



PETROCHINA COMPANY LIMITED 2015 SUSTAINABILITY REPORT



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PetroChina Company Limited

# 2015

## SUSTAINABILITY REPORT

ENERGIZE HARMONIZE REALIZE

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## ABOUT PETROCHINA

PetroChina Company Limited (PetroChina, hereinafter also referred to as "the Company", "we" or "us") was established on 5 November, 1999, upon the restructuring of China National Petroleum Corporation (CNPC). PetroChina was listed on the NYSE (ADS code: PRT) and the HKEx (stock code: 00857) in April 2000 and on the Shanghai Stock Exchange (stock code: 601857) in November 2007, respectively.

PetroChina is one of the major oil and gas producers and distributors in China, ranking among the leading international oil companies. It engages in a wide range of activities related

<b>Our Mission</b>	Energize, Harmonize, Realize
<b>Our Vision</b>	To be a world first-class international energy company
<b>Business Strategy</b>	Resources, Markets, Internationalization, Innovation
<b>Guidelines of Development</b>	Steady Development
<b>Our Values</b>	Honesty, Innovation, Safety and Distinction

to oil and natural gas and provides sustainable energy for socio-economic development. We pursue harmonious relationships between energy, the environment and the society.



## Core Business



### Upstream

Our upstream business includes the exploration, development and production of crude oil and natural gas.



### Mid-Downstream

Our midstream and downstream business includes refining, transportation, storage and marketing of crude oil and oil products, as well as production and marketing of basic, derivative and other chemical products; and transportation and marketing of natural gas.



### International Business

We are engaged in oil and gas exploration and production in nearly 30 countries and have trade relations with more than 80 countries.

#### Oil and Gas Exploration, Development and Production

PetroChina takes a leading position in domestic oil and gas exploration and development business. We operate in a number of major oil and gas producing regions such as Daqing, Changqing, Xinjiang, Liaohe, Tarim and Sichuan. In 2015, we produced 971.9 million barrels of crude oil, 3,131 billion cubic feet of marketable natural gas, and 1,493.9 million barrels of oil and gas equivalent.

#### Refining and Marketing of Crude Oil and Oil Products

We owned 8 ten-million-ton-level refining bases. In 2015 we processed 998.1 million barrels of crude oil, produced 91,933 million tons of oil products. We are operating over 20,000 gas stations covering 31 provinces (municipalities and autonomous regions) and the HongKong SAR of China, and undertook the supply of about 40% of China's oil products.

#### Production, Transportation and Marketing of Petrochemical Products

The Company is engaged in producing six categories of chemical products- synthetic resin, synthetic fiber and raw materials of synthetic fiber, synthetic rubber, urea, organic and inorganic compounds with thousands of trademarked products. Our production capabilities of products such as ethylene, synthetic resin and synthetic rubber ranked among the best in China. In 2015, we sold over 25.22 million tons of chemical products, and produced 5.032 million tons of ethylene.

#### Transportation of Natural Gas, Crude Oil and Oil Products, and Distribution of Natural Gas

PetroChina is mainly responsible for transportation and marketing of natural gas, and storage and transportation of crude oil and oil products. The Company operated 78,000 km of pipelines in China, covering 29 provinces (municipalities and autonomous regions) and the HongKong SAR in China.

#### International Business

Currently, we have established five international oil and gas cooperation zones in the Middle East, the Central Asia, the Asia-Pacific, the Americas and Africa, and three oil and gas operation centers in Asia, Europe and the Americas. The expansion and growth of our international oil and gas cooperation has been substantial in terms of size and scope, with operational quality improving greatly. In 2015, overseas oil and gas equivalent production reached 203.5 million barrels.



## MESSAGE FROM THE CHAIRMAN

Thank you for reading this report and for your continued support and concern for PetroChina.

2015 has proven to be a year of profound changes and severe challenges. The United Nations' 2030 Agenda for Sustainable Development officially came into force, creating a defining moment in history and setting global goals to end poverty, protect the planet and ensure prosperity for all. The Paris Agreement within the United Nations Framework Convention on Climate Change (UNFCCC) was adopted, marking a milestone in the process of global climate governance and a major step towards sustainable development for mankind.

At the same time, the complicated international political and economic situation and substantial changes in the international oil and gas markets have severely affected the business of oil and gas companies. As China's economic development entered the era of the New Normal, it suffered slower growth in its oil and gas demand and intensified market competition.

We took the initiative to adapt to these changes, concentrating on refashioning our good image and on pushing forward with our steady development. We vigorously promoted reforms and fostered innovation. In doing so, our own growth boosted the prosperity and progress of our partners and communities, and we achieved joint, coordinated and sustainable development in tandem with society.

**We promoted steady development and supplied clean energy.** We actively responded to the challenges brought about by low oil prices through improving the quality and efficiency of development. To this end, we focused on our core businesses of oil and gas exploration and development, acquired large-scale, high-quality reserves and promoted cost-effective production, resulting in record highs in oil and gas output domestically and abroad and allowing the stable growth of all business lines. We optimized our business structure, accelerated the efficient development of unconventional resources, increased the output of green, low-carbon energies, cut carbon dioxide emissions, and joined the global effort in tackling climate change. We saw rapid growth in the natural gas business, with natural gas accounting for 34.9% of our total oil and gas equivalent in 2015 and an average annual growth of 7.1% in natural gas output.

**We intensified our efforts in reform and innovation and boosted growth momentum.** At PetroChina, we spared no efforts in promoting innovation, which has been our business strategy and essential to our overall development. We strived to introduce technologies to break through the bottlenecks that hold back our development, so as to provide technical support for healthy development at a time of low oil prices. To broaden sources of income, reduce expenditure, control costs and enhance profitability, we planned and embarked on a range of initiatives to strengthen management so as to unleash our potential. We adhered to our performance-based compensation scheme to give full play to the incentive role of performance evaluations. We further enhanced quality and profitability, amended relevant standards for product quality, energy conservation and consumption reduction, and improved management efficiency and effectiveness.

