



Public Welfare

- ☒ Poverty alleviation
- ☒ Supporting education
- ☒ Local development
- ☒ Humanistic Care
- ☒ Construction of overseas communities

We are committed to sharing our business achievements and development opportunities with local communities where we operate in the pursuit of mutually beneficial sustainable development. To this end, we attach great importance to activities promoting public welfare and social progress, in order to facilitate community and socioeconomic development.

Poverty Alleviation

Poverty alleviation is an important topic in global sustainable development and also one of our key concerns. We have responded positively to the initiatives of the UN's 2030 Agenda for Sustainable Development, and to policies of the Chinese Government on poverty alleviation. Focusing on improving the intellectual level, industrial development, medical service and livelihood of local people, we integrate our business strengths with local resources and market advantages, take targeted measures in poverty alleviation and promote the local self-development capacity in innovative ways.

In 2016, we continued to carry out fixed-point poverty alleviation and aid programs, with an investment of RMB 75.99 million on over 40 projects, including infrastructure reconstruction, education & training, and healthcare in 13 counties and districts of seven provinces (municipalities and autonomous regions) in China, namely Xinjiang, Tibet, Qinghai, Chongqing, Henan, Jiangxi and Guizhou, benefiting tens of thousands of people.

To enhance the ability of the seconded officials to take targeted measures in poverty alleviation, we provided training for over 20 officials for fixed-point poverty alleviation and aid programs throughout the year.

20 officials

In Shuanghu County, Tibet, we invested RMB 20 million in livelihood projects including the maintenance and expansion of PV power stations in townships, reconstruction of primary schools, and the development of an integrated market for poverty alleviation.

20 million

We invested RMB 6 million on photovoltaic power generation projects, which provide RMB 3,000 for each of the 884 people from the 260 destitute households in Taiqian County, Henan Province.

6 million

We helped build roads in Nantianmen Village, Niba Township, Xishui County, Guizhou Province, solving transport difficulties for nearly 2,800 people.

2,800 people

We helped build the safflower plantation project in QapqalXibe Autonomous County, Xinjiang, promoting the development of its economy with local characteristics and providing 900 impoverished people with jobs.

900 people

In Barkol Kazak Autonomous County, Xinjiang, we carried out poverty alleviation activities, granting loans to 1,000 households and benefiting more than 3,000 people.

3,000 people

In Nilka County and Qinghe County, Xinjiang, we helped build irrigation projects covering nearly 670 hectares of arable land, and helped more than 3,200 people increase their incomes and shake off poverty.

3,200 people

We sent medical experts to Jeminay County and Qinghe County in Xinjiang, Lenghu in Tibet, and Xishui in Guizhou to provide medical diagnosis and treatment for more than 2,800 patients.

2,800 people

At the "2016 Experience Exchanges of Enterprise Participation in Targeted Poverty Alleviation & the Launch of the Blue Paper" sponsored by the China Foundation for Poverty Alleviation(CFPA), CNPC was awarded the title of "Excellent Case of Enterprise Poverty Alleviation".



Gas supply



A glimpse of the agricultural plantation project in Lenghu County

A Selection of CNPC's Targeted Poverty Alleviation Projects and Achievements in 2016

| Project Name | Start Time | Location | Partner | Project Details | Achievements |
|---|----------------|---|---|---|---|
| Tongzhou Health Poverty Alleviation Project | October, 2016 | Hengfeng County, Jiangxi | China Foundation for Poverty Alleviation | In 2016, to mitigate the re-occurrence of disease-related poverty and improve medical conditions in Hengfeng County, we established a special relief fund of RMB 1 million to subsidize the treatment of critical illness and rehabilitation for impoverished people. The project is mainly intended for poverty-stricken patients aged 18-50 who are suffering from critical illnesses. In addition, an "Angel Home" will be established in Hengfeng County People's Hospital to pool social resources for patients suffering from critical illnesses through multiple channels and reduce their burden of medical care. We also provide psychological counseling for patients to help them build up confidence and improve the efficacy of treatment. | By the end of 2016, 13 local households were helped. |
| Agricultural Plantation Project in Lenghu County | 2016 | Lenghu County, Qinghai | —— | The project was officially launched on August 1, 2015. With a total investment of RMB 22.58 million and a construction area of 4,200 square meters, the project mainly consists of the construction of 1,000 square meters of green planting areas and 3,200 square meters of vegetable planting areas. | Professional teams are employed to provide planting management and technologies for greenhouses with intelligent facilities. As a result, more than 10 varieties of pollution-free seasonal vegetables can be planted simultaneously, with an annual output of 75 tons. |
| Project of "Women Returning Hometown to Work" | 2016 | 10 national level poverty-stricken counties in Xinjiang, Henan, Guizhou and Jiangxi | China Foundation for Poverty Alleviation, Tencent 99 Charity Platform | Combining infrastructure construction and industrial development, development of cooperatives and management of tourism, as well as "red tourism" and the home stay economy, this project is designed to develop villages with unique characteristics and stimulate economic development in the recipient areas. It mainly supports labor-intensive village cooperatives with a high employment rate of women, helps migrant women to return home for work, cultivates and develops the collective economy of impoverished villages, and alleviates social problems like left-behind children and empty-nest elderly. | The project has provided job opportunities for housewives, promoted economic development in poverty-stricken areas, and reduced the number of left-behind children. |
| Drinking Water Safety Project for Urban and Rural Areas in Central and Southern Ningxia | November, 2012 | Central and Southern Ningxia | —— | CNPC helped build the project with an investment of RMB 150 million. The project addresses drinking water safety issues for 1.1353 million urban and rural residents in 603 administrative villages in 44 towns and townships of four counties (districts) (Yuanzhou, Pengyang, Xiji and Haiyuan) in the central and southern regions, in order to improve their basic living conditions and promote regional economic development. | The project has been put fully into operation, providing clean and safe water for 1.1353 million urban and rural residents. |

