ensured through stringent contract management and forecasting of the agreed financial covenants.

## Commodity price risks

OQ is directly exposed to the crude oil price volatility of this commodity. Several of the 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 fluctuation in raw material prices as well. OQ maintains purchasing 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 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 resulting from the translation of financial statements into the Group's reporting currency are not taken into consideration.

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.

# Risk Management

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## 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.

- **Decline in Oil Price**

The global growth is slowing down leaving the demand below the oil supply; consequently, pressurising oil price levels to go down. The upstream side will be hit mostly by this fact; hence, the organisation must practice financial discipline in operations and projects.

- **Macroeconomic Risk**

The macroeconomics are dynamic with forecasts of worsening and challenging outlook. The group strategy to deal with this reality is to proactively identify and mitigate the risks to suit the macroeconomics situation.

- **Margin Erosion**

The gross margin of the downstream business is affected by the changing dynamics of consumers and customers internationally and domestically. Also, on the international market the competition in the core market is contributing to the erosion. In addition to the geopolitical environment in the region and the export markets. The best leverage we have is the integration of diversified products pool that enable the organisation to hedge; especially by locking the forward margin.

- **Trading risks**

The risk arises from price uncertainty, trading position subject to flat price risk, below-price or spread risk and 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**

Over the coming five years, the group is planning for growth projects totaling USD 15.6 Bn in Downstream, Exploration and Production (E&P) and gas transmission. The intensity of the projects programme is coupled with typical project risks; cost overruns, schedule risk, and performance risk. These risks are mitigated by having the proper project governance like project control and major project steering committee to oversight the progress. Plus, the performance risk is mitigated by the joint efforts of operations and project teams.

- **Automation**

OQ has procured a risk management system (R2C GRC) that is configured and customised as per the risk management framework covering all processes on all levels within the company. This risk management tool is a comprehensive system based on a defined risk strategy with procedures covering the following elements:

- Risk identification
- Risk analysis
- Risk evaluation
- Risk control
- Risk reporting

Fair, Safe and Inclusive



## Fair, Safe and Inclusive

Economic development and growth is crucial for the stability and prosperity of societies around the world. Job creation as a result of economic growth is also an essential factor that allows global annual poverty rates to decrease. Attaining palpable sustainable development requires inclusive and equal growth opportunities, where basic human rights are honoured and promoted.

We trust that, by utilising our influence, size and reach, we can positively contribute to a fairer, more inclusive and more diverse world for the shared benefit of our business, society and planet across the whole of our value chain. By taking a proactive approach to ensure that all our values and aspirations to human rights are echoed in all our operations and functions, we can then truly positively impact the lives of millions of people.

### Our Human Capital

At OQ, human capital is 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 human resources department 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.

### Gender Equality

Maintaining diversity and inclusion is key to ensure our future resilience as an organisation. While the majority of our employees are male, we believe that both genders should have equal opportunities and access to career prospects across all our business lines. The reality that we are reconciling with is that female professionals in Oman,

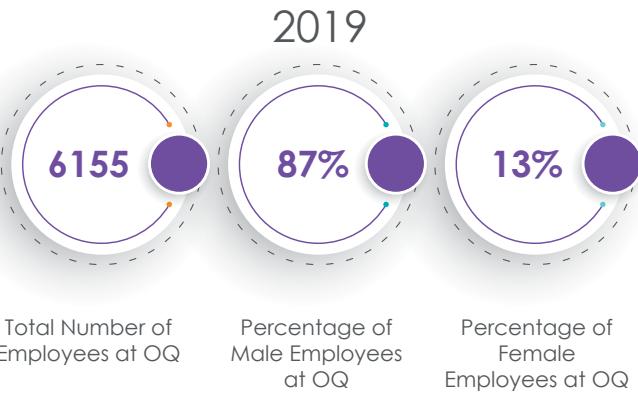
where most of our employees are located, have yet to enter a field such as ours due to cultural reasons. This, however, is gradually and consistently changing with Oman vision's clear mandate to employ and empower women across all sectors. We aim to address this gender gap by implementing recruitment practices that welcome more women into our workforce to achieve a gender-balanced workspace. We understand that this shift is not an overnight remedy, but we are dedicated to plan, strategise and deliver in order to achieve a more equal representation of both genders.

Retaining employees is a crucial factor for our success, and we are pleased to show that our turnover rates are remarkably low for both genders and especially for women, by ensuring equal opportunity and fairness, we are proud to see a low 7% turnover rate among all women employed at OQ. This reality can 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.

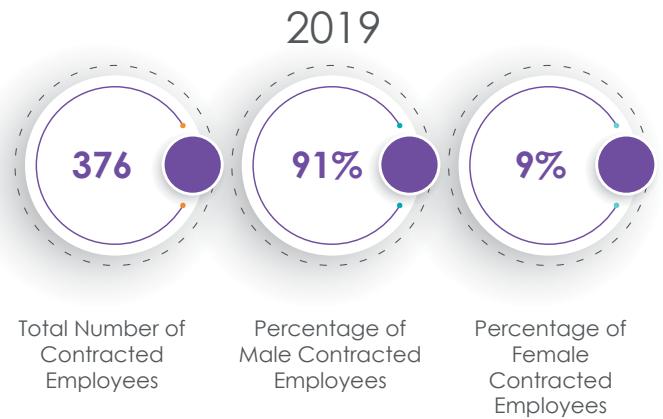
### Chapter Highlights

<b>6155</b> Full-time Employees	<b>81.7%</b> Local Employees	<b>39</b> Scholarships	<b>13%</b> Female in Senior Management
Workforce comes from <b>49</b> different countries	<b>44%</b> of Employees aged 34-18	<b>54</b> average training hours per employee	

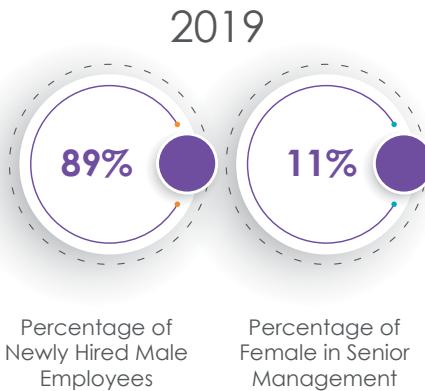
## Full-time Employees by Gender



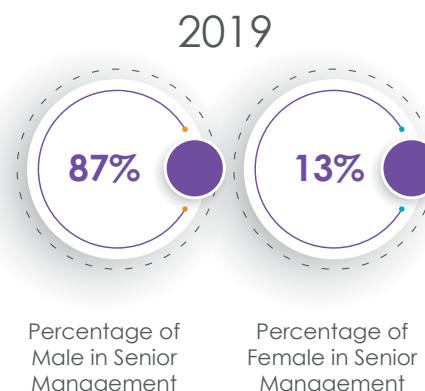
## Contracted Employees by Gender



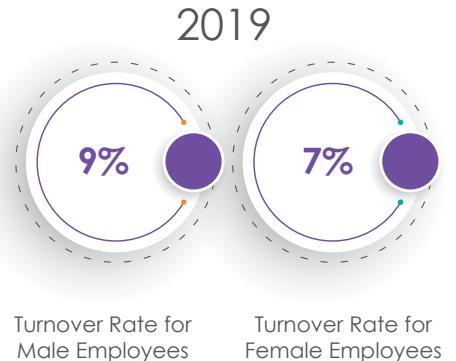
## Newly Hired Employees by Gender



## Senior Management by Gender



## Turnover Rate of Full-time Employees by Gender

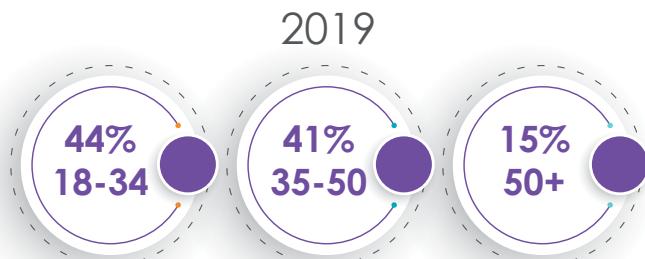


## Age Diversity

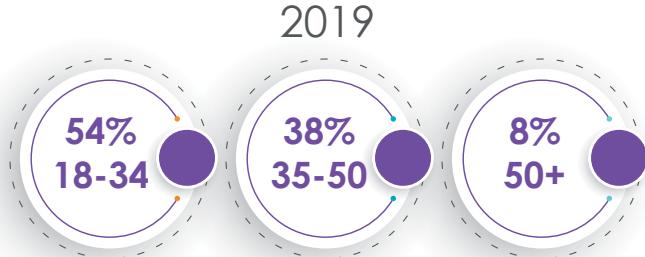
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OQ supports employees from all age groups and offers them various growth and employment opportunities. Employment of the young is among the most critical topics that currently are important to Oman and other countries where we operate, and we look to address this topic by providing talented young individuals with good and stable job opportunities. This can be seen in our recruitment practices, as over half (%54) of our newly hired employees in 2019 were between 18 and 34 years of age.

