



**Corporate
Social Responsibility**
Human Resources
Technology



Corporate Social Responsibility

"In view of the scientific concept of development, enterprises are much more expected to repay the society. Therefore, we should actively undertake our social responsibility while fulfilling our economic responsibility."

----- Jiang Jiemin

Enterprises are cells of social structure and are obliged to undertake and perform their due social responsibility to promote the harmonious development of the society. With "Caring for energy, Caring for you" as our mission, CNPC always adhere to permeate the social responsibility consciousness through out its daily production and operation activities of each employee.

Health

We attach high importance to employees' health in conformity of the guidelines "people and health first" and "giving priority to prevention". We strengthened monitoring on employees' occupational health as well as the occupational-disease inductive factors in operational premise with regarding to the poor environment, high flow rate, intense labor work and variety of occupational diseases in oil industry.

From June to September, 2006, we conducted a comprehensive survey of occupational-disease inductive factors in various production premises covering oil and gas production, refining and chemicals, well drilling, geophysical prospecting, well logging, downhole operation, pipeline engineering, and material and equipment manufacturing. We specially checked hazardous factors, types of hazards, and protective facilities and equipments in operational sites and took active measures according to the situation.

Regarding the fact that grass-root employees and field workers account for majority in CNPC, we take their physical and psychological health as the key part of our occupational health work. We dispatched 20 occupational health teams to offer medical inspection for our staff at production and field operation posts for three consecutive years. In 2006, 219,000 employees in special positions received health check, reaching a check rate of 95.9%.

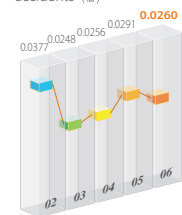
Safety

Oil industry is featured by "high investment, high yield" with high safety and high environmental risks, leading to the heavy and complicated environmental and safety protection work of every oil company which should be carried out persistently in a long term. In 2006, we substantially consolidated our safe operation basis by taking advantage of "Safety and Environmental Protection Year" with focuses on strengthening three fundamentals, fighting against three rule-breaking behaviors, promoting up-to-standard rate, and eliminating hidden hazards. 37 production control, safety and environmental protection systems including the Decision on Further Strengthening Safe Production Management and the Implementation Advice on Further Strengthening Well Control Management have been executed. And 7 company standards like the Field Safety Inspection Regulations have been issued. Safety management in five key aspects, namely the major danger sources, risk and emergency response, construction site, firefighting, and traffic, has been further improved.

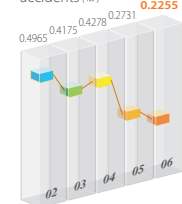
To enhance the preventive capability against emergencies and accelerate the establishment of a comprehensive emergency response system, we further perfected the safety and environmental emergency response mechanism, compiled the General Emergency Response Program and specific matching plans, and established information issuance mechanism. To meet the demand of off-shore operations, we set the Offshore Emergency Response and Rescue Center to take charge of reactions against offshore accidents, including people rescue, firefighting, oil-spilling treatment, and key project safeguard.

In 2006, we invested heavily to potential safety and environmental hazards control. 41 sets of chemical installations with serious potential hazards were shut down. Number of accidents, casualties and economic losses were reduced by 6.3%, 4.1% and 47.8% respectively compared to those of the previous year.

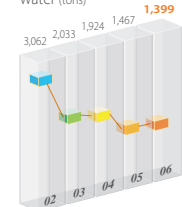
Fatality rate per thousand in accidents (%)



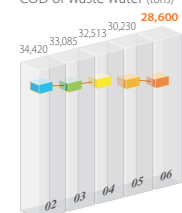
Fatality rate per thousand vehicles in traffic accidents (%)

