



CNPC in Kazakhstan
Sustainability Report 2008

About This Report

This is the first time that China National Petroleum Corporation (CNPC) publishes its sustainability report in Kazakhstan.

Company: China National Petroleum Corporation

Time span: 1997-2008

Reporting principles: Objective, standard, credible and open.

Report content: CNPC's achievements in the sustainable economic, environmental and social development in Kazakhstan.

Information source: Information and statistics provided by CNPC and its subsidiaries in Kazakhstan, after being duly reviewed by the departments in charge.

Abbreviations: China National Petroleum Corporation is also called "CNPC", "the company", "we" and "us" in this report.

References: *The Sustainability Reporting Guidelines 2006* by Global Reporting Initiative (GRI) and *Oil and Gas Industry Guidance on Voluntary Sustainability Reporting*.

Languages: Chinese, Kazakh, Russian and English. The Chinese edition shall prevail in case of any discrepancy.

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China National Petroleum Corporation (CNPC) is one of the largest oil and gas producers and suppliers in China with businesses covering a broad spectrum of oil and gas exploration and production, oilfield services, petroleum engineering construction, petroleum equipment manufacturing, financial service, and new energy development. At present, the company has oil and gas investment in 29 countries and provides oilfield service in 44 countries and regions across the world. CNPC was ranked 25th in Fortune magazine's top 500 enterprises and was the fifth among the world's top 50 petroleum companies in 2008.

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President's Message

The Republic of Kazakhstan is a close friend and neighbor of the People's Republic of China. As early as 2,000 years ago, the Silk Road brought the people of two countries closer together. Since its independence, Kazakhstan has focused on economic development and improving people's living standards, formulating a series of incentive policies to attract foreign investment. In 1992, China and Kazakhstan established diplomatic relations. Economic, trade, transportation, energy and security cooperation has further strengthened the strategic partnership of the two countries, among which energy cooperation plays a very important role. Since 1997, we have made significant progress in the oil and gas cooperation with the strong supports from the governments.

CNPC's activities in Kazakhstan are guided by our mission of "Caring for Energy, Caring for You" as well as the principle of mutually beneficial cooperation. We know that the sustainable development of our company and the communities we operate in can only be achieved by fulfilling our economic, environmental and social responsibilities.

We are proud of our contribution to the remarkable growth of Kazakhstan since our initial operation 12 years ago in this country. Over the last decade, Kazakhstan has witnessed outstanding achievements in socio-economic development, particularly the improvement of people's living standards. As an international investor, CNPC values the opportunity to have a role played in the modernization process of the country's oil industry. Our growth here is very much conducive to the sharing of technological innovation, talent training and improved management efficiency through partnership.

Through innovation and application of our leading suitable technology, we found solutions to drill through the sub-salt reservoirs in the Kenkiyak oilfield, and realized efficient development of over 100 million metric tons of oil reserves. The "Hope Oilfield" discovered in the Pre-Caspian Basin is the very first exploration breakthrough made in Aktobe over the last ten years. The Kazakhstan-China Oil Pipeline, co-invested and constructed with KazTransOil(KTO), is Kazakhstan's first pipeline to deliver its crude oil to the global market, which is of great significance for diversifying its export routes. We care for environment and invested in the comprehensive utilization of natural gas as a way to reduce emission and improve energy efficiency. More efforts have been dedicated to protect the rights and interests of our employees, and to encourage respect for employees' diverse cultural backgrounds. This has added great value to our company. In the process of developing our businesses here, we never forget to give our support to public services in Kazakhstan, including schools, orphanages and hospitals and set up scholarships for the training of local talents. These actions indicated our delivery of commitments. Year 2007 marked the 10th Anniversary of Sino-Kazakhstan Oil Cooperation. As a participant to the Ceremony held in Aktobe, I was impressed by the warm support from the Kazakh government and people for CNPC, especially H.E President Nursultan Nazarbayev's letter on this occasion with congratulations on CNPC's achievements in Kazakhstan. CNPC AktobeMunaiGas is praised by President Nazarbayev as a model of Sino-Kazakh cooperation due to its outstanding contribution to socio-economic development.

In 2008, we set the goal of building ourselves into a comprehensive international energy company by 2020. Despite the challenges posed by the global

economic downturn, we will continue to adhere to a unified code of conduct and standards in all business regions across the world to achieve comprehensive, balanced and sustainable development.

Sustainable development is a goal, a development model as well as a process of continued improvement. It requires the joint efforts of all parties. Publication of this Report is a new milestone for us, and we will continue to keep close communication with relevant parties and partners and further consolidate the well-established relationship in this country based on energy cooperation. To be a reliable partner of this country's oil community, as always, is the goal we pursue.

Thank you for you reading this report as well as your continued attention and support.

Regional Leader Interview



Wang Zhongcai is in charge of CNPC's business operations in Kazakhstan and is also president of PK. In October 1997, he was appointed as the representative of China National Oil and Gas Exploration and Development Corporation (CNODC) in AktobeMunaiGas. From May 1999 to January 2001, he served as chairman of CNPC AktobeMunaiGas. In 2007, he was granted the Dostyk Award II for his contribution by the President of Kazakhstan.

1. Could you please outline the achievements in energy cooperation between China and Kazakhstan?

I have witnessed all the important stages of oil and gas cooperation between China and Kazakhstan, and I'm proud of what we've achieved. These results are due to the strong support of the governments of China and Kazakhstan, as well as local governments and communities, CNPC employees and all our partners.

Our operations in Kazakhstan cover a number of sectors, such as oil and gas exploration and development, refining, petrochemicals, pipeline transportation, sales, trade and oilfield service. In the past ten years, we have completed several ventures with Kazakhstan, such as the Aktobe, PK, and Kazakhstan-China Oil Pipeline projects. The company has also achieved substantial results in many respects. Technological innovation has resulted in the further growth of our exploration and development business, while standardized management

has led to more stable development and increased efficiency. Among these achievements, technology, human resources and cooperation are the three most important factors. Through the innovative integration of advanced technologies, we overcame difficulties in drilling the sub-salt reservoirs of the Kenkiyak oilfield. We used advanced exploration technologies to discover the "Hope Oilfield" with our partners, achieving an important breakthrough in crude oil exploration. The joint-stock Shymkent refinery, after management reforms and technological innovation, will continue to play an important role in providing a stable oil supply to the local market. The Kazakhstan-China Oil Pipeline has become Kazakhstan's first pipeline to transport its oil directly to the world market, and has great significance for the diversification of its crude oil exports, as well as the economic development between China and Kazakhstan. In 2007, on the 10th anniversary of oil cooperation of China and Kazakhstan, the governments of the two countries praised the results achieved by both sides, which encourages us to do even better in the future.

2. What does sustainable development mean to oil cooperation between China and Kazakhstan?

I'm very happy to see that sustainable development is encouraged by the governments of both countries. CNPC's mission is "Caring for Energy, Caring for You", which also includes the concept of sustainable development. Our company always takes economic, environmental and social factors into account, and we try to supply energy in a safer, cleaner and more efficient way.

Sustainable development underpins our strategic plans and business operations. To achieve sustainable development, we must honor our economic, environmental and social responsibilities. As a responsible partner, the principle of mutually beneficial development guides our oil cooperation with Kazakhstan. While seeking growth, we also place a high premium on our relations with government, partners, employees and local communities, in order to contribute to the healthy development of the Kazakh oil industry and the local economy. Sustainable development is a process of sustained improvement. We are willing to work with all players for the common development of our company and society.

3. How does CNPC fulfill its commitments to safety, environmental protection and employees in Kazakhstan?

We never deviate from CNPC's HSE philosophy of putting safety, the environment and people first, and always strive to do business in a safer, cleaner and more efficient way. We have invested in environmental projects such as the PK natural gas comprehensive utilization project and the Third Zhanazhol Oil and Gas Processing Plant, which not only increased energy efficiency, but also improved the local environment. As a company faced with high risks, we attach great importance to employee, contractor and transport safety. We implement unified safety management standards and an independent supervision system. Since commencing our operations in Kazakhstan, no major accidents have taken place. As people are our most valuable resource, we strive to localize our workforce, and have so far provided more than 14,800 job opportunities to Kazakh people. Our training and career development programs have improved our employees' skills and qualifications. We respect our employees and seek to promote greater understanding of their varied cultural backgrounds. Our efforts to encourage mutual respect between employees from different cultural backgrounds helped us to achieve a stable and successful takeover of PK.

4. What contribution has CNPC made to building local communities?

Our company fully recognizes its responsibilities as a corporate citizen. The wealth of a company comes from society and we should give something back to society. The company, together with its holding and joint-stock companies and joint ventures, signed the *Socio-Economic Cooperation Memorandum* with the provincial governments of the business host regions of Aktobe, Kyzylorda, Mangghystau and South Kazakhstan to support public welfare projects. We also invested in the construction of the Emba-Zhanazhol Railway, the first foreign-invested

railway in Kazakhstan. This railway not only helps employees travel to work, but has also boosted economic development in the areas near the line. We also pay close attention to the welfare of the local population. Supporting the Kazakh government's efforts to develop agriculture, we sell diesel to farmers in host areas at a preferential price every spring and autumn. Support for education is also high on our agenda. To this end, we have signed the *Agreement on Educational Cooperation* with Kazakhstan's Ministry of Education and Science. In addition, we provided USD 1.35 million to establish the Presidential Scholarship to help outstanding Kazakh students receive a higher education in China. We also provided 80 homes to Kazakh veterans of World War II. In December 2008, PK was granted the silver "Paryz 2008" prize by the Kazakh government owing to its outstanding contribution to the country's socio-economic development.

5. What is the significance of the publication of this sustainability report by CNPC?

This is the first time CNPC has issued a sustainability report on any of its overseas operations, proving that the company attaches a great deal of importance to its business in Kazakhstan. We have cooperated with Kazakhstan in oil and gas for 12 years, and to ensure further sustainable development, we need to introduce our business, environmental and social values to all stakeholders. A responsible company must pay close attention to their aspirations and needs, and increase communication and exchanges with them. In this sense, this report plays an important role in the fulfillment of the company's economic, environmental and social responsibilities, and in achieving sustainable, coordinated and common development.

Cooperation Review

Since China and Kazakhstan established diplomatic relations in 1992, Nursultan Nazarbayev, President of Kazakhstan, has visited China many times. Many Chinese state leaders, such as Jiang Zemin, Li Peng, Zhu Rongji, Hu Jintao and Wen Jiabao, have also paid visits to Kazakhstan. The important documents signed by the two countries, the *Sino-Kazakh Good-Neighborly Treaty of Friendship and Cooperation*, the *Sino-Kazakh Cooperation Strategy for the 21st Century* and the *Sino-Kazakh Economic Cooperation Blueprint*, have laid a solid foundation for the two countries' economic, trade, energy, technological, cultural and educational cooperation.