CASE

"Hand in Hand with CNPC", Public Welfare Dream for Ordinary People

Partner



Program Nature

Mobile client platform for public welfare

Program Purpose

To help ordinary people realize their public welfare dreams, and spread the concept of people's public welfare

Actions of CNPC

To set up the platform, donate special funds to China Foundation for Poverty Alleviation, and explore and fund innovative, feasible public welfare initiatives with social influence

Program Achievements

In 2016, a total of 17 sessions of collection and assessment of public welfare ideas were completed via the platform, with 221 initiatives collected and 173 funded. These initiatives were contributed by college students, community residents, NGOs, industry associations and other groups in 24 provinces, cities and autonomous regions including Beijing, Inner Mongolia, Gansu, Sichuan, Guizhou, Guangdong and Fujian. They covered a wide range of areas, including youth education, services for the elderly, community development, and heritage protection. We launched "Hand in Hand with CNPC for Public Welfare", a two-month special fund program for students in 43 Chinese universities and colleges. With 100 initiatives funded, this program has been well received by students.

Ways of Public Participation

Processes such as collection, approval, voting, funding and supervision of implementation are required to turn the initiatives into actions. The public can log onto the website of the platform to offer ideas and download the "Hand in Hand with CNPC for Public Welfare" mobile app to view and vote for these ideas and communicate with others.



Subscribe the wechat official account



App download

Scale of Public Participation

The mobile app of the platform has been downloaded by more than 76,000 users (75% under 24 years old) in 34 provinces, municipalities and autonomous regions. A total of 1.89 million votes have been cast and nearly 46,000 comments given. It is becoming a platform for the public to demonstrate their creativity, exchange ideas, realize dreams, and spread positive energy.

Welfare Initiative: Traveling with Sanitation Workers

In February 2016, "Traveling with Sanitation Workers", a public welfare initiative proposed by the Henan Xinxiang Volunteers Association, was officially launched on the platform, attracting many netizens. With 50,000 votes, this initiative stood out for the funding of CNPC.

On May 1, 2016, 14 sanitation workers in Xinxiang City, Henan Province, started a three-day trip to Beijing, paying visits to the Forbidden City, the Great Wall, Nanluogu Xiang and the Temple of Heaven, which has left them with good memories. To ensure smooth implementation of the initiative, the team brought along a doctor, two volunteers to deal with emergencies, and three professionals to record the entire journey.

Gone are the days when I had to take a rest on the edge of the road. CNPC, thanks a lot!

——A local sanitation worker

CNPC's funding and netizens' warm praise have made this long-awaited public welfare dream come true. It is hoped that through this program, we will arouse public respect and care for sanitation workers, a special group in our society. Now, more and more people start to pay attention to them.

——Liu Fupeng, initiator of the "Traveling with Sanitation Workers" program

Fulfilling the dream of public welfare is just the first step. Through the Internet, the programs on the platform are attracting more attention. More dreams of public welfare will be gathered, exchanged and shared here.

——Wen Yong, executive of the "Hand in Hand with CNPC for Public Welfare" platform

"Internet Plus" is profoundly changing traditional public welfare. The "Hand in Hand with CNPC for Public Welfare" platform has promoted the value of public welfare, linked sponsors, recipients, public welfare organizations and donors together through the Internet, and communicated positive messages with the society.