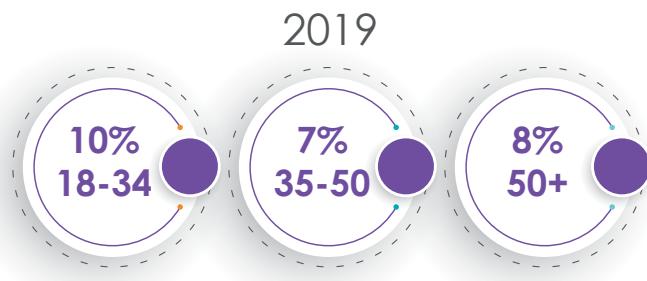
### Full-time Employees by Age



### Newly Hired employees by Age



### Turnover Rate of Full Time Employees by Age



## Fostering Inclusion

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 %78.6 of our total workforce in Oman.

### Omani & Foreign Employees

2019



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.

43

As a global energy company, we extend our efforts to localise our workforce in all the locations in which we operate to ensure that local communities are empowered and included at all our business assets. In %81.7 ,2019 of our employees worldwide were from local communities, while foreigners accounted for %18.3 of our total workforce.

### Local & Foreign Employees

2019



### Employee Well-being

With the increasing pace of change globally and growing workloads, employee well-being is becoming more of an essential practice for organisations to provide a caring environment for employees and enable them to cope and thrive. The Company is building its employee well-being framework incorporating best global practices including physical, mental, financial, family and community areas. This is to be reflected in different OQ practices, policies and other applications. This includes providing flexible working hours, health benefits, cash and non-cash benefits and living Care, Share and Dare values.

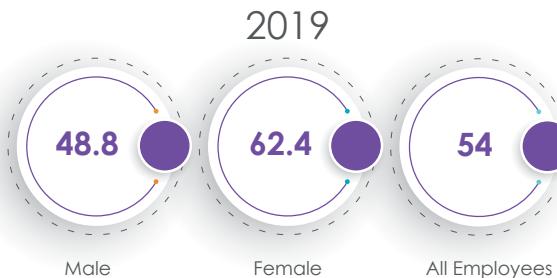
OQ policies also address the specific needs and circumstances of our female employees, which is reflected in relevant policies including special types of leaves, working conditions and environment and office facilities in Oman.

# Training and Development

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

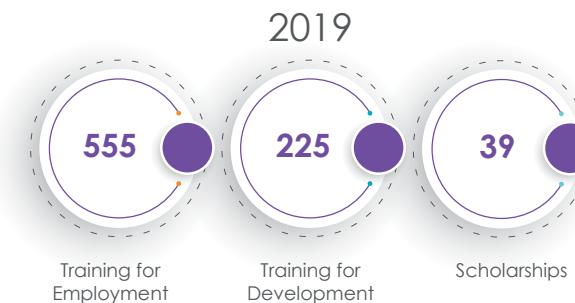
At OQ, the training and development of our workforce is of utmost importance. We strive to enable our employees to realise their full potential by providing them with opportunities to enrich their skills, develop their capabilities and learn and grow within the organisation in order to achieve their personal and professional development targets. We continue to provide our employees with ample opportunities to undertake technical and non-technical courses and training programmes and provide them with the required resources to do so.

## Average Training Hours per Employee



For Oman-based assets in 2019, we had enrolled 225 employees in our external training development programme, which is delivered through the Takatuf Petrofac Oman institute (TPO – referred to as Takatuf). In addition, we also focus on training newly recruited employees in various technical areas such as scaffolding, pipe fitting, welding, electrical work and many others. In 2019, we enrolled 555 candidates in our training for employment programme, which is managed by Takatuf and other external organisations. Our efforts to develop and empower our employees goes further to offering scholarship programmes both locally and internationally in various top ranked universities and institutes. In 2019, we offered 39 different scholarships to our employees, five of which are abroad, and 34 are located around Oman.

## Number of Employees offered training for employment/development and scholarships



# Health and Safety

(103-1, 103-2, 103-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-9)

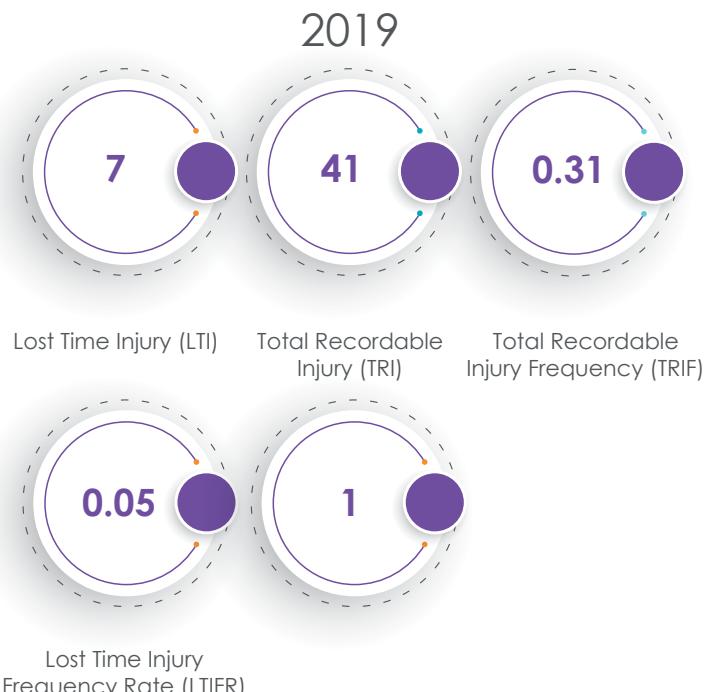
The quality of life of our people is fundamental to the sustainability of our organisation. By creating a safe and healthy working environment, we can create a more positive, productive and fruitful workforce. At OQ, we strive to offer a workplace with opportunities to grow, prosper, be safe and healthy. Our culture of health and safety practices is rooted in our commitment to the best standards of Health, Safety, Security and the Environment (HSSE) in all our operations. Our OQ management approach considers it to be crucial to ensure continuous development and contribution in our quest to bring no harm to people and the environment. The design, management, continuous monitoring and evaluation is followed by the relevant functions to HSSE topics.

To improve our performance, we continuously monitor and evaluate various HSSE metrics and indicators, analyse and review all incidents, and implement improvements where needed. Our HSSE commitments extend to all our contractors and partners, where all HSSE standards are communicated through contract stipulations, and contractors are required to effectively manage and report their HSSE performance.

Due to the different operational activities of our business assets, OQ's HSSE guidelines prescribe essential requirements and standards while enabling each business asset flexibility to develop its own HSSE management system.

## Personnel Health and Safety

In 2019, we did not experience any major accidents or incidents with fatalities. However, we record and evaluate near-misses and other incidents to better learn and improve our business activities through all our nine different core assets. This year, our operations amounted to over 131.4 million manhours, with seven Lost Time Injuries (LTI) and 41 Total Recordable Injuries (TRI). Our Lost Time Injury Frequency Rate (LTIFR) per million manhours is a low 0.05, and so is our Total Recordable Injury Frequency (TRIF) per million manhours of 0.31. While these numbers and rates are considered to be very low in our industry, we always strive to be safe through enhancing our efforts in the coming years towards achieving better results.



As a company with an array of products continuously on the move from the moment of extraction to production, refining and processing, we face numerous challenges regarding our products safety. At OQ, we ensure that the transportation of all our products is done with the highest standards of safety. In 2019, we had one incident of an on-land operational spill of 62 liters, and we had no incidents of sabotage spills for this year.

### Spills Incidents



# Corporate Social Investment



## Corporate Social Investment

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

Corporate Social Investment (CSI) is one of the ways OQ demonstrates its commitment to serving our community and delivering social, environmental and economic value. We seek to build strong relationships with local communities and create new opportunities for growth and partnership. We believe in the benefits CSI brings to both businesses and the local community, which is why OQ allocates a percentage of its net profit for CSI initiatives. Our approach ensures that both our financial and human resources are strategically utilised to effectively support projects and initiatives that have a positive, long-term and sustainable impact on the community.

Additionally OQ , through one of its assets in Sohar, Orpic, along with two other companies of Vale and Sohar Aluminium founded Jusoor, a non-profit organization, based in Sohar and responsible of developing and implementing sustainable social projects contributing to socioeconomic development in Oman.