**We promoted business integrity and legal compliance to build an enterprise governed by law.** We unswervingly enhanced our governance system and control capabilities, promoted consistent improvement and integration of fundamental management, improved rules and regulations, emphasized compliance management, advocated competition in the market on equal footings, and operated with integrity and in legal compliance. As a result, our compliance and corporate governance have been further enhanced.

**We strengthened safety and environmental protection and integrated them into our foundation for future development.** We respect life and nature. Therefore, we strictly obeyed relevant Chinese and international laws and regulations, and never crossed ecological red lines. We gave top priority to risk prevention and control, improved our platform for online monitoring of pollution sources, and developed technological solutions. As a result, we avoided major and worse-than-major safety and environmental accidents and laid a solid foundation for green, low-carbon development.

**We contributed to livelihoods and society and shared the fruits of development.** We pursued common development goals and the sharing of value between businesses and society. We emphasized employee development. Through initiatives such as "double-sequence" reform, we helped scientific workers and engineering and technical personnel broaden their space for career development. We took targeted measures to help the poor and people in economically underdeveloped regions lift themselves out of poverty, so as to contribute to the global efforts in poverty reduction. Through improved communication with communities, we helped enhance their self-sustaining capability and in return, we won social recognition.

In response to the complicated international situation, we established our development strategies and objectives for the coming period based on in-depth analysis and summary. To adapt to the New Normal in China's economic development and tide over the difficult period of low oil prices, we must unswervingly promote transformation and upgrading, which is our strategic choice. Guided by the policy of steady development and the strategy of resources, markets, internationalization and innovation, we will make every effort to adjust our structure, strengthen our weak areas, cut costs, and guard against risks. In addition, we will attach greater importance to business deployment and structural optimization, the deepening of enterprise reform, openness and cooperation, innovation in technology, management and business models, and green and low-carbon development, so as to build a world-class international energy company.

At present, China remains an important engine for global economic growth, and its domestic demand for energy, especially for oil and gas, will see steady growth. The Chinese government has proposed the concept of an "innovative, coordinated, green, open and shared" development, the national strategy of promoting energy production and consumption revolution and the "One Belt, One Road" initiative, and measures such as expediting the supply-side structural reform and oil and gas system restructuring, which, clear in objectives and firm in belief, are very likely to yield remarkable results in promoting the transformation and development of energy enterprises.

Standing at a new starting point, PetroChina will, in a spirit of openness, mutual benefits and win-win situation, play a constructive role in a responsible manner and share resource value and development achievements with all stakeholders, so as to become an excellent corporate citizen!

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王宇林

Wang Yilin  
Chairman of the Board

## INTERVIEW WITH THE PRESIDENT



### ⌚ What measures has PetroChina taken in response to plummeting international oil prices, what results have been achieved, and what other plans does the company have for the future?

The risk of low oil prices has posed a common challenge to oil companies throughout the world. Nevertheless, we were motivated to perfect internal work, strengthen management and improve quality. We adjusted our production and business strategies in a timely manner, strengthened the coordinated development of production, transport, sales, storage and trading, organized production and operations in an orderly and effective manner, took pertinent measures to broaden the sources of income, cut costs, promote light assets and reverse losses. As a result, we have maintained stable production and operations, and minimized the negative financial impact caused by low oil prices.

It is expected that oil will remain in ample supply in the international market for the foreseeable future, and it will take time to strike a new balance between supply and demand. Nevertheless, efforts in China including deepening reform, environmental governance and the "One Belt, One Road" initiative and other major deployments and strategies have all provided much room for our growth. Oil and natural gas will remain the leading energy sources for a fairly long time to come. Guided by the policy of steady development, we will endeavor to grow steadily, make structural adjustments, improve weak areas, enhance profitability, focus on deepening reform and technological innovation, and take measures to broaden the sources of income, reduce expenditure, control cost and enhance profitability, so that our core businesses can maintain healthy development.

### ⌚ What are the company's plans for promoting future innovation?

Innovation is essential to our development and future. Therefore, we make innovation a strategic priority in our overall development and a driving force behind our development. To this end, we keep enhancing our proprietary innovation capabilities and seeking more leading-edge, innovation-driven development.

In the future, we will intensify our efforts in science and technology to promote original innovation, integrated innovation and re-innovation based on introduction and absorption. We will promote the combination of production, teaching, research and applications, accelerate the reform of scientific systems and mechanisms, improve the mechanisms to promote the transformation of scientific and technological achievements and the benefit sharing policy, and play a supporting and leading role in responding to low oil prices, and promoting cost reductions and enhancing profitability.

We push forward innovation in concepts, system, management, culture and business model, optimize our investment decisions and project management through modern strategic management tools, and optimize resource allocation, production and operations by following the principles of the market and profitability. We will also promote innovation in management and business models through information technology, and intensify our efforts in standardizing qualitative and quantitative measurements.

We will stimulate the vitality of talented personnel, encourage innovation across all employees, implement major talent development projects and attract innovative talent from across the world, in order to staff the company with a great number of high-caliber, high-quality and sophisticated talent. We also do our utmost to promote strategic personnel restructuring, improve our evaluation and incentives and service support system, create favorable conditions to attract, make the best use of and retain talented personnel, launch diversified and differentiated vocational training, and establish a competent and efficient workforce.