——Li Wen, advocate of public welfare

Supporting Education

Since its inception in 2002, we have granted CNPC scholarships to 11,047 outstanding students (including 4,207 impoverished students), worth a total of RMB 49.7 million

11,047 Students

Total grants

49.7 million RMB

Supporting education is one of our focuses in fulfilling social responsibilities. We try to help youths to enjoy equal education opportunities. We continue to carry out the ongoing education programs, including scholarships, bursaries, aiding students from poor families, and supporting contests. In 2016, we granted CNPC Scholarships worth a total of RMB 3.99 million to 635 students. We have sponsored the Kunlun Lubricant Formula Student China (FSC) program for six consecutive years, aiming to create a cooperation platform for the government, enterprises, colleges and universities, research institutes and users, to nurture talents for the automobile industry. In addition, we explore new modes to support education, and call on the public to focus on and work together to achieve educational equality. For instance, CNPC and the China Foundation for Poverty Alleviation (CFPA) co-sponsored the "Xuhang" Program, a public welfare platform enabling the Company and drivers to help senior high school students from poor families complete their studies. Through the "Teacher Training Program", we introduced advanced teaching ideas and methods to poverty-stricken areas, improving the quality and skills of local teachers.

Teachers trained

500 person-times

CASE

Teacher Training Program

The Teacher Training Program was launched jointly by CNPC and China Foundation for Poverty Alleviation (CFPA) to improve the quality of teaching and compulsory education in the recipient areas. Under the program, outstanding teachers in developed areas are assigned to poverty-stricken areas in Xinjiang, Henan, Jiangxi, and Guizhou for academic exchanges, while outstanding young teachers in poverty-stricken areas are sent to developed regions for advanced studies.

In June 2016, we invited prestigious teachers from the High School Affiliated to Renmin University of China and Beijing No.171 High School to provide training for teachers in poverty-stricken counties in Xinjiang, Henan, Jiangxi, and Guizhou. Previously in 2015, we selected 12 outstanding young teachers from poverty-stricken counties for a semester of training at Beijing No.171 High School. In December 2016, in partnership with the Education Group of Experimental High School Attached to Beijing Normal University, we held training sessions for middle school managers, which were attended by 40 principals and educational administrators from Henan, Guizhou, Jiangxi and Qinghai.

Since its implementation, relying on superior educational resources in prestigious schools throughout China, the program has conducted training for nearly 500 person-times.





CNPC's Xuhang Educational Program

The Xuhang Program is a public welfare project launched in 2015 jointly by CNPC and China Foundation for Poverty Alleviation (CFPA) to provide studying and living support to impoverished senior high school students from underdeveloped areas for them to complete studies and access equal educational opportunities.

CNPC had invested RMB 4 million to support 1,000 impoverished students in Sichuan and Henan provinces by the end of 2016. Among the 400 high school graduates supported by the program, more than 300 had their university dreams come true, with a RMB 5,000 enrollment scholarship for each of them. Hundreds of young volunteers from CNPC and over 5 million people from the society took part in the initiative.



The Xuhang program helped the students to complete university studies

| | |
|---------------------------|--|
| Offline Activities | <ul style="list-style-type: none"> Based on 80 service stations in Chengdu and Zhengzhou, CNPC donated RMB 0.01 for every liter of its sold gasoline to support the students from poor families to complete their studies. A volunteer team composed of caring people, consumers, employees and media came to the campus and interacted with the students, witnessing the differences the program brought to the students. |
| Online Activities | <ul style="list-style-type: none"> With the help of online platforms, the project got the support of 12378 netizens, and raised RMB 100,000. |

Care for the Growth and Development of Students

Support for students to take the college entrance examination

We provided shuttle buses and set up student-service stations for nearly 10,000 examinees in the poverty-stricken counties in Sichuan and Henan.

Oil Experience Day in CNPC

We organized 60 students in Henan and Sichuan provinces to visit CNPC marketing companies, to get a sense of the oil culture and have their first professional experience.

Work-study program

We provided part-time jobs at our service stations for over 70 high school or college students in Henan and Sichuan under the "Xuhang Program", so as to enhance their capabilities, and reduce the financial burden on their families.

We not only provide material assistance to the impoverished students, but also help them strengthen communication with the society, develop positive and healthy attitudes, expand horizons and improve their overall quality through service station experience and work-study programs.

—An Executive of the "Xuhang" Program



The "Xuhang" Program has truly provided timely assistance for impoverished students to be admitted to universities. This generous educational program will benefit future generations.

—Feng Chun, Deputy Director of Tongjiang County Education Bureau

We are deeply touched and encouraged by CNPC's moves to provide donations to impoverished students, organize young volunteers to set up student-service stations, and fund the leasing of shuttle buses for the college entrance examination. These good deeds have demonstrated the Company's efforts to communicate positive messages to the society as a state-owned enterprise.

