

Corporate Governance

CNPC is a solely state-owned enterprise. According to laws and regulations such as the Company Law of the PRC, and the Law of the PRC on the State-owned Assets of Enterprises, in addition to arrangements made by the State-owned Assets Supervision and Administration Commission of the State Council, CNPC promotes and regulates the establishment of a board of directors, and constructs and continuously perfects the legal person governance structure with clearly defined rights and responsibilities among the board of directors, supervisory committee and senior executives, to ensure that each department carries out its own duties with effective balance, scientific decision-making and coordinated operations. In 2016, CNPC amended its Articles of Association, strengthened its supervision and accountability system with a focus on system building and fulfillment of responsibilities, and realized clear control objectives, effective integration of resources and optimal efficiency and effectiveness. We also enhanced corporate social responsibility performance and achieved sustainable growth.

Governance Structure

Board of Directors

The Board of Directors consists of eight members. The Board has four affiliated committees, the Strategic Development Committee, the Nomination Committee, the Evaluation and Remuneration Committee and the Audit and Risk Management Committee, which are designed to provide advice and recommendations for Board decisions.

According to the Articles of Association of CNPC and Board of Directors Authorization Management of CNPC, the Board of Directors issues conventional authorization on decision-making regarding corporate operations to the Chairman.

Conventional authorization of the Board of Directors covers

1	Investment
2	Financing
3	Guarantee
4	Futures business
5	Assets and equity disposal
6	Donation or sponsorship
7	Business restructuring and internal reform
8	Matters relating to the Company's exercise of shareholders' rights in the invested enterprise
9	Other matters deemed necessary by the Board

Key work of the Board of Directors in 2016

Drafting development strategy

- Guided the drafting of and approved the Company's development plan for the "13th Five-Year Plan"
- Drafted annual plan for business development, investment and budget

Managing top management team

- Appointed Zhang Jianhua as the President and Xu Wenrong as the Vice President
- Enhanced communication with executives to provide more guidance and counseling
- Organized six meetings of the Board of directors, seven meetings of the affiliated Board Committees and four targeted field studies to advise on the development of the Company
- Enhanced communication with the Board of Supervisors

Reviewing and approving major issues

- Reviewed and approved major investment projects including the Fourth Shaanxi Beijing Gas Pipeline and major issues such as business restructuring

Strengthening risk prevention and control

- Reviewed and approved the annual audit report and risk management report of the Company. Presented improvement suggestion
- Guided related departments to reinforce risk liability and to implement major risk response measures

Affiliated Board Committees

As specialized organs directly under and accountable to the Board of Directors, the committees provide advice and recommendations for Board decisions. These committees perform their duties as authorized by the Board and in accordance with the Articles of Association of the Company. Committee members are nominated by the Chairman of the Board and approved by the Board.

In 2016, giving full play to their respective professional advantages, the Board of Directors exercises due care and diligence, playing a positive role in guiding the strategic development of the Company, strengthening the management of appointment of the senior executives, reviewing major issues, and strengthening risk control.

Compliance Management

Compliance is incorporated into CNPC's core values and strategies. In CNPC, compliance is prior to economic benefits; the compliance system is superior to the business system; and its compliance requirements are stricter than external regulations. We include compliance requirements into the whole process of operation and management and set up a compliance management system covering both headquarters and all regional subsidiaries with rigorous enforcement and assessment. In 2016, the Company was appointed the "pilot enterprise" for compliance management by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC). Additionally, compliance management research was deepened and compliance system building was pushed forward.

The Company strictly upholds business ethics, credibility and integrity in its operations. We obey international covenants and regulations, respect trade controls and fight against corruption, bribery, monopoly, and unfair competition of any form.

Major Initiatives of CNPC's Compliance Management in 2016

All-staff compliance commitment

- Issued Integrity and Compliance Guidelines to all employees and integrated compliance education into new staff training and ask employees to sign letter of promise on compliance requirements.

Compliance training

- Conducted extensive compliance training, and 1.1 million employees took part in the training and passed the test through the compliance management platform.

Responsibility fulfillment

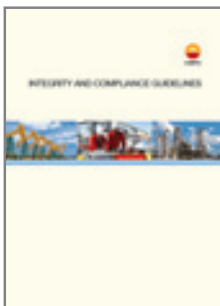
- Took compliance as a prerequisite for business development, and strengthened compliance in safety, environmental protection, investment, finance, procurement and sales to ensure business leaders accountable for compliance management.

Compliance evaluation

- Organized employees to conduct self-evaluation and evaluation between superiors and subordinates.

Compliance due diligence investigation

- Incorporated compliance investigation into the process of selecting suppliers, and conducted compliance evaluation on suppliers and contractors. Conducted compliance due diligence investigation on joint ventures and mergers and acquisitions, and included compliance into contract terms.



Refer to our *Integrity and Compliance Guidelines* for more information.

http://www.cnpc.com.cn/cmsresources/1a/ed/2cb3e435480d853fd8672d311c50_1.0.pdf

