

Strategic report (continued)

posing challenges to the oil and gas industry. CO2 emissions arising from the burning of fossil fuels in oil and gas fields will continue without a mature and reliable CO2 reduction technologies in place. The Company expects its subsidiaries to be supervised by relevant agencies and organisations in the future. If they are unable to find economically viable and publicly acceptable solutions that could reduce CO2 emissions from new and existing projects, they may experience additional costs, and our reputation may be adversely affected. The Company is classed as low energy user and is not itself required to make the detailed disclosure of energy and carbon information. Energy and Carbon emission disclosures are reported separately by the operating subsidiary, CNOOC Petroleum Europe Limited.

At present, some countries have accelerated the global transition to low-carbon clean energy by setting emission reduction standards, strictly implementing the renewable energy proportion plan, levying high carbon taxes, and enacting strict regulatory bills and other relevant measures. Green and low-carbon transformation may lead to intensified competition in the energy supply market, resulting in an increase in our operating costs.

Section 172 (1) statement

Section 172 (1) of the Companies Act 2006 requires a Director of a Company to act in the way he or she considers, in good faith, would most likely promote the success of the Company for the benefit of its members. In so doing, a Director is to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term.
- interests of the Company's employees.
- need to foster the Company's business relationships with suppliers, customers, and others.
- impact of the Company's operations on the community and environment.
- desirability of the Company maintaining a reputation for high standards of business conduct, and
- need to act as between members of the Company.

As the Board of Directors of the Company ("the Board"), we have regard to the Section 172(1) matters set out above as well as other factors which we consider relevant to the decisions being made. These factors include the interests and views of our shareholder, subsidiary companies, and ultimate parent company. We acknowledge that every decision we make will not necessarily result in a positive outcome for all our stakeholders, however, by

considering the Company's purpose, vision, and values together with its strategic priorities and having a process in place for decision-making, we aim to make sure that our decisions are consistent and predictable.

Board Meetings are held periodically where the Directors consider the Company's activities and make decisions. As part of these meetings, the Directors receive information on Section 172(1) matters when making relevant decisions. This is done through the discussion and deliberation of reports such as the Company's financial statements, tax strategy and proposed work program and budgets, which are sent in advance of Board meetings for the Directors to consider. As a result, we understand the nature of our stakeholders' concerns and can comply with our Section 172 duty to promote the success of the Company.

Each year, we assess the strength of the Company's statement of financial position and prospects relative to market uncertainties and make decisions about the payment of a dividend. In determining whether to make a dividend payment, we consider a range of factors including, the long-term viability of the Company, its expected cash flow and financing requirements, the ongoing need for strategic investment in our business and the expectations of our shareholder as supplier of long-term equity capital to the Company.

CNOOC UK Limited

Strategic report (continued)

As the principal activity of the Company is to act as a holding Company and to provide loan facilities to subsidiary and affiliate undertakings, the Company has had no commercial business and has had no employees, customers, or suppliers during the period.

As such, the breadth of stakeholder considerations that would often apply in operating or commercial trading companies have generally not applied to the decisions made by the Directors.

Approved by the Board of Directors and signed on behalf of the Board



Director

Q. Jiang

21 June 2023



Director

Q. Ma

21 June 2023

Directors' report

The Directors present their annual report together with the audited financial statements for the year ended 31 December 2022.

Dividends

The Directors did not approve dividends for 2022 (2021: US \$200 million).

Going Concern

The Company had cash and cash equivalent deposits of US\$ 1,327 million at 31 December 2022, which had risen to US \$1,166 million at 31 May 2023. Cash and cash equivalents include cash swept from the Company's subsidiaries, which is held for and on behalf of those subsidiaries. In addition, the Company has a loan facility with its parent company under which it is contractually entitled to draw up to an additional \$500 million as at the 31 December 2022. The Company, subsequent to year end, achieved an extension to the loan facility maturity date by one year, to 31 December 2025 and increased the facility funding limit, from \$500 million to \$1,500 million. Refer to note 15.

At 31 December 2022, the Company had current liabilities of US\$ 1,457 million principally due to its parent and subsidiaries and as described in note 14, the Company has facility to provide further loan advances to its subsidiaries, if required (notes 10 and 15). Within current liabilities is a loan from an affiliated undertaking of US\$ 775 million, which is due for repayment in July 2023 as described in note 14.

As at the date of this report, the Company has performed a review of the Company's forecast in comparison with committed facilities. Based on this assessment the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period to 30 September 2024. The assessment included forecasting cash flows under a base-case scenario, and an extreme-worst case scenario.

Under the base case, which assumes commodity prices and operating conditions similar to the current environment through the going concern assessment period, the Company's operating subsidiaries generate sufficient cash flows to cover their operating and capital costs and pay dividends to the Company and the Company will repay the \$775 million loan from an affiliated undertaking.

