



Chairman's Message

I feel pleased to present the CNPC Corporate Social Responsibility Report 2019. The year 2019 was an extraordinary year. It witnessed a number of significant historic moments including the 70th anniversary of the founding of the People's Republic of China, the 60th anniversary of the discovery of Daqing Oilfield, the 80th anniversary of the development of Yumen Oilfield and the 30th anniversary of the Tarim petroleum exploration campaign. The year also saw a slow recovery of the world economy, mounting downward pressure on domestic economy and intensifying competition in oil and gas market. Along with these risks and challenges, CNPC remains committed to its corporate development strategy, pursuing steady development and forging ahead with resource, market, internationalization and innovation strategies while focusing on our core businesses. As a result, we achieved better-than-expected business performance and a solid step toward a world-class integrated international energy company.

CNPC deeply believes that our sustainable development is inseparable from that of society, we stick to our values and belief by which we deliver our results. Guided by development concept of innovation, coordination, green, openness and sharing, we explore development opportunities, create shared value with all our stakeholders and partnerships while meeting the demands of society and addressing common challenges.

Forging ahead with reform and innovation and strengthening new growth drivers

Innovation is the most critical growth driver. In 2019, we continued innovation-driven development and deepened reform, effectively motivated intrinsic vitality and pushed our high-quality development to a new level. We released the guidelines on accelerating high-quality development driven by technological innovation, with three supporting documents being implemented. Breakthroughs were made in key technologies. The

100-million-tons production capacity carbonate reservoirs in the Middle East, was awarded the First Prize of the National Science and Technology Progress Award for its efficient development. Technical advancements boosted increases in reserves and production. A number of risk exploratory wells including Well Gaotan-1 in the Junggar Basin achieved satisfactory results. Billion-ton Qingcheng Oilfield and two trillion-m³ gas regions (i.e. shale gas in the Sichuan Basin and Bozi-Dabei in the Tarim Basin) were discovered. Last year, CNPC contributed more than 50% and nearly 70% of the country's oil and gas production respectively, which further strengthened CNPC's market position and the ability to safeguard national energy security.

We steadily push forward major reforms, including further improving corporate governance, decentralized management, and accelerating three systems reform on labor, personnel and salary distribution, and completed the spin off water/power/heating supply and property management to outside professional companies. In 2019, we achieved RMB 2.77 trillion in revenue, generated RMB 120.36 billion in total profit and RMB 59.59 billion in net profit, and paid RMB 348.68 billion in tax to government, representing a year-on-year increase of 1.2%, 8.9%, 39.2% and 3.8%, respectively. In doing so, CNPC ranked fourth in the Fortune Global 500 and third among the world's top 50 oil companies.

Embracing green development and supplying more clean energy

CNPC believes that sustainable development can only be achieved in an environmentally responsible manner. We adhere to the green development concept of integrate business activities with environmental consciousness, and give priority to environmental protection wherever we work. We actively explore ways for low-carbon development, promote

green production process, supply green energy and develop green technology, in an effort to provide clean and high-quality energy in a more responsible manner.

While maintaining stable crude production and improving our refining capacity and oil product quality, we also vigorously develop natural gas business. In 2019, we produced 118.8 billion cubic meters of natural gas domestically, representing an increase of 8.6% year on year, a record high in the past five years. The marketing volume of natural gas was 181.29 billion cubic meters, up 5.1% year on year. The China-Russia East Natural Gas Pipeline was successfully put into operation, and our gas pipeline network covered 30 provinces, municipalities, autonomous regions and the Hong Kong SAR, bringing gas to more than 500 million people. With an eye on the future, we worked out the Action Plan for Green Development, aiming to foster green oil and gas development, explore new energy development and utilization such as geothermal energy and gas hydrate. We believe that with the joint efforts of government, enterprises and consumers, green energy will create a more beautiful ecological environment with more blue skies, lush mountains and lucid waters.

Expanding opening-up & cooperation and promoting mutually beneficial and win-win development

At present, the global energy transition requires closer cooperation among governments, counterparts and partners. While maintaining oil and gas cooperation domestically, we are actively extending oil and gas cooperation overseas. So far, we have built up five overseas oil and gas cooperation zones, four oil and gas strategic channels and three international oil and gas operation hubs, contributing to secure the energy supply and drive local economic and social development in the countries where we operate. Following the principle of "consultation and cooperation for shared benefits", we strengthened strategic cooperation with Belt and Road countries, in order to jointly respond to major changes in the energy industry and build a community of shared interests with open, win-win and mutually beneficial oil and gas cooperation.

In 2019, CNPC hosted 2nd Belt and Road Roundtable for Oil and Gas Cooperation, the 2nd China-Russia Energy Business Forum and the 8th International Petroleum Technology Conference, and participated the China International Import Expo. From business side, we acquired the shares of the Arctic LNG-2 project, and won the bidding for the Búzios Oilfield in Brazil. Our overseas oil and gas equity production exceeded 100 million tons of oil and gas equivalent for the first time, representing a historic leap forward. The Belt and Road oil and gas cooperation was expanded and deepened.

Promoting people's livelihood and sharing development benefits

The 2030 Agenda for Sustainable Development of the United Nations unfolds a blueprint for the human society and opens a new chapter in global cooperation. CNPC remains committed to grow with communities and share development achievements with local governments, partners and employees. We develop skills and careers for our employees and actively promote local employment to support the economic and social development of host countries. In 2019, we recorded 93.72% local employment rate, and paid RMB 73.7 billion of taxes for overseas operations. In Chad, being a valued neighbor, we sponsored the "Sweet Water Community"

project, and other social responsibility programs, helping Gudawa to grow from a small and backward village of 500 people to a new town with more than 10,000 residents.

CNPC believes that poverty alleviation and reduction is an integral part of our corporate social responsibility and also a significant element to support the global sustainable development. We strive to offer CNPC solutions for poverty alleviation and consciously be an integral part of the national efforts in the regard. While fulfilling the designated poverty alleviation tasks arranged by the Chinese government, we support our subsidiaries to engage in the poverty alleviation and reduction activities organized by local governments. Since the 13th Five-year Plan, we have invested RMB 1.8 billion totally in the CNPC headquarters-level poverty alleviation projects for 10 designated counties and the subsidiary-level poverty alleviation projects for 1,175 villages across the country, benefiting more than 3.5 million people. We design, organize and deliver our alleviation program in a careful manner, with targeted measures for each village and even each household under a precise funding scheme, and fully completed our work with out-of-poverty results. We assigned management people to serve in poverty alleviation team to stay in target areas to engage extensively with local people and support local economic opportunities with many success stories.

In 2020, there are growing uncertainties around the world. The outbreak of COVID-19 brings increasingly significant challenges to the world economy and energy market. The downward pressure on the domestic economy continues to increase and the international oil price has fallen sharply with fluctuations. All these bring out huge pressure and challenges for CNPC. In response, we firmly uphold the strategy of seeking progress while maintaining steady development, and focus on quality improvement and efficiency enhancement. We will accelerate the development of oil and gas business focusing on quality and efficiency, forge ahead with reform and innovation, and consolidate the fundamental works for safety and environmental protection. We will make unremitting efforts in the building of a world-class integrated international energy company, and make further contributions to the sustained economic development and social harmony and stability.

Looking ahead, CNPC will continue our commitment in social responsibility, and bring values to society, shareholders and employees with excellent performance. We thank you for your confidence and support over the years as we continue to work every day to achieve and to promote communication, a promise we are proud to honor to our stakeholders, for a better future together.



Dai Houliang, Chairman