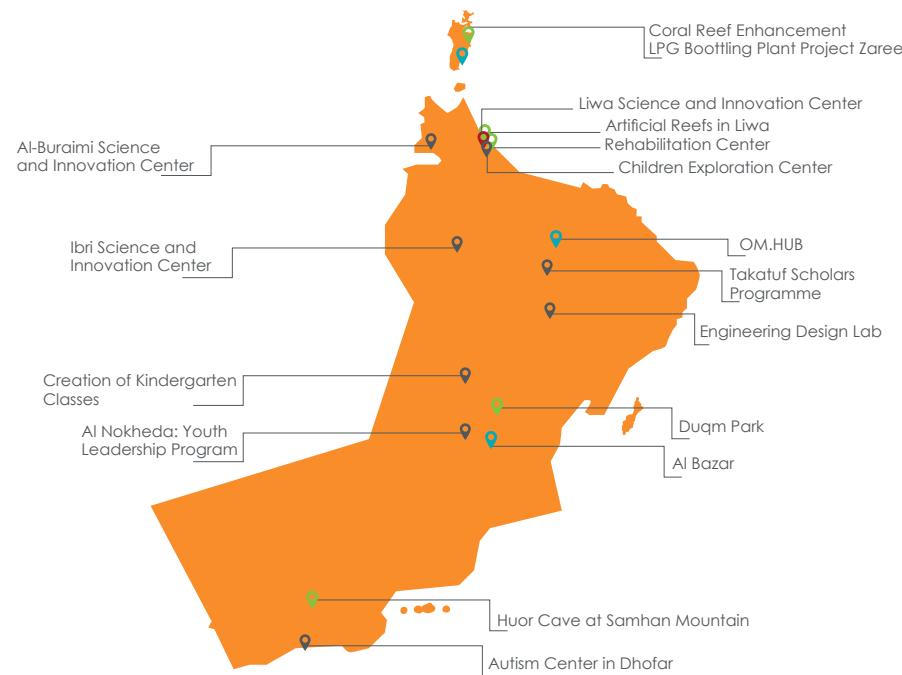
In 2019, we initiated 30 CSI projects through OQ assets and Jusoor with a total sum of over US\$ 11.2 Mn in addition to supporting activities through sponsorships and donations amounting to around US\$ 1.5 Mn. These are distributed throughout most of Oman's Governorates as illustrated on the map below.

2019



# Corporate Social Investment

The map shows the distribution of OQ's CSI projects throughout the Governorates of Oman with the names of major projects implemented.

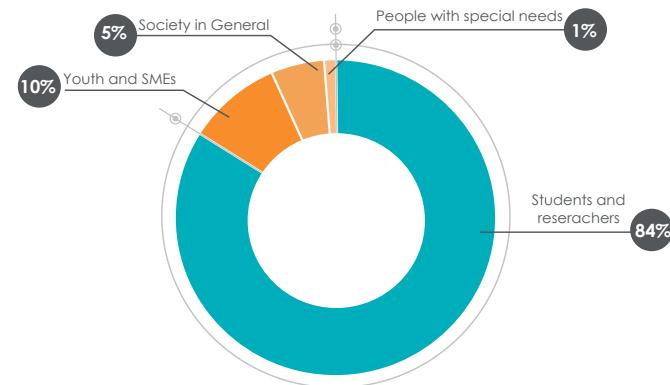


- 📍 Education and Innovation
- 📍 Economic Prosperity
- 📍 Environment and Health
- 📍 Heritage & Culture

Our CSI strategy is divided into four different strategic focus areas:

- Education and Innovation
- Environment and Health
- Economic Prosperity
- Heritage and Culture

## Percentage of Beneficiaries



**Estimated No. of Beneficiaries 839,103**

## Education and Innovation

Education and Innovation is one of the main areas of focus. It contributes to building youth capacity, prepares them to take on various opportunities across all sectors, and develops the skills for Omani talents.

### Projects and Initiatives

#### Takatuf Scholars Programme

The Takatuf Scholars Programme is operated by a team of academics. It connects academic excellence to real world experience. Designed to prepare Oman's most talented young people for personal and professional success, the programme introduces them to the tools and equips them with the skills needed to adapt to an ever-changing global environment, for the betterment of Oman. Since 2012, over 3,100 Omani students have applied for and been tested for admission; 342 have engaged in an independent learning programme concurrent with attending high school in Oman; and 106 have been awarded international scholarships to attend preparatory schools and universities abroad.

The programme's effectiveness has been demonstrated through the performance of Scholars from all over the Sultanate in leading boarding schools as well as at some of the world's most rigorous universities such as MIT, NYU, UBC, HKUST, Imperial College and University College London.

**Partnerships:** Ministry of Higher Education and Ministry of Education

**Beneficiaries:** Top high school students



#### Oil and Gas Publication from Exploration to Production

Published in Arabic and English, this book explains the process of exploring and producing oil and gas. Since the oil and gas sector is one of the key pillars of the economy, the book aims to enhance awareness about the oil and gas industry amongst Omani youth. The book contains seven chapters, providing information on the origins of hydrocarbon as well as generation, exploration, field appraisal, field development, crude oil marketing and it includes a full chapter on health, safety and environment in the oil and gas field. It targets school students from grades 10 and above.

**Partnerships:** Ministry of Education

**Beneficiaries:** School students and researchers

# Education and Innovation

## Children's Exploration Centre

The Centre provides educational and sports activities, creating an environment that enables children to explore the sciences around them and acquire knowledge of daily life skills through a fun, interactive environment.

**Partnerships:** Ministry of Social Development

**Beneficiaries:** School students and Communities



## Autism Centres (Al Batinah North and Dhofar)

The Autism Centres aim to support children with autism and integrate them effectively into the community by providing them with educational and therapeutic programmes, supporting families and caregivers, as well as spreading awareness about the spectrum of autism among community members. It is worth mentioning that the Centre is designed according to international standards that suit children with autism. The project is funded by Jusoor representing the support of OQ, Sohar Aluminum and Vale.

**Partnerships:** Ministry of Social Development

**Beneficiaries:** Autistic children and their families



## Creation of Kindergarten classes

The support is towards building premises for kindergarten classes managed by the Ministry of Education. The Ministry of Education will be selecting teachers who completed their high school general diploma as volunteers and training them to fit the requirements needed for kindergarten. The initiative also includes procuring furniture for kindergarten classes in Haimat and Shumoukh schools.

**Partnerships:** Ministry of Education

**Beneficiaries:** kindergarten students

## AI Nokheda: Youth Leadership Programme

This programme is for job-seekers and high school students. It teaches the participants learn a number of skills such as understanding the need to take responsibility, appreciate the need for self-discipline, become better communicators, work better as a team, discover their strengths and weaknesses and learn how to set personal goals.

**Partnerships:** Oman Sail and Ministry of Education

**Beneficiaries:** Job-seekers and high school students



# Education and Innovation

## Science of Refinery

This initiative is aimed at encouraging children and youth to participate in hands-on activities in STEM (science, technology, engineering, and mathematics) subjects, grow their interest in these areas, change mindsets and raise awareness around future career opportunities related to the sciences.

**Partnerships:** Engineering for Kids and Ministry of Education  
**Beneficiaries:** School students



## English Programme

The initiative is meant to provide closed group courses over eight months, 20 hours per week in Duqm for the Omani Women's Association (OWA), English language teachers and high-achieving students from grades 10th-12th. The programme provides learning resources including high-quality course books, assessments, online material, and diagnostic, formative and summative assessment evaluation for the students of the course. Graduates of the programme receive a completion certificate from the British Council.

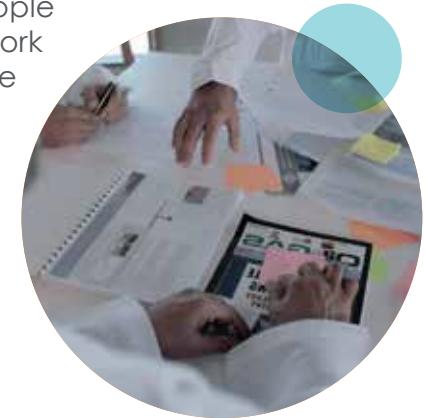
**Partnerships:** Ministry of Education and Duqm Omani Women's Association  
**Beneficiaries:** Omani Women's Association (OWA) members, English language teachers in the government schools and high-achieving students from grades 10th-12th.

52

## Vocational Workshops (TFE) for students with disabilities

This programme aims to support people with disabilities by creating better work opportunities for them. This was done to overcome the uncertainty about the actual need for as many as 27 workshops per each Centre due to the lack of accurate data in terms of number of people with disabilities, availability of qualified trainers, a suitable training programme and actual pool of current expertise.

**Partnerships:** Ministry of Social Development  
**Beneficiaries:** After school students with special needs



## Outward Bound Oman (OBO) Training Centre in Al-Jabal Al-Akhdar

This initiative aims to support OBO's efforts in developing selected set of skills of Omanis. Outward Bound Oman has garnered a positive reputation and created a considerable impact on training students and professionals over the years. Their worldwide experience provides assurance on the quality and timely delivery of the projects.



**Partnerships:** Ministry of Oil and Gas and Outward Bound Oman  
**Beneficiaries:** Students and professionals

# Environment and Health

We are committed to preserving the natural environment and are constantly striving to create a healthy environment for the present generation while ensuring the safety and well-being of future generations.

## Projects and Initiatives

### Coral Reef Rebuilding and Cleaning Campaign

The company led a coral reef rebuilding and cleaning campaign with the active participation of the Ministry of Environment and Climate Affairs and Khasab Municipality in Musandam. This environmental project is expected to draw out healthy sea creatures and fisheries. It also aims to help promote diving and tourist activities.