### ⌚ How will PetroChina realize low carbon development in tackling climate change?

Energy conservation and emission reduction are essential to the sustained development of the petroleum industry, the stability of the national energy supply and the reduction of greenhouse gas emissions. PetroChina has developed the Action Plan for Green Development, promoted green and sustainable development as our business strategy, and has taken the initiative to adapt to the trend of global low-carbon development. The Company adjusted its business structure to promote clean energy development, launched a great number of campaigns for associated gas recovery in an effort to reduce greenhouse gas emissions, and carried out energy conservation technology research, research and development of low-carbon technologies, active development of carbon sinks, and promotion of carbon emission reduction throughout China.

### ⌚ What achievements have been made in oil quality upgrade in recent years?

China has recently intensified its efforts in environmental governance, putting forth higher requirements for clean energy and oil product quality. We keep accelerating oil quality upgrading and boosting green and clean development in strict accordance with China's general requirements for the quality upgrade of refined oil.

We have intensified our efforts in technological innovation, increased our investment in equipment upgrading, established major technological projects specifically for oil quality upgrading, and conducted proprietary research and developed a series of technologies for clean gasoline best represented by DSO and GDS technologies, and another series for clean diesel best represented by PDF and EPS hydro-refining, hydro-upgrading and pour point depressing. Among them, the "development and application of complete sets of clean gasoline production reaching the National IV Standard for vehicle emission" won the second prize of the "National Science and Technology Progress Award" in 2015, providing strong technical support for gasoline and diesel quality upgrading. Between 2010 and 2015, PetroChina successfully completed the upgrade from the National III standard to the National V standard. There was a substantial increase in the oil quality standard. There was a substantial increase in the oil quality standard. Oil quality in areas including Beijing-Tianjin-Hebei, the Yangtze River Delta and the Pearl River Delta basically reached the level of developed countries, making great contributions to promoting air pollution control.

We actively responded to the Plan for the Acceleration of the Quality Upgrading of Refined Oil, spared no efforts to promote the implementation of projects for production capacity expansion and technological transformation of clean energy products in refining enterprises, and secured the supply of motor gasoline and diesel of National V standard in 11 eastern provinces and directly administered cities by 2016 and throughout China by 1 January, 2017. As of the end of 2015, nine refineries committed to the supply of motor gasoline and diesel to the 11 eastern provinces and directly administered cities had completed the task of upgrading motor gasoline and diesel to the National V standard, more than two years ahead of schedule. All of the motor gasoline and diesel produced by our domestic refineries have reached the National IV standard. Among them, 22.2% of motor gasoline and 9.4% of motor diesel have reached the National V standard. Thus, we are committed to a sustainable supply of clean energy to our society.

Wang Dongjin  
Vice Chairman of the Board and President



## INTEGRITY AND COMPLIANCE-BASED CORPORATE GOVERNANCE

The rule of law, integrity and compliance are the foundation of an enterprise's sustainable development. At PetroChina, we always advocate the rule of law, which calls for the supremacy of law, responsibility commensurate with authority, procedural compliance, honesty and trustworthiness, and justice and impartiality. We regularize our corporate and employee behavior through compliance management. We are guided by the rule of law and improve our capability of corporate management by law. We strive to achieve, mainly through institutional constraints, the modernization and internationalization of the corporate governance system and control system. We will make unremitting efforts to explore strengthening the scientific nature and operability of our corporate governance and will optimize the long-term mechanism for operating the company in compliance with all legal requirements.



### Sustaining Steady Development

Sustainable development, as an indispensable internal need, runs through the Company's entire production and operational process. As international oil prices continue their sharp decline and China's economic development has entered a new normal, we are integrating sustainable development into our overall strategies and adhere to the principle of steady development. Centering on quality and efficiency improvements, we balance short-term and long-term goals, harmonize development scale, speed, quality and efficiency, move reforms forward while maintaining stability, and manage relations with stakeholders. Thanks to all these efforts, the Company has maintained promising stable operating results, has kept all kinds of risks under control, has reinforced a stable and harmonious environment for development, and steadily improved its corporate image. Its steadier, healthier and more sustainable development has made PetroChina into a globally respected company.

Top management pays attention to major issues in the Company's development through careful planning. It vigorously develops information channels. Through face-to-face meetings, site visits, special reports, etc, it engages in in-depth investigations and research and solicits suggestions from all the related parties. In doing so, it establishes the strategic goal of building a world-class international energy company and it sets out the growth strategy of "resources, market, internationalization and innovation". In addition, the Company has set up a committee tasked with compiling the sustainable growth report. Such committee is made up of the main persons in charge of relevant departments, and matters concerning sustainable development are verified and externally disclosed.

**Focusing on growth quality and efficiency, the Company links the compensation of persons-in-charge and employees to their environmental and safety performance, and exercises its veto right against persons-in-charge who have violated safety or environmental regulations. An assessment of enterprises that are advanced in terms of production safety and a comparative appraisal of advanced entities and advanced individuals are carried out annually. The advanced enterprises and individuals are commended and receive an award.**

**In 2015, affiliates of the Company where incidents related to environmental protection & safety and quality measurement occurred were punished with deductions in performance evaluation scores. In particular, innovation incentives were increased in the performance evaluation.**

