

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 and senior executives, to ensure that each department carries out its own duties with effective balance, scientific decision-making and coordinated operations. We established the statutory status of the Party group in the corporate governance structure, strengthened our 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 2018

| Formulation of development strategies | Deliberation of major issues | Attention to team building | Enhancement of risk prevention and control |
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| <ul style="list-style-type: none">Formulate the Company's annual business development and investment plans, budget plans, as well as the production and operation plansPromote quality improvement and efficiency enhancement for key operations, assign key strategic tasks for driving the development through reform and innovation in key areas | <ul style="list-style-type: none">Deliberate and approve major investment projects, such as the China-Russia Eastern Gas Pipeline, to facilitate the implementation of the Company's overseas strategiesDeliberate and approve refinery projects, such as the ABS resin of Jilin Petrochemical Company, to promote the transformation and upgrading of related operations | <ul style="list-style-type: none">Pay attention to the communication managers, and their guidance and advicesOrganize board meetings, special committee meetings and centralized investigation and survey to communicate on company development and board building | <ul style="list-style-type: none">Deliberate on annual audit report, risk management report, and propose improvement suggestions and suggestionsExert the role of audit and risk management committee, guide relevant departments to enhance their accountability in risk management, and implement major risk response measuresStrengthen the risk analysis and response for decision-making for major projects to ensure that the operation objectives are achieved while risks are minimized |

In 2018, through studying and implementing the *Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era*, we intensified our efforts to strengthen system management, implemented the accountability system for Party building, regulated grassroots party building, publicized Party building achievements, and deepened key work such as Party building research. Thanks to these efforts, our party building skills were significantly improved.

CNPC Key Actions in Compliance Management in 2018

- Revised the *Compliance Management Measures*, specified the positioning and division of duties of full compliance, and developed a Company-wide compliance pattern
- Revised and released the *Integrity and Compliance Manual*, and all employees studied it and signed a compliance commitment
- Optimized measures for assessing operational compliance, and strengthened responsibilities of major business leaders for legal compliance
- Implemented Company-wide compliance training; carried out various activities for compliance education and publicity

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 2018, 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 guarantee for high-quality development under the new situation. 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, so as to ensure management according to law and legal compliance in our operation. 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 compliance management mechanism that gives top priority to prevention and attaches equal importance to punishment and prevention, and 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 intense 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, 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.