**Partnerships:** Ministry of Environment and Climate Affairs

**Beneficiaries:** Society and divers

### Expansion and improvement of Hiyour Cave at Samhan Mountain (Stage One)

Hiyour Cave, in Samhan Moutain, located among the highest peaks in the Dhofar mountain range, is a well-known tourism destination in Dhofar. OQ is supporting its expansion and enhancement by funding the creation of business startups offering tourism related activities. Through this project, it is believed that employment opportunities for Omanis will be offered through these newly established businesses.

**Partnerships:** Ministry of Tourism.

**Beneficiaries:** Local community and tourists



### Duqm Park

Parks provide facilities that encourage people from different ages to practice sports leading to healthier lifestyles. The Duqm Park is used by different community members. It enables seven local sports teams to conduct their exercises and matches and enables the community to use it for various social activities. Moreover, children can enjoy the outdoor playground. OQ supports the enhancement of the Duqm Park by upgrading its facilities.



**Partnerships:** Duqm Municipality and Duqm Wali Office

**Beneficiaries:** Local Community and tourists

### Bus Tracking Solution

The system aims to improve school bus safety systems across 795 buses carrying, on average, 30 students on each bus for first to fourth grade government school students. The project helps in reducing potential incidents of forgetting young students in school buses by installing safety devices and providing necessary and accurate information about the students. The project is a joint-venture with Sohar Aluminium and Vale



**Partnerships:** Ministry of Transportation

**Beneficiaries:** School students

# Environment and Health

## Artificial Reefs Deployment (Liwa)

The project was implemented by OQ, Sohar Aluminum and Vale, in collaboration with the Ministry of Agriculture, Fisheries and Water Resources.

Artificial Reefs are created and placed underwater areas that require a structure to enhance the habitat for reef organisms. They are corals that fishes and invertebrates live among them resulting in enhancing the marine life underwater in that specific targeted area.

The purpose of deploying coral reefs is to enhance the marine life and sustain fish life after deployment as well as allowing the fishermen to practice a safer method of fishing, promote production and maintain it.

**Partnerships:** Ministry of Agriculture, Fisheries and Water Resources

**Beneficiaries:** Society and divers



## Drugs Rehabilitation Centre

The Drugs Rehabilitation Centre is the first of its kind in the Sultanate that provides psychological and social rehabilitation for addicts and helps them reintegrate into society. The Centre is located near Sohar Hospital in order to ensure integration efforts are in conjunction with the treatment plan. It is funded by OQ, Sohar Aluminium and Vale.

**Partnerships:** Ministry of Health

**Beneficiaries:** Victims of drugs



## Al Wafa Centre

The Centre provides educational, cultural and mental health care for children with disabilities and is operated by a team of specialised employees. The Centre targets children with various disabilities such as simple and moderate mental disabilities, hearing disabilities and movement disabilities.

**Partnerships:** Ministry of Social Development

**Beneficiaries:** Children with disabilities



# Economic Prosperity

(103-1, 103-2, 103-3, 203-2)

Supporting Omani entrepreneurs is another focus area of our CSI initiatives. Our projects are designed to support small and medium sized enterprises (SMEs), to assist in their growth and development, and ultimately contribute to the economic prosperity of Oman.

## Projects and Initiatives

### OM. HUB

This project aims to assist SMEs by giving them access to a fully-equipped centre that supports new SMEs from the ideation phase until the business becomes fully established. In addition, the centre also hosts businesses that are already established, acting as a hub of support and accelerating growth.

**Partnerships:** National Business Centre  
**Beneficiaries:** Entrepreneurs

### LPG project

This is a cooking Gas bottling plant project in coordination with Sharakah and Bukha Gas Company to establish a gas station in Musandam and obtain LPG from the Musandam Gas Plant (MGP).

**Partnerships:** Sharaka and Bukha Gas Company  
**Beneficiaries:** Local Community, government and private sectors



### Al Bazar

One of OQ's objectives is to create local businesses and accelerate their growth to become successful along with a small fair for locals. Therefore, the company announced the 2019 Local Businesses Bazar.

**Partnerships:** Tawasil Fund

**Beneficiaries:** Entrepreneurs and community



### Tawasul Fund-Contributed, SME

This initiative provides financial support to the Tawasul Fund for the benefit of local communities in the Special Economic Zone in Duqm (SEZAD) in particular Al Wusta Governorate to promote sustainable economic and social development.

**Partnerships:** Special Economic Zone in Duqm

**Beneficiaries:** Entrepreneurs



### Zaree

This initiative supports Zaree, a women-led micro-tourism business based in Khasab. The team provides tourists with various traditional Omani experiences including arts and crafts at a cultural tent located at the Khasab Port whose easy accessibility increases tourist footfalls at the Zaree tent.

**Partnerships:** Musandam Governor Office

**Beneficiaries:** Local Community and tourists

## Heritage and Culture

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Oman has enacted a modern and detailed statute protecting its cultural heritage. At OQ, we consider this national initiative among our focus areas to help offer protection for the rich cultural heritage of the country.

### Projects and Initiatives

#### Investment Building of Majees Sports Club

This project aims to enable the club to obtain an additional, sustainable income to support its roles in serving the community through different sports, as well as cultural and social programmes. The building includes 14 shops.

**Partnerships:** Ministry of Sports Affairs

**Beneficiaries:** Sport Teams and community

#### Liwa Cultural Centre

Liwa Science and Innovation Centre provides a range of services and cultural programmes for all members of society. It includes a Planetarium, Public Library, Innovation Centre and Museum, Multi-purpose Hall, coffee shops and commercial frontage.

**Partnerships:** Ministry of Heritage and Culture

**Beneficiaries:** Community and school students



# Other Community Programmes

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## Knowledge and Visitor Hubs

The knowledge and visitor hubs receive visitors like school students, college and university students as well as community members and national and international delegations. Offering an exciting educational experience on our nature of business, operations and technologies, the hub tells a compelling story of exploration, production and refining history, business model, plants, projects and products in addition to innovative practices and new business trends. Visitors also learn more about the journey of oil from the ground to refineries then to customers using virtual reality simulations to make it a memorable and enjoyable experience.

## Annual Ramadhan Gathering

The group organised the Annual Ramadhan Gathering aiming to reinforce the relations with different institutions and community leaders. The event took place in two different locations, Sohar and Muscat. Latest updates on project progress and achievements were presented to government officials, community leaders, stakeholders and media representatives. The gathering included an exhibition for families participating in the "Tasneed" programme to raise awareness about families and showcase their high-quality products.

## Tasneed programme

It is one of our most important programmes that supports and develops SMEs and family businesses. The objective of this programme is to encourage the spirit of entrepreneurship among Omani youth to enter the labour market, promote self-employment opportunities, and reinforce partnership with government entities which leads to the development of SMEs.

## Polyeco Contemporary Art Initiative

OQ, in collaboration with the Directorate General of Education in North Al Batinah, launched «PCAI Junior». It is implemented in cooperation with "Polyeco Gulf and the Greek non-profit organisation Polyeco Contemporary Art Initiative". The programme focuses on the concept of recycling and the conservation of public utilities, utilising arts by means of cinematography in addressing community issues. Students conducted site visits followed by workshops to develop solutions for environment issues followed by the production of a short film aided by international experts in the field.

## Summer Programme for School Students

The summer programme has a prominent role in directing the energies of the students, filling their time with useful activities and reinforcing the importance of teamwork. OQ funded the summer programme organised by Directorate General of Education in Muscat, Al Dakhliya and North Al Batinah. A number of workshops, lectures and awareness sessions took place, aiming to develop students' mental abilities and equip them with important life skills such as decision making and teamwork, and to instill the concepts of good citizenship and belonging.

## Honouring Distinguished Students

OQ held an event to honour the distinguished and high achieving students of North Al Batinah and South Al Batinah. This initiative was organised for the fifth time in a row, in collaboration with both Directorates General of Education in North and South Al Batinah. It aims to provide students with further motivation and encouragement to maximise their achievements.

# Corporate Volunteering

At OQ, we realise the importance of volunteer work and its role in empowering societies towards achieving public welfare and sustainable development. OQ is working on developing the volunteer work management and structure at the organisational level, through a volunteering platform that supports and encourages all employees to participate.

## Volunteer Campaigns Highlights

### Sawaid OQ

A group of OQ employees formed a team to conduct volunteering activities, campaigns and initiatives directed to providing civic, humanitarian, charitable and environmental initiatives in collaboration with the government, private entities and community members, partnering to contribute to society. We recognise the importance of volunteering and its role in increasing awareness and spreading social responsibility among society members, 2580 volunteering hours for OQ employees were recorded since June 2019.

### “Oman Green” Initiative

Green spaces reflect a sense of happiness and peace, and we launched the “Oman Green initiative” where lemon and mango trees were distributed to society. This initiative aimed to spread awareness among new generations on the importance of keeping our surroundings clean as the world is facing a serious deforestation threat.