In 1997, China and Kazakhstan signed an agreement on oil and gas cooperation, officially launching their energy cooperation. In addition, China National Petroleum Corporation signed the *General Agreement on Oilfield Development and Pipeline Construction* with the Ministry of Energy and Mineral Resources of Kazakhstan.

In May 2004, Kazakh President Nursultan Nazarbayev paid a state visit to China, during which the governments of the two countries signed an agreement on establishing a Sino-Kazakh cooperation committee and a framework agreement on comprehensive oil and gas cooperation. CNPC also signed an agreement on the

construction of the Atasu-Alashankou crude oil pipeline section with KazMunaiGas. During his visit, President Nazarbayev also attended the launch ceremony of the Chinese version of his book *The Critical Decade*, whose publication was sponsored by CNPC.

In 2005, China and Kazakhstan established a strategic partnership, which further strengthened their bilateral ties. The two countries also cooperate in multilateral bodies such as the United Nations, the Shanghai Cooperation Organization and the Conference on Interaction and Confidence-Building Measures in



Asia, and continue to expand their cooperation in sectors such as the economy, trade, energy, technology, culture and education. Above all, energy cooperation has become the key element of Sino-Kazakh economic cooperation.

On December 15, 2005, the Kazakhstan-China Oil Pipeline became operational. At the launch ceremony, the Kazakh Minister of Energy and Mineral Resources said that it was a model of cooperation between the two countries, and that the nations' energy ties would continue to benefit the peoples of the two countries. Zhang Guobao, then vice-chairman of China's National Development and Reform Commission, told the ceremony that the completion of the pipeline symbolized the determination of the two countries' leaders to promote their strategic partnership, as well as their sincere wish to be good neighbors, good friends and good partners. He also said that the pipeline showed the huge potential and bright future for Sino-Kazakh cooperation, and that, as China's first cross-border long-distance crude oil pipeline, it would bring lasting benefits to the peoples of the two countries.

In 2007, a ceremony marking the 10th anniversary of Sino-Kazakh oil cooperation was held in Aktobe, Kazakhstan, to which Kazakh President Nursultan Nazarbayev, Chinese Premier Wen Jiabao, Kasymzhomart Tokayev, Speaker of the Upper House of the Kazakh Parliament, and Karim Masimov, Prime Minister of Kazakhstan, all sent congratulatory letters. Aslan Musin, Deputy Prime Minister of Kazakhstan, attended the ceremony. In his speech, he praised CNPC for the importance it attaches to fulfilling its social responsibilities. He said that CNPC had made an immense contribution to the development of the Aktobe region, and that it was his belief that CNPC AktobeMunaiGas



would have a vital role in building Kazakhstan into one of the world's top 50 economies. In his speech at the ceremony, CNPC President said that Sino-Kazakh cooperation had expanded in depth and breadth, delivering even greater economic and social benefits. He added that oil cooperation had become an integral part of Sino-Kazakh economic cooperation, further strengthening the friendship between the peoples of the two countries.

Business Overview

Kazakhstan is rich in oil and gas resources, and was one of the first countries in central Asia to develop its oil and gas resources. In 1997, when the Kazakh government started to encourage foreign investment to accelerate the development of its oil industry, CNPC entered the nation's oil and gas sector. The two countries have signed a number of agreements on oil and gas cooperation over the past 12 years. Playing a key role in the implementation of these agreements, CNPC has participated in a number of important energy cooperation projects, such as the Aktobe, PK and Kazakhstan-China Oil and Gas Pipeline projects. Our business in Kazakhstan now covers many fields, such as oil and gas exploration, refining, petrochemicals, pipeline transportation, sales, trade and oilfield service.

In Aktobe, CNPC AktobeMunaiGas, a joint venture of CNPC and the local government, is a comprehensive oil company that also engages in exploration, development, engineering service, sales and R&D. In Kyzylorda, we established a joint-stock company with KazMunaiGas, PetroKazakhstan (PK), a comprehensive oil company integrating upstream, midstream and downstream operations. In South Kazakhstan, we operate the Shymkent refinery together with KazMunaiGas. In Mangghystau, we have jointly developed the North Buzachi oilfield with Russia's Lukoil. In addition, we provide cutting-edge engineering services to Kazakhstan's oil industry.

Achievements

We have made sustained efforts to modernize the Kazakh oil industry, achieving impressive results in production, operation, safety, environmental protection, employee career development and boosting local living standards. By the end of 2008, we had invested over USD 7 billion in Kazakhstan, paid more than USD 7 billion in tax, and provided jobs to over 14,800 people.

Exploration

By the end of 2007, we had completed 4,946 kilometers of 2-D seismic lines, 3,120 square kilometers of 3-D seismic profiles, and 26.05 million metric tons of newly added proven recoverable reserves. The "Hope Oilfield" is the first major exploration breakthrough in Aktobe in the past decade. The Tuzkol-1 well can produce 70 cubic meters a day, an output that has not been achieved for 40 years in the South Turgai Basin.

Production

Through technological innovation and integration, we have turned 28 million metric tons of unusable but recoverable reserves in the Kenkiyak subsalt

oilfield into quality reserves that can be developed in a highly efficient way. We also used gas-lift oil production technology to increase and stabilize the output of the Zhanazhol oilfield in Aktobe. The output of the Kumkol oilfield in Kyzylorda has been maintained at over 6 million metric tons for five consecutive years, while the output of the North Buzachi oilfield had increased from less than 500 thousand metric tons to 1.71 million metric tons in 2008.

Refining

We upgraded the Shymkent refinery to ensure stable oil supply to the local market. Through technological upgrading, we improved our

product structure and increased production efficiency. We also formulated a long-term development plan to ensure that fuel quality meets the Euro IV standard. We also plan to establish a petrochemical production area, lift the lightweight oil recovery rate to the level of modernized refineries, and to realize mass production by increasing its annual output to 6 million metric tons.

Marketing

In addition to supplying diesel, RON 92, RON 93 and RON 96 gasoline, we have upgraded our convenience stores, which provide products and services such as lubricants, drinks, food and phone cards.

Oil and gas pipeline

Developed by CNPC and KTO, Kazakhstan-China Oil Pipeline is Kazakhstan's first pipeline to directly transport oil to the global market. It has a designed annual transportation capacity of 20 million metric tons. By the end of 2008, the pipeline had exported 12.54 million metric tons of oil. Construction of the Kazakhstan-China natural gas pipeline, developed by CNPC and KazMunaiGas, began in July 2008. It is estimated that gas will flow through one of its pipelines in 2009, while both will become operational in 2010.

Environment and safety

All CNPC companies based in Kazakhstan strictly comply with the company's HSE standards, with no major accident or environmental incident occurring over the past 12 years. CNPC's oil and gas investment unit has invested USD 445 million in environmental protection. CNPC AktobeMunaiGas and PK have also dramatically reduced environmental pollution. These two companies's environmental and economic achievements have become a model for local companies.

Employee training

We have more than 14,800 local staff, with local people accounting for 97% of our oil and gas employees. With education and training programs, we aim to improve skills and overall qualifications of our staff and encourage greater respect for employees from diverse cultural backgrounds.

Corporate citizenship

We signed the *Socio-Economic Cooperation Memorandum* with host areas. We promoted public welfare services and supported socio-economic development by improving local infrastructure and supporting education and the development of small- and medium-sized enterprises. Our public welfare investment totaled USD 50 million.



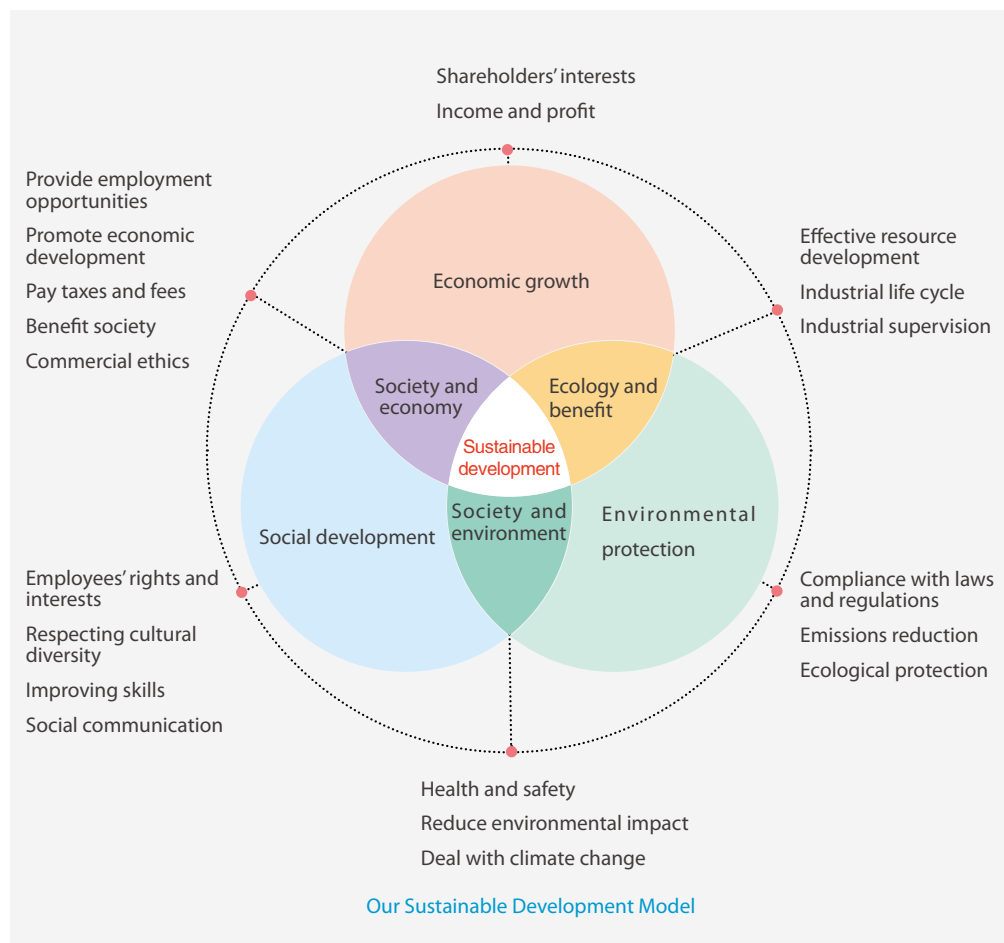
Our concept

Corporate mission: Caring for Energy, Caring for You

Values: Loyalty, respect, honest, harmony

International cooperation concept: Mutually beneficial development

Sustainable development strategy: To supply energy for sustainable social and economic development in a safer, cleaner and more efficient way, and create a better life for everyone. Fulfilling its social responsibilities is the basic precondition of the company's sustainable development. Besides public welfare and charity donations, corporate social responsibility should also be incorporated into the whole production and operation process.



