

Corporate Governance

CNPC is a wholly state-owned enterprise. According to relevant laws and regulations, including the *Company Law of the PRC*, the *Law of the PRC on State-owned Assets of Enterprises*, the *Constitution of the Communist Party of China*, and the *Regulation of Leading Party Members' Groups of CPC*, 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 Party group, board of directors and senior executives, to ensure that each department carries out its own duties with effective balance, rational decision-making and coordinated operations. We strengthened our supervision and accountability system, reinforced our auditing supervision 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 is the decision-making organ of CNPC. The Board has four affiliated committees, i.e. 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 the *Board of Directors Authorization Management of CNPC*, the Board of Directors issues conventional authorization on decision-making regarding corporate operations to the Chairman.

In 2020, we

Thoroughly implemented the Party's organizational line in the new era, and gave full play to the leadership role of the Party organization in setting the right direction, keeping in mind the big picture and ensuring the implementation of Party policies and principles to accomplish major tasks such as COVID-19 prevention and control, enhancing business performance, and reform and development. We also consolidated the effectiveness of Party building, and strived for high-quality development through high-quality Party building.

Key Work of the Board of Directors in 2020

Formulation of development strategies	<ul style="list-style-type: none"> Review the Company's development strategies and medium-/long-term development plans Formulate the Company's annual business development and investment plans
Deliberation of major issues	<ul style="list-style-type: none"> Deliberate and approve major investment projects at home and abroad, to facilitate the implementation of the Company's overseas strategies
Attention to team building	<ul style="list-style-type: none"> Pay attention to communication with managers, and offer guidance and advice Organize board meetings, special committee meetings and centralized investigation and survey to communicate on company development and board building
Enhancement of risk prevention and control	<ul style="list-style-type: none"> Deliberate on annual audit report and internal control system work report, and propose improvement opinions and suggestions Exert the role of the Audit and Risk Management Committee, guide relevant departments to enhance their accountability in risk management, and implement major risk response measures Strengthen the risk analysis and response for decision-making for major projects to ensure that the operation objectives are achieved while risks are minimized

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 Articles of Association of CNPC, and provide advice and recommendations for Board decisions.

In 2020, giving full play to their respective professional advantages, the directors of the Company exercised due care and diligence, playing a positive role in guiding the strategic development of the Company, strengthening the review of major decision-making issues, and strengthening risk control.

Compliance Management

CNPC regards compliance as one of its strategies for business revitalization. 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 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, in order to ensure management according to law and legal compliance in our operations. 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 general compliance management pattern featuring division of work, joint management and coordination. The awareness of compliance among our employees is strengthened, and an increasingly stern atmosphere for compliance is being created.

CNPC 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, monopolistic practices, and unfair competition in any form. We deal with our suppliers, contractors, customers, government departments, partners and competitors and stakeholders in a fair and honest manner. We are committed to business integrity to win respect.

CNPC Management and Control Systems

CNPC Management and Control Systems	Goals	Measures
Compliance management system	<ul style="list-style-type: none"> Build a scientific, complete and effective management system Keep personnel behavior regulated and controlled Guarantee the Company's operational compliance and sustainable and sound development 	<ul style="list-style-type: none"> Improved the legal compliance demonstration, review and assurance system Conducted special identification and control of legal compliance risks Issued the <i>Measures for the Implementation of the Anti-Monopoly Law of the People's Republic of China</i> and the <i>Anti-Monopoly Compliance Guidelines</i> Developed compliance management demonstrations Improved the assessment indicators and scoring methods for compliant business operations Carried out Company-wide compliance training, covering 100% staff Delivered the <i>Anti-Commercial Bribery Handbook</i> in 6 languages to our employees worldwide
Internal control and risk management system	<ul style="list-style-type: none"> Complete system Overall control Effective implementation 	<ul style="list-style-type: none"> Integrated with the supervision system to create a compliant integrated management system Enhanced the capabilities of preventing/controlling major risks at key points Improved the system control by virtue of informationization Intensified the supervision on internal control in key areas Performed internal control training to build a team of professional internal control talents
QHSE management system	<ul style="list-style-type: none"> Standardized operation Controlled risks Continuous improvement 	<ul style="list-style-type: none"> Deepened the building of the QHSE system Promoted the Three-year Action Plan for Special Rectification of Work Safety Implemented the Three-year Action Plan for Centralized Improvement of Oil, Gas and Water Well Quality Worked actively on pollution control and energy management
Anti-corruption system	<ul style="list-style-type: none"> Consolidate and extend the resounding success in the fight against corruption Improve the supervision system Strengthen the restriction and supervision over the exercise of powers 	<ul style="list-style-type: none"> Fully demonstrated the functions of the honest administration and anti-corruption work leading/coordination group Promoted the system/mechanism of coordinated action to prevent and disable all managers and employees from engaging in practices that do not comply with anti-corruption policies and best practices, and worked ceaselessly to improve Party conduct, enforce Party discipline and fight corruption Issued the <i>Instructions on Construction and Supervision of the Decision-making System for Key Issues, Key Cadre Appointment/Dismissal, Key Project Investment and Large-value Funds Utilization (for Trial Implementation)</i>