### Waste-free Environment Campaign

Keeping the environment clean and protecting it from pollution is a national duty towards future generations. We participated in the Waste-Free Environment Campaign, which was organised by the Gulf Petrochemical and Chemicals Association (GPCA). The 2019 campaign was conducted in the Governorate of Muscat, Quriyat, for three continuous days and included different activities, awareness programmes and sessions, educational competitions and a clean-up campaign. The campaign witnessed strong participation from community members, as well as government and private institutions. It also included a number of drawing and creative competitions related to recycling of plastic waste.



We are very proud that our efforts are appreciated by local and international communities. Below are some of the awards presented to OQ. The awards, which are valuable additions to our record of achievements, come in recognition of the sincere efforts made by all employees and will motivate them to maximise their efforts and contributions in the future.

- The Ministry of Environment and Climate Affairs honoured OQ for its contribution to environmental initiatives during the celebration of Oman Environment Day.
- We were awarded Al Roya Award by Al Roya Newspaper in in-country value (ICV) category, which was received by our asset Salalah LPG in 2018.
- We received the prestigious CSR Arabia Award by CSR Arabia Network in United Arab Emirates for the years 2019 - 2018

## Responsible Relations



## Extending Our Sustainability Commitment to Our Supply Chain

(102-9)

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, the guidelines of which cover requirements such as HSSE plans, training, reporting, environmental protection, waste management and many other areas to which all our contracted parties' take full responsibility to adhere to.

OQ's contract terms are intended to provide mandatory HSSE and other requirements by which contractors must abide during the course of their association with OQ, whereby,

- All contracted parties take responsibility to ensure that their personnel are aware of and understand all HSSE rules and conditions, and that they fully comply with them.
- All contracted parties take full responsibility to ensure that any and all sub-contractors' personnel engaged by the contractor are also fully aware of and in full compliance with these HSSE specifications.

In 2019, OQ spent US\$852.8 Mn on goods and services for operation activities from suppliers 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.

### Chapter Highlights

**US\$ 852.8 Mn**  
on Procured Goods  
and Services

**73%** of  
Procurement from  
Local Suppliers

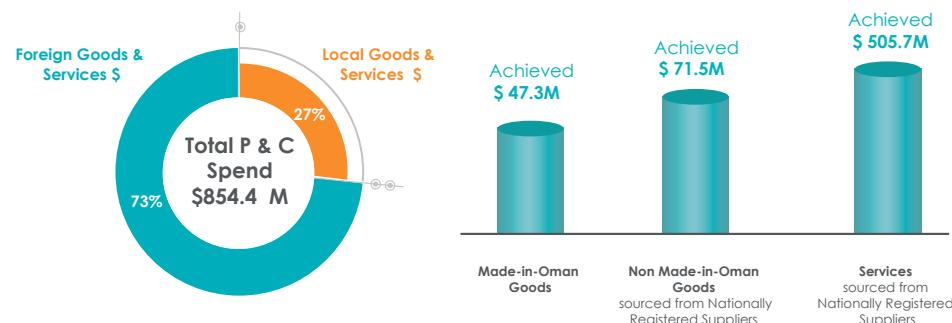
**81%**  
Customer  
Satisfaction Rate

## Empowering Local Suppliers (In-Country Value)

(103-1, 103-2, 103-3, 204-1)

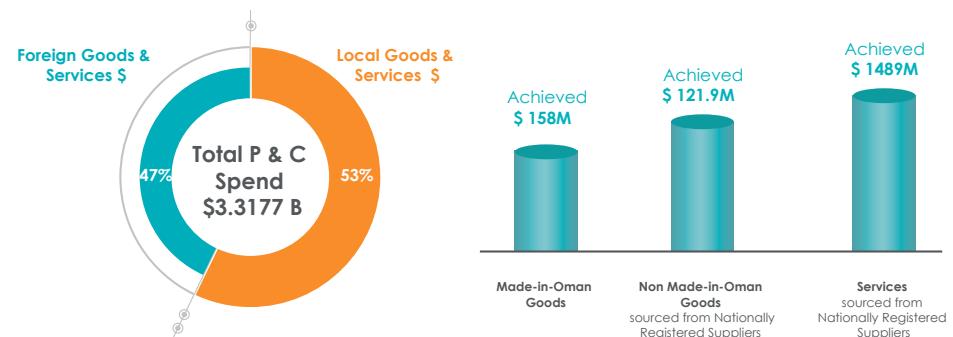
Our goal is to build and maintain a highly qualified, competitive and sustainable supply chain throughout the organisation. Due to the scale and reach of our operations, we have the power to assist local businesses in Oman to grow and develop. Moreover, our procurement practices increase the opportunity for the economic participation of local Small and Medium-sized Enterprises (SMEs) in all our procurement processes, where we work alongside them to bridge the gap between their capacity to deliver and our supply requirements. OQ defines local suppliers as providers of goods that are produced in Oman or sourced from nationally registered suppliers, and services that are sourced from suppliers registered in Oman.

OQ has a proud history of supporting local suppliers, contractors and manufacturers, including SMEs. Long before its integration, all OQ core assets had contributed extensively to the Omani economy and society, empowering local industries and ensuring that a significant amount of their purchased goods and services benefit the Omani society and economy. The Group continues to support all Oman-based businesses with 73% of all our procured goods and services being spent on local suppliers in 2019, amounting to US\$624.6 Mn.



Nonetheless, goods and services purchased from SMEs accounted for US\$56 Mn of goods and services purchased directly from SMEs.

In addition, OQ spend in goods and services for projects (Marafiq, SLPG, SAP, OTTCO and DRPIC) is US\$3.317 Bn of which 53% of all our procured goods and services being spent on local suppliers in 2019, amounting to US\$1.8 Bn.



Moreover, goods and services purchased from SMEs accounted for US\$138.4 Mn of goods and services purchased directly from SMEs.

## Satisfying our Customers

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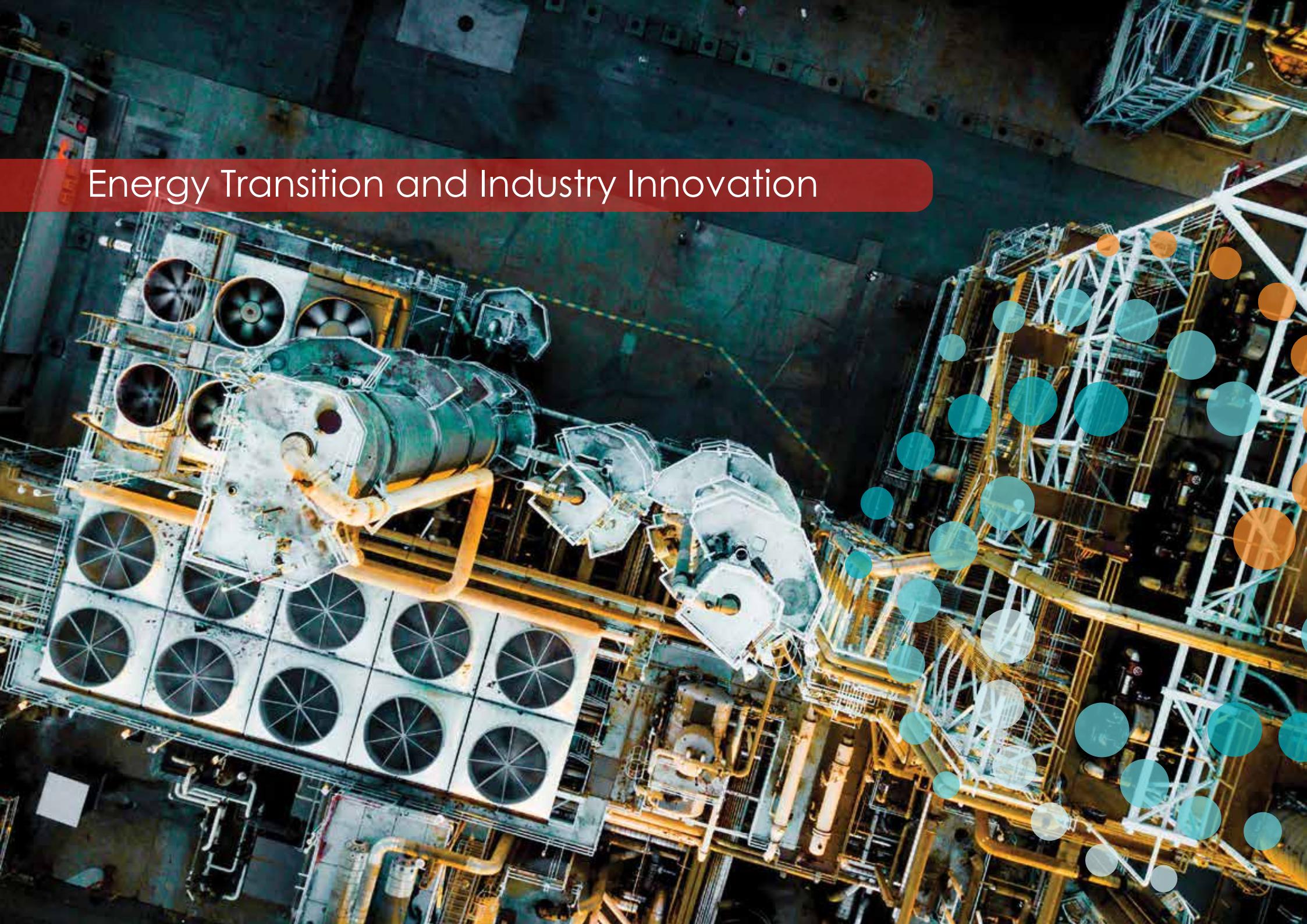
OQ has had a unified customer satisfaction measurement process in place since its integration journey began. Where we seek to provide quality products and services to all our customers across different markets. The 2019 OQ customer satisfaction survey for its polymer division had a participation rate of 38% of our customers, a 54% increase over the 2018 participation rate. The survey in 2019 was conducted to gauge the group's performance in terms of competitiveness, customer service excellence and satisfaction, and many other areas, in order to prioritise areas of improvement and optimise our performance.