Corporate Governance

Good corporate governance is the prerequisite for the high performance of a company. In order to build a comprehensive international energy company, CNPC has stepped up the development of an internationally recognized modern corporate governance system. We also strictly comply with Kazakh laws and regulations on investment, labor, mineral resources, etc, as well as international norms and relevant international laws. All of our business activities take place according to unified rules and management standards. To ensure coordinated and sustainable development, we have also improved the corporate governance system and standardized the management of the whole production and operation process.

Internal control system

To control and prevent risks, the company has strengthened risk management and internal controls. Based on the requirements of the Sarbanes-Oxley Act and actual conditions, we have established an internal control system that is compatible with actual conditions. At the end of 2006, the company completed the internal control system of CNPC AktobeMunaiGas, which streamlined its business process and enhanced its risk management capability. All our other companies based in Kazakhstan have also enhanced their internal control systems.

HSE system

The company has established and improved its HSE standards and enforced these standards in all its global businesses in accordance with the *HSE Management System Guide*. In 2008, CNPC published nine principles for HSE management in accordance with the *HSE System Development Plan*, establishing a new framework for the HSE system. The company also formulated and piloted 41 HSE systems and the CNPC *HSE Training System Improvement Plan* and *HSE Performance Management Improvement Plan*. The company also formulated the HSE Standard System List based on different units and fields, and issued *Regulations on Inspection of Safety of the Pipeline Construction Site* and the *Implementation Guide for Formulation of HSE Management Plans*, to standardize the company's HSE risk management in Kazakhstan.

Anti-corruption system

CNPC is determined to wipe out corruption wherever it appears. In 2008, the company focused its efforts on improving its management, anti-corruption and supervision systems, using performance inspections to encourage clean management. The development of the anti-corruption system made new progress and achieved new results.

Social investment

CNPC believes that social investment is not limited to charitable donations, but should also cover such fields as infrastructure construction, employee training, environmental protection, the development of small- and medium-sized enterprises, support for disadvantaged groups and the socio-economic development of the host areas. Among these, public welfare is an important priority. We have clear rules, priorities and methods for social investment in Kazakhstan, and we conduct constant supervision and assessment of the programs.

Stakeholders

To realize sustainable development, we need to balance the relations between all the stakeholders, such as government, shareholders, partners, employees, consumers, community, and non-governmental organizations(NGOs). The company should also pay attention and respond to the aspirations and needs of all the stakeholders and encourage them to be part of the fulfillment of its economic, environmental and social responsibilities so that they can grow together with the company.

Communication and interaction with our stakeholders

Stakeholders	Government	Shareholders	Partners
Attitude and principles	Comply with laws, regulations and policies; Mutually beneficial development.	Respect and returns	Equal negotiation and mutual benefits
Communication	High-level dialogue with government; Participate in discussion on policy making; Attend relevant meetings; Increase information disclosure.	Annual meeting; Annual report; Regular letter; Increase information disclosure.	Strictly enforce contracts; Contract negotiation; Enforce contract agreements; Regular meetings; High-level meetings; Daily business communication; Publish partners management rules; Share management experience; Increase information disclosure.
Actions	Comply with laws and regulations of Kazakhstan; Enforce licensing contracts; Ensure market supply; Drive development of the oil and gas industry with technology innovation; Sign the <i>Socio-Economic Cooperation Memorandum</i> .	Keep improving the company's profitability and core competitiveness; Increase its value; Minimize risks; Maintain sustainable development.	Joint compliance with national and local laws and regulations of Kazakhstan; Strictly enforce contracts as required; Implement the HSE standards.
Performance	Investment; Training; Payment of taxes and fees; Provision of job opportunities; Contribution back to communities.	Oil and gas output; Dividends.	Number and effect of enforced contracts

Employees	Consumers	Communities	NGOs
Respect human rights; Equality and non-discrimination; Protect employees' interests and rights; Promote respect for cultural diversity; Protect employees' health and safety.	Honest, friendly and quality service	Contribute to local socio-economic development through business development; Avoid negative impact from its business activities on local communities.	Listen; Communicate; Cooperate.
Hold employee representative meetings regularly; Listen to employees' suggestions; Provide compensation and welfare; Care for needy staff; Hold staff meetings; Distribute Guide for Overseas Staff; Increase information disclosure.	Understand consumer needs; Bring convenience to consumers; Random examination of product quality; Launch service quality competitions; Ask for consumer suggestions; Increase regular contact; Increase information disclosure.	Community investigation; Participate in community building; Improve community welfare based on their needs; Implement environmental protection projects; Celebration of traditional Kazakh and Chinese festival.	Participate in and support social development and environmental protection projects; Participate in relevant meetings; Conduct daily communication on major issues; Increase information disclosure.
Open recruitment; Establish trade unions; Provide physical examinations; Promote mutual respect ; Offer training and education; Plan for staff career; Improve living and working conditions of staff.	Provide quality products and service, Provide products at a preferential price; Give safety guide for free.	Sign <i>Socio-Economic Cooperation Memorandum</i> ; Help build local infrastructure; Participate in local environmental protection projects; Support development of SMEs; Care for the disadvantaged groups; Train local labor; Support cultural and sports activities	Cooperate with local trade associations; public welfare foundations; community organizations and the like.
Proportion of localized employees; Proportion of female employees; Number of staff trained; Number of staff receiving physical examinations; Vocational physical examinations rate.	Service stations; High-grade gas, diesel and fuel oil; Convenience stores.	Input into environmental protection; Input into social welfare; Input into education.	Cooperation organizations

1 Mutually Beneficial Development



- ◎ Exploration and Development
- ◎ Discovery of New Reserves
- ◎ Refining Modernization
- ◎ International Energy Channels
- ◎ Quality Products and Services
- ◎ Local Economic Development

CNPC adheres to the principle of mutually beneficial development in its international cooperation. As a responsible and reliable partner, CNPC believes that common development is evidenced by CNPC's efforts in complementing Kazakh resources with its technical strengths, improving efficiency and returns from oil and gas exploration and development, promoting the modernization of the Kazakh oil industry, stabilizing oil and gas supply in the country, safeguarding oil and gas resources through increased energy efficiency, realizing sustainable resource utilization, creating jobs for local people, stimulating the development of local small and medium-sized enterprises, improving the local infrastructure, boosting local people's living standards, and bringing tangible benefits to the Kazakh people.

- ◎ Exploration and Development
- ◎ Discovery of New Reserves
- ◎ Refining Modernization
- ◎ International Energy Channels
- ◎ Quality Products and Services
- ◎ Local Economic Development

Mutually Beneficial Development

◎ Exploration and Development

The oil and gas development projects we have completed in Kazakhstan over the past 12 years have made an important contribution to the modernization and sustainable development of the Kazakh oil industry.

Rejuvenation of an old oilfield: Development of the Zhanazhol oilfield began in 1983. When we took over the oilfield in 1997, its annual output was only 2.35 million metric tons. Most of the wells were flowing wells, and had to be shut down after the lifting pressure was exhausted. Following its investigation, the company drew up an *Adjustment Plan for the Development of the Zhanazhol Oilfield*, implementation of which radically improved the overall situation. With the adoption of gas-lift production technology, Zhanazhol's output was raised to 4.08 million metric tons in 2004. At the end of 2008, it had 314 gas-lift wells with daily output of 6,325 metric tons. Zhanazhol is now one of the largest oilfields in the world to use gas-lift production technology.

Technical breakthroughs in the development of the sub-salt reservoir: The Kenkiyak Sub-salt Oilfield, with 110 million metric tons of reserves, was discovered in 1971. Most of the reserves are around 4,500m deep, interbedded by 3,000-m-thick salt rock, geopressured hydrogen sulfide-containing gas and geopressured aquifer, making drilling very difficult and costly. Despite its discovery more than 20 years ago, it remained unproducible. After CNPC took over the oilfield it used technologies such as carbonate reservoir description, fracture identification and underbalanced drilling to overcome the technical challenges from sub-salt structural imaging and ultra-thick salt rock drilling, and quickly raised its annual production capacity to 2 million metric tons, turning 28.64 million metric tons of unproducible reserves into producible quality reserves.

Airtight blended transportation of gas and oil: In April 2005, CNPC AktobeMunaiGas invested USD 23 million in constructing the 44-km Kenkiyak-Zhanazhol Blended Oil and Gas Transportation Pipeline, realizing 100% airtight gathering and transportation of oil and gas. This pipeline transports oil, gas and water produced by the Kenkiyak Sub-salt Oilfield to

the Zhanazhol Oil and Gas Processing Plant for processing, overcoming chronic environmental and safety problems caused by foul odors from the flaring of sour gas and simple crude sweetening, simplifying the crude processing process of the sub-salt oilfield, and reducing the cost of oilfield development. CNPC AktobeMunaiGas' daily output increased from 300 to 400 metric tons after the pipeline became operational.

Breakthrough in oil and gas processing: Although the Zhanazhol and Kenkiyak oilfields both contain abundant natural gas and condensate resources, these contain a high degree of sulfur. Before CNPC took over, the associated gas was processed at outdated facilities with inadequate capacity. As a result, a large amount of natural gas could not be effectively utilized, forcing Aktobe to import natural gas from overseas. This also severely constrained the oilfield's development and crude output growth.

In 2001 and 2002, CNPC AktobeMunaiGas invested more than USD 200 million in upgrading these outdated facilities, drew up a long-term development plan, and built the new Zhanazhol Oil and Gas Processing Plant. This can process 5 million metric tons of crude, and 2.1 billion cubic meters of natural gas annually, allowing crude output to grow and ending any need for Aktobe to import natural gas from overseas.

Construction of the Third Zhanazhol Oil and Gas Processing Plant started in June 2006. It has a designed annual processing capacity of 6 billion cubic meters of natural gas and 1.5 million metric tons of condensate. The project will be completed in three phases. The first phase of the project, which can process 2 billion cubic meters of natural gas annually, was completed and became operational at the end of 2007. The second phase, which will process 2 billion cubic meters of natural gas and 500,000 metric tons of condensate annually, is under construction. The third phase, with an annual processing capacity of 2 billion cubic meters of natural and 1 million metric tons of condensate, will be completed in 2010. In July 2007, the Third Zhanazhol Oil and Gas Processing Plant was designated by Kazakh President Nursultan Nazarbayev as one of the six "breakthrough projects" in Aktobe.

- Exploration and Development
- **Discovery of New Reserves**
- Refining Modernization
- International Energy Channels
- Quality Products and Services
- Local Economic Development

○ Discovery of New Reserves

While continuing our sustained exploration in established oilfields, we are also actively conducting risk exploration for structural and hidden lithologic hydrocarbon reservoirs. By the end of 2007, CNPC had completed 4,946 kilometers of 2-D seismic lines as well as 3,120 square kilometers of 3-D seismic profiles, and added 26.05 million metric tons of newly proven reserves in Kazakhstan.

