



Chairman's Message

I feel very pleased to present CNPC Corporate Social Responsibility Report 2018. The year 2018 witnessed a slow recovery of the world economy, growing geopolitical uncertainties, and sharply fluctuating international oil prices, as well as sluggish growth of domestic oil and gas demand. In response to this grim situation and following the principle of steady development, we further optimized the oil and gas industry chain, accelerated replacement of old growth drivers with new ones, rationalized systems and mechanisms, enhanced quality and efficiency, and pressed ahead with our efforts to build a world-class integrated international energy company. As a result, we strengthened our concept of steady development and achieved initial success in our high-quality development.

Always bearing in mind that our high-quality development is inseparable from that of society, we strove to explore opportunities, seek development, and create shared value with all our stakeholders while meeting the demand of society and addressing common challenges based on the development concept of innovation, coordination, green, openness and sharing.

Implementing the strategy of innovation-driven development and promoting high-quality development

Innovation contributes to development towards a better future. In 2018, guided by the principle of "business-oriented development, independent innovation, more incentives, and openness and sharing", we strove for innovation in technology, management and business model, promoted the deep integration of industrialization and informatization, and further strengthened the role of science and technology in supporting our development. Specifically, the reservoir evaluation and prediction technology for large-area conglomerate reservoirs and technology for weak base ASP flooding for second-class reservoirs promoted growth of our oil and gas reserves and production; the optimized and upgraded technological packages for 10Mt grade oil refineries and 1Mt grade ethylene plants were successfully applied during construction of major projects such as the integrated refining-petrochemical complex of Guangdong Petrochemical; the

new generation of logging software and technologies such as the 200,000-channel ultra-efficient marine-land seismic exploration technology reached internationally advanced level; and significant progress was made in the application of information technology in areas such as digital oilfields, intelligent refineries, intelligent pipelines, and Intelligent Service Station 3.0 featuring "Service Station+Internet+N". The "theory and technology for conglomerate exploration in sag area and the discovery of giant Mahu Oilfield" was awarded the first-class National Science and Technology Progress Award.

We comprehensively deepened reform, kept optimizing the corporate governance structure and control model, and actively pressed ahead with the reform of our management system for oil and gas business. We also improved the internal market-oriented mechanism, and accelerated reform of labor, personnel and salary distribution systems to effectively stimulate the vitality of the Company. Great efforts were made to implement projects for increasing income and efficiency while cutting cost and expense, and carry out special jobs for tackling zombies and financially stressed enterprises, reducing legal-person hierarchy, and deleveraging. As a result, the Company has become leaner and healthier. In 2018, we generated RMB 110.56 billion in profit and paid RMB 421.16 billion in tax, a year-on-year increase of 107.3% and 11.6%, respectively.

Promoting clean and green development and building a modern energy system

Climate change is a global challenge. The 2018 United Nations Climate Change Conference (COP24 Katowice 2018) agreed on rules to implement the *Paris Agreement*, sending a positive message for strengthening global response to climate change. As a member of the Oil and Gas Climate Initiative (OGCI), we actively responded to the *Paris Agreement*, attended OGCI 2018 annual meeting, and established the Climate Investments China in partnership with OGCI Climate to fully implement our low-carbon development roadmap and fulfill our responsibilities as a major international oil company.

To CNPC, lucid waters and lush mountains are invaluable assets. Giving

top priority to environmental protection, we attach equal importance to resource development and resource protection, and engage ourselves in promoting comprehensive progress in green production, green energy and green technologies. We accelerate the building of a resource-conserving and environment-friendly company, in order to push for the low-carbon transition and supply high-quality, clean energy. We take the development and utilization of natural gas as a realistic approach to promoting green development, and intensify our efforts in natural gas exploration and development. As a result, the proportion of natural gas in our domestic oil and gas production (in equivalent terms) increased by 1.79 percentage points year-on-year, with shale gas production increasing by 41.2%. Southern Sichuan has become a shale gas production base with the highest daily production in China. We sped up the construction of natural gas interconnection projects, and our gas pipeline network covered 30 provinces, municipalities, autonomous regions and the Hong Kong SAR, benefiting more than 500 million people. Great efforts were made to upgrade oil product quality, and the quality upgrading of gasoline and diesel to national VI standard was fully completed. We explored development and utilization of new energy such as geothermal energy, gas hydrates, biomass energy, and hydrogen energy to foster a new growth pole for green development which centers on oil and gas and is complemented by a variety of other energies. Actively promoting resource conservation and recycling, the Company saved energy equal to 860,000 tons of standard coal and 12.13 million cubic meters of water, making due contributions to building a beautiful China where the sky is blue, the land is green and the water runs clear.