Under an extreme worst-case scenario, the directors assume that CNOOC Petroleum Europe Limited generates no revenue for the year and that it draws on the facility with the company to cover its operating costs, capital costs and tax payments, and the company's US subsidiary, CNOOC Energy Holdings U.S.A. Inc, draws down in full on the loan facilities provided by the Company. The Company will also repay the \$775

million loan from an affiliated undertaking. Under this extreme worst-case scenario, the Company is able to cover all its financial obligations through the utilisation of funds on deposit and \$1,500 million loan facility (currently undrawn) provided by its parent. The directors have made enquiries of the parent to confirm its ability to provide access to this facility should it be required.

In the event of a hypothetical worst-case scenario, the operating terms of the agreement permit the Company to rollover an existing borrowing, on the same day as the 364th day anniversary, as it is a revolving agreement and as such this would be regarded as a new loan borrowing commencing on that day/date.

The directors consider this worst-case scenario, which reflects extreme, hypothetical assumptions, to be remote given the profitability and cash flow generation of the Company's subsidiaries in the current price environment and based on external projections of commodity prices and demand for hydrocarbons.

Accordingly, the Company continues to adopt the going concern basis in preparing the annual report and financial statements. In making their going concern assessment for the period until 30 September 2024, the Directors have considered the risks and uncertainties described in the Strategic Report on page 2 to 3.

Future Prospects

Directors remain satisfied with the current level of investment and confident in its ability to generate positive cashflows over the coming years.

Directors

The Directors of the Company during the year and at the date of signing the annual report were as listed below:

Directors	Date of appointment	Date of resignation
L. Kuang	04 Jun 2020	06 Apr 2022
Q. Jiang	04 Jun 2020	-
Y. Liu	10 Aug 2020	-
A. O'Brien	07 Dec 2021	-
Q. Ma	11 Apr 2022	-

Political donations

No political donations were made during the year ended 31 December 2022 (2021: US\$ Nil).

Directors' report (continued)

Directors' indemnities

The Directors have the benefit of the indemnity provision contained in the Company's Articles of Association. This provision, which is a qualifying third-party indemnity provision as defined by Section 236 of the Companies Act 2006, was in force throughout the financial year and is currently in force.

Financial risk management objectives and policies

The company's principal receivables are with subsidiaries and affiliates. The Company's principal financial liabilities are amounts owed to affiliates and subsidiaries. Credit and liquidity risk is managed by the centralised treasury function of the parent company to fully utilise funds. On-demand deposits are recalled upon alignment with all entities. The treasury function has access to third party funding sources to enable the Company's obligations to be met should the need arise.

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios to support its business and increase shareholder value. The Company manages its capital structure and adjusts it as needed to respond to changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2022 or 31 December 2021.

Corporate Governance Arrangements Statement

Under the Companies (Miscellaneous Reporting) Regulations 2018 ("the Regulations"), the Company is required to provide a statement of its corporate governance arrangements for the year.

The Company is a private intermediate holding company with a Board of four Directors. The Board understands its Section 172 responsibilities which include, inter alia, maintaining good corporate governance standards within the Company. The Board is accountable to its Shareholder and understands that good corporate governance is important for the success of the Company. As detailed in the Section 172(1) statement, during the year, the Board also received reports on the affairs of the Company which are sent to the Directors in advance of Board Meetings for the Directors to consider.

The Board understands the Regulations as well as the provisions of the new Wates Corporate Governance Principles for large Companies ("Principles"). The Board adheres to the Regulations, however due to several factors; the new reporting requirement not application to the Company and accordingly the Board has decided not to apply the Principles. Such factors include that the Company is an intermediate holding company, which has had no commercial business and

has had no employees or customers during 2022 and none of its subsidiary companies meet the requirement to comply with the Principles. The Board's decision not to apply the Principles will be reviewed again at the end of 2023.

Although there are no independent Directors on the Board, the Directors are highly experienced business leaders and frequently consider the interests of the stakeholders in their decision-making processes as detailed in the Section 172(1) statement. As the Company is an intermediate holding Company within the CNOOC Limited Group, the Directors believe that the Board is of an appropriate size and composition.

Each of the persons who are a Director at the date of the approval of this report, confirms that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of the information.
- This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor

Ernst & Young LLP was re-appointed as the auditors of the Company for the year ended 31 December 2022 and has audited the accompanying financial statements.

CNOOC UK Limited

Directors' report (continued)

Events after the Reporting Period

Subsequent to 31 December 2022, the undrawn short-term loan facility with parent company CNOOC International Limited, was increased in value by \$1,000 million, to a total of US\$ 1,500 million and the loan maturity date extended by one year, to 31 December 2025 (refer to note 17) (2021: US \$500 million) this was effective 14 March 2023. The operating terms of the agreement permit the Company to rollover an existing borrowing, on the same day as the 364th day

anniversary, as it is a revolving agreement and as such this would be regarded as a new loan borrowing commencing on that day/date. In addition, the partially drawn loan with subsidiary, CEHU, was increased in value by US \$100 million to a total of US \$900 million effective on the 26 April 2023.

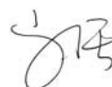
Approved by the Board of Directors and signed on behalf of the Board



Director

Q. Jiang

21 June 2023



Director

Q. Ma

21 June 2023