In 2002, CNPC AktobeMunaiGas commenced risk exploration in the eastern Pre-Caspian Basin, covering an area of 2,933.9 square kilometers. The company applied such exploration technologies as fine horizon calibration, speed analysis, and palaeostructure recovery technology, overcoming many technical challenges and making impressive research and exploration achievements. The “Hope Oilfield” discovered in 2005 was the first major

exploration breakthrough in the past decade in Aktobe, and a 100-million-ton oil-bearing structure was also discovered in North Troyes in 2006.

The South Turgai Basin is a highly mature oil and gas exploration area with a history of 40 years. PK has invested at least USD 50 million annually in the exploration of this basin in recent years. Studies of its petroleum geology and the search for new exploration targets increased the recoverable reserves of areas such as Kolzhan by 5.33 million metric tons and achieved substantial results in the exploration of complicated oil and gas reserves, such as the discovery of sandstone reservoir at Kyzylkia and the Middle-Lower Jurassic reservoir at Aryskum. By the end of September 2006, Tuzkol-1 had achieved a daily output of 70 cubic meters, making it the most significant discovery in the south of the basin in 40 years.



- Exploration and Development
- Discovery of New Reserves
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- Local Economic Development

○ Refining Modernization

The Shymkent refinery, established in 1985, is located in southeast of Shymkent, South Kazakhstan. It is jointly run by CNPC and KazMunaiGas. As one of the three leading refineries in Kazakhstan, Shymkent plays an important role in stabilizing the local oil market. In cooperation with our partners, we have built a modern refinery with improved fuel quality, product structure and production efficiency, and reduced production costs.

As a result of technological upgrading, Shymkent's lightweight oil recovery rate is now over 78%, and its products meet the Euro III and IV standards. This refinery's environmental indicators meet the Kazakh national standards, making it one of the best refineries in central Asia.

Along with our partners, we have also drawn up a long-term development plan for the refinery in accordance with the Oil Industry Mid-term Development Plan of the Kazakh Ministry of Energy and Mineral Resources. In order to further expand its output, we want all of the refinery's indicators to meet international standards, fuel quality to reach Euro IV standards, build a petrochemical production facility in the refinery, raise the lightweight oil recovery rate to the level of modern refineries, and increase the annual refined capacity to 6 million metric tons. The technical upgrading of the refinery was launched after it was approved by all of the stakeholders, including KazMunaiGas. The process is expected to take three years, during which the existing refining



capacity must be maintained. The upgrading will include the addition of heavy oil catalytic cracking and reforming and natural gas absorption and fractionation facilities, and the installation of new isomerization and hydrogenation catalytic cracking equipment.

By the end of 2008, the environmental impact assessment of Shymkent refinery's technical upgrading had been approved by the Kazakh government and environmental protection organizations, and the company's research agency had drawn up a detailed plan for its modernization.

On July 3, 2008, the mayor of Shymkent awarded a medal commemorating the 10th anniversary of the moving of the Kazakh capital to Astana to Jiang Shi, vice-president of the Shymkent refinery, in recognition of outstanding contributions made by its staff to Kazakhstan's socio-economic development.

- Exploration and Development
- Discovery of New Reserves
- Refining Modernization
- **International Energy Channels**
- Quality Products and Services
- Local Economic Development

◎ International Energy Channels

The Kazakh government is trying to boost its oil revenues by diversifying and stabilizing its export channels. The Kazakhstan-China Oil Pipeline, constructed by CNPC and KTO, has become an important channel for Kazakhstan's oil exports. The Kazakhstan-China Natural Gas Pipeline, which is currently under construction, will not only increase Kazakhstan's tax revenues, but also supply gas to the south of the country, boosting the region's economic development.

1. Kazakhstan-China Oil Pipeline

The Kazakhstan-China Oil Pipeline is the result of joint investment by CNPC and KazTransOil (KTO), with both owning 50% stakes. This 2,828-kilometer pipeline, with an annual transportation capacity of 20 million metric tons, runs from Atyrau on the Caspian Sea, through Aktobe to Alashankou in China. The first section of the pipeline was completed and became operational on December 15, 2005, and it had exported 12.54 million metric tons of crude oil by the end of 2008. Construction of the second section of the pipeline started in December 2007, and will become operational in October 2009. By that time, the pipeline will be able to transport crude oil from western Kazakhstan to China's Xinjiang Uygur Autonomous Region. As the first pipeline to carry its oil directly to the international market and being China's first cross-border crude oil pipeline, it will diversify Kazakhstan's crude oil export channels and increase the supply of crude oil to the Chinese market.

2. Kazakhstan-China Natural Gas Pipeline

The 1,300-kilometer Kazakhstan-China Natural Gas Pipeline stretches from the border of Kazakhstan and Uzbekistan in the west to Huoerguosi in China. It is being constructed and will be operated by Asia Gas Pipeline LLP, a joint venture company established by KazMunaiGas and CNPC. Construction of the pipeline began on July 9, 2008. The first pipeline is expected to be completed and become operational in late 2009, while the second will be up and running in 2010. It is expected to increase tax revenues for Kazakhstan, boost development and infrastructure construction in areas along the route, and power the development of the pipeline construction and materials industries. It will also stabilize natural gas supplies to the south of Kazakhstan and diversify the country's energy export channels. This pipeline can also help improve China's energy mix and diversify the sources of its natural gas imports.



- Exploration and Development
- Discovery of New Reserves
- Refining Modernization
- International Energy Channels
- **Quality Products and Services**
- Local Economic Development

© Quality Products and Services

With the support of our advanced technology and management, we supply quality gasoline, diesel oil, aviation fuel, LNG, heavy oil and other products to the Kazakh market to meet customers' varied needs. We have developed a mature sales network, including procurement, storage, transportation, wholesale and retail.

1. Refined product supply

The Shymkent refinery managed by CNPC and its partners is the major supplier of refined oil to southern Kazakhstan. It also supplies oil products to central and western Kazakhstan, and the north of Akotbe. While ensuring normal supplies to the Kazakh market, PK also supplies oil products to the national strategic sectors at a preferential price, as required by the Ministry of Energy and Mineral Resources of Kazakhstan. In 2008, we supplied 220,000 metric tons of aviation fuel to Kazakhstan's airports, accounting for 62% of its total domestic supply, 120,000 metric tons of agricultural diesel oil, and 100,000 metric tons of heavy oil used for winter heating, to Kazakhstan. We also provide an oil products service through our sales network in Astana, Almaty, Aktobe, East Kazakhstan, South Kazakhstan and Kyzylorda.

2. Oil products marketing and logistics

The Shymkent refinery has a complete logistics system, including Kazakhstan's largest crude oil and refined product railway loading station. The logistics system covers the handling and transportation of crude oil, refined products and LNG. The crude oil and refined product loading station has five railway handling trestles, handling crude oil, gasoline, diesel oil, aviation fuel, wax oil, and heavy oil. The logistics system also has two railway freight stations for the transfer of oil and oil products, ensuring stable and sustained oil supply to the Kazakh market.

Convenient Service Station in Almaty



The No. 2 service station of SINOIL LLP, located in the center of Almaty, is a multi-purpose service station, covering an area of 3,100 square meters. It sells diesel oil, and grade 92, 93, and 96 gasoline. Its daily sales have increased from 9,500 liters in 2003 to 50,000 liters in 2008. The service station has also opened a convenience store, selling lubricants, drinks, snacks and telephone cards, etc. Natalia Petrofna, the manager of the service station, said that the company has transformed it and ensured that the fuel it sells is of the highest quality. "We have also opened a convenience store," she added. "More and more people come here for refueling, and most of them are regulars. We work on three shifts. We're busier than before, but we're still very happy when we see so many people coming to our service station."

- Exploration and Development
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○ Local Economic Development

The development of CNPC's business in Kazakhstan is a direct result of the favorable local business environment, and we also do our utmost to promote local economic development. We supply natural gas to local people and companies at a preferential price, as well as crude oil to Kazakh refineries and agricultural oil to farmers at a reduced price. We also seek to stimulate the development of Kazakhstan's small- and medium-sized enterprises through the purchase of local goods and services.

1. Preferential supply of oil and gas to local residents

As required by the Kazakh government's *Plan for the Development of the Natural Gas Sector in 2010*, CNPC AktobeMunaiGas supplies natural gas to residents and industrial enterprises in Aktobe at a reduced rate. It currently sells natural gas to local residents at a 75% discount.

Based on the requirements of the Kazakh government, CNPC AktobeMunaiGas supplies

crude oil to Kazakh refineries at the domestic rate. CNPC supplied more than 3.4 million metric tons of crude oil at this rate to Kazakh refineries between 2001 and 2008.

In response to a call made by Kazakh President Nursultan Nazarbayev, since 2004 we have been supporting the development of Kazakh agriculture, with CNPC AktobeMunaiGas supplying diesel oil and heavy oil to the sector at a preferential rate in spring and autumn every year.

CNPC AktobeMunaiGas Contributes to Local Economic Development



Congratulatory letter sent by Aktobe Taxation Bureau to CNPC AktobeMunaiGas

Winters in Aktobe are long and cold. Twelve years ago, when CNPC arrived, imported natural gas was prohibitively expensive for many people. To bring warmth to local people, CNPC AktobeMunaiGas supplies gas to local households at a preferential rate. By the end of 2008, the company had supplied 2.081 billion cubic meters of natural gas to local residents and enterprises.

According to an agreement reached between CNPC and the Aktobe government, from 2006 to 2007, CNPC AktobeMunaiGas invested USD 1.6088 million in the local bakery, stabilizing the price of bread available to local people.

The development of CNPC AktobeMunaiGas over the past 12 years has turned it into a leading oil producer in Aktobe. The company

has not only achieved breakthroughs in oil and gas production, but also paid all taxes and fees to the local government in time and in full, accounting for 70% of local revenues, and created jobs for 15% of the local workforce. These figures prove that the company has become a powerhouse of local economic growth.

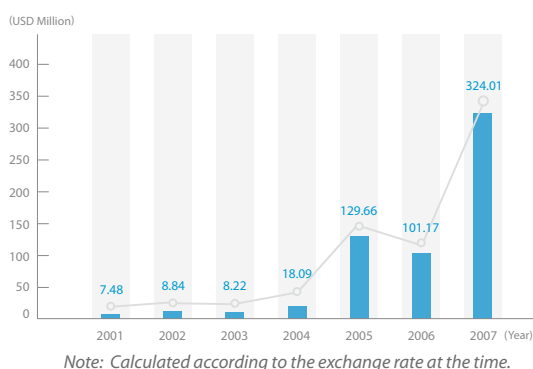
In 2002, during a visit to China, Kazakh President Nursultan Nazarbayev hailed CNPC AktobeMunaiGas as a model of Sino-Kazakh cooperation. In 2007, on the 10th anniversary of energy cooperation between the two countries, the tax authority of Aktobe sent a congratulatory letter to Wang Zhongcai, then president of the company, in recognition of its contribution to the area's socio-economic development.