—Principal of Xinxian County High School

The "Xuhang" Program has provided me with a great deal of care and love. I will redouble my efforts to study, in order to give back with actions to those who have helped me.

—A student from Tongjiang County Middle School

Although a penny does not mean much on its own, when accumulated, they can help impoverished students achieve their educational dreams and move forward.

—Henan Channel of People's Daily

Local Development



E-commerce training for local villagers

The company's development owes much to the understanding and support of the government, communities and the general public. While providing stable energy for socioeconomic development, we expand, in the upstream, midstream and downstream sectors, our joint-venture cooperation with local capital, develop local suppliers and contractors, increase job opportunities and boost the development of related industries based on the principle of open cooperation for mutual benefit.

In 2016, Fushun Petrochemical supported local government in attracting investments and building the industrial park. It provided 10 enterprises in Fushun High-tech Development Zone, including Qilong Chemical Co., Ltd., with C5 and C9 fraction from ethylene cracking, ethylene tar and other feedstock, and transported these materials for relevant supporting enterprises through mutual supply pipelines, promoting the development of deep processing enterprises in the industrial park. As a result, five industrial clusters (organic chemicals, fine chemicals, carbon fiber, synthetic rubber, and plastic wax) have taken shape, creating economic value and job opportunities.

We paid RMB 4.23 billion tax and fees, provided 131,953 jobs and newly recruited 1,894 local employees in 2016

4.23 billion RMB **Xinjiang**

We paid RMB 35.35 million tax and fees, provided 596 jobs

35.35 million RMB **Sichuan Tibetan area**

We paid RMB 200 million tax and fees, provided 1,287 jobs, of which 62% are provided to minorities

200 million RMB **Tibet**

We paid RMB 4.27 million tax and fees

4.27 million RMB **Yunnan Tibetan area**

We paid RMB 4.6 million tax and fees, provided 21,448 jobs

4.6 million RMB **Qinghai Tibetan area**

We paid RMB 12.42 million tax and fees

12.42 million RMB **Gansu Tibetan area**

Humanistic Care

In CNPC, we attach great importance to public welfare and encourage our employees to take part in volunteer activities. We advocate civilized practices, assist the disadvantaged groups, and contribute to cultural progress.



giving volunteer medical consultation



Visiting the handicapped children

Voluntary activities

We advocate volunteerism, and encourage and support the employees' participation in volunteer activities to serve the community and the society. In 2016, we had over 184,000 young volunteers in 6,892 teams, serving altogether 421,000 hours and benefiting about 1.7 million people. Specifically, our employees were actively committed to various activities including donating to the disadvantaged groups, donating blood without payment, afforestation, rescue of wild animals and plants, and protection of natural and cultural heritages. Thanks to its outstanding performance in voluntary activities, Jilin Petrochemical won the Outstanding Organization Award of China Youth Volunteers.

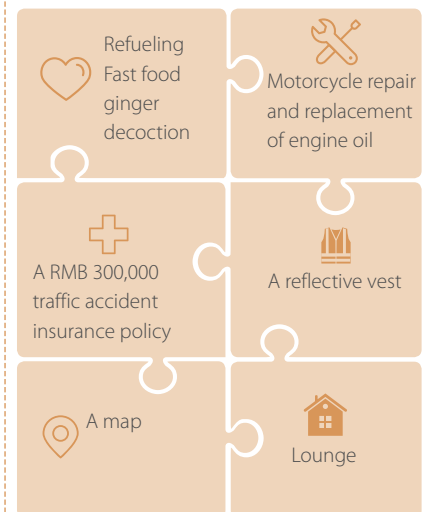
The "Blue Sky Volunteer Association" of Daqing Oilfield launched the "Blue Sky Life Bracelet" campaign, a voluntary activity to assist the old, weak, sick and disabled, and other vulnerable groups including those suffering from depression and Alzheimer's disease. In 2016, we distributed bracelets to 700 elderly people without family and autistic children in Songyuan City, and set up emergency teams to provide timely help for those wearing the bracelets. The youth volunteer service team of Changqing Oilfield is devoted to tree planting together with local people, covering a cumulative area of 20,600 square meters in Jingbian County, which effectively curbed land desertification.

Helping Migrant Workers Return Home

The Spring Festival in 2017 marks the sixth consecutive year for us to provide free food and gasoline for migrant workers at the Company's 65 service stations along national and provincial highways in Fujian, Jiangxi, Hunan and Hubei provinces. And we extended the activity from two days to ten days.