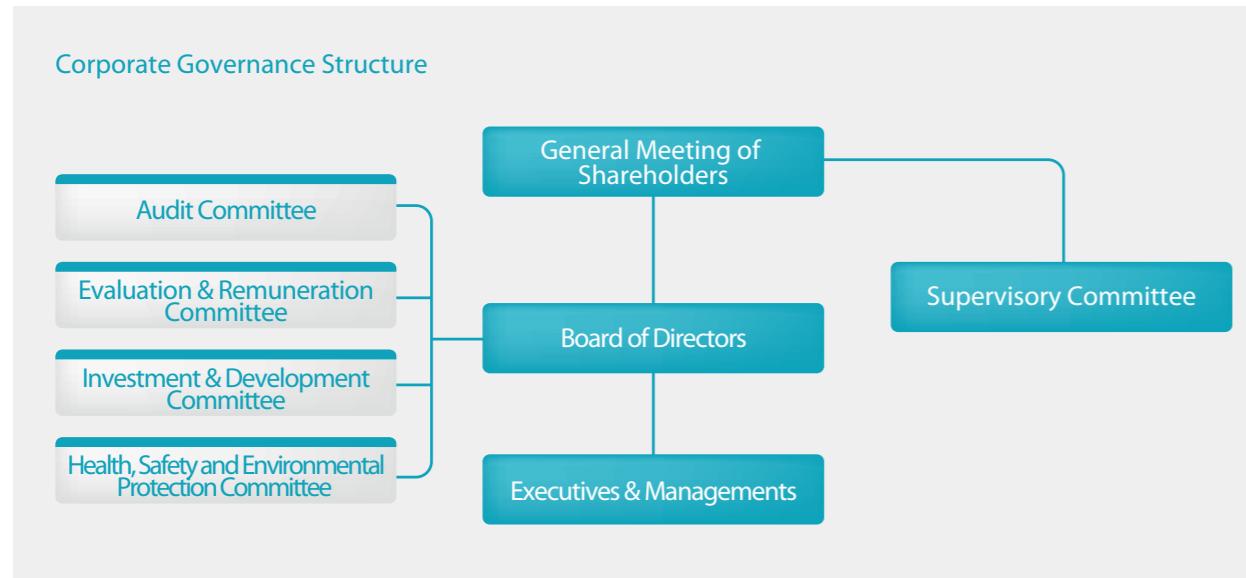
### Solidifying Governance Framework

Soon after its establishment, PetroChina set up a corporate governance framework in compliance with regulatory requirements and international rules, clearly outlining the authority and responsibilities of the annual general meetings of shareholders, of the board of directors and its expert committees, of the supervisory committee, and of management answerable to the president. Such management structures provide checks and balances to one another, cooperate closely and are highly effective. The Company's internal management and operations are further standardized and the management level keeps improving.

PetroChina keeps on optimizing the legal final decision-making mechanism, strengthening the evaluation and grounds for decision making, and maintaining a system that tracks the responsibility for decisions made and holds decision-makers lifelong accountable. The Company keeps improving the supervision and restriction mechanism for the exercising of power, and following the principle that responsibility is commensurate with authority, it clearly delineates the limits of each authority at different managerial levels with detailed requirements on their authority and responsibility. Moreover, by planning as a whole all resources for internal supervision — such as legal affairs, internal control, auditing and supervision and inspection —, PetroChina reinforces self-supervision, supervision by dedicated departments, and supervision between superior and subordinate departments, and accepts public supervision, in order to achieve well-grounded decision making, appropriate authorization, controlled exercise of power, and accountability for abuses of power.

#### Shareholders' and Annual General Meeting (AGM)

The general meeting of shareholders is the top authority in the Company and it exercises its functions and powers in accordance with the law. PetroChina's general shareholders' meetings are held annually and PetroChina ensures that all shareholders enjoy equal privileges to exercise their rights. As the controlling shareholder of PetroChina, CNPC will – in order to ensure fairness – abstain from voting when a connected transaction is presented to the general meeting for consideration.



Supervisors of PetroChina, laying down the method and content of performing the duties of the Company's Supervisors, and the requirements and evaluation criteria for performing such duties. All Supervisors are urged to supervise the Company's finances and monitor the legality and compliance of the manner in which directors and senior management of the Company perform their duties, in line with their responsibility to all shareholders. As of the end of 2015, the Company's Supervisory Committee had nine members, four of which were employees of the Company.

#### Executive Body

The Company's executive management body consists of a Vice President and a CFO presided over by the President. They are appointed by and accountable to the Board of Directors. They carry out the Board's resolutions and organize the day-to-day production and business operations of the Company in accordance with the *Company Law of the PRC* and the *Articles of Association* and as authorized by the Board of Directors. The Company has a two-tier executive governance organization for the headquarters and regional offices, and a three-tier business structure consisting of the headquarters, subsidiaries and regional operations. The Company has four core business segments that are run by four dedicated subsidiaries, namely: exploration and production, refining and chemicals, sales and marketing, and natural gas and pipelines.

#### Optimizing Management System

The Company stresses intensification, specialization and integration and has established a management system where responsibility is commensurate with authority, and that is scientifically sound, lean, efficient, and vibrant so as to strengthen the restrictions on and the supervision of the exercise of power. The Company aims to have clear control objectives, effective integration of resources and optimal efficiency and effectiveness, in order to improve corporate social responsibility performance and achieve sustainable growth.

#### Board of Directors and Affiliated Board Committees

The directors are elected by the general meeting of shareholders and are accountable to shareholders. Under the board are several committees: the Audit Committee, Evaluation & Remuneration Committee, Investment & Development Committee, the Health, Safety and Environmental Protection (HSE) Committee— all of which advise the board on its decisions. We never cease formulating, improving and effectively implementing the work systems and work procedures of the Board of Directors and affiliated board committees. We have formulated the *Board Diversity Policy*, so that members of the board are considered based on the actual situation of the Company, its own operational model and the specific work requirements, while taking into account the candidate's age, educational background and professional experience. There are four non-executive independent directors in the board of directors. These independent directors are from different countries and technical backgrounds, including petroleum and petrochemicals, accounting, finance, international investment and financing management. In 2015, the board of directors strengthened the management of investment decisions, learned about the implementation of the system of *Administration of Authorization in Acquisition Projects by PetroChina* as reported by the management, and timely adjusted and optimized the term for the administration of the authorizations as well as the period covered by the report, according to the actual operational situation. There was an increase in the number of site investigations and research at grass-roots units and overseas oil and gas cooperation projects conducted by independent directors. In 2015, the Company organized on-site investigations and research by independent directors on seven occasions. Independent directors were timely and regularly informed of the Company's important productions and operations, achieving good communication effects.