- Exploration and Development
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2. Supporting Kazakhstan's Import Substitute Plan

The Import Substitute Plan is a policy of the Kazakh government to support its national industry. In support of this initiative, the company gives preference to local goods and services. In 2006, CNPC AktobeMunaiGas purchased goods and services worth USD 719 million from Kazakh suppliers, which were mainly small- and medium-sized enterprises. This has had a great impact on many sectors. For example, Kazakhstan's pre-cast panel industry, which only had one small plant in 1997, has witnessed impressive growth. During the construction of the first section of the Kazakhstan-China Oil Pipeline, our purchases from Kazakh companies, such as locally produced raw materials and mechanical equipment, were worth more than USD 17 million. The supply of concrete, sand, rocks, steel, and LNG used for welding was all sub-contracted to local companies in accordance with agreements, with a contract value of USD 19.3367 million. We also sub-contracted projects worth USD 18.6 million to local contractors, which indirectly and directly created 1,500 jobs.

CNPC AktobeMunaiGas Contracts with Local Companies



3. Stimulating infrastructure development

Infrastructure is the basis for the development of the national economy. A mature infrastructure can drive socio-economic development. The sustained development of our company in Kazakhstan has promoted the construction of local infrastructure.



In the past three decades, employees developing the Zhanazhol oilfield would take five hours to travel to work along 300 kilometers of bumpy roads, in conditions of extreme heat or cold. On December 15, 2006, the Emba-Zhanazhol Railway, invested by CNPC AktobeMunaiGas, became operational. The railway was designed according to IV grade and single-track railway standards. It covers a total distance of 79.7 kilometers (including 70.4 kilometers of newly built line and 9.3 kilometers of rebuilt line). Its highest speed is 80 kilometers per hour, which has significantly cut the time it takes the employees to travel to work. The designed freight capacity of the railway is 2.262 million metric tons a year, and the passenger capacity is 6,000 people a month. The employees can take the train back to Aktobe through Emba. The railway has also made it easier for farmers along the line to reach new markets. As the first foreign-invested railway to have been constructed by local companies, this new line has won great praise from the Kazakh government.

2 Responsible Operations



- ◎ **HSE System**
- ◎ **Environmental Protection**
- ◎ **Production Safety**
- ◎ **Human Resources**

The most important resources in this world are people and the environment. As a responsible corporate citizen, we pledge to conduct our operations in a safer, more environmentally-friendly and efficient way in order to strike a balance between energy development and environmental protection.

Wherever we operate in the world we consistently implement the HSE system. All our employees, suppliers, and contractors are committed to ensuring the health and safety of our staff and protecting the environment. Always putting people first, we strive to achieve the goal of zero accidents, zero injuries, and zero pollution. To that end, we have and will continue to improve HSE management, carry out HSE training, create HSE culture, and foster overall transparency of in this field.

Responsible Operations

● HSE System

The headquarters of the company has formulated a complete HSE management system to govern its global business operations. Based on the *HSE Management System Guide* released in 2004, this system serves as an institutional guarantee to preserve the health and safety of our staff and protect the environment.

The HSE management model that CNPC follows is Plan, Do, Check and Action. It has seven key elements: a) leadership and commitment, b) HSE guidelines, c) planning, d) organizational structure and resources and documents, e) implementation and operation, f) checking and correction, and g) management assessment. The seven elements interact to upgrade the management process.

The company has taken several steps to increase support and guidance for HSE management in its Kazakh business operations. These include formulating *Methods on HSE Supervision and Management* in 2007, creating an HSE manager post, and specifying the responsibilities of HSE managers. At the same time, the company has equipped all its subsidiaries and controlled companies with HSE directors and assigned HSE coordinators to all joint projects.

The Health, Safety and Environment (HSE) management system is an important indicator of any modern oil company's commitment to fulfilling its social responsibilities.

Health refers to the mental and physical health of a person.

Safety means improving working conditions in order to minimize risks to employee health and company property.

Environment is defined as the sum of all the natural factors that relate to and impact human activities and production.



Seven key elements of HSE management

© Environmental Protection

We scrupulously abide by our core principle of “Caring for Energy, Caring for You” in all our operations in Kazakhstan. In compliance with new laws and regulations promulgated by the Kazakh government, we have given priority to protecting ecological environment and improving the efficiency of natural resource utilization. Moreover, we have actively promoted the use of environmentally friendly technologies and taken various measures in order to minimize our environmental footprint. Our efforts include improving energy efficiency, resource recycling, ecological restoration, and emissions reduction.

Environment Management

We strictly comply with all relevant Kazakh laws and regulations, including, the *Law on Environmental Protection*, *Law on Air Protection*, *Law on Protection of Water Resources*, *Law on Land*, *Law on Ecology*, *Law on Protection of Animals and Plants*, *Law on Underground Resources and Natural Resources*, *Regulations on Environmental Standards for Pollutants Emissions into Air*, *Air Environment Control and Industrial Rules for Petroleum Industrial Enterprises*, and *Guideline for Environmental Protection from 2001 to 2005* (promulgated by Aktobe). We have formulated and improved our environmental management plans and implemented unified environmental protection standards among our staff and partners, thus harmonizing energy development and environmental protection.



1. Environmental Impact Assessment

All of CNPC's projects in Kazakhstan – whether for exploration or development, refining or petrochemicals, pipeline transportation or engineering services – are required to undergo an Environmental Impact Assessment (EIA). At least two plans are devised, with the most ecologically friendly plan ultimately chosen.

Kazakhstan-China Pipeline LLP is a case in point. Before the start of any project, we make a detailed environmental protection plan taking into consideration features of local hydrology, geology, climate, landform and transportation. The plan includes a project overview, preliminary EIA, environment monitoring, and environmental protection measures. After the project has commenced, we direct full-time or part-time supervisors to inspect the implementation of our environmental protection plans and field operations and set a deadline for correction when issues arise. Moreover, we also hire a third party to independently supervise the implementation of the plans and submit progress reports to the relevant government authorities.

In August 2007, PK's plans to transform the Shymkent refinery unanimously passed an EIA conducted by representatives of local residents, the Ministry of Energy and Mineral Resources, and an environmental consulting agency.

2. ISO14001 Certification

To improve our environment management capabilities, the company has required all subsidiaries in Kazakhstan to pass ISO14001

certification. To date, three subsidiaries – PK Shymkent refinery, Buzachi Operating Company, and Northwest Pipeline Company – have reached this goal. CNPC AktobeMunaiGas, Kazakhstan-China Pipeline LLP, and Kumkol Resources Company affiliated to PK have also made progress towards ISO14001-2004 certification.

3. Effective Precautions

In 2008, all of our projects in Kazakhstan took effective precautions to prevent environmental pollution. Any projects that failed to meet environmental requirements were rejected, suspended or, in some cases, abandoned. We also set strict environmental standards for contractors involved in cooperative projects, requiring them to formulate environmental protection training plans as specified in the risk assessment report. In addition, we thoroughly scrutinized all the environment-related documents of the contractors, including HSE plan, environment management plan, and ecological protection plan, among others.

4. Unified Processing of Wastewater and Other Wastes

We are committed to developing and applying wastewater and water treatment technologies to conserve water and reduce wastewater discharges. Liquid and solid waste and domestic sewage are sorted and treated at separate treatment plants.

Comprehensive Utilization of Natural Gas

The company has taken steps to make more efficient use of associated gas. Our efforts have led to multiple environmental and social benefits. Our enhanced oil and gas processing capability has enabled us to increase output; the recovery of associated gas for power generation has improved energy efficiency; and the injection of extraneous oilfield gas into the ground has reduced environmental pollution.

1. CNPC AktobeMunaiGas Natural Gas Comprehensive Utilization Project

CNPC AktobeMunaiGas has completed the following projects: Zhanazhol-KC13 160 kilometers natural gas pipeline, Zhanazhol Gas-fired Power Plant, Kenkiyak-Zhanazhol oil and gas blended transportation pipeline, liquid hydrocarbon recovery facility, and the first phase of the Third Zhanazhol Oil and Gas Processing Plant. Completion of these projects has improved the company's processing capability and led to more efficient use of associated gas. In 2008 the company processed 3.08 billion cubic meters of associated gas - a dramatic increase from the 16 million cubic meters processed in 1997. The utilization rate of associated gas has improved from 20% to 62%.

In June 2006, construction began on the CNPC-invested Third Zhanazhol Oil and Gas Processing Plant by AktobeMunaiGas. This project was conceived with the purpose of the processing associated gas and gas-cap gas that exceeded the processing capacity of the existing oil and gas processing plants in order to minimize environmental pollution and resource waste caused by flaring. Besides achieving these goals, this new processing plant



has maximized the use of such valuable natural resources as lightweight oil, natural gas, sulfur and propane.

The designed annual capacity of the Third Zhanazhol Oil and Gas Processing Plant is 6 billion cubic meters of natural gas, and 1.5 million metric tons of gas condensate. The whole project, which involves three phases, is expected to be completed in 2010. The first phase, whose annual capacity is 2 billion cubic meters of natural gas, was completed and made operational in late 2007. Since then it has played a positive role in improving the ecological environment near the operation site. The Third Zhanazhol Oil and Gas Processing Plant has since become a model for the large-scale recovery and utilization of associated gas.

2. PK Natural Gas Comprehensive Utilization Project

In April 2008, the first phase of PK Natural Gas Comprehensive Utilization Project was completed and made operational. The project was conducted in full conformity with the Kazakh government's environmental standards for oilfield natural gas emissions. The first phase has also laid the groundwork for both improved oil field pressure level maintenance and higher recovery efficiency. Flaring of oil-associated gas has been reduced from 126 million in 2007 to 67 million cubic meters in 2008. The successful completion of this environmentally friendly project won plaudits from the Kazakh ministries of Energy and Mineral Resources, Social Security, the Kyzylorda government and local residents.

The second phase of the project is currently underway. The Arys-kum oilfield and Kyzylkiya oilfield of PK Kumkol Resources Company have realized gas reinjection, and the Maibulak oilfield is in the process of building a gas-fired power plant. Completion of these projects will reduce air pollution caused by flaring, and lead to more efficient resource utilization, which will have tremendous implications for environmental protection and sustainable development of the oilfield.