Free Services

A CNPC "love station" is situated every 50-100km to ensure free supply for migrant workers every 1-2 hours along their journey



According to incomplete statistics, the "Helping Migrant Workers Return Home" campaign has helped a total of 130,000 person-times over the past six years.





130,000 person-times

Development of Overseas Communities

We respect the culture and customs of host countries in which we operate, as part of our efforts to develop long-term stable relationship and promote their socioeconomic development.

In 2016, thanks to our excellent performance in localized operation, we were granted the award for honoring our commitment to the contribution of localized operation in 2015 by the Indonesian government. In recognition of our outstanding contributions to enhancing oil and gas cooperation between China and Kazakhstan, promoting green and sustainable socioeconomic development in Kazakhstan and friendship between the two peoples, we were awarded the national level-two "Medal of Friendship" of the Republic of Kazakhstan by Kazakh President Nursultan Nazarbayev.

Management of Business Impact on Community

| | Potential Positive Impacts | Potential Negative Impacts |
|--|---|---|
|  Indigenous people | <ul style="list-style-type: none"> ▣ Job opportunity | <ul style="list-style-type: none"> ▣ Land requisition, resettlement ▣ Environmental impact |
|  Capability building of local enterprise and industry | <ul style="list-style-type: none"> ▣ Business cooperation opportunity ▣ Capacity improvement ▣ Technology transfer | <ul style="list-style-type: none"> ▣ Possibly neglect local products and services, and lack of sharing of advanced technology with the locals |
|  Community consulting and participation | <ul style="list-style-type: none"> ▣ The local residents have fair opportunities to express their concerns and know the impacts of the project | <ul style="list-style-type: none"> ▣ Possibly neglect of concerns of the local people |
|  Social investment | <ul style="list-style-type: none"> ▣ Preliminary negotiation with the community members helps meet the locals' requirements and bring long-term benefits | <ul style="list-style-type: none"> ▣ Planning and execution of the social investment may not be practical and may not bring long-term benefits |



Strengthen Communication with Local Communities

We have set up departments of environmental protection and community relations coordination in many places to promote cooperation with local governments, NGOs and community representatives. By holding conferences, issuing reports and paying visits, we have strengthened communication and coordination for a win-win situation in cooperation. In Iraq, we launched safety education campaigns for 18 schools in the oilfields and surrounding communities. In the implementation of the project of Kazakhstan-China Gas Pipeline, in order to meet the employment needs of local residents, we gave preference to hire local people if production allowed. We also celebrated traditional festivals such as Eid al-Adha and Nowruz with the communities, and provided help to poor villagers.

Measures to Reduce Potential Risks

- ✘ Before the construction of a project, we conduct assessments of the social and economic impact, such as the requirements of the indigenous people, human rights, culture heritage, involuntary resettlement, etc, and try our best to protect all the lawful rights and interests of the indigenous people.
 - ✘ In Myanmar, we protect the reasonable interests of local residents by soliciting their opinions, and stick to standard operation for land compensation. The compensation program was formulated based on the opinions of the local government, our cooperating partners and the villagers, and compensation was made before land use. At the same time, the land compensation information was released timely to guarantee transparency.
 - ✘ In the Andes Project in South America, we implement strict safety and environmental protection procedures, and establish the environmental protection management system with stakeholders' participation. We carry out whole-process environmental impact monitoring, and restore the ground surface in the shortest possible time after operation, in order to minimize the influence of our operation on the local ecology.
 - ✘ On Maday Island in Myanmar, we preferentially recruit the indigenous people, and help them receive skill trainings, participate in the project construction and operation, and enjoy higher incomes.
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- ✘ Giving priority to local products and services in our procurement, we strengthen cooperation with local enterprises in technical services, in order to boost the development of local SMEs.
 - ✘ We support the personnel training program for the oil industry of the host countries. In Sudan, we provided training for the Ministry of Petroleum, local oil companies and petroleum colleges and universities, and the trainees have grown to be key technical and managerial staff in their relevant fields.
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- ✘ We have set up cordination departments for environmental protection and community relations in overseas projects, so as to promote communication with local governments, NGOs, and community representatives, by holding conferences, issuing reports and paying visits, etc.
 - ✘ In Iraq, we have established the Community Contribution Committee for Al-Ahdab Oilfield Communities. We provide assistance of public welfare to community residents through the committee, and supervise the implementation of such welfare projects.
 - ✘ In the Andes Project in South America, we have established the joint mechanism (joint committees with the local government, local communities and employees respectively), in order to enhance communication with the stakeholders.
-
- ✘ We make social investment plans based on the local social and economic development planning and requirement of the community residents in the host countries.
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Community Engagement