To ensure inclusiveness and equal representation, the 2019 survey was carried out for customers from 11 different regions around the world, and across eight different industries. The results of the survey showed a slight increase of one percent satisfaction rate from the previous year. Despite all the tough market conditions and the increased competitiveness that we have endured during the year and the organisational change that our journey has entailed, we are exceptionally proud to see that we have managed to maintain a high satisfaction rate among our customers.

### Overall Satisfaction Rate



Our Customer Service, Document Handling and Invoicing scores have improved in our customers' feedback. As a result, we have ranked among the top five among some of our most prominent competitors in the market. Moreover, our significant improvement areas from previous years were found to be on our Website Availability, Sustainability Approach, Product Portfolio/Innovation and Complaint Handling, all averaging at 82% based on our customer insights.

The background image shows an aerial view of a large industrial facility, likely a power plant or chemical refinery. It features several large, white, cylindrical cooling towers with circular fans at the top, arranged in a grid pattern. A complex network of yellow and white pipes connects the towers and extends across the facility. In the upper right corner, there is a cluster of interconnected white lines forming a network structure, with several colored dots (orange, teal, light blue) placed along these lines. The overall scene is industrial and technical.

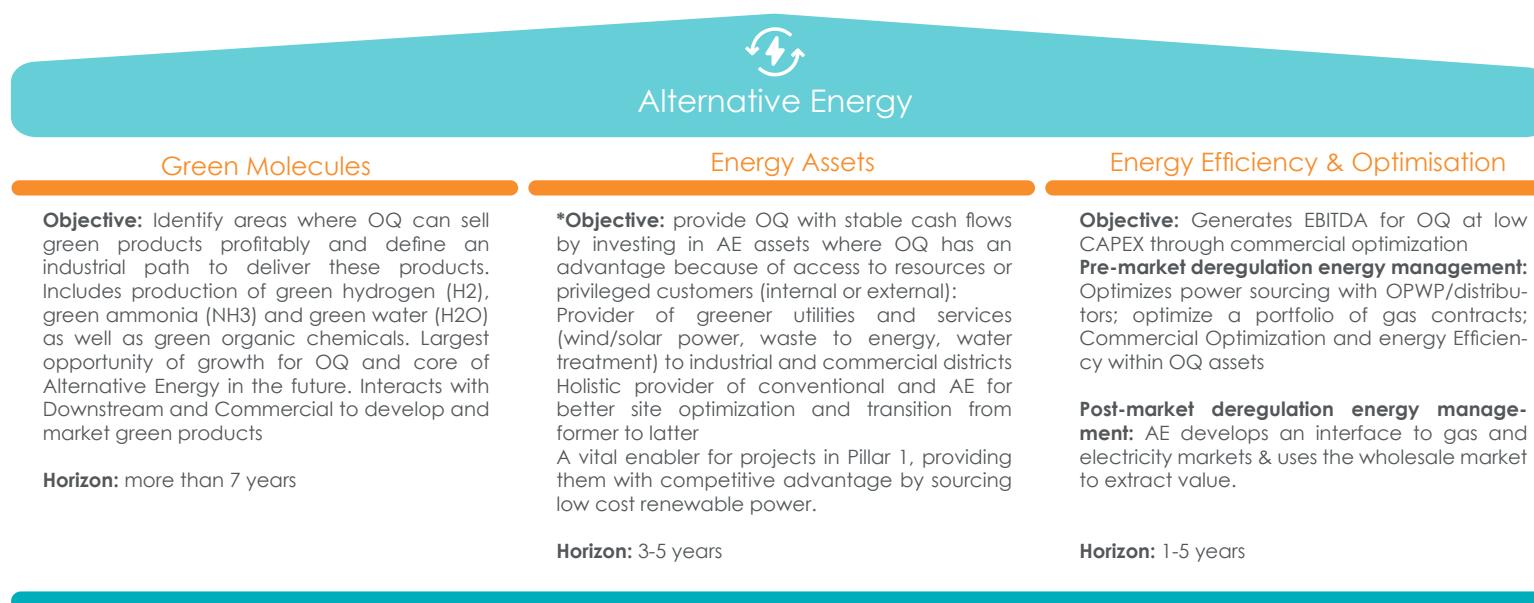
# Energy Transition and Industry Innovation

# Alternative Energy

Alternative Energy, also known as “(AE) is a term coined to denote everything associated with the transformation of the world's energy system from fossil fuels to zero carbon by 2050 (also known as 'Energy Transition'). Given that OQ's business is fundamentally rooted in hydrocarbons, it has developed a business line, AE, that is predicated on three main pillars:

- i. Green Molecules
- ii. Energy Assets
- iii. Energy Efficiency

OQ's AE Strategy will be organised around three pillars



Significantly, the AE business line contributes to OQ in three ways:

1. Making a direct contribution of US\$ 300-450 Mn to OQ's EBITDA by 2030.
2. Enhancing the OQ initial public offering (IPO) story and changing the perception of OQ in capital markets, which should have a direct effect on OQ's equity value (EV)/ EBITDA multiple.
3. Contributing to OQ's 'social license to operate' by reducing OQ's carbon footprint and bringing green products to market, as well as helping to attract talents in the future.

# Leading in the Energy Transition

At the heart of the Energy Transition is the need to reduce energy-related CO<sub>2</sub> emissions to limit climate change and avoid its dire consequences. In 2016, Oman was the fifth highest producer of CO<sub>2</sub> per capita in the world (19.87 tons) and Oman's total emissions of 87.8MT CO<sub>2</sub> effectively matched its 2030 Paris Agreement target of 88.7MT CO<sub>2</sub>.

In this context, the AE business line seeks to shift its hydrocarbon dynamics by reducing its GHG emissions and capturing new opportunities and risks. It further seeks to maximise the value of OQ's existing hydrocarbon portfolio whilst reducing its GHG emissions and ensuring it adheres to current and future reporting requirements. In alignment with OQ's strategy, the AE business line thus acts as an enabler for the Energy Transition by consolidating the following themes into its growth agenda:

- i. New policies and social movements.
- ii. Shifting hydrocarbon dynamics.
- iii. Increasing focus on effectiveness.
- iv. Growing importance of sustainability.
- v. Committing to GHG emission reduction through reporting mechanisms.

## Contribution to the Sustainable Development Goals (SDGs) and Vision 2040

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 on 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:

- vi. Renewable energy consumption (percentage of total consumption)
- vii. GDP per unit of energy use

By 2030, OQ aims to increase its renewable energy generation (through solar and wind development) to be 40% of its total power consumed.



While the adoption of AE will start by focusing on OQ assets, success will necessitate early exploration of opportunities for local and international growth, both organic and inorganic. A higher appetite for risk is also required as it is an intrinsic nature of the maturity of certain parts of the AE business.

Ultimately, the AE strategy's focus is to:

1. leverage OQ and affiliate asset base for deployment of renewable energy projects,
2. participate in Oman's energy market,
3. optimise gas and power through having an integrated approach for Oman's assets,
4. pursue growth internationally through partnerships and shareholdings,
5. use downstream assets and marketing capabilities for production and marketing of green molecules,
6. venture into renewables to create a diversified business portfolio with additional growth opportunities and new revenue streams, and
7. support any OQ debt (bonds or bank loans), by opening Green Finance as a new source of debt.

## Industry Innovation and Product Stewardship

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At OQ, we work relentlessly to ensure that all our products are safe throughout their life cycle. Our primary goal is to protect our employees, customers, communities and the environment from all potential risks posed by our product lines. Effective product stewardship at OQ means that we evaluate and manage our products' Health, Safety and Environmental Risks.

Across our value chain, we collaborate with contractors, suppliers and customers to monitor and research all scientific advancements that could enhance our efficiency, elevate safety and reduce our environmental footprint. Moreover, all potential hazards associated with the use of our products are continuously monitored and effectively communicated through safe handling guidelines on labels and other safety manuals.

### **Introducing Luban HP1102LC Grade Polymers**

Luban brand of polymers has been in the market for over ten years and is available in more than 60 countries, with all its line of products being approved by the US Food and Drug Administration (FDA), maintaining the highest levels of safety standards for food grade applications. In 2019, we launched our new Luban HP1102LC polymer grade, which is a homopolymer polypropylene (PP) suitable for high speed tape (raffia) production that provides high tenacity and improved production.