Ecological Protection

We consistently strive to minimize the possible impact of our operations on ecological environment and bio-diversity of Kazakhstan. In all of our business operations throughout the country, we do our utmost to avoid intruding into ecologically sensitive areas. Furthermore, we tailor our construction activities to the unique needs of the environment in which we operate, thus greatly enhancing the efficiency of our protection efforts.

Kazakhstan contains abundant land resources, but precipitation levels are low in most areas. As such, the country's sustainable development depends on efforts to curb desertification. To this end, PK utilized its advanced biological restoration technology in a three-year project to restore vegetation to a 4.2-acre section of polluted land.

Kazakhstan is also home to more than 800 species of animals and 4,700 species of plants. However, environmental degradation has greatly threatened the country's biodiversity in recent years. The pipeline constructed by Northwest Pipeline Company traverses many biologically diverse areas, with 16 species of reptiles, 210 species of birds, 40 species of mammals, and two species of amphibians. Through the construction and operation of the project, we have strived to minimize harm to both vegetation and animals living within the vicinity.

Ecological Protection Measures Taken by Kazakhstan-China Oil Pipeline Project

CNPC and KazMunaiGas cooperated to build the first section of the Kazakhstan-China Oil Pipeline running from Atasu in Kazakhstan to Alashankou in China. Construction of the pipeline commenced in September 2004 and was completed and made operational in December 2005. The pipeline crosses hilly areas, sand dunes, swamps, alluvial plains, rocks, rivers, villages, towns, cities, paved roads and railways, creating tremendous engineering challenges throughout the construction process. Despite these difficulties, the company placed a high premium on the protection of soil, vegetation, and wild animals, and the restoration of landforms.

Among our many efforts, we avoided building camps and limited construction area. We also tried, whenever possible, not to occupy farmland and other fertile areas. Action was immediately taken to remedy any damage caused. While digging pipe ditches, we were certain to return the topsoil to its correct place.

During construction, employees were forbidden from lighting fires in the vicinity of weeds and shrubbery in order to minimize the impact on wild animals' habitats. When digging the pipe ditch, we created a temporary passage for animals so that their natural movements to and from



water sources would be unimpeded. Before backfilling a pipe ditch, we made sure there were no trapped animals, rescuing any we found in harm's way.

After completion of the project, we tried our best to restore the land to its original characteristics. Water source access for wild animals was a key concern. During construction, waste sand, rocks and earth were piled in a designated place for easy restitution after work was completed. To prevent soil erosion, we reinforced the river banks if the pipeline crossed a river. After backfilling the pipe ditch, we restored the gullies and valleys to ensure the smooth flow of water.

◎ Production Safety

Safe operation is our top priority. It is the precondition and basis for the company's long-term cooperation with Kazakhstan. To this end, we strictly adhere to all Kazakh laws pertaining to safety, labor protection, safe production and emergency response. Always putting safety first, we pursue a target of zero accidents, zero injuries, and zero pollution. We integrate safety management into every aspect of our operations in order to ensure the safety of our employees, partners, and neighboring communities. No serious safety accidents have occurred during the course of our activities in Kazakhstan.

Safety Management

Safety management is the key to safe production. Over the past 12 years, we have made protecting people and the environment our first priority. To this end, we have made ongoing efforts to strengthen regulation and adopt new measures to realize safe production.

1. Promulgation of Management Rules

The company has promulgated a number of management protocols aimed at enhancing the effectiveness of the safety management system in Kazakhstan. For instance, Kazakhstan-China Pipeline LLP drafted the *HSE Management System Guide and HSE Code of Conduct* taking into account the particular characteristics of pipeline construction. CNPC AktobeMunaiGas issued the *Order on Establishment and Implementation of the Safe Production and Environmental Protection Accountability System*, and specified safe production responsibilities for major posts. All levels of the company – from the general manager to front-line staff – share responsibility for the success of HSE management, including compliance, inspection, approval, confirmation and accountability.

2. Improving Emergency Response System

Aside from improving the HSE management system, we have also taken steps to enhance the effectiveness of the emergency response system.

Improving emergency response plans

CNPC has taken several important steps to improve the emergency response system. In

2004, the company promulgated the *Emergency Response Plans for Major Unexpected Accidents*. In 2005, the company completed five emergency response plans aimed at preventing the release of hydrogen sulfide during drilling. To strengthen the management of certain risks, the company promulgated the *Safety Risk Appraisal System for Overseas Projects*. This document was created to deal with potential risks from terrorist attack, armed riots, and personal safety and production accidents. The system comprises five grades of control measures, with each grade corresponding to a different level of emergency.

Our emergency response plans are guided both by immutable safety principles as well as the local realities in which our operations are conducted. Emergency response methods designed by the headquarters to assess safety and environmental risks form the core of the emergency response system. However, locally-based companies supplement these rules by conducting risk assessment taking into account the specific safety considerations of their operations.

For example, CNPC AktobeMunaiGas has a general emergency response plan called *Emergency*

Response Plans for Natural Disaster, Production Accidents and Terrorist Attacks. Aside from this comprehensive document, each workshop and project also has its own specific emergency response plan. Moreover, all of its subsidiaries are equipped with *Emergency Response Simulation Exercise*. These response plans have subsequently been modified where deemed necessary. In 2008, for example, the company held a discussion about decision-making and implementation procedures for ignition in case of uncontrollable blowout, the results of which were included in an amendment to the *Emergency Response Plan for Well Control*.

Holding emergency response exercise

The company attaches great importance to emergency rescue. The scope of our efforts goes beyond the oilfield to include dormitories and offices. We have built emergency rescue teams and strive to increase their emergency response effectiveness. Recent improvements include increasing the frequency of exercises as well as strengthening exercise assessment.

3. Strengthening Safety Education

The company continues to provide training to its staff in order to increase safety awareness

and emergency response effectiveness. In 2008, for instance, all of our employees in Kazakhstan were required to undergo safety training. PK, in particular, has set a goal of zero major safety accidents, zero major environmental pollution events, and zero injuries or fatalities. For its outstanding contribution to international rescue training, PK was awarded by the Ministry of Emergency Situations of Kazakhstan.

Aside from workplace training, the company also organizes activities such as "Safe Production Month" and "Safe Production Day". The company has also held HSE exhibitions, distributed copies of the *HSE System Management Guide*, and organized other activities to help popularize HSE knowledge and create a favorable HSE climate.

In recent years, we have increased exchanges between Kazakhstan-based enterprises in order to share HSE knowledge. We have also selected employees to come to China for HSE training at oilfields, refineries and the Beijing Firefighting Command Center.



Traffic Safety

Traffic safety is also an important responsibility for the company, especially given the severity and length of the Kazakh snow season. In line with the traffic safety requirements for 2008, the company required all its enterprises in Kazakhstan to establish explicit goals and take effective measures to improve the management of traffic safety. By the end of 2008 there had been no major traffic accidents in any of our Kazakhstan-based enterprises.

PK, for instance, organized specialized service companies to repair and maintain roads in oilfields and hired security companies to check passing vehicles for safety risks. Among its other efforts, the company carried out traffic safety inspections, increased training programs and public awareness efforts, erected road signs, and set traffic safety performance indicators for all its contractors. In 2008, the company achieved marked progress in traffic safety: only eight traffic accidents were reported, representing a decline of 80% over the previous year.

1. Strengthening and Building Institutions

All our enterprises in Kazakhstan have taken measures to strengthen traffic safety management in accordance with the *Methods on Traffic Safety Management and Regulations on Traffic Safety Management*. For its part, CNPC AktobeMunaiGas formulated several key documents, including *Methods For Traffic Safety Management, Methods For Long-distance Vehicles Management, and*

Measures Regarding Traffic Safety in the Winter. Kazakhstan-China Pipeline LLP has also drafted key documents – including *Implementation Rules on Traffic Safety Management* – as well as established licensing and traffic safety accountability systems. Strict implementation of these rules and regulations has effectively reduced traffic accidents.



2. Promoting Use of VTDR

As part of its rigorous driver management system, the company has promoted the use of vehicle traveling data recorders (VTDRs). CNPC AktobeMunaiGas, Buzachi Operating Company

and Kazakhstan-China Pipeline LLP have installed more than 200 VTDRs. To reduce the hazards posed by poor road conditions and pipe construction, Kazakhstan-China Pipeline LLP has produced and distributed a map of accident blackspots.

Contractor Safety

As an international oil company, most of our production and operation inherently involve participation of contractors. As such, the safety management of contractors is an integral part of the company's HSE management program. We conduct effective management of contractors throughout all phases of work so that accidents can be prevented at the source.

In 2008, all our Kazakhstan-based enterprises made plans for the safety management of contractors. Aside from conducting thorough inspections, we also worked closely together with contractors involved in key projects to create appropriate safety plans. We have expanded the scope of our safety management of contractors to include more front-line monitoring.

1. Strict Selection

The company has designed a multi-step process to select the best contractors. First, selection of contractors must go through public bidding. This takes into account not only quality and price, but also the ability to meet HSE requirements. Second, the contractor must consent to the company's management rules and have its own HSE management system in place. Third, the contractors must provide qualification certificates for the people performing the job. Finally, the equipment of the contractors must pass quality assessments.

2. Strengthening Management

All the enterprises affiliated with CNPC in Kazakhstan place a high premium on the safety management of contractors. First, these enterprises formulate management regulations, for instance *Regulations on HSE Management by*

Contractors. Second, they strengthen supervision of key facilities, construction procedures, and other relevant standards and practices. Third, they establish a system for evaluating contractor performance in line with operating conditions and international norms. This involves awarding well-performing contractors, and, where necessary, helping others take corrective measures to reduce and prevent accidents.

3. Communication and Interaction

In recent years, our operations in Kazakhstan also attach weight to communication and interaction with contractors to increase their safety awareness and ensure contract enforcement. We work in concert with contractors to find mutually agreeable solutions to issues such as safety and anti-terrorism.

◎ Human Resources

Our employees are our most valuable resource. We put people first, and our labor policy is based on equality and non-discrimination. We take employee health and safety seriously, understand the importance of training, promote localization, and promote respect for different cultures.

Labor Policy

CNPC puts people first, and respects and safeguards the legitimate rights and interest of our employees. We comply strictly with Kazakh laws and regulations on labor, work safety and labor protection, and with international labor conventions and norms.

We pursue equality, non-discrimination, open recruitment, and equal pay - regardless of nationality, race, sex, religion or culture. We prohibit any form of child labor, forced labor or discrimination. We actively encourage the employment of women and help facilitate localization. We try to build and improve trade unions structures, and sign and enforce collective labor contracts.

Our salaries encourage best performance, and we offer a competitive compensation, social insurance, allowances, subsidies and paid leave to our employees. We give importance to career planning and provide facilities for employee training and education. Besides, our employment and promotion of employees is open and fair and ensures they can advance in their careers.