We took an active role to help improve the living conditions of local people, and conduct education, healthcare and other public welfare programs in order to build up harmonious relations with them. At the same time, we provided training opportunities for people in the countries where we operate, in order to cultivate skills in the local petroleum industry.



water supply to local community

| Country | Persons Trained | Person-Times | Amount Invested |
|--------------------|---|---|------------------|
| Sudan | Personnel from the Ministry of Petroleum & Gas and companies under the Ministry | Short-term technical training for 256 person-times, and master's degree training for 12 person-times | USD 3.67 million |
| South Sudan | Personnel from the Ministry for Oil and Mining and related companies | Short-term oil training for 60 persons in 2012-2013, undergraduate degree training at China University of Petroleum for 16 persons. Short-term training on petroleum technology and management will be provided for 60 person-times in 2016-2018. | USD 2.33 million |
| Cuba | Technical and management personnel from departments and subsidiaries of CUPET | Short-term training for 40 person-times in 2015-2016 | USD 400,000 |

Sudan, South Sudan

- Each year, we donate a total of USD 150,000 in Red Sea State and White Nile State along the pipelines of Block 3/7 to offer clean drinking water to local residents
- We donated 600 sets of desks and chairs and USD 25,000 worth of sports goods to 10 schools in Jabalein
- We helped build hospitals and clinics, sent medical staff and medicines, and provided free medical treatment for local residents
- We trained 30 local midwives and 80 nurses in first aid, delivery, and diagnosis of common diseases

Ecuador

- We built roads for villages in Nueva Froutera
- We provided school buses in Tarapoa and surrounding communities
- We funded the construction of 200 "Millennium Schools", building classrooms and libraries, jointly with the Chinese government
- We built two hospitals to provide the surrounding communities with free medical assistance
- We provided technical training and employment opportunities for local residents
- We joined in earthquake relief efforts

United States

- We organized a volunteer team to produce peanut butter in peanut butter plant of Jesus Christ of Latter-day Saints Church in Houston for the local relief food warehouse. This organization provides food for 1.8 million person-times in 18 counties in Texas through its food distribution points every year.

Kazakhstan

- We provided USD 95.08 million for the establishment of the National Dance Academy of Kazakhstan
- Financial support for local children to join in summer camps
- We provided RMB 1.684 million in 2016 through the North Buzachi Project to improve the dwelling conditions and living standards of local residents
- We entered into an MOU with the Aktobe government to help build a Youth Palace in the city's Presidential Park, with a capacity of 15,000 people

In 2016, our project company TTGPB presented gifts and festive blessings to children at an International School in Abad District in Tajikistan.



“For our foundation, the Asia Gas Pipeline Limited Liability Partnership has achieved three very important tasks: First, it is the first joint venture to make donations to the foundation. Second, the donations cover a broad range of recipients. More than 20 veterans of World War II have been included in the aid programs, solving the problems facing the foundation in a timely manner. Third, the donation process has been highly efficient. It took just over one month for us to receive donations from the day the initiative was launched.”

Zbarhanov, President of the Kazakhstan WWII Veterans Foundation



Letter of acknowledgment to Trans-Asia Gas Pipeline Company from the KazakhstanWorld War II Veterans Council



Protect Local Environment

We stress the importance of striking a balance between business development and environmental protection. Therefore, we strictly comply with local laws and international standards on environmental protection where we operate, protect ecological environment and strive to eliminate our footprints on the environment.

CNPC International in Kazakhstan

- ▣ We improved the environmental protection system, with continued efforts in its establishment and auditing. In our projects such as PK and MMG, we developed certification review programs for the environmental protection system at the beginning of each year, and conducted comprehensive auditing of the ISO14001 environmental system according to the annual plan.
- ▣ We carried out environmental impact assessment and risk control. In key areas such as refineries, oilfields, oil depots and pipelines, we regularly conducted risk assessment and hazard monitoring and control. For new, renovation and expansion projects, we took measures such as environmental impact assessments and design program optimization in strict accordance with laws and regulations. Environmental protection facilities were designed, built and commissioned together with the main project. Our Aktobe Project monitored and controlled polluted soil and entered into treatment contracts with professional companies by regions, in order to ensure the full implementation of the treatment schemes for oil-contaminated soil. PK Project established a dedicated environmental protection database based on relevant environmental factors and their influence.
- ▣ We increased investment to promote the construction of environmental protection projects. The project for integrated utilization of natural gas in Kazakhstan was completed and put into operation, setting the benchmark for natural gas processing in the region.