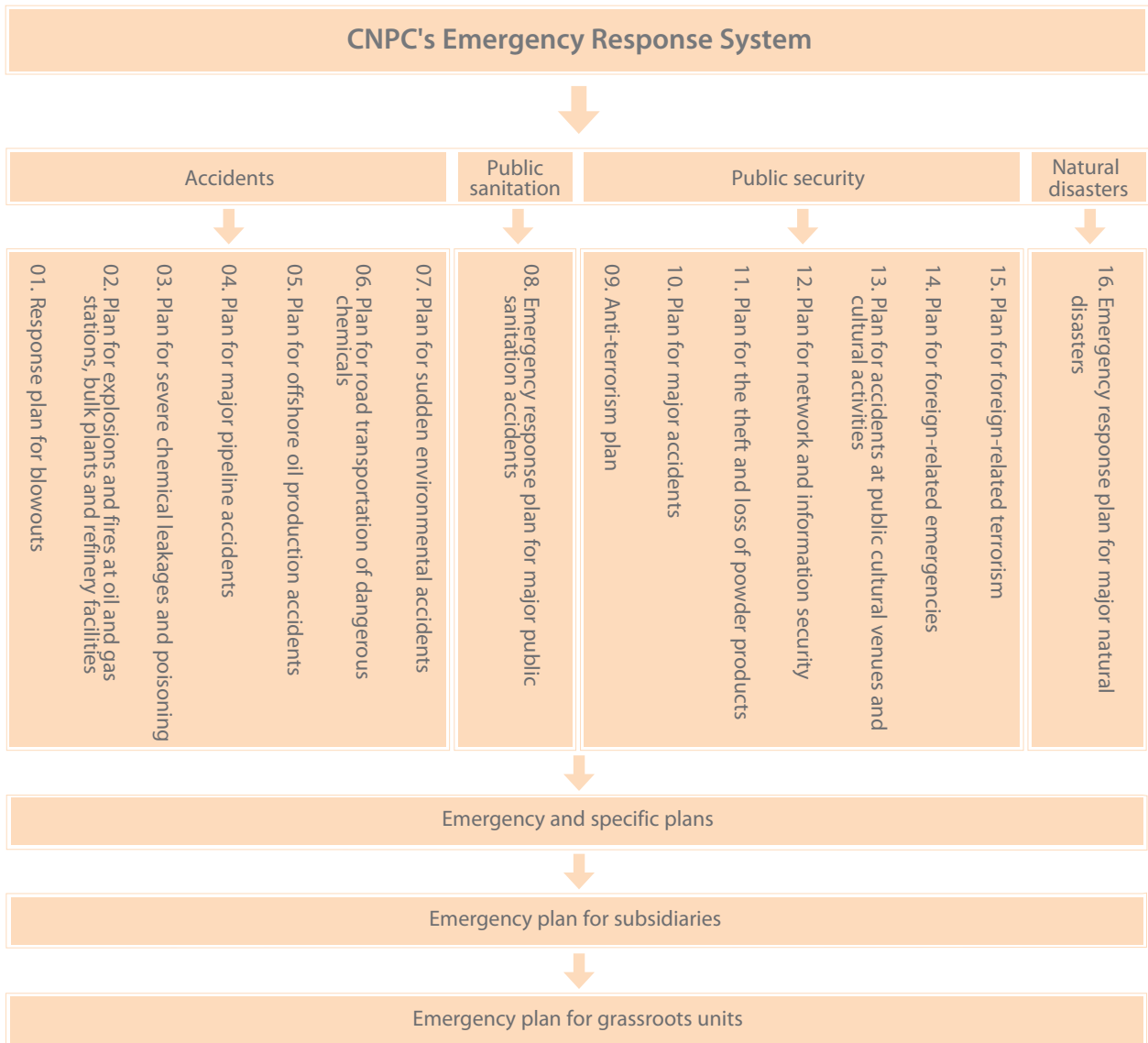


Oil discharged in waste water (tons)



COD of waste water (tons)







Environment

Environmental protection is a key part of corporate social responsibility. In strict conformity of environmental laws and regulations, we actively promote clean operation and strive to build an environment-friendly enterprise to realize a harmonious development between operation and environmental protection.

ISO14001 Environmental Management System has been adopted to continuously improve our environmental management performance. By 2006, CNPC's 135 subsidiary companies passed ISO14001 certification or obtained Environmental Labeling. Environmental factor identification and selection program was carried out in the whole corporation, and the Technical Guidelines for Identification and Selection of Environmental Factors was issued and environmental management plans and emergency response plans were compiled to control and monitor hidden hazards and emergencies. Besides, we also established the environmental protection fulfillment accountability system and included environmental protection indexes, e.g. pollution control and rate of standard discharge, into the comprehensive performance assessment for enterprise management and operation. Annual environmental protection index system was established to ensure dynamic monitoring of total pollutant discharge and management at each level.

We adopted strict environmental impact assessment for all projects and established a "Three-tier HSE Management" system to ensure that environmental protection facilities and the main part of a project are designed, constructed and completed simultaneously. In 2006, we achieved 100% fulfillment of environmental impact assessment and environmental protection checking and approval. We continued to execute three-level prevention and control program for enterprises with operation zones near river, lake or other public water environment. 123 three-level prevention and control programs were executed in 2006.