Localization and Diversification



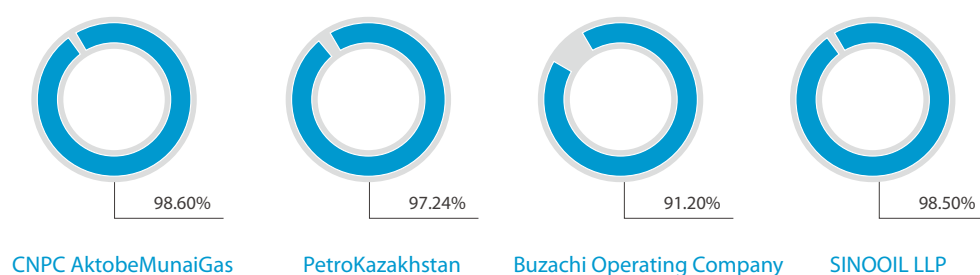
The corporate culture of CNPC is open and inclusive. In our business operations in Kazakhstan, we have been following the principle of labor localization and integration of diverse cultures. Our employees, who come from more than 10 nationalities, work together in harmony, and more than 97% of employees in major oil and gas investment businesses are drawn from the local talent pool.

We respect different customs and religious freedom, and follow Kazakh customs in food, marriages, funerals and festivals. During important national festivals and holidays, we organize grand get-togethers to celebrate with the local employees.

We have created various platforms to remove linguistic and cultural barriers between employees from China, Kazakhstan, Russia and the West. The traditional Nauryz (Kazakh New Year) has become a common festival for the company's staff. During the Chinese Spring Festival, we invite foreign employees to join the celebrations for a feel of traditional Chinese culture so that mutual understanding can be enhanced.

- HSE System
- Environmental Protection
- Production Safety
- **Human Resources**

Proportion of Local Labor in Major Business Investments in 2008



Education and Training

We put a lot of emphasis on developing human resources and on channeling the quality and talents of employees into a sustained driving force for the long-term growth of the company. The company is committed to career planning, and to this end provides opportunities for training and education to all employees. The education and training programs are well-thought out and based on the needs of career planning. We have long-term cooperative ties with reputable colleges, universities and specialized training agencies in Kazakhstan and foreign countries, who provide training in technology, management, sales, HSE, quality supervision, business and foreign languages.

Every year, we select outstanding Kazakh employees for training in Kazakhstan, China or a third country. We have been holding a three-week management training for Kazakh managers at a training center of the China University of Petroleum (Beijing) for many years so that local managers can study business practices, and also organize visits to CNPC-affiliated oilfields in China for business exchanges.



CNPC AktobeMunaiGas has established a systematic training mechanism for its employees and devised a detailed annual training plan to ensure that 20 -25% of its employees can participate in all the different training programs by rotation. The company facilitates international exchanges and offers training opportunities to senior managers to improve their decision-making capabilities and sharpen their strategic vision. The company also provides management training

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opportunities to about 450 middle-level managers every year. Based on its technical and business needs, since 2004 the company has been arranging for about 1,200 technicians from 114 types of job to participate in different training programs, including competitions in computer applications,

and electrical and welding techniques. These have been received enthusiastically by our employees. In 2008, CNPC AktobeMunaiGas accumulatively trained 3,703 employees, with the total training time standing at 296,240 hours.

I have full confidence in the development of the company



Elina was one of the first CNPC-sponsored young Kazakhs to study in China. She worked very hard in university and graduated from the China University of Petroleum (Beijing) with an outstanding academic record as a student of business in 2001. One year after she came back to Kazakhstan, she volunteered to work for CNPC and joined CNPC AktobeMunaiGas. She has worked as an administrative assistant, assistant manager of the planning department and translator. She went on to become assistant director of sales, and dealt with laws, personnel and planning. Sponsored by CNPC, she is now studying at the University of International Business in Almaty for an MBA.

"In 1997, I was fortunate to be one of the first batch of CNPC-sponsored students to study in Beijing. When I came to China, I found it was developing very rapidly, quite different from what I had imagined and what people had talked about..."

CNPC has a cohesive and pioneering team. One has promotion opportunities as long as one works hard. Of course, there are work pressures, but everybody wants to do a good job...

The company emphasizes employee training. Based on one's role, the company provides different training programs to improve one's skills...

Because of the financial crisis in 2008, some companies have downsized or given their employees long leave. CNPC has not, and will never do this. I have full confidence in the long-term development of the company. In the coming days, I hope I can become familiar with more areas, and make full use of my potential to create more value for the company."

Elina, CNPC AktobeMunaiGas

Occupational Health

We spare no efforts to monitor the health of our employees and their workplaces to prevent occupational diseases, and practice comprehensive occupational health management. Since commencing our business operations in Kazakhstan, no major occupational disease or radiation accidents have taken place.

The company also helps its employees become aware of occupational health issues through training. We assess the risks and potential dangers at the workplace, equip employees with protective facilities, and comply strictly with healthcare and vacation regulations. The company offers special subsidies to people in high-risk posts. We also take preventive steps to prevent occupational and seasonal infectious diseases and ensure the safety of drinking water. All employees are put through regular occupational health checks. All employees of the Buzachi Operating Company, Northwest Pipeline Company, Kazakhstan-China Pipeline LLP and SINOIL LLP are covered by these checks.

Improving Employees' Working and Living Conditions

The company attaches importance to improving the working and living conditions of its employees, particularly those working at the front. We try our best to create favorable working and living conditions so that our employees can give their best to their work.

We encourage employees to exercise during their leisure time and to this end we have allocated money for some fitness equipment and to organize sports activities.

Kazakhstan-China Great Wall Drilling Company Improves Employees' Working and Living Conditions

The Kazakhstan-China Great Wall Drilling Company is a joint-stock company of CNPC Great Wall Drilling Company and CNPC AktobeMunaiGas. Working with its trade union, we have assessed the needs of its employees, raised their salaries, and invested in improving their working and living conditions.

In 2008, salaries increased by an average of 10%, and the food subsidy was also raised. Besides, the company equipped two drilling crews with two new barracks, and bought eight dormitories for two other crews. It also built a new dormitory for women and a new bakery.



On December 23, 2008, the Kazakhstan-China Great Wall Drilling Company was honored for its enforcement of labor contracts by the Ministry of Labor and Social Protection of Kazakhstan.

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Cultural integration contributes to success of PK

In 2005, CNPC took over the operation and management of PetroKazakhstan Inc. At that time PK was faced with a lot of difficulties and its employees were concerned about the future. More than 4,000 employees from more than 10 countries like Kazakhstan, US, Canada and China were grappling with their many differences in terms of language, culture, religion, customs, lifestyles and values. Bridging these differences and promoting harmonious relations among employees from starkly different backgrounds became key to the stable takeover and development of PK.

Communication and Exchanges

We have built a culture of mutual trust based on effective communication in PK. We hold staff meetings to listen to their suggestions and complaints. We use our website and bulletin boards to report major issues and decisions and answer staff questions to the best of our ability.

We also organize language training and encourage collective activities to facilitate employee communication. Training in Chinese, Kazakh, Russian and English is provided throughout the year. The training also provides insights into Chinese, Kazakh and Western traditional cultures, and this has greatly enhanced mutual understanding. We also organize outings on holidays, and hold banquets and parties to boost cultural exchanges within the company.



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Mutual Respect

After acquisition, CNPC did not force its management style or corporate culture on its employees. Instead, it tried to learn from the original management style and corporate culture of PK, and promote the integration of Chinese, Kazakh and Western cultures. By fostering mutual respect, we helped staff to settle disputes in a spirit of friendship and understanding. Enjoying work means braving difficulties, being optimistic, and translating work challenges into meaningful personal experiences. The management rewards staff contributions and whoever shows results receives company-wide recognition.

Based on the corporate culture of CNPC, the company has added new meaning to the acronyms of CNPCI (CNPC International) and PKI (PetroKazakhstan Inc).

C: Commitment to corporate and individual growth;
 N: Nature friendly and environmentally responsible;
 P: Performance driven;
 C: Compliance and integrity;
 I: Innovation and best practices;
 PKI: Provide energy, Keep high performance, International team.

This business philosophy is not only easy to remember, but also epitomizes modern corporate governance, whose basic principles are putting people first and harmonious development. Together with respect for and tolerance of cultural differences, it defines a new PK corporate culture.

Increase in Value

Communication and exchanges have enabled our staff to have a better understanding of the growth of PK, and gradually integrate the new mission and vision of the company into their daily work. With better understanding, their sense of identity, belonging, dignity and loyalty have grown dramatically, enabling us to build a cohesive and plural international management team.

"The value of the company is created by our staff, and competent staff can provide space for the effective operation of the company.

After restructuring of the company, we have drawn up over 20 policies on recruitment, training, rewards etc. based on great disparity in age, experience and cultural background of our staff, and we have set up a new compensation system to encourage our staff to show their strengths. This has created an enabling climate for all the staff to realize their own career dreams. In the past several years, the company has made progress in staff respect and integration of diversified cultures, which has enabled us to be a leader in terms of management among Kazakh enterprises."

Elmira Kusainova, Human Resources Manager, PetroKazakhstan Inc.



Cultural integration has finally turned into an integration of experience and technologies. Within a short span of three years, we have overcome difficulties caused by acquisition, and achieved substantial results in improving profitability and fulfilling our social responsibilities, becoming an influential local company. In December 2008, PK won the highest honor that a foreign company can receive, the silver "Paryz 2008".

3 Corporate Citizenship



- © Supporting Education
- © Community Building
- © Caring for society
- © Culture and Sport

An enterprise is also a member of society. Its wealth comes from society and should be given back to society. It is a good tradition of CNPC to coordinate relations with all stakeholders in its production and operation. The company also keeps a close eye on the progress of people's livelihoods and society, and actively involves itself in community building to speed up socio-economic development and enhance social harmony. We not only want to be a successful enterprise, but also a responsible corporate citizen.

Corporate Citizenship

The Kazakh government encourages enterprises to be part of social development efforts and to shoulder their social responsibilities. We have responded to the call of the Kazakh government and to people's aspirations. In cooperation with the local communities, we have participated in public welfare causes by supporting the training of local people, joining infrastructure building, offering support to disadvantaged groups, sponsoring sports and cultural activities, and promoting the balanced economic development of different regions in Kazakhstan.

◎ Supporting Education

Labor is an important production factor in the sustainable development of a country. CNPC strongly supports the Kazakh government in supporting education. While accelerating technological innovation and its overall growth, the company also gives priority to educating the local people.

In September 2004, CNPC signed the *Agreement on Educational Cooperation* with the Ministry of Education and Science of Kazakhstan to provide USD 1.35 million to found the Presidential Scholarship to support outstanding Kazakh students going to China for their higher education.