We have collaborated with market leading machinery suppliers to trial and benchmark HP1102LC against their reference materials in flexible intermediate bulk containers (FIBCs). The tests showed that by optimising the processing parameters for this Luban grade, the lower processing temperatures required allowed for a reduction in energy use. HP1102LC therefore helps to address the demand for more efficient and sustainable solutions in Industrial Packaging. Reliable polymer solutions such as HP1102LC are crucial to protect

food and extend its shelf-life, enhancing food security in consumer packaging, which is a topic of increasing concern across many countries worldwide. HP1102LC and other polymer grades by Luban undergo regular and stringent testing to ensure the safety standards of its products' applications are at the highest standards.

Not only does the new line ensure better efficiency, but it also allows food to stay fresh for longer, which in return minimises food waste.

*"A further area of strong potential for polymer solutions is food security, a major topic of concern in developing countries with fast growing populations. By adopting innovative Luban Linear Low-Density Polyethylene polymers in Agriculture applications such as greenhouse films and drip irrigation tubes, crop yields can be boosted and food security improved. Agricultural products harvested also last longer through the use of the right plastic packaging solutions, leading to less waste".*

**Gilles Rochas, OQ Performance Chemicals VP.**

## Industry Innovation and Product Stewardship

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### Solutions for efficiency, food safety and security

As the demand increases for lightweight packaging solutions that reduce material costs, improve efficiency and help manufacturers address sustainability targets, and as food safety and security remain critical topics globally, we have expanded our polymer solutions portfolio to address all of these trends and concerns.

With plans in place for the imminent commercial operations of the US\$6.7bn Liwa Plastics Industries Complex (LPIC), we are now ready to actively engage the value chain. The LPIC investment means that our portfolio encompasses polypropylene (PP) and polyethylene (PE) solutions for the first time. It has tripled the company's grade slate that now includes Polypropylene Homopolymers, Impact and Random Copolymers as well as High-Density Polyethylene (HDPE) and Low-Density Polyethylene (LLDPE).

In October 2019, at the K Trade Fair in Düsseldorf, the "Think It... Make It" campaign highlighted how OQ will inspire the plastics industry transformation by collaborating with the whole value chain in making more possible with polymers.

This means partnering with all stakeholders from machine manufacturers, to additive suppliers, converters and finally brand owners.

*"We want to play a major role in shaping the mega trends impacting our industry with our PP and PE solutions. This is why we want to be involved with every stakeholder along the value chain"*

**Talal al Awfi, Chief Commercial Officer, OQ**

# Environmental Stewardship



## Environmental Stewardship

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One of the biggest challenges we face today is managing and meeting growing demands for energy while addressing an array of environmental risks. It is imperative that governments and businesses work together to minimise greenhouse gas (GHG) emissions to reduce the impact of climate change.

The oil and gas industry has a critical role to play in this global challenge, primarily by shifting to innovative low-carbon solutions, but also by managing, monitoring and minimising its environmental impact while still ensuring societal and economic growth and prosperity.

At OQ, we are determined to protect the environment in all the areas in which we operate. We work tirelessly to ensure that all our operations cause no harm to the people and the living environment. Consequently, we adhere to all environmental regulations and best practices in all our locations, and often look beyond these requirements to ensure the highest standards implemented to reduce our environmental footprint. 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

69

### Climate Change and Greenhouse Gas Emissions (GHG)

As worldwide attention grows on global warming and its possible effects on our living environment, we at OQ are integrating climate change management and mitigation into our strategies and operations. Through innovative technologies and effective management, we can enhance our business while promoting comprehensive solutions for a sustainable future.

For our first year of reporting, we have sought to record as much data as possible to capture our total GHG emissions as accurately as we can. The numbers shown below include our nine business assets' 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.

Our total Scope 1 and 2 GHG Emissions for 2019 amounted to 5.417 million tonnes of CO<sub>2</sub> equivalent, and the GHG intensity per unit of production was 31.37 KG of CO<sub>2</sub> equivalent per Barrel of Oil Equivalent for our upstream oil and gas productions. Our downstream GHG intensity was 293.7 per Metric Tonne of our total sold products in our downstream business assets.

#### Chapter Highlights

**293.7 t** of CO<sub>2</sub>e per  
Metric Tonne of Downstream  
Production

**31.4 KG** of CO<sub>2</sub>e  
per BOE Produced in  
Upstream

**88,342 TJ**  
of Total Energy  
Consumed

**1,482 m<sup>3</sup>** of fresh  
water consumed per 1  
Metric Tonne of production

**69%** of  
Hazardous Waste  
is used for energy  
recovery

# Environmental Stewardship

(103-1, 103-2, 103-3, 305-1, 305-2, 305-3, 305-4)

We aim to expand our scope of measurement in the years to come and to include Scope 3 other indirect emissions resulting from our products use and impact on the environment. We understand the complexity of calculating and reporting accurate data, nevertheless, we are determined to follow the best practices to ensure that we take full accountability and report on both our direct and indirect environmental impacts in a transparent manner.

## Greenhouse Gas Emissions by Scope

(Tonne of CO<sub>2</sub>eq)

2019



## Greenhouse Gas Emissions Intensity

2019



## Flaring

Occasional flaring is part of our operations and maintenance of different business assets, both across upstream and downstream. Our flared gases are all measured and monitored across all our business assets and reported on operational basis. As of 2019, DRPIC and SLPG did not flare any gases due to their current operational status being under construction and development and hence were not fully operational. However, all the flared volumes of other business assets are included in these figures, and these include, OQ Gas Networks, OQ Exploration and Production, OQ Refineries and Petroleum Industries and OQ Methanol.

2019

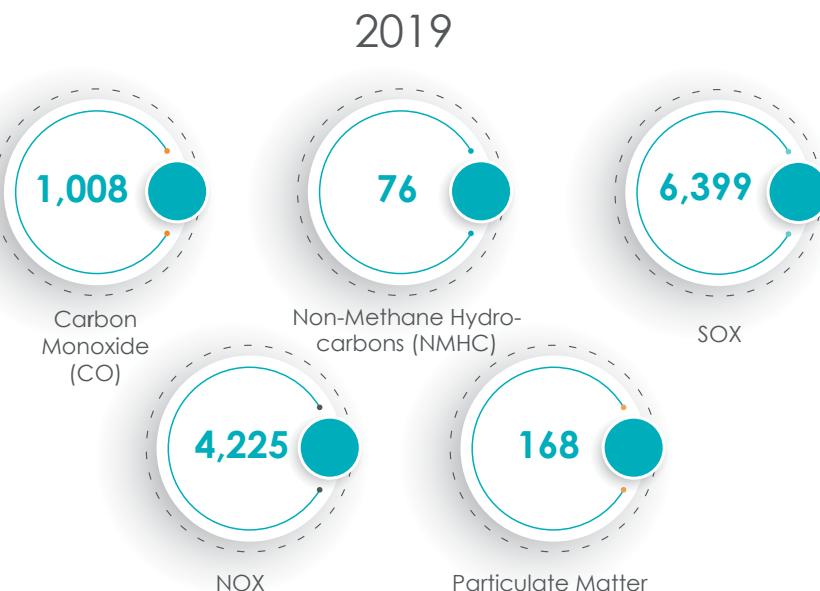


Volume of Flared Gases (MT)

## Other Emissions

Oil and gas production and processing requires operations in piping systems, combustion furnaces, storage tanks and many other functions. As a result, fugitive stacks emissions including Carbon Monoxide, NOx, SOx, Volatile Organic Compounds and Particulate Matter are released during most production and processing operations. Monitoring stacks emissions is exceptionally important for OQ to better understand and implement emission control programmes and ensure that our emissions are within nationally and internationally accepted boundaries. Fugitive stacks emissions were collected from all our operated business assets. However, due to problems occurring in measurement equipment in some facilities and the lack of measuring equipment in others, the reported stacks emissions for this year do not include OQ Gas Networks and OQ Exploration and Production.

## Stacks Emissions (Tonnes)



## Energy Consumption

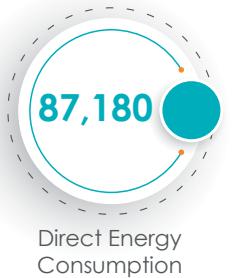
OQ strives to reduce the emissions associated with its energy consumption by monitoring and managing energy consumption and efficiency at all its operated business assets. We recognise that without knowing our consumption patterns and volumes, it will be difficult to identify energy-saving opportunities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

Our Alternative Energy investments and strategy serve as a key driver to our aspirations in energy reduction. This business line seeks to maximise OQ's productivity whilst investing in alternative, environmentally friendly energy sources resulting in lower GHG emissions.