Committed to opening up & cooperation and building a community of shared interests

The world is going through a new round of unprecedented development, transformation and adjustment, and the economic and social well-being of countries around the world is increasingly interconnected. Enterprises make progress together through exchange and interconnectivity, and fall behind because of seclusion and closedness. Only openness and cooperation can bring more opportunities and create more space for development. Therefore, in the spirit of openness and upholding the concept of mutually beneficial and win-win development, we actively promoted international oil and gas cooperation, and have put in place five overseas oil and gas cooperation zones, four strategic oil and gas channels and three international oil and gas operation centers, further enhancing our international competitiveness and influence. Based on the principle of "achieving shared growth through discussion and collaboration", we strengthened strategic cooperation with governments of countries along the Belt and Road, domestic and foreign counterparts and partners, so as to jointly respond to major changes in the energy industry and work hard to build a community of shared interests for open, win-win and mutually beneficial oil and gas cooperation.

In 2018, CNPC scored major achievements in overseas oil and gas cooperation. The Umm Shaif and Nasr project and the Lower Zakum project in Abu Dhabi, UAE and the Peroba deepwater exploration project in Brazil saw substantial progress with the signing of agreements; the Phase I of Al-Yasat project in UAE and Brazil's Libra Project achieved first oil; Phase III of Halfaya Project in Iraq and Phase I of

Amu Darya Eastern gas fields in Turkmenistan were put into operation; Yamal LNG completed and launched second and third trains and shipped its first cargo to China; and our overseas oil and gas production hit another record high.

Creating shared value and promoting harmonious development

We worked to make sure everyone takes part, contributes and shares the benefits, so as to share our development achievements with our employees, the public and our partners. We attach great importance to social responsibility management throughout the industry chain, and advocate and encourage our suppliers and contractors to fulfill their social responsibility by leveraging our advantages in funding, technology and management to achieve common development. Adhering to the principle of putting people first, we provide our employees with career development platforms and promotion channels, in order to achieve common development of both the Company and employees. We actively support social welfare undertakings, and continued to launch social welfare campaigns such as "Help Migrant Workers Return Home", "Teacher Training Program", "Xuhang Educational Program" and "Hand in Hand with CNPC for Public Welfare", so as to achieve mutually beneficial development with the countries and regions where we operate and promote local economic and social development. We carried out targeted poverty alleviation, and lifted eight out of 10 counties for fixed-point poverty alleviation out of poverty. Highly recognized by the local government and the people for our endeavors in targeted poverty alleviation, we were named a "Responsible Enterprise in 2018" and awarded the "Social Responsibility Special Contribution Award". In Kazakhstan and Uzbekistan, we were granted the "Friendship Medal" for our outstanding socio-economic contributions.

In 2019, the world economy will face mounting risks for economic downturn, and the international oil prices will fluctuate over a wide range. Domestically, consumption growth of refined products will continue to slow down, intensifying competition in the oil and gas market. All these factors will pose new challenges for our high-quality development. To address such challenges, we will strive for steady development and high-quality development, and devote more efforts to developing main businesses, enhancing open cooperation, pushing for reform and innovation, and consolidating the foundation for development. We will make unremitting efforts to blaze new trails in the building of a world-class integrated international energy company, and make new contributions to the sound and sustained economic development and social harmony and stability.

Looking to the future, CNPC will faithfully fulfill our responsibilities and obligations, and give back to society, our stakeholders and employees with excellent performance. We are grateful for your attention and support over the years. We will continue to promote communication through platforms such as this report, further enhance our interaction with all stakeholders, and jointly create a better future for all of us.

Wang Yilin, Chairman