

Chairman' s Message



I feel very pleased to present the CNPC Corporate Social Responsibility Report 2017. In 2017, we followed the general principle of seeking progress while maintaining steady development in the face of profound adjustments in the global economic pattern and the ever-changing energy market. As a result, we made substantial progress while ensuring stability, taking a solid step forward in our endeavor to build a world-class integrated international energy company.

Always bearing in mind that our sustainable development is inseparable from that of society, we strived 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.

Deepening reform & innovation and building twin engines to drive development

Reform is the only way for CNPC to achieve steady development and to promote the building of a world-class integrated international energy company. In 2017, we made fresh progress in accelerating the building of a modern state-owned enterprise system with Chinese characteristics, improving corporate governance, adjusting and optimizing our structure and carrying out continuous reorganization, improving the market-oriented operating mechanism, developing the mixed ownership economy, deepening reform of labor, personnel and salary distribution systems, and advancing market-oriented and commercial development of the staff community service business. In order to strengthen party building, we made every effort to promote the reform of the party building system and incorporated the requirements by party leadership and party building into all aspects of corporate governance.

Innovation plays an important role in driving our development. In 2017, we actively promoted the reform of technological systems and mechanisms and the implementation of innovation strategies. These efforts led to new progress in scientific and technological research, application of technological achievements, domestic production of technology and equipment, and information technology application. Specifically, our technology for reservoir exploration evaluation and development in lithologic formations promoted sustained growth of reserves and production in the eastern part of Gansu. The supporting technologies for shale gas extraction under depth of 3,500m effectively enabled the scale development of the Changning-Weiyuan demonstration zone. The development and application of high-value oil products and new products of synthetic materials with high added-value contributed to the restructuring of the refining business. The centralized regulation system of long-distance oil and gas pipeline networks effectively guaranteed the safe operation of pipelines. Additionally, construction of the integrated application of ERP system was completed, application of the cloud technology platform was deepened, capability of data sharing and integrated application was enhanced, digital and intelligent construction was in steady progress, and outstanding achievements were made in the information system application. Four achievements including the "ASP flooding technology for EOR and industrial application" won the Second Prize of National Science and Technology Progress Award; and the "Technology for high-diversion, multi-fracture stimulation of temporary targeting plugging of deep reservoirs and application" won the Second Prize of National Technical Invention Award.

We conscientiously implemented the government' s deployment on the supply side structural reform, kept increasing income and efficiency while

cutting cost and expense, and raised overall development quality and efficiency. In 2017, while our investment was reduced by 10.6% from the amount planned at the beginning of the year, we generated RMB 53.34 billion in profit and paid RMB 377.36 billion in tax.

Developing clean energy to build low-carbon energy system

In 2017, important steps were taken in the global efforts to build a low-carbon future. The *Paris Agreement* and the UN Sustainable Development Goals (SDGs) entered into force, setting new goals for addressing climate change and providing modern energy. We actively took part in cooperation projects of the Oil and Gas Climate Initiative (OGCI), including the formulation of the *OGCI Low-emission Roadmap* for 2040 and collaboration with other OGCI members. In addition, according to relevant national plans and work programs for greenhouse gas control in China, we established our *Roadmap for Low-carbon Development* with specific goals and work tasks.

Recognized as the trend of the times, green development is an urgent demand of Chinese people in the new era, and is critical to the sustainable development of CNPC. In response to the dual challenges of growing energy demand and carbon emissions reduction, we spared no efforts to develop green and low-carbon energy while stabilizing oil production, actively enhancing refining capacity and improving oil product quality. We accelerated the development of natural gas, which is a realistic approach to promoting green development and a strategic and value-added project, and intensified our efforts in gas exploration and development. As a result, the proportion of gas in CNPC's domestic oil & gas production (in equivalent terms) increased by about 9 percentage points over 2011, and our domestic gas production accounted for over 70% of the national total. We supplied 66.2% of China's total natural gas, and our gas pipeline network covered 30 provinces, municipalities, autonomous regions and the Hong Kong SAR, benefiting over 500 million people. At the same time, we formulated and implemented the new energy development action plan, and explored ways to develop and utilize new energy such as geothermal energy, hydrogen energy, biomass energy and combustible ice; we promoted energy conservation and emission reduction, increased energy utilization efficiency, and pursued the comprehensive, coordinated and sustainable development of economy, society and ecology. We are confident that with the concerted efforts of the government, enterprises and consumers, the development of green energy will contribute to a better ecological environment with bluer skies, greener mountains and cleaner waters.

Staying committed to connectivity and creating a community of shared interests

In today's world, countries are increasingly bound together in a community of shared interests, where the zero-sum game is being replaced by mutually beneficial and win-win competition and cooperation, and cooperation is a realistic option for complementary advantages and mutual benefit. We are unwaveringly committed to strengthening energy cooperation with countries and regions along the "Belt and Road". A relatively integrated industry chain has taken shape in our international oil and gas cooperation, with an expansion from upstream exploration and development to refining and chemicals, pipeline storage and distribution, and sales and trade. Five overseas oil

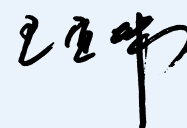
and gas cooperation zones and three international oil and gas operation centers have been basically established. Based on the principle of "achieving shared growth through discussion and collaboration", we explored innovative business models and deepened multi-dimensional strategic cooperation with our counterparts and partners at home and abroad, 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 the new era.

In 2017, a great number of major oil and gas cooperation projects were put into operation, adding new highlights to the "Belt and Road" construction. Particularly, numerous achievements were made in oil and gas cooperation in the Central Asia-Russia region. The Second Russia-China Crude Pipeline became fully operational, the first LNG train of Yamal LNG project with an annual capacity of 5.5 million tons was completed and put into operation, and the modernization Project (Phase I) of Shymkent Refinery in Kazakhstan was put into operation. A solid first step has been taken in pursuing the Belt and Road Initiative. We will build on the sound momentum generated from the existing projects to promote the Belt and Road Initiative toward greater success.

Creating shared value for balanced and inclusive development

While seeking our own development, we are committed to sharing development opportunities and resource with our stakeholders for mutual benefit. 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. We actively support social welfare undertakings and drive local socioeconomic progress where we operate, in pursuit of mutually beneficial development. In Kazakhstan, we contributed more than 70% of taxes and fees in Aktobe Region for many consecutive years, and created more than 20,000 local jobs. We were granted the "Special Award of Corporate Social Contribution 2017" for our outstanding social and economic contributions in Kazakhstan.

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