

## Message from the Chairman



Marking the 70th anniversary of the founding of the People's Republic of China, 2019 has been a critical year for CNPC to comprehensively achieve the goals of the 13th Five-Year Plan. Faced with the increasingly complex situation with all sorts of risks and challenges, the company's Board of Directors, the management team and employees have worked together to resolutely implement the decisions and deployments of the CPC Central Committee and the State Council in line with Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era. With an aim to building the company into a world-class one, and for setting an example for other Chinese enterprises in that regard, we achieved better-than-expected operating results and saw high quality development through ongoing efforts to conscientiously implement the Board's decisions, comprehensively boost operating quality and efficiency, effectively prevent and mitigate major risks, forge ahead with the resources, market, internationalization and innovation strategies, as well as figure prominently our core business.

**Boosting E&P efforts to ensure energy supply with steady improvement in core business operation.**

Following the instructions of the Chinese President Xi Jinping on boosting E&P activities, the company beefed up domestic E&P efforts and achieved fruitful results in 2019. The full-year additions to proven oil and gas in place hit a record high since CNPC's restructuring in 1998. There was a rebound in the company's crude production, and natural gas production growth was at a five-year high. Transition and upgrading of refining and chemical business picked up pace to support a production ramp-up in petrochemicals and decrease in refined products. In marketing refined products and natural gas, we continued to optimize market layout and sales portfolio with sales volume increased. Significant progress was made in new business development overseas and international trading volume rose steadily. Oilfield services, engineering and construction, financial services, equipment manufacturing and other supporting business were getting stronger.

**Addressing climate change and promoting energy transition with natural gas and new energy business accelerated.**

The company has been committed to providing more stable and cleaner energy supply in response to the global trend of clean-energy and low-carbon development. Natural gas as an important choice to tackle climate change is a business marked by strategic importance, high growth and value creation. The development across the full gas value chain was accelerated. We've ensured safe and stable supply to domestic market and done our part in the national energy mix transition through quickening the building of natural gas production, storage and distribution system, optimizing sources for natural gas imports, expanding end-user's marketing as well as pushing ahead with key pipeline projects. Meanwhile, the company promoted the business layout in new energies and made action plans including the development and utilization of geothermal and natural gas hydrates.

**Promoting international cooperation to create a community of shared interests with Belt and Road cooperation deepened.**

The company works with partners and friends from all over the world in the philosophy of "extensive consultation, joint contribution and shared benefits" to create a closer relationship and take our international oil and gas cooperation to a broader scope and higher level. In line with the Belt and Road Initiative, the company continued to expand cooperation with countries and regions along the Belt and Road routes, and achieved remarkable results leveraging CNPC-hosted international events and bilateral and multilateral cooperation platforms as well as major oil and gas cooperation projects. In

December 2019, the north section of the Eastern Russia-China Natural Gas Pipeline went on stream, marking another milestone in implementing the Belt and Road Initiative and creating energy connectivity.

**Vigorously implementing innovation strategy and setting off vitality with R&D efforts greatly rewarded.** Putting innovation at the core of our business development, we staged the *Guidance on Advancing Technological Innovation for High-Quality Growth* to further fund R&D activities, improve our R&D platform and incentives and encourage the creativity and engagement of our researchers and engineers. A number of R&D achievements have been scored and we won many national awards. The company has been embracing digital technologies and promoting the use of cloud computing, big data, AI and Internet of Things to make its business operations more digital, visible, automated and intelligent. Technology and information are playing a more prominent role in our transformation and our sustained success.

**Protecting environment and actively fulfilling social responsibility with sustainability kept enhancing.** Maintaining a strong commitment to green, clean and eco-friendly development, we reported no major HSE incidents throughout the year, our HSE performance indicators were at best in history. The company has been actively involving in the national efforts to fight the battle against air pollution. In particular, we exceeded the annual emission reduction targets for key pollutants and received the Award for Outstanding Contribution to Energy Conservation and Emission Reduction from the State-owned Assets Supervision and Administration Commission of the State Council. We strived to further improve employee's sense of gain and pride by encouraging employee's engagement in the company's development. Meanwhile, the company's CSR activities were focused on poverty alleviation. Our targeted poverty alleviation efforts under the national poverty relief plan successfully helped local communities shake off poverty.

**Deepening corporate reforms and improving modern enterprise systems of Chinese characteristics with modernization level elevated on corporate governance and internal control.** The company formulated a framework plan for creating a world-class enterprise, and further clearly defined the strategic objectives, implementation path and key breakthrough areas. Focusing on key areas and major challenges, the company forged ahead with reforms on corporate governance, market-driven mechanisms as well as rules regarding HR, labor and remuneration management. The company strengthened fundamental and benchmarking management and improved management innovation system. Steady headway has been made on an institutionalized, standardized, process-based and IT-enabled corporate management system. The company reported no significant risk events throughout the year thanks to its intensified efforts on risk control and legal compliance as well as to auditing's role in supervision.

These hard-won achievements provide a solid foundation for successfully implementing the 13th Five-Year Plan. The management team and employees have united as one to make new progress towards high-quality growth. On behalf of the company's Board of Directors and management team, I would like to express my heartfelt thanks for your support for CNPC's development.

The year 2020 marks the last year for establishing a moderately prosperous society across the board and for accomplishing the 13th Five-Year Plan. China is marching towards its first centenary goal and CNPC is striding towards a new high on the path to a world-leading integrated international energy company. We are facing an ever-complicated and ever-challenging situation with more uncertainties in the energy market, coupled with the unprecedented challenges of the COVID-19 pandemic and the collapse in global oil prices. However, the positive trend of the Chinese economy

in the long run remains unchanged and the company is still enjoying a strategic window of opportunity for development. We will continue to boost reserves and production, accelerate the upgrading and transformation of our refining and petrochemical business, strengthen end-users construction on marketing and maintain a leading position in domestic oil and gas supply. Meanwhile, we will promote the development and use of new and alternative energies and speed up in building a diversified and fossil fuel-centered green development landscape. With further "going global" efforts, we will launch all-around cooperation internationally, forge ahead with a global oil and gas trading system, bolster international operation and resource allocation capabilities in the global market and create a risk management system corresponding to our international operation. We will continue to encourage technological innovation, promote R&D efforts in key areas and "bottlenecks", focus on future-proof technologies research, deepen the integration of information technology with the energy industry, and enhance independent innovation capabilities as well as industrial competitiveness. In view of the trend of market-oriented reform and high-efficiency development in the energy sector, we will move fast to improve our internal systems and mechanisms as well as management innovations to bring corporate governance to a higher level.

In the new year, we will focus on high-quality development, put more emphasis on strategy guidance, low-carbon, digital transformation and value creation. We will press ahead to improve quality and boost efficiency, effectively enhance our competitiveness and innovation capability, reinforce our position in the market, and improve risk resistance, in a bid to accomplish the 13th Five-Year Plan and make new contributions to the establishment of a moderately prosperous society across the board.

Chairman

Dai Houliang