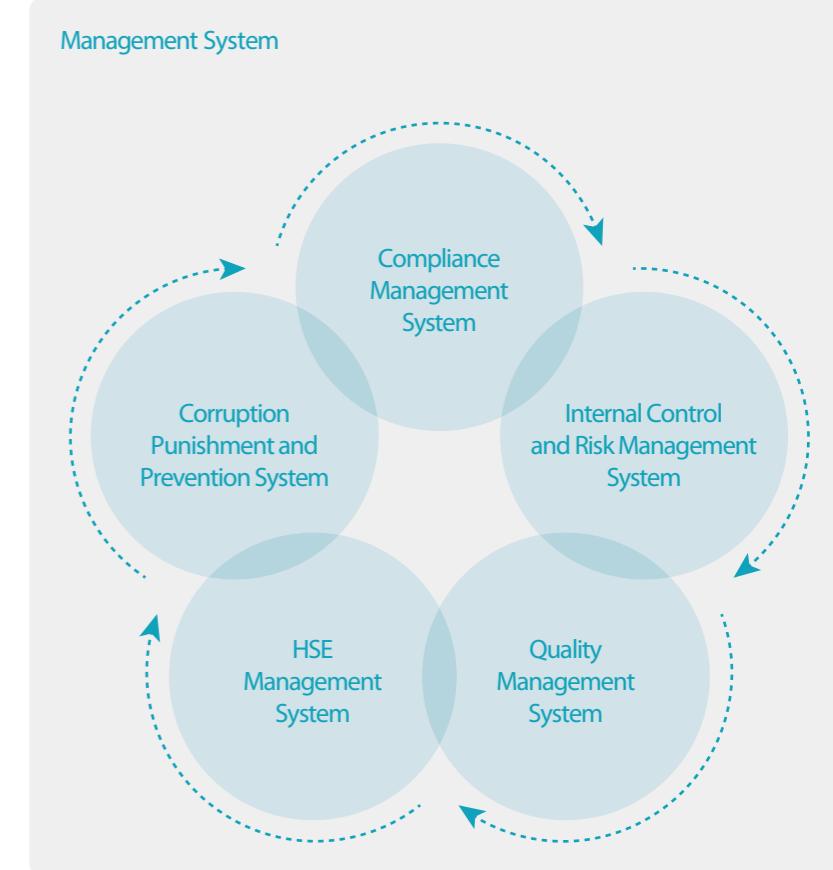
#### Supervisors and Supervisory Committee

The Supervisory Committee is accountable to the Shareholders' Meeting. In accordance with the *Company Law of the PRC* and the *Articles of Association*, Supervisors attend Supervisory Committee meetings, attend Board Meetings as observers, report back to the Shareholders' Meeting and submit the Supervisory Committee reports and related matters. The Supervisory Committee formulated the *Measures for the Administration of the Performance of Duties by*

In 2015, we supplemented and perfected our basic system of corporate governance. In accordance with capital market regulations, we set up the Nomination Committee of the Board of Directors. We developed rules of procedure for the committee, convened a committee meeting, considered the proposed appointment of vice president and CFO nominated by the president, and formed the committee's resolution and appointment comments to the board of directors, making our corporate governance even more perfect.

#### Boosting integration of basic management systems

Since the end of 2012, the Company has been advancing pilot programs to consolidate documents on quality, HSE, measurement, energy, internal control, legal risk prevention and control with other management documents, resolving the overlapping, duplications and contradictions between them. Now the Company runs smoothly within the framework of a single set of management documents, improving its overall managerial efficiency. In addition, the Company further integrated its management practices based on the ERP application integration project. The headquarters have built a management practices platform information system, realizing unified query, exchange and sharing of systems, standards and procedures.