Trans-Asia Gas Pipeline Company Limited

- ▣ Southern Kazakhstan project: Since April 2015, we have been maintaining a reasonable level of investment in sand stabilization along the pipeline. To beautify and protect the environment, we would carry out forestation after the construction of stations is completed.
- ▣ Uzbekistan-China Gas Pipeline: waste heat boilers were used in the six compressor stations along the pipeline in winter as the main source of heat.

CASE



Award for Zero Exploration Accident from the Indonesian Ministry of Employment

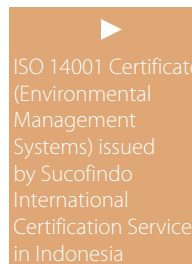


Award for Zero Operational Accidents from the Indonesian Ministry of Employment

In Indonesia, in strict accordance with the requirements of the environmental assessment documents (EIA/UKL-UPL), we spared no efforts to control air and water pollution, treat hazardous and toxic waste, and prevented environmental damage in all types of production activities, particularly in oil and gas exploitation. In 2016, our performance in HSE was recognized by the local government and international professional organizations. We were granted the award for zero exploration accidents and the award for zero operational accidents by the Ministry of Employment, the "Certificate of Appreciation of Occupational Safety and Health Management System (SMK3)" by the Minister of Employment, and the ISO 14001 certificate by Sucofindo International Certification Services.



"Certificate of Appreciation of Occupational Safety and Health Management System (SMK3)" from the Indonesian Minister of Employment



ISO 14001 Certificate (Environmental Management Systems) issued by Sucofindo International Certification Services in Indonesia



Environmental Management System (EMS) Certificate issued by Sucofindo International Certification Services in Indonesia

In Block 3/7 in South Sudan

80% Share of local suppliers

51+ million USD Local procurement in 2016

Boost Local Economy

We implemented localization strategy, preferentially purchased and used local products and services, gave opportunities to local contractors and service providers to participate in our projects, and supported the development of local SMEs and start-up businesses to create more jobs. In 2016, we completed localization targets in Kazakhstan in the implementation of the Aktobe Project. When technical requirement permitted, we gave priority to Kazakh manufacturers, with whom we signed material supply contracts, and provided local manufacturers and service providers with reasonable prices. In Block 3/7 in South Sudan, local suppliers accounted for more than 80% of the total, and the amount of local procurement contracts exceeded USD 51 million in 2016.

CASE

Al-Ahdab Oilfield helped local area take on a new look

In June 2011, the first barrel of commercial crude oil was produced in Al-Ahdab Oilfield, which was the first oilfield put into operation with new capacity in post-war Iraq. Over the past five years, the project has brought about significant changes in the area.

Promoting local development

The oilfield was put into operation three years ahead of schedule with an annual output of seven million tons of oil, contributing an additional USD 10 billion in revenue to the Iraqi government over the expected amount in the contract.

The Iraqi government stipulates that for each barrel of oil produced, a certain share of funds will be allocated to the production area. These funds have promoted economic development in Wasit Governorate, where the oilfield is situated, resulting in its transition from an agricultural to an oil-producing province.

The project has met local energy needs. Al-Ahdab Oilfield supplies fuel to Zubaydah power plant, the largest newly built power

plant in Iraq. The power plant can thereby provide sufficient electricity to Wasit Governorate, and accounts for 60% of power supply to Baghdad, the capital of Iraq. Meanwhile, the oilfield supplies 500 cubic meters of LPG per day, benefiting more than 300,000 households in Wasit Governorate and residents in Baghdad and Karbala.

Promoting localized operation

Since its development and construction, Al-Ahdab Oilfield has provided more than 5,000 jobs for local people.

The project gives top priority to cooperation with local enterprises. Through promoting the establishment of international standard construction and operation systems among local contractors, the project has played an indispensable role in boosting the development of the oil industry in Iraq.

Al-Ahdab Oilfield has provided more than 5,000 local employment opportunities

5000 jobs

Transparent Tax Payment

We strictly comply with the laws and regulations in the countries where we operate, make lawful and transparent tax payments and due contributions to local economic development. In countries where the EITI (Extractive Industries Transparency Initiative) standard is implemented, such as Iraq and Mongolia, our companies actively participate in the multi-stakeholder groups and publish information on our projects and tax payments, exceeding EITI's minimum disclosure requirements. We support and respond to the Base Erosion and Profit Shifting (BEPS) initiative and the "CNPC Tax Policy", and pledge to pay tax according to the law in areas where we operate and create value, in order to ensure our sustainable development and make due contributions to socioeconomic development.

CNPC TAX POLICY

CNPC tax policy is consistent with its corporate strategies. CNPC is committed to paying taxes in countries where business activities take place and value is created in compliance with applicable tax laws and regulations, and to contributing to local economic growth and sustainable development of the company.

