

Corporate Governance

CNPC is a solely state-owned enterprise. According to laws and regulations such as the *Company Law of the PRC*, the *Law of the PRC on the State-owned Assets 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, supervisory committee and 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 2017, CNPC amended its *Articles of Association*, setting forth the overall requirements for Party building and establishing the statutory status of the Party group in the corporate governance structure. It also 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 seven 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.

Key Work of the Board of Directors in 2017

Setting development strategy	Reviewing and approving major issues	Strengthening team building	Strengthening risk prevention and control
<ul style="list-style-type: none"> • Drafted annual plan for business development, investment and budget • Established strategic priorities for supply-side structural reform and innovation-driven development 	<ul style="list-style-type: none"> • Reviewed and approved major investment projects such as the east route of the Russia-China Gas Pipeline • Decided on major issues such as corporate restructuring, business restructuring, and asset disposal 	<ul style="list-style-type: none"> • Appointed 3 vice presidents • Enhanced communication with executives to provide more guidance and counseling • Organized five meetings of the Board of directors, five meetings of the affiliated Board Committees and three targeted field studies to advise on the development of the Company 	<ul style="list-style-type: none"> • Reviewed and approved the annual audit work report and risk management report, and proposed comments and suggestions for improvement • Guided related departments to reinforce risk liability and to implement major risk response measures • Strengthened analysis of and response to decision-making risks of major projects, and ensured risks are minimized while achieving business objectives



We uphold the Party's leadership in reform, implement the requirements for applying strict party discipline, strengthening Party leadership while improving corporate governance, and make innovation to give full play to the role of the Party organization. In 2017, we studied and implemented the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and the guiding principles of the 19th CPC National Congress, established and improved the accountability system for Party building, and carried out special supervision over Party building performance and the practice of "being qualified in politics, discipline enforcement, morality and performance and demonstrating loyalty through responsibility, conscientiousness through hard work, responsibility fulfillment through achievements, and integrity through friendliness", in an effort to make solid progress in Party building.



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 the SASAC, and provide advice and recommendations for Board decisions.

In 2017, 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.

Compliance Management

The Company regards legal compliance as a basic requirement for boosting reform and achieving sustainable development. Compliance is of overriding importance. Therefore, we put legal compliance above economic interests, 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. We strictly implement national laws and regulations and government regulatory requirements, and we continue strengthening compliance management in key areas. As a result, we have gradually strengthened our mechanism which attaches equal importance to business management and compliance management. We further define responsibilities for compliance management, assign duties to relevant departments, and constantly improve a management pattern featuring joint management and coordination. Therefore, an increasingly intense atmosphere in which all the staff of the Company values, stresses and supervises 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, monopoly, and unfair competition of 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.

CNPC Key Actions in Compliance Management in 2017

Ensured responsibility fulfillment

- The Party group issued the *Implementation Measures for Fulfilling Leadership Duties for Promoting Governance by Law*
- Included compliance in the assessment indicators of leadership competency

Improved policies and regulations

- Organized development and revision of rules and regulations
- Formulated and released guidelines on mandatory and prohibitive rules of the Company's main scope of operation and management, and organized employees to learn the guidelines

Prevented and controlled relevant risks

- Carried out risk identification, assessment and early warning in compliance management
- Identified risks and hazards, and rectified non-compliance problems
- Performed targeted and various forms of training
- Compiled compliance training courseware for new staff, which serves as an essential part of the training
- Strengthened compliance regulation of business partners