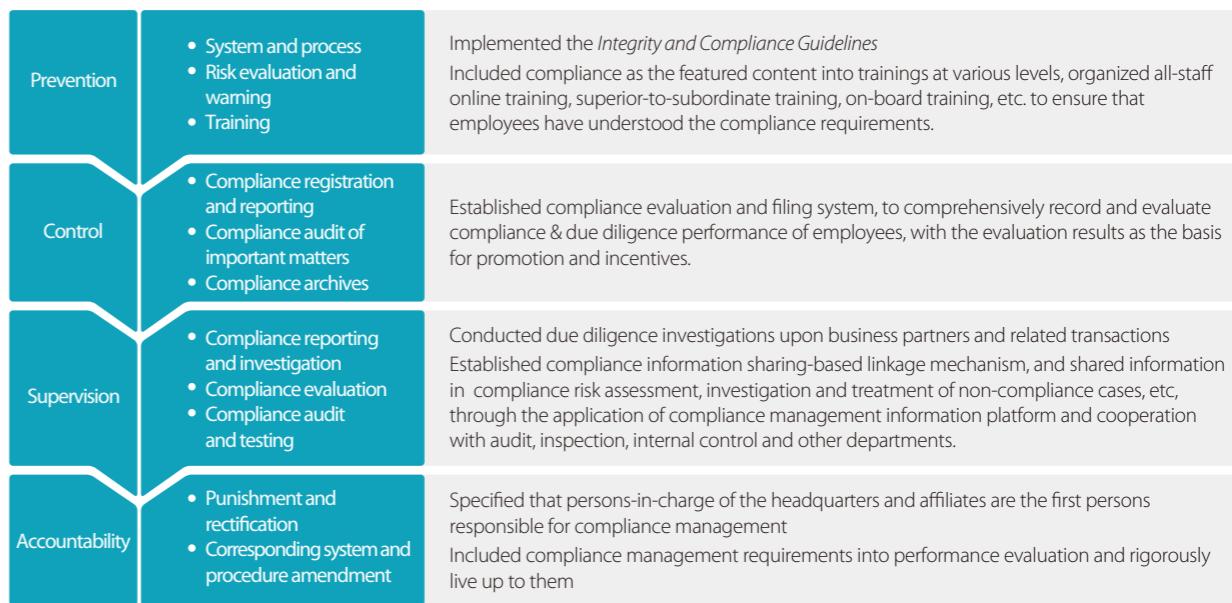


## Compliance Management System

Integrity and compliance are the bottom line of our business operation and the cornerstone of the Company's development, and take precedence to business systems and economic interests. We have a 'zero tolerance' attitude to rule violations and strictly comply with applicable laws, regulations and procedures in operational activities. The growth of the Company hinges on compliance management, which is incorporated into the whole process of our production, construction and operations management assessment. We enhance process control while focusing on prevention, and strive to build a compliance management system with complete regulations, scientific procedures and proper execution to cover all staff, the entire process and all positions.

We adhere to the value of honesty and integrity, implementing the same compliance policy and guidelines as CNPC. The *Integrity and Compliance Guidelines* issued by CNPC in 2015 clearly regulating the basic requirements, codes of conduct and prohibited matters in external relations, professional ethics, handling internal relations, safeguarding the interests of the Company, taking social responsibility, etc. It established a registration and reporting system for conflicts of interest matters to guard against and avoid the risk of non-compliance. It set up a compliance evaluation and filing system to comprehensively record and evaluate employees' performance of due diligence compliance serving as the basis for promotion and incentives/punishment; and conducted compliance investigations over business partners and related transactions. Moreover, it built a compliance information sharing and linkage mechanism. By applying the compliance management information platform, there was collaboration with auditing, supervision and internal control departments and information was shared about compliance risk assessment, compliance case investigation etc. to prevent violations. Compliance training was provided to ensure that all employees understood the compliance requirements of the Company and were able to act upon these.

## Compliance Management Mechanism of PetroChina and 2015 Key Actions



## Internal Control and Risk Management System

In 2015, the Company continued to improve its internal control system and revised the *Internal Control Management Manual* combining reforms with adjustments to the institutional mechanisms and both strengthening and optimizing the internal control system. It deepened its comprehensive risk management and creatively established procedures for optimizing business operations procedures and for risk evaluation, strengthening the management of assessing major risks and control as well as dynamic analysis and early warning, and pushed for the building of a risk system. By effectively playing up the role of internal control and supervision, the Company focused on risks inherent in the fields of tendering and bidding, major project investment, asset management, fund management, contract management, engineering management, etc. and assessed and rectified each problem found through testing so as to effectuate a closed-loop error correction. The Audit Committee of the Board of Directors convened four meetings throughout the year, learned about the internal control work progress, and made recommendations for improvement. In 2015, the Company's internal control and risk management system successfully passed external audit for the tenth consecutive year.

## Corruption Punishment and Prevention System

We treat our business partners, customers, suppliers, contractors and counterparts with integrity, respect and equality. We oppose any form of commercial bribery and require our business partners to follow the Company's anti-bribery and anti-corruption policies, with no abuse of one's position in signing business contracts for one's own personal gain or for the benefit of friends or family or to obtain personal benefits. We have developed the *Punishment Regulations for Management's Violations and Non-compliance*, *Compliance Management Measures*, *Material Supplier Management Measures*, etc, to regulate behaviors of employees and the Company.

Realizing the importance and urgency of taking a firm stance against corruption, we made unremitting efforts to combat corruption. We developed and implemented a series of systems and regulations to improve our work style and strengthen discipline. We deepened the reform of anti-corruption institutions and mechanisms to promote full coverage of strict internal inspections. We maintained a posture of high-pressure investigations, explored special audits and supervision of major investment projects, and conducted more thorough electronic surveillance to establish an honest and positive corporate culture.

## Upholding Business Ethics

We strictly comply with the applicable laws and regulations, abide by business ethics and adhere to the principle of honesty and credibility, in order to promote transparent trading and maintain fair and impartial competition. We fight against commercial bribery in any form. We oppose monopolies and do not abuse our dominant market position. We fight against unfair competition in any form and comply with trade restrictions. We never conduct, participate in or support any forms of money laundering. We conduct faithful, honest and legal external transactions.

## Communicating with Stakeholders

Gaining our stakeholders' trust and support is fundamental to the building of a sustainable business. We worked hard to improve quality and efficiency to maximize returns to our shareholders and value for our stakeholders, and to achieve our common goal of harmonious and mutually beneficial growth.

We actively performed our obligation to disclose information. In accordance with the laws, regulations and regulatory requirements of the place where the Company is listed and in accordance with the *Articles of Association*, we built a multi-level mechanism to communicate with stakeholders, through periodic reports, interim reports, media communications, interviews and visits, and interactive communication. We amplified and perfected the management and related systems for the disclosure of major events so as to report the Company's situation in full and on time to the public. We also organized non-deal roadshows and site inspections for investors, met visiting investors, and invited individual shareholders to attend the AGM, etc. The top managerial personnel of the Company frequently attended high-level conferences and forums and delivered speeches, in order to improve mutual trust between stakeholders and the Company. The Company kept improving its website and developing new media communication channels to provide more information, understand and respond to investors' questions in a timely fashion. It collected and organized every opinion and suggestion, and channeled them to relevant departments, so that the Company was aware of the needs of the stakeholders. In 2015, we strengthened the confidentiality of inside information before the disclosure of the formal annual report, implemented information disclosure regulations and insiders registration management system, etc., and increased the accountability of the persons responsible for the annual report information disclosure.

