



## Chairman's Message

I feel pleased to present the CNPC Corporate Social Responsibility Report 2020.

The year 2020 was an extremely unusual and challenging time. Due to the outbreak of the COVID-19 pandemic, various risks and conflicts were aggravated and intertwined, such as the deep economic recession, plummeting oil prices, sharp shrinking of oil and gas demand, intensified geopolitical instabilities and COVID-19's adverse impact on overseas markets. All these had a huge impact on CNPC's business operations. In the face of unprecedented risks and challenges, we endeavored to make progress while ensuring stability, seek opportunities and countermeasures, implement the strategies of resource, market, internationalization and innovation, and make effective performance in epidemic prevention and control, work resumption, business operations, reform and innovation, and other aspects. With such efforts, we achieved unusual operating results in an unusual year, brought the "13th Five-Year Plan" to a successful conclusion, and took a step forward on the way to building a world-class integrated international energy company, making important contributions to China's national energy security and its efforts to secure a decisive victory in building a moderately prosperous society in all respects.

### Developing sturdily our main businesses to significantly safeguard China's national energy security

Under the dual pressure of low oil prices and COVID-19, we remained unwaveringly committed to China's national energy security strategy, and carried out special campaigns for our main businesses to maintain our quality and benefits in oil and gas industry. In 2020, we yielded fruitful results in oil and gas exploration and development with two historic leaps: oil and gas equivalent production exceeded 200 million tons for the first time, and gas production accounted for more than 50% for the first time. Daqing Oilfield maintained a plateau of 30 million tons of crude oil, Changqing Oilfield hit a record high of 60 million tons of oil and gas equivalent, Tarim Oilfield saw more than 30 million tons of oil and gas equivalent for the first time, and Southwest Oil and Gas Field

built a 30 billion cubic meters strategic gas field. Our overseas oil and gas equity production continued to stand above 100 million tons. Our refining and chemical restructuring paid off, oil and gas marketing was comprehensively strengthened, and business support capabilities and competitiveness were enhanced. We effectively guaranteed the market supply, while smoothly operating the industry chain and supply chain. We were more confident and capable of safeguarding China's national energy security.

### Promoting thoroughly the modernization of our governance system and capabilities to enhance our governance performance

Modernization of corporate governance system and capabilities is the key to comprehensively deepening the reform of state-owned enterprises and improving the modern enterprise system. It is also badly needed for effective response to risks and inherently indispensable to achieve strategic goals. We optimize our system and mechanism that perfectly combine Party leadership and corporate governance, improve our strategic system, management system and organizational system, and build governance system and capabilities in line with our development goals, so as to comprehensively enhance our governance performance.

In 2020, we continued to deepen reform and innovation, with new progress and breakthroughs made in key areas. We basically completed the top-level design of our governance system. We developed and implemented a three-year action plan for the reform, adjusted and optimized functions of some headquarters divisions, smoothly completed the restructuring and transfer of pipeline assets, and basically completed the task to relieve our obligations to operate social programs. We devoted great efforts in research and development of key and core technologies. We participated in the "4Mt/a coal indirect liquefaction technology innovation, development and industrialization" project, which won the first prize of the National Science and Technology Progress Award. We accelerated the digitalized and intelligentized

enabling transformation, in order to facilitate cost reductions and efficiency improvements, coordinated sharing, constant innovation, risk prediction and control, and smart decision-making throughout the corporation.

### Pushing for the green and low-carbon transition for a clean, beautiful world

As the world is moving towards a landscape of diversified, clean and low-carbon energy resources, green and low carbon development holds the key to the future of energy. Grasping the opportunities arising out of the low-carbon transition in the energy industry, we integrated green and low-carbon development into the corporate strategy for the first time. We strive to build a "Low-Carbon Energy Ecosystem" fully integrating fossil energy and clean energy. We aim for achieving peak carbon emissions by around 2025 and "near-zero" emissions by around 2050, contributing to China's efforts to have CO<sub>2</sub> emissions peak before 2030 and achieve carbon neutrality before 2060, as well as to the global climate targets. In 2020, we increased investment in low-carbon and zero-carbon assets, driving our domestic gas production to grow by 9.9% and account for about 70% of China's total production in 2020. We further optimized our oil and gas production mix and made important progress in our transition to green, low-carbon energy. We actively deployed hydrogen energy and other alternative energy industries and fostered growth poles for the green and low-carbon energy industry.