CNPC carries out tax planning in support of its business strategy and in compliance with international tax agreements and principles, as well as tax laws of host countries. CNPC opposes to aggressive tax planning to avoid potential risks and negative impacts on the company's reputation and sustainability.

CNPC pays taxes in compliance with applicable tax laws of host countries, its business principles and code of conduct, and adheres to high professional standards to ensure the legitimacy and accuracy of tax payment in a timely manner.

CNPC advocates tax transparency, and ensures the accuracy and completeness of tax information disclosure in line with requirements of tax authorities.

CNPC manages tax risks through its effective internal control system and engages with tax authorities and external advisors in case of different interpretation of tax laws and regulations for professional judgment.

CNPC carries out intercompany transactions based on arm's length principle and not for the purposes of eroding tax base and shifting profits.

CNPC takes part in promoting a fair, consistent and stable taxation environment globally and strives to establish a fair, transparent and effective dialogue with tax authorities of host countries.

Respect Rights and Interests of Indigenous People

Before the construction of a project, we conduct assessments on its social and economic impacts, such as the requirements of indigenous people, impacts on human rights and cultural heritage, involuntary resettlement, etc. We try our best to protect all the rights and interests of indigenous people. We uphold standard operation in land compensation, and make compensation plans by referring to the opinions of local governments, partners, and villagers. Specifically, compensation is paid prior to land use, and the compensation information is released timely in order to ensure operational transparency.

CASE

Localized Operation in Indonesia

In 2016, on behalf of the Government of Indonesia, the Ministry of Energy and Mineral Resources granted CNPC International (Indonesia) the award for honoring the commitment to the share of localized operation in 2015. The award aims to encourage upstream oil and gas companies engaged in cooperation in Indonesia to use local materials and equipment, and human and technical resources. It recognizes oil companies' outstanding performance in honoring the commitment to localized operation in Indonesia.

In response to low oil prices, CNPC International (Indonesia) has taken measures to deepen corporate management, strengthen cost control, ensure effective economic evaluation and cost sharing, and minimize expenditure.

By the end of 2016, the company had provided local communities with over 3,300 direct jobs and over 10,000 indirect jobs, with a localization rate of 98.6%. In addition, the company tried to procure local equipments/materials and technical services as many as possible. The local content of technical services was 90%.

CASE

CNPC in Niger: Promoting Local Economic and Social Development through Full-industry Chain Cooperation



CNPC started oil and gas investment in Niger in 2003. In 2011, the Agadem upstream-downstream integrated project was completed and put into operation, marking the success achieved by CNPC and Niger in cooperating in the full industry chain. This mode of cooperation has effectively boosted local socioeconomic development and achieved mutual benefits and win-win results.

Promoting industrial development. The project has put in place a complete oil industry integrating the upstream, midstream and downstream sectors in Niger, and promoted the rapid development of transportation, communication and other industries. Specifically,

the demand for the construction of on-site communications facilities has stimulated the rapid development of the local communications industry, and made modern communications service available to local residents. Thus, the oil industry has become a pillar of Niger's national economy and an important engine of its social development.

Creating jobs. We have directly created a total of more than 7,000 jobs, provided more than 3,000 local employees with training on medium and long-term work skills, and assigned nearly 200 outstanding local employees to China and other countries for professional training.

Serving community building. We actively contributed to local economic development and supported community building. We helped build roads for oil transportation and improve the national road network. To meet the water needs of local residents, we drilled 29 wells and set up more than 40 water supply points in the villages near the oilfield and pipelines. We funded the construction of clinics and assigned physicians to provide free medical treatment for local residents. We supported local cultural development, providing funds for the celebration of the Women's Day, Children's Carnival, and Wrestling Festival, and sponsored local governments and public organizations including the Ministry of Water Resources, the Ministry of Youth, Sport and Culture, Mariama University, National Museum of Niger, and the Islamic Association. In support of education, we joined forces with service companies and partners to donate to the construction of 38 schools, and provide desks and school supplies to students in Agadez, Diffa, Zinder and Niamey. In the wake of floods and wars, we helped post-disaster reconstruction through donating money, food and medicine to the disaster-stricken areas.

Our presence has been welcomed and recognized by the local community. In 2015, Mohamed Bazoum, Minister of Foreign Affairs of Niger, spoke highly of the oil and gas cooperation between CNPC and Niger, saying "It is China that helps Niger to succeed in extracting oil, which fulfills the oil dream of the Nigerian people!"

We have directly created an accumulative total of more than 7,000 jobs

7000⁺
jobs

provided more than 3,000 local employees with training on middle

3000⁺
employees