To address investors' concerns, we deeply communicated with investors and listen to their views on the development of the Company. We also organized various public inspection activities such as Gas Station Open Day and Wonderful Trip of a Drop of Oil, and invited the media and netizens to Tibet, Arctic Village, Qinghai etc. to enhance their understanding of the oil industry. Our regional companies in Indonesia, and other regions published regional corporate social responsibility reports to comprehensively communicate with local communities.

### Anti-Commercial Bribery

Commercial bribery is an act of using devious means to obtain business opportunities or other economic benefits. Commercial bribery seriously disrupts the market order of fair competition and is prohibited by law in each jurisdiction. The Company firmly opposes commercial bribery, and strictly prohibits the giving of benefits to others to obtain business opportunities or other advantages. We also prohibit employees from receiving or soliciting benefits from others in our business activities. The prohibited behaviors mentioned above not only refer to the direct giving and receiving of benefits, but also to the sort of behaviors via a third party. The benefits hereby include, but are not limited to: cash, gifts, marketable securities, physical assets, kickbacks, free traveling and entertainment, and also non-property benefits such as employment opportunities.

Over the years, we have been making dividend distribution in strict accordance with the *Articles of Association* and relevant regulatory requirements. To protect the interests of minority shareholders, the *Articles of Association* clearly stipulate that the proportion of cash dividend shall not be less than 30% of the net profit attributable to the parent company realized in the year. Since its listing, the Company has strictly abided by its relevant commitments in the H-share prospectus to adopt a stable dividend policy. At present, the Company pays dividends to shareholders in accordance with 40% to 50% of the annual net profit. The Company's stable and active dividend policy is welcomed by shareholders for fully safeguarding the interests of minority shareholders.

In 2015, PetroChina launched the 'Experience for Refueling Season III-Tibet' activity. We invited reporters from more than 20 media such as Xinhua News Agency, China News Agency, CCTV network and some network celebrities to join the activity. Departing from Lhasa, they interviewed some refueling stations on the snow-covered plateau, oil depots and poverty alleviation projects of PetroChina in Tibet within one week, helping the public to understand oil and enhance mutual trust. The picture is the group photo of the media reporters, some network celebrities and Banghe refueling station employees of PetroChina Tibet Marketing Company.



From Lhasa, Nagqu, Shigatse, to the world's highest Shuanghu Service Station, most service stations didn't have appreciable amount of oil sold, but they ensured the local supply actually. ....It is not easy to stay in the highlands. But every effort and dedication gives a richer meaning to the words that PetroChina is Always with You.

—Chen Pu, reporter from Chinanews.com.



In May 2015, we initiated an activity named 'Wonderful Trip of One Drop of Oil – Internet celebrities discover a new state-owned enterprise'. We invited more than 30 people, including netizens and media reporters, to cross through the Qaidam Basin and travel more than 2,000 kilometers in six days. They paid field visits to the whole process from oil exploration to petrochemical products, showing the complete oil industry chain to the public.



For more details, please scan the QR code on the right.

CNPC International (Indonesia) released its sustainability report. It systematically introduces the key points of the company and progresses in relation to stakeholders, economic indicators, corporate governance, human resources, community development, and environment, health and safety.