In terms of clean production, we attached considerable importance to on-site environmental protection. We launched "green" operation demonstration activity and clean production technology innovation program, and a series of new technologies and new equipments were developed, ranging from clean production in well drilling, ecological protection in pipeline construction to recycle of refinery sewage and reduction of greenhouse gas emission.

In 2006, with oil and gas production, crude runs, and major chemicals

production continuously increasing, the discharge of COD and oil-type pollutants were reduced by 5.4% and 4.6% respectively compared to those in 2005. On June 9, West-East Gas Pipeline Engineering Project and Xinjiang Shixi Oilfield were awarded "National Environment Friendly Project", the top award of environmental protection for construction projects in China. Liaohe Oilfield Huanxiling Oil Production Plant was honored the "National Environment Friendly Enterprise in 2006".

Conservation-minded Enterprise

Rational development and use of resources is the prerequisite for sustainable social development. Saving resource has become a common responsibility and action of the whole society. As a resource-excavating company, we attach greater importance to resource conservation than to resource excavation. As required by the Commitment on Resource Conservation signed by CNPC and the Chinese Government, we launched a campaign of constructing a conservation-minded company, adhering to the principle of "combination of development and conservation with conservation as the priority". By establishing an effective award and punishment mechanism, we included the construction of a conservation-minded enterprise as a key item for assessing subsidiary's performance. In 2006, we promoted the example energy-saving and water-saving projects and companies in the field of oil and gas production, refining and chemicals, tight-pipe operation, sea water desalination, and oil saving and substitution. We also promoted the application of directional and horizontal well drilling technologies to realize land conservation. In conformity of the recycling economy principles, we used resources comprehensively by recycling and using emitted energy, waste heat and pressure, waste water, and coal ash. Effective measures and actions helped us achieve evident results in the construction of a conservation-minded company. Through these efforts, 1.5 million metric tons of coal and 70 million cubic meters of water were saved in 2006.



Public Welfare

We take social development and supporting public welfare as the key part in fulfilling our social responsibility. We actively participate in disaster relief, donations to education and act as a sponsor for cultural and sports events for public interest.

Important social welfare undertakings of CNPC in 2006:

- Donate RMB 36 million to disaster-hit areas in Guangdong, Hunan, and Chongqing.
- Donate RMB 10 million to China Disabled Persons' Federation.
- Participate in "Land of Love, Water Cellar for Mothers" Program initiated by All-China Women's Foundation and donated RMB 10.3 million in total, which could help build over 10,000 water cellars in West China.
- Sponsor "CNPC Cup" International Touring Assembly for promoting a closer tie between China and ASEAN.

We also took advantage of our own growth to promote local economic and social development to benefit and contribute to the society. Taking PTMEG Project at Qianguo Petrochemical for an example, furfural is the raw material for producing PTMEG; it is made from corncobs; the production of 20,000 tons of PTMEG need 30,000 tons of furfural, and every 11 tons of corncobs could produce one ton of furfural. Thus, the project requires 330,000 tons of corncobs every year, which could bring an additional income of RMB 1,500 per hectare for local corn-growing farmers. PTMEG Project plays an active role in increasing farmers' income, accelerating the pace of countryside development, and promoting recycling agriculture.

Protection of World's Largest Reed Marsh

CNPC Liaohe Oilfield is located in the famous Shuangtai River Mouth Marsh Conservation and has thousands of oil wells scattering in the widest reed marsh. In August, 2006, four consecutive rainstorms struck the area, and oil wells were submerged. Liaohe Oilfield immediately launched its Anti-flood Environmental Protection Plan, and no single oil well spilled any oil to the reed marsh.

Thirty years ago, the total area of the reed marsh in Liaohe Delta was less than 80,000 hectares. With the common efforts of Liaohe Oilfield and local government, the reed marsh has covered an area over 100,000 hectares nowadays, making it world's largest reed marsh. Under this marsh, there lies "world's heaviest" Liaohe heavy oil and

ultra heavy oil, and million tons of annual productivity has been achieved over the past thirty years. Heavy oil accounts for 60% of the total production of Liaohe Oilfield, making it the biggest heavy oil and ultra heavy oil production base in China.

In engineering construction, Liaohe Oilfield strictly complies with environmental laws and regulations and achieves 100% up-to-standard waste water drainage, oil sludge treatment, well-drilling waste treatment, and waste mud treatment. In 2006, the company invested RMB 20 million to the testing and reconstruction of oil-gas-water pipeline system to prevent potential hazards. The increasing investment in environmental protection guaranteed the prosperous growth of the great reed marsh.

Additionally, we drilled horizontal wells and cluster wells in this area in 2006 so as to not only save land but also better protect the natural landscape and water resource.