Our Total Energy consumption for 2019 was at 88,342 GJ for all our operated business assets. However, we anticipate that this number will rise in the near future as both OQ SLPG and DRPIC were under construction and development projects and were not fully operational in 2019. In addition, our energy intensity for upstream oil and gas production was at 0.53 GJ per Barrel of Oil Equivalent and at 4.78 GJ per Metric Tonne for our products sold in our downstream businesses.

## Energy Consumption (TJ)

2019



Direct Energy Consumption



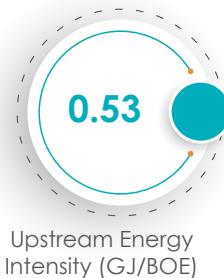
Indirect Energy Consumption



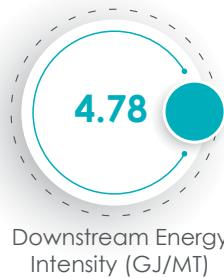
Total Energy Consumption

## Energy Intensity

2019



Upstream Energy Intensity (GJ/BOE)



Downstream Energy Intensity (GJ/MT)

## Water Management

As natural resources are essential for life, fresh water is considered to be one of the scarcest and most precious natural resource in most countries around the world, and especially in Oman. As the global demand for fresh water rises along with the world's population and the rate of economic growth and development, we are determined to reduce our water consumption and ensure that all water discharged back into the environment is of the highest quality.

OQ's main consumption of water is used for cooling purposes in its production and refinery units, where water is reused and recycled multiple times across operations. Our water consumption is withdrawn primarily from sea water, as Oman's ground freshwater is scarce, we ensure that most of our water consumption in water stressed locations is derived from the sea. Fresh water on the other hand is extracted from the surface or the ground, most of which occurs in areas that are not water stressed.

In 2019, our sea water extraction accounted for 96% of our total water consumption, amounting to 1,012 million cubic meters. The total fresh water extracted was 21.5 million cubic meters.

# Environmental Stewardship

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

## Water Consumption (Million m<sup>3</sup>)

2019



Fresh Water Extracted



Sea Water Extracted



Utility Water Consumption

## Water Consumption Intensity

2019



Fresh Water Intensity (m<sup>3</sup>/t)

Water discharged back into the sea amounted to 99.6% of the total sea water extracted. The quality of discharged water is monitored on an hourly basis throughout the year according to all the required regulations by the Ministry of Environment and Climate Affairs in Oman.

The aspects in which the quality of water is monitored and controlled are governed by the Ministerial Decision 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 monthly basis. In 2019, 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.

## Discharged Water Quality

2019 Boundaries



PH



Water Temperature



Chemical Oxygen Demand (COD)



Biochemical Oxygen Demand (BOD)



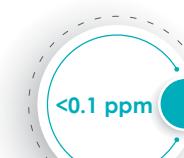
Oil & Grease



Residual Chlorine



Ammonia Nitrogen



Sulphide



Benzene

# Environmental Performance

(103-1, 103-2, 103-3, 306-2)

## Waste Management

In our businesses and supply chains, we aim to lower all generated waste from our operations and continue to explore recycling and reuse opportunities wherever possible whilst working alongside public and private partners to ensure that all our waste, whether hazardous or non-hazardous, is disposed of in the most environmentally-friendly and safe manner possible. Our waste is managed responsibly at all our facilities, where we comply with local regulations and hire licenced waste collection, disposal, and treatment companies to handle our waste.

Our waste streams include both liquid and solid wastes, which are either hazardous or non-hazardous in nature. All waste generated across our operations is effectively monitored and managed by the category of waste and disposal method used. Wherever possible, we recycle large amounts of our generated waste to be used in energy recovery or as by products in other industries.

In 2019, 91% of our hazardous waste at OQ Chemicals was reused for energy recovery, which amounts to 69% of OQ's total hazardous waste generation. The remaining amount of hazardous waste is disposed through nationally approved third-party service providers. The volume of recycled waste for 2019 amounted to 11,254 tonnes, 60% of which was reused in the cement industry.

## Waste Generated (Thousand Tonnes)

2019



Hazardous Waste



Non-hazardous Waste



Total Waste Generated

# 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	Page Number(s), URL reference, or notes.
<b>GRI 101: Foundation 2016</b>		
<b>GRI 102: General Disclosures 2016</b>		
Organizational Profile	102-1	Name of the organization
	102-2	Activities, brands, products, and services
	102-3	Location of headquarters
	102-4	Location of operations
	102-5	Ownership and legal form
	102-6	Markets served
	102-7	Scale of the organization
	102-8	Information on employees and other workers
	102-9	Supply chain
	102-10	Significant changes to the organization and its supply chain
	102-11	Precautionary Principle or approach
	102-12	External initiatives
	102-13	Membership of associations
Strategy	102-14	Statement from senior decision-maker
Ethics and Integrity	102-16	Values, principles, standards, and norms of behavior
Governance	102-18	Governance structure <a href="https://oq.com/en/about-oq/who-is-who/board-and-leadership-team">https://oq.com/en/about-oq/who-is-who/board-and-leadership-team</a>
Stakeholder Engagement	102-40	List of stakeholder groups
	102-41	Collective bargaining agreements 39.5% of employees are covered by collective bargaining agreements.
	102-42	Identifying and selecting stakeholders

GRI Standards		
GRI Standard	Disclosure	Page Number(s), URL reference, or notes.
Reporting Practice	102-43	Approach to stakeholder engagement
	102-44	Key topics and concerns raised
	102-45	Entities included in the consolidated financial statements
	102-46	Defining report content and topic Boundaries
	102-47	List of material topics
	102-48	Restatements of information
	102-49	Changes in reporting
	102-50	Reporting period
	102-51	Date of most recent report
	102-52	Reporting cycle
	102-53	Contact point for questions regarding the report
	102-54	Claims of reporting in accordance with the GRI Standards
	102-55	GRI content index
	102-56	External assurance This report was not externally assured.
<b>Material Topics</b>		
<b>GRI 200 Economic Standard Series</b>		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary
	103-2	The management approach and its components
	103-3	Evaluation of the management approach
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed

# GRI Standards Content Index

GRI Standards			
GRI Standard		Disclosure	Page Number(s), URL reference, or notes.
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	55
	103-2	The management approach and its components	55
	103-3	Evaluation of the management approach	55
GRI 203: Indirect Economic Impacts 2016	203-2	Significant indirect economic impacts	55
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	61
	103-2	The management approach and its components	61
	103-3	Evaluation of the management approach	61
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	61
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35
	103-2	The management approach and its components	35
	103-3	Evaluation of the management approach	35
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	35
GRI 300 Environmental Standard Series			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	71
	103-2	The management approach and its components	71
	103-3	Evaluation of the management approach	71
GRI 302: Energy 2016	302-1	Energy consumption within the organization	72
	302-3	Energy intensity	72
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	72
	103-2	The management approach and its components	72
	103-3	Evaluation of the management approach	72

GRI Standards			
GRI Standard		Disclosure	Page Number(s), URL reference, or notes.
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	73
	303-2	Management of water discharge-related impacts	73
	303-3	Water withdrawal	73
	303-4	Water discharge	73
	303-5	Water consumption	73
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	70
	103-2	The management approach and its components	70
	103-3	Evaluation of the management approach	70
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	70
	305-2	Energy indirect (Scope 2) GHG emissions	70
	305-3	Other indirect (Scope 3) GHG emissions	70
	305-4	GHG emissions intensity	70
	305-6	Emissions of ozone-depleting substances (ODS)	71
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	74
	103-2	The management approach and its components	74
	103-3	Evaluation of the management approach	74
GRI 306: Effluents and Waste 2016	306-2	Waste by type and disposal method	74
	306-3	Significant spills	46
GRI 400 Social Standard Series			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	41
	103-2	The management approach and its components	41
	103-3	Evaluation of the management approach	41
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	41

# GRI Standards Content Index

GRI Standards			
GRI Standard		Page Number(s), URL reference, or notes.	
<b>GRI 400 Social Standard Series</b>			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	45
	103-2	The management approach and its components	45
	103-3	Evaluation of the management approach	45
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	45
	403-2	Hazard identification, risk assessment, and incident investigation	45
	403-3	Occupational health services	45
	403-4	Worker participation, consultation, and communication on occupational health and safety	45
	403-5	Worker training on occupational health and safety	45
	403-6	Promotion of worker health	45
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	45
	403-9	Work-related injuries	45
	103-1	Explanation of the material topic and its Boundary	44
GRI 103: Management Approach 2016	103-2	The management approach and its components	44
	103-3	Evaluation of the management approach	44
	404-1	Average hours of training per year per employee	44
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	41
	103-2	The management approach and its components	41
	103-3	Evaluation of the management approach	41

GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	41
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35
	103-2	The management approach and its components	35
	103-3	Evaluation of the management approach	35
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	35
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35
	103-2	The management approach and its components	35
	103-3	Evaluation of the management approach	35
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	35
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35
	103-2	The management approach and its components	35
	103-3	Evaluation of the management approach	35
GRI 412: Human Rights Assessment 2016	412-2	Employee training on human rights policies or procedures	35
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	48
	103-2	The management approach and its components	48
	103-3	Evaluation of the management approach	48
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	48