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.

Brexit: With regard to the UK’s exit from the European Union on 31 January 2020 (“Brexit”), the EU and the UK have reached an agreement on a new trade arrangement, which applied provisionally as of the 1 January 2021and came into force on 1 May 2021. However, there are still uncertainties about the actual consequences of Brexit, including the possibility that Brexit will lead to instability in the financial, stock and currency exchange markets, and the possibility that the supply and availability of goods and services between the UK and the EU will be further restricted.

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
13 December 2022

Director
Q. Ma
13 December 2022

CNOOC UK Limited

Directors' report

The Directors present their annual report together with the audited financial statements for the year ended 31 December 2021.

Dividends

The Directors approved interim dividends totalling US $200 million, for 2021 (2020: US $ Nil).

Going concern

The Directors have, at the time of approving these financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for a period to 31st December, 2023. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements. Further details regarding the adoption of the going concern basis can be found in Note 2 to the financial statements.

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
J. D. Doyle	16 Oct 2014	25 Aug 2021
L. Kuang	20 May 2021	06 Apr 2022
Q. Jiang	20 May 2021	
Y. Liu	10 Aug 2020	
A. O'Brien	07 Dec 2021	
Q. Ma	11 Apr 2022	

J. D. Doyle was appointed as Company Secretary on 23 March 2016 and resigned on 25 August 2021. P. Gunn was appointed as Company Secretary on 7 December 2021.

Political donations

No political donations were made during the year ended 31 December 2021 (2020: US$ Nil).

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 2021 or 31 December 2020.

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 2021 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 2022.

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 appointed as the auditors of the Company for the year ended 31 December 2021 and has audited the accompanying financial statements.

Events after the Reporting Period

Dividends were received from its subsidiary, CNOOC Petroleum Europe Limited ("CPEL") on 31 May and 6th October 2022 totalling US $400 million and were settled against the short-term deposit with the Company.

The recent conflicts between Russia and Ukraine have pushed up the global prices of energy, exacerbated tensions in the global industrial chain and supply chain, increased inflationary pressure in various countries and slowed the global economic growth. Oil prices are expected to continue to fluctuate under geopolitical pressure. Macro economy changes are expected to affect the supply and downstream demand for oil and gas, which could have an adverse impact on the Company's performance.

On 26 May the UK Government announced an Energy Profits Levy (EPL). The 25 percent levy applies to UK Oil and Gas profits in addition to the ring fence corporation tax at 30 percent and the supplementary charge to corporation tax of 10 percent. The new tax applies to some of the subsidiaries of the company. The legislation was substantially enacted on 14th July 2022. On 17 November 2022 the UK Government announced a further 10 percent increase of Energy Profits Levy to 35 percent from 1 January 2023. The Bill is expected to be substantially enacted by 31 December 2022.

On 16 August President Biden signed into law the Inflation Reduction Act. This contains a number of US tax reforms including a 15% corporate alternative minimum tax ("CAMT") based on book income which applies to a US corporation that is a member of a foreign-parented multi-national group where both the US corporation and the foreign-parented group meet certain thresholds. The CAMT may apply to some of the subsidiaries of the company and, if so, will apply to tax years of the subsidiaries beginning after 31 December 2022 (refer to note 17).

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

Director	Director
Q. Jiang	Q. Ma
13 December 2022	13 December 2022