Green Corridor in Desert

In 2006, the Shelter-forest Project for Tarim Desert Highway, a joint project by CNPC and Chinese Academy of Science, was completed and put into use. The three-year project with a total investment of RMB 218 million furnished a green corridor for the 562km-long highway across the Taklimakan Desert.

Tarim Desert Highway was completed in 1995. It is a vital artery for developing southern part of Xinjiang autonomous region and exploiting oil and gas resources in Tarim area. The highway had been constructed with a mechanical sand-defense system which helped protect the safe and smooth traffic in early period. However, as time went by, the mechanical system became obsolete. To radically treat the sand problem and improve ecological environment along the highway, in 2003, we started the cooperation with Chinese Academy of Science to carry out the Shelter-forest Project for Tarim Desert Highway.

The Shelter-forest Project is 436km in length and 72-78 meters in width, covering a total area of 3,128 hectares with 20.74 million drought enduring plants like Chinese tamarisk, *H. ammodendron* and calligonum. We conducted pilot test and successfully found a way to watering suitable plants by high salinity groundwater in the desert. In-situ water collection, disperse water supply and drop irrigation via pipeline was adopted throughout the highway, and a number of major technical problems in planting and growing trees had been solved. With these efforts, the survival rate of plants exceeded 80% in the extremely rigorous climate.

The implementation of the Shelter-forest Project helped us form a relatively complete theoretical and technical system for the ecological sand-defense of desert highway, providing valuable experience for the future large-scale shelter-forest engineering in desert area.

Safe Water for Residents in Yan'an

Wangyao Reservoir, located in Ansai County, Shaanxi Province, is a large multi-function reservoir with a capacity of over 200 million cubic meters and controls a drainage area of 820 square kilometers. In 2002, Wangyao Reservoir was appointed a key water source for Yan'an, Shaanxi Province. In the meantime, the area 100m margin outside the reservoir's capacity and 1,000m up the main stream were designated as a National First-class Water Source Conservation area.

Coincidentally, major oil producing blocks of CNPC Changqing Ansai Oilfield is just located in the upper reach and surroundings of Wangyao Reservoir. Strict environmental protection standard, therefore, had been taken in the very beginning of the oilfield construction. We carried out comprehensive treatments along the two sides of the river in reservoir area and promoted the principle of "clean and civilized well site." We reinjected all the produced water after careful treatment to ensure local water safety. However, as the conservation area expanded, 102 licensed oil wells were included into the water source conservation area and must be shutdown, although the total investment of these wells was RMB 200 million with an annual oil production of 80,000 to 100,000 tons. Shut-in of these wells meant great loss to the company.

However, for the interest of local people, in early 2006, Changqing Ansai Oilfield decided to retreat from the conservation area: all 102 oil wells were permanently closed, three oil gathering and transportation stations, 26 oil gathering pipelines and 6 pipeline bridges were moved. Since all of the closed wells were in production peak and may operate for another 20 years, the accumulative loss reaches over RMB 5 billion.

Water Cellar

Poor rainfall and quick evaporation make Loess Plateau in West China dry at most time of a year. Water there is in serious short. The drinking water for people and livestock almost rely on rain. Therefore, water cellar becomes a popular, convenient and economical rain water-cumulating facility in the area to relieve water shortage. A 36-cubic-meter water cellar can provide enough drinking water for a family of five for a year, and two such cellars can help a family grow 6.7 ares of cash crop in courtyard and engine the family to development. The "Land of Love, Water Cellar for Mothers" Program, initiated by All-China Women's Foundation aiming at improving women's life in rural areas of West China, advocates people to donate for the construction of water cellar to help people in the West.

We took this public welfare undertaking seriously and organized a donation activity among all our staff from top managements to the site workers. Totally RMB 10.3 million were collected, which can help construct over 10,000 water cellars and relieve water shortage for over 10,000 families in West China.



Green Carbon Fund

As an initiator, CNPC established “China Green Carbon Fund” jointly with the State Forestry Administration to support and promote forestry carbon sequestration project. The objectives of the project are to promote tree planting and afforestation, carbon sequestration and exhaust minimization and help improve ecological environment and relieve global climate change.

Along with the implementation of Kyoto Protocol globally, the improvement of ecological environment and relief of global climate change are arousing more people’s attention. Preventing global warming may be realized in two ways: one is to reduce the emission of industrial carbon dioxide; the other is to increase forestry coverage. Forest can absorb carbon dioxide via photosynthesis and provide oxygen. As a matter of fact, forest and forestry soil stores about 80% of ecological carbon dioxide of the earth.