

# Corporate Governance

CNPC is a wholly state-owned enterprise. According to relevant laws and regulations, including the the *Company Law of the PRC*, the *Law of the PRC on the Assets of State-owned of Enterprises*, the *Constitution of the Communist Party of China*, and the *Regulation of Leading Party Members' Groups of CCP (for Trial Implementation)*, in addition to arrangements made by the State-owned Assets Supervision and Administration Commission of the State Council, CNPC has built and continuously perfected the legal person governance structure with clearly defined rights and responsibilities among the board of directors and senior executives, to ensure that each department carries out its own duties with effective balance, rational decision-making and coordinated operations. We established the statutory status of the Party group in the corporate governance structure and gave play to its role in a systematic, institutionalized and specific manner by integrating the leadership of the Party into various links of corporate governance and carrying out research and discussion by the leading Party group before making decisions on major issues. We strengthened our supervision and accountability system and increased auditing supervision 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



In 2019, guided by the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and following the general requirements of Party building in the new era and the overall leadership of the Party, we continued constructing the policy, accountability and security systems for the Party's management and self-governance and building the research, exchange and information platforms for Party building. With these efforts, we strive for high-quality development through high-quality Party building.

### Board of Directors

The Board of Directors is the business decision-making organ of CNPC. The Board has four affiliated committees, i.e. 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 the *Board of Directors Authorization Management of CNPC*, the Board of Directors issues conventional authorization on decision-making regarding corporate operations to the Chairman.

### Key Work of the Board of Directors in 2019

Formulation of development strategies	Deliberation of major issues	Attention to team building	Enhancement of risk prevention and control
<ul style="list-style-type: none"> <li>Review the Company's development strategies and medium-/long-term development plans, and supervise the implementation of the same</li> <li>Formulate the Company's annual business development and investment plans, budget plans, as well as the production and operation plans</li> </ul>	<ul style="list-style-type: none"> <li>Deliberate and approve a series of major issues concerning investment projects, such as the <i>Administrative Measures of CNPC for Overseas Investment</i>, to facilitate the implementation of the Company's overseas strategies</li> <li>Deliberate and approve the proposals on optimizing the equity structure of the listed company and transferring ineffective and inefficient lands to local governments, thereby improving the corporate capacity of sustainable development</li> </ul>	<ul style="list-style-type: none"> <li>Pay attention to communication with managers, and offer guidance and advice</li> <li>Organize board meetings, special committee meetings and centralized investigation and survey to communicate on company development and board building</li> </ul>	<ul style="list-style-type: none"> <li>Deliberate on annual audit report, risk management report, and propose improvement opinions and suggestions</li> <li>Exert the role of audit and risk management committee, guide relevant departments to enhance their accountability in risk management, and implement major risk response measures</li> <li>Strengthen the risk analysis and response for decision-making for major projects to ensure that the operation objectives are achieved while risks are minimized</li> </ul>

## Affiliated Board Committees

As specialized organs directly under, and accountable to, the Board of Directors and composed of directors of the Company, the committees appoint their members and fulfill duties in accordance with the provisions of SASAC, and provide advice and recommendations for Board decisions.

In 2019, giving full play to their respective professional advantages, the Board of Directors exercised 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.

## CNPC Management and Control Systems

	Goals	Measures
Compliance management system	<ul style="list-style-type: none"> <li>Build a scientific, complete and effective management system</li> <li>Continue to regulate and control personnel behavior</li> <li>Guarantee the Company's operational compliance and sustainable and sound development</li> </ul>	<ul style="list-style-type: none"> <li>Formulated and improved the compliance systems/regulations, such as the <i>Anti-commercial Bribery Manual</i>, the <i>Anti-monopoly Administration Regulations</i>, the <i>Opinion on Strengthening the Compliance Management of Overseas Operations</i>, the <i>Opinions on Further Strengthening Compliance Management of Financial Business</i>, and the <i>Guidelines on the Prevention and Control of Legal Compliance Risks Incurred by Enterprises Engaging in the Sales of Refined Oil</i></li> <li>Conducted analysis and assessment on compliance risks to timely respond to major risks, and issued warning letters on matters concerning intellectual property, anti-commercial bribery, trade restrictions and other aspects</li> <li>Implemented compliance management requirements and conducted stringent reviews on major decisions, reforms, major policies and systems, joint-venture/collaboration projects, and other aspects</li> <li>Conducted on a persistent basis compliance publicity and Company-wide compliance training to improve all staff's knowledge and awareness of compliance matters. In 2019, our Company-wide compliance training involved 1.12 million employees</li> </ul>
Internal control and Risk management system	<ul style="list-style-type: none"> <li>Complete system</li> <li>Overall control</li> <li>Effective implementation</li> </ul>	<ul style="list-style-type: none"> <li>Improved the internal control system, aiming to achieve high-quality development</li> <li>Strengthened supervision and assessment, with a focus on key fields</li> <li>Strengthened the rectification of problems through combining immediate rectification upon examination with establishment of rules and regulations, defect examination with performance evaluation, and internal case notification with external defect compilation</li> </ul>
QHSE management system	<ul style="list-style-type: none"> <li>Standardized operations</li> <li>Controlled risks</li> <li>Continuous improvement</li> </ul>	<ul style="list-style-type: none"> <li>Conducted comprehensive audits twice a year and extended the experience of rectification</li> <li>Encouraged subsidiaries to implement internal audits as required and improve their capacity for self-management</li> <li>Intensified efforts in grassroots HSE standardization and put in place advanced ideas and measures of the system at grassroots levels</li> </ul>
Anti-corruption system	<ul style="list-style-type: none"> <li>Consolidate and extend the resounding success in the fight against corruption</li> <li>Improve the supervision system</li> <li>Enhance the control and supervision on exercise of power</li> </ul>	<ul style="list-style-type: none"> <li>Strengthened daily supervision and special inspections</li> <li>Promoted the system/mechanism of coordinated action to prevent and disable all managers and employees from engaging in practices that do not comply with anti-corruption policies and best practices</li> <li>Promoted the reform of discipline inspection and supervision system</li> <li>Maintained strict supervision and examination of top managers at various levels, and improved the systems for assignment avoidance, regular rotation of posts and off-office auditing</li> </ul>

## Compliance Management

The Company regards law abidance as a basic guarantee for high-quality development. Compliance is of overriding importance. Therefore, we put legal compliance above economic interests, established the strategic position of compliance management, and further defined the responsibility of comprehensive compliance management. At the headquarters and in our regional subsidiaries, we continuously intensify compliance demonstration and review in respect of major decisions and major issues, and strengthen the prevention and control of compliance risks, in order to ensure management according to law and legal compliance in our operations. We strictly implement national laws and regulations and government regulatory requirements and keep strengthening compliance management in key areas. We have therefore basically put in place a general compliance management pattern featuring division of work, joint management and coordination. The awareness of compliance among our employees is strengthened, and an increasingly stern atmosphere for compliance is being created.

The Company strictly upholds business ethics, credibility and integrity in its operations. We obey international covenants and laws and regulations of the countries where we operate, respect trade controls and fight against corruption, bribery, monopolistic practices, and unfair competition in any form. We deal with our suppliers, contractors, customers, government departments, partners and competitors and other stakeholders in a fair and honest manner. We are committed to business integrity to win respect.