We promoted the modernization of our ecological environment management systems and capabilities, and intensified efforts in pollution control, ecological protection and restoration, and emission reduction. We set energy-saving and emission-reduction as a major binding target, improved the oil-gas commodity rate and energy utilization efficiency, and accelerated the replacement of green and clean resources. In 2020, we reduced our emissions of COD, ammonia-nitrogen, sulfur dioxide and nitrogen oxides by over 32%, 29%, 18%, and 36%, respectively, as compared with 2015. We continued our deep involvement in cooperation projects under the OGCI framework. We pledged that our carbon emission reduction actions will not be compromised by COVID-19 and low oil prices.

### Supporting economic and social development to the best of our ability by upholding the people-centered philosophy

Upholding the people-centered philosophy, we contributed to winning the fights against COVID-19 and poverty. We gave top priority to the safety and health of our employees, and witnessed no epidemic or infection case in our workplaces. Leveraging our industrial and resource advantages, we went all out to secure refined products and gas supplies and made urgent arrangements to produce anti-epidemic supplies. We donated funds and goods to areas hit hard by the epidemic, assigned hundreds of petroleum medical workers to Wuhan amid the coronavirus epidemic, and supplied daily necessities to communities through our service station network. With these actions, we played our role as a reliable central enterprise in the nation-wide epidemic prevention and control. Our service station at Hongtu Avenue in Wuhan was the only heroic gas station in China that won the title "National Advanced

Collective for Fight against COVID-19". Overseas, we established joint prevention and control mechanisms against COVID-19 with local governments and communities and donated more than RMB 75 million worth of supplies to assist neighborhoods in their anti-epidemic efforts. We were also devoted to poverty alleviation by overcoming difficulties and challenges. During the "13th Five-Year Plan" period, we invested more than RMB 1.8 billion in targeted poverty alleviation in 1,175 villages across China to support the government's initiative for poverty alleviation and building a moderately prosperous society. All the counties (cities, districts) under our program of paired-up assistance in poverty alleviation were lifted out of poverty. Two CNPC units were awarded the "National Advanced Collective for Poverty Alleviation", and Liang Nanyu and Bu Pengzhou, two cadres in charge of poverty alleviation, were named the "National Advanced Individual in Poverty Alleviation". As a result of its efforts in poverty alleviation, CNPC was honored with the "2020 Best Practice for Corporate Achieving the Sustainable Development Goals (Eradicating Poverty and Promoting Prosperity)" award by the United Nations Global Compact and was granted the "National Award for Innovation in Poverty Alleviation" by the Chinese government.

What's past is prologue. In the "14th Five-Year Plan" period, the momentous changes unseen in a century are evolving at an accelerated pace, and the international landscape will further immerse in profound and complex changes. The electric revolution, market revolution, digital revolution and green revolution in the energy industry are in full swing, and the industry transformation is accelerating. In the face of numerous risks and challenges, we will remain sensitive to changes, respond to them with well-judged actions, and stay ready to adjust our approach when necessary. We will make efforts to foster new opportunities amid challenges and make new advances amid changes. We will maintain our strategic focus and commit ourselves to the strategy of innovation, resources, market, internationalization, and green and low-carbon development. We will push for high-quality development, deepen reform and innovation, facilitate the growth momentum of customers and empower people to enjoy a better life.

We are grateful for your attention and support to CNPC over the years. As a global corporate citizen, CNPC will devote our strengths to seek opportunities while meeting social needs and addressing common challenges, create shared value with stakeholders, achieve sustainable development of energy, the environment, and society, and work together to build a community with a shared future for mankind.

Dai Houliang, Chairman