CNPC AktobeMunaiGas supports the education of Kazakhs by setting up education funds, sponsoring academic meetings of higher education institutions, holding nationwide debates for college students, and sponsoring Kazakh students to study overseas. In 2000, CNPC AktobeMunaiGas allocated USD 1 million in education funds to support young Kazakh experts, outstanding students, and talented students from poor families. In 2008, the company contributed USD 776,900 to support education in Kazakhstan. This included financing the study of 77 young Kazakhs at the China University of Petroleum (Beijing) and 35 students in Kazakhstan.

PK has also set up a special education fund to finance the education of excellent young Kazakhs. It has helped many middle school students from rural and mountainous areas to receive higher education at home and abroad. With the support of the Kyzylorda government, in 2005, PK established a scholarship to finance the college education of local outstanding students, and provide full scholarships to facilitate the sharpening of skills and talents that fall significantly short of the demands of the Kazakh oil industry. After acquisition, PK has provided higher education opportunities to 54 Kazakh middle school students.



⊙ Community Building

The development of our business in Kazakhstan is inseparable from support of the Kazakh government and local community. We are committed to building up the local communities. The company has drawn up a systematic plan to support public welfare undertakings, and pools resources in projects that have an immediate and positive impact on people's lives. In 2008, we joined forces with our partners to sign the *Socio-Economic Cooperation Memorandum* with the governments of Aktobe, Kyzylorda, Mangghystau and South Kazakhstan, and founded a joint-stock company, to support local socio-economic development.

Since 1997, CNPC AktobeMunaiGas has signed socio-economic cooperation memorandums

with the province of Aktobe to help beef up the rural infrastructure, develop agriculture, build public facilities and boost education, culture, sports, healthcare, and poverty relief. In 2008, CNPC AktobeMunaiGas honored its USD 6.38 million commitment in the Socio-Economic Cooperation Memorandum. From 2006 to 2008, PK signed socio-economic cooperation memorandums with the governments of Kyzylorda and South Kazakhstan and invested USD 15 million in local infrastructure construction, urban heating, agricultural development, sports, culture, education, healthcare, and other public welfare projects.

PK Won the Silver "Paryz 2008"



On January 23, 2008, Kazakh President Nursultan Nazarbayev signed a decree to establish the "Paryz" in recognition of enterprises that excel in fulfilling their social responsibilities in Kazakhstan. Altogether, 296 Kazakh and foreign companies competed for the award. On December 23, 2008, PK was chosen for the highest honor conferred on a foreign company by the government of Kazakhstan, the silver "Paryz 2008".

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Progress in Oktyabrsk

Kandgach is located in the center of Mugacharskii district of Aktoobe province, 95km away from Aktoobe, but local people still prefer to call it Oktyabrsk. With a population of less than 30,000 and a moderately well-built industrial base, Oktyabrsk was once very prosperous and one branch of the predecessor of CNPC AktoobeMunaiGas was based here. In the 1990s, owing to the shortage of capital and talent, Oktyabrsk fell on hard times.

Since 2003, CNPC AktoobeMunaiGas has established a materials supply base, transportation base, an oil recovery plant, and repair workshop, injecting vitality into the economic development.

The development of the company in Oktyabrsk has created jobs for local people. The number employed at the repair shop has increased from 150 at the time of the takeover to more than 260 now, accounting for 87% of the total workforce



"We have more vehicles and better management. People get busy now", said Sejtkaamalov Nurlan Zejnullaevic, a deputy manager of transportation.

of AktoobeMunaiGas. The working and living conditions have improved dramatically. Bamara Wacilietfna, dispatcher of the oil recovery plant who has served four terms as manager, says that since the arrival of CNPC, he has seen newly built dormitories, a cafeteria and a bakery. Gone are those days when employees had to take a bag of potatoes to work.

The Kazakhstan-China Great Wall Drilling Company is also very supportive of local public welfare undertakings. To make water accessible to local people, the company dug a well in November 2008, and established a water supply system above ground, winning praise from the Aktoobe government and local people.

Backed by government and the community, CNPC AktoobeMunaiGas has emerged as a local pillar industry, and stimulated its economic prosperity. The locals have no hesitation in saying: "Without CNPC AktoobeMunaiGas, there would be no Oktyabrsk today."



A thank-you letter by local government to the company for its contribution to local development

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© Caring for society

The Kazakh government encourages enterprises to help disadvantaged groups. In the past decade, CNPC has taken several initiatives to help such groups.

In May 2003, CNPC AktobeMunaiGas built 80 homes for widowed seniors and veterans of World War II. The company also set aside USD 63,700 to subscribe to newspapers and magazines so that they can read them for free, and sponsors a Veteran Soldier Festival every year.

To improve healthcare service, CNPC AktobeMunaiGas donated ambulances to hospitals at the provincial, prefecture and district levels. By 2008, the company had donated 57 ambulances to Aktobe province.

Besides providing direct assistance to the needy, CNPC also carries out public welfare projects in cooperation with non-governmental organizations. PK has been supporting the Foundation for Promoting Employment of the Socially Insecure Kazakh Citizens and Social Security. From 2006 to 2007, the company allocated USD 56.3 thousand to carry out projects aimed at socially vulnerable groups. In 2008, PK supported the foundation in its efforts to promote temporary and long-term employment, develop the urban infrastructure, and assess the condition of people not covered by social security.

Celebrating Children's Day with Children

International Children's Day, June 1, is a festival looked forward to by children across the world. Every year, CNPC AktobeMunaiGas holds celebrations for children on this day.

On the morning of June 1, 2006, on the grassland of the Aktobe Seagull Children Recovery Center, children holding colorful balloons enjoyed an extraordinary and happy day with the employees of the company. Victims of chronic diseases, these children are at the center for long-time isolated treatment. To cheer them up on their special day, our employees gave them gifts including footballs, basketballs and badminton rackets. Our

employees were touched by their smiles of gratitude and greatly enjoyed their time with these children.



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⊙ Culture and Sport

The development of culture and sports not only improve people's health, but also increase a nation's prestige. CNPC will continue to support the development of culture and sports as part of its social responsibilities.

Since 1997, CNPC AktobeMunaiGas has sponsored many social and cultural activities in Aktobe. For example, the company has sponsored the Aktobe soccer club, financed the local museum and monument, and backed academic meetings, art exhibitions, and concerts. In 2006, the company invested USD 793,100 in building the monument and museum in honor of the Kazakh musician Zhubanov, and held a nationwide commemoration for him.

CNPC AktobeMunaiGas also provides strong support to the development of both popular and professional sports, including weightlifting, swimming, hockey and free boxing. In recent years, the Aktau soccer club, which is sponsored by CNPC AktobeMunaiGas, has recorded a string of successes.

Since 2000, PK has been supporting a fund for young people, whose aim is to introduce economics to middle and primary school students and hone their social skills. It has benefited 37,000 middle and primary school students. Meanwhile, PK also joined hands with the provincial government of Kyzylorda to set up a Development Fund, for promoting local culture and sports. A local soccer team named Caesar, set up under this fund's support, even won a national championship. This money has also helped renovate the central stadium of Kazakhstan and given the sport of weightlifting a leg up.

Ilya Ilin's Success in Beijing Olympics



On September 2, 2008, PK held a celebration in Almaty for Olympic weightlifting champion Ilya Ilin, on his return from Beijing. The 20-year-old, who comes from Kyzylorda, won the first gold medal for Kazakhstan in the men's 94kg weightlifting class at the 29th Beijing Olympics.

At the celebrations, our representative expressed our congratulations, saying that his success had greatly encouraged our staff and the people of Kazakhstan. Ilin expressed his gratitude to the company and his supporters, saying his success was the result of combined efforts, and that he would work harder for future success.

As a leading oil company in Kyzylorda, PK supports the development of local sports, and financed Ilin's training and his trip to Beijing for the Olympics. We will continue our support for sports to help improve Kazakhstan's international sporting image.

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Turn Dreams into Reality

Every child dreams of participating in the International Children's Arts Festival. Ten year old Bogdan is a student of the Taraz No.1 Middle School in south Kazakhstan. In September 2008, together with his schoolmate Masha Avramenko, he participated in this festival held in Washington, US, on behalf of Kazakhstan. Both of their works were entered in the final exhibition. The participants at this festival were selected from among more than 3 million children from over 100 countries.

The success of Bogdan is attributable to his mother Nadezhda, a well-known art teacher in Kazakhstan, who was also invited to attend the festival. After her return, she began offering art classes to children at a summer camp held in Kyzylorda. His father, Alexander Zagribelnayi, works at a drilling unit of PK. The company financed the family's trip to Washington, and received a thank-you letter from the organizers of the festival.

Sometimes, a little help can contribute to great success. Bogdan still has many dreams. It is our belief that his painting brush will put wings to his dreams, taking him wherever he wants to go.



Feedback Form



This is our first sustainability report released for the Republic of Kazakhstan. It is our hope that you can get enough information from it. Your valuable suggestions will contribute to our sustainable development in Kazakhstan, and help improve future reports. We are highly grateful to you for your attention and support.

1. What do you think of our performance in sustainable development?

☐ Very good ☐ Good ☐ Average ☐ Poor ☐ Very poor

2. Please give your feedback to the following aspects:

- a. Data availability ☐ Very good ☐ Good ☐ Average ☐ Poor ☐ Very poor
- b. Coverage ☐ Very good ☐ Good ☐ Average ☐ Poor ☐ Very poor
- c. Reader friendliness ☐ Very good ☐ Good ☐ Average ☐ Poor ☐ Very poor

3. What do you think of our report in terms of satisfaction of your needs?

☐ Very good ☐ Good ☐ Average ☐ Poor ☐ Very poor

4. What is it do you think that we have done best? Please specify.

5. What is it do you think that we have done worst? Please specify.

6. Other complaints and suggestions:



7. Which agency do you come from?

- ☐ Government ☐ Shareholder ☐ Partner ☐ Consumer ☐ Community representative
☐ NGO ☐ Academia ☐ Media ☐ Others (Please identify)

8. If you need response, please provide your contact information (your personal information will be used only for contact).

Name:

Telephone:

Fax:

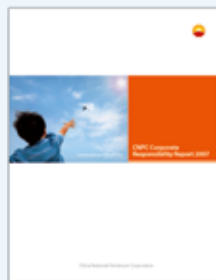
Address:

Your suggestions are very important to us. Please feel free to contact us.

For more information about CNPC's sustainable development and the fulfillment of its social responsibilities, you can read our CSR reports of previous years, which can be downloaded from our website.



CNPC Corporate
Responsibility Report
2006



CNPC Corporate
Responsibility Report
2007



CNPC Corporate
Responsibility Report
2008



CNPC in Kazakhstan
Sustainability Report
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