Stakeholder	Expectations	Communication Approach	Key Actions
 <b>Governments</b>	<ul style="list-style-type: none"> <li>Stable energy supply</li> <li>Harmonious economic and social development</li> <li>Leading role of brand and technology</li> <li>Tax payment according to law</li> </ul>	<ul style="list-style-type: none"> <li>Offer company expertise</li> <li>Attend to public concerns and improve corporate behavior</li> <li>Launch strategic cooperation with relevant departments</li> <li>Attend seminars and forums</li> </ul>	<ul style="list-style-type: none"> <li>Behave legally and ethically, and abide by the applicable laws and regulations in the jurisdictions where we operate</li> <li>Stabilize oil and gas supplies</li> <li>Participate in discussions organized by the government on climate change, energy conservation and emission reduction</li> <li>Promote local employment and cultivate local talents</li> <li>Pay taxes according to law</li> </ul>
 <b>Shareholders</b>	<ul style="list-style-type: none"> <li>Standardized corporate governance</li> <li>Stable business growth</li> <li>Sustainable development</li> </ul>	<ul style="list-style-type: none"> <li>Fulfill requirements on statutory information disclosure</li> <li>Organize roadshow and reverse roadshow activities, such as field visits</li> <li>Issue reports and announce results performance on a regular basis</li> <li>Launched an "Investor FAQs" mailbox to receive public opinions</li> </ul>	<ul style="list-style-type: none"> <li>Operate in a responsible manner to maintain a good reputation</li> <li>Convene annual general meetings</li> <li>Equal treatment of shareholders, and value opinions of both small and medium-sized shareholders</li> <li>Hold dialogues with investors and shareholders in various ways</li> </ul>
 <b>Employees</b>	<ul style="list-style-type: none"> <li>Basic rights guaranteed</li> <li>Professional development</li> <li>Growth in wages and benefits</li> </ul>	<ul style="list-style-type: none"> <li>Elect employee representatives to join the Supervisory Committee</li> <li>Establishment of trade unions at all levels</li> <li>Convene employee representatives' meetings and make reports</li> <li>Organize employee training programs</li> <li>Set up a complaints and feedback system</li> </ul>	<ul style="list-style-type: none"> <li>Enhance employee training and skills development</li> <li>Organize vocational skill competitions</li> <li>Conduct occupational health checks</li> <li>Promote local employment in overseas operations</li> <li>Provide a career development platform for employees</li> <li>Protect employee safety in overseas operations</li> </ul>
 <b>Consumers</b>	<ul style="list-style-type: none"> <li>Provide safe, environmentally friendly, high-quality products and services</li> <li>Constantly improve the quality and variety of services</li> <li>Operate with integrity</li> </ul>	<ul style="list-style-type: none"> <li>Carry out activities to protect consumers' interests</li> <li>Publicize commitment to quality services</li> <li>Provide hotline services</li> <li>Conduct customer satisfaction surveys</li> </ul>	<ul style="list-style-type: none"> <li>Enhance quality management</li> <li>Improve service quality at refueling stations</li> <li>Increase the supply of clean fuel, such as natural gas, high-standard gasoline and diesel</li> <li>Secure oil supplies for disaster relief and agricultural production</li> <li>Organize Refueling Station Open Day activity</li> </ul>
 <b>Business partners</b>	<ul style="list-style-type: none"> <li>Fair and transparent procurement</li> <li>Win-win cooperation</li> </ul>	<ul style="list-style-type: none"> <li>Hold tendering meetings</li> <li>Hold large cross-border business negotiations and technical exchange meetings</li> <li>Use the electronic trading platform</li> <li>Engage in sharing managerial practices and technical standards</li> <li>Conduct contract negotiations and routine meetings</li> <li>Hold training for business partners</li> <li>Conduct daily operation meetings</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen centralized procurement management to provide suppliers with equal opportunities</li> <li>Enhance communication and coordination with contractors and strengthen the HSE management of contractors by creating a safe and healthy working environment</li> <li>Improve security measures and the emergency response network</li> <li>Open the investment field</li> <li>Organize PetroChina-Siemens Strategic Cooperation Summit</li> </ul>
 <b>NGOs</b>	<ul style="list-style-type: none"> <li>Improve sustainable management</li> <li>Perform social responsibilities such as poverty alleviation and environmental protection</li> </ul>	<ul style="list-style-type: none"> <li>Share the Company's experiences</li> <li>Participate in NGO activities</li> <li>Promote international communication</li> </ul>	<ul style="list-style-type: none"> <li>Submit a progress report to the UN Global Compact</li> <li>Attend to external concerns through various forms of communication</li> <li>Play an active role in participating in and supporting international environment and standardization initiatives</li> <li>Participate in a wide range of forums and conferences</li> </ul>
 <b>Communities</b>	<ul style="list-style-type: none"> <li>Promote employment growth</li> <li>Protect community environment</li> <li>Promote economic development in the community</li> <li>Respect cultural traditions of the community</li> </ul>	<ul style="list-style-type: none"> <li>Hold dialogues with local communities</li> <li>Organize community visits</li> <li>Conduct social and environmental impact assessments of projects</li> <li>Promotion of education</li> <li>Increase information disclosure</li> </ul>	<ul style="list-style-type: none"> <li>Participate in disaster relief and reconstruction, and provide financial support for education and poverty alleviation</li> <li>Support and drive local economic growth through large projects</li> <li>Supply clean energy, e.g. natural gas, to remote Regions</li> <li>Hold volunteering activities among employees</li> <li>Procure locally, where the business is carried out</li> <li>Provide job opportunities and training for the local community</li> </ul>



## SUSTAINED ENERGY SUPPLY

Energy is essential to socio-economic development. Our mission is to develop a safe, stable, diversified and clean energy supply system, thereby promoting sustainable economic growth and social progress.



Tarim Oilfield

### A Safe, Stable, Diversified and Clean Energy Supply System

Energy is closely related to human life and sustainable development. UN data show that billions of people in the world still cannot enjoy a basic energy supply. Population growth, urbanization, and economic development will continue to drive growth in global energy demand. Oil and gas will remain the world's main energy source for the foreseeable future. However, the supply-demand imbalance in the global energy market and the environmental impact of climate change has become a common challenge to the global energy industry. The sustainable development of the global community can only be ensured by balancing the relationship between the development and use of energy on the one hand and regions, the economy, the environment, humans and communities on the other.

At PetroChina, we are proactively changing the ways we produce energy. With an innovative, harmonized, green, liberal and co-shared development concept, we build a safe, stable, diversified and clean energy supply system. We never cease consolidating our resource base through technological and managerial innovations. With an eye on sustainable energy supply in the future, we are accelerating natural gas development, exploring unconventional energy, deploying new energies, and supplying more energy that is clean. In addition, we are expanding international cooperation and optimizing our global businesses in order to play a leading role in supplying cleaner and greener energy and to provide sustained momentum to socio-economic development.

55%

In 2011-2015, our total newly added oil and gas reserves equivalent accounted for over 55% of the national newly added oil and gas reserves equivalent reported in the same period.

### Consolidating Our Resource Base

Oil and gas exploration and development are the basis and foundation of our development. It has become more difficult and more expensive to explore and develop the remaining oil and gas resources, and oil prices have continued their slide. Under such unfavorable circumstances, we have made exploration breakthroughs and consolidated our resource base through technology and management innovation, enhancing our capacity to provide the society with economical, stable and sustainable energy.

### Stable Growth in Domestic Oil and Gas Reserves

In 2015, we implemented in-depth exploration at favorable zones and strata, we optimized pre-exploration and venture exploration targets and the deployment of solutions and we strengthened the geological evaluation in key areas. By doing so, we discovered a number of large-scale, high-quality reserves that can be developed in the near future. According to domestic standards for reserves calculation, our newly added proven oil reserves exceeded 600 million tons for ten years in a row, while our newly added proven gas reserves exceeded 400 billion cubic meters for nine years consecutively. The proven oil and gas geological reserves equivalent exceeded 1 billion tons for nine consecutive years.

**60%**

From 2011 to 2015, PetroChina continued to maintain its leading position in the domestic market, with the oil equivalent produced domestically accounting for about 60% of the national total, consolidating the resource base for PetroChina's steady oil and gas supply.

**Establishment of Changqing 50 MMT Oil Equivalent Production**

**5%** 

Reduced dependence on oil imports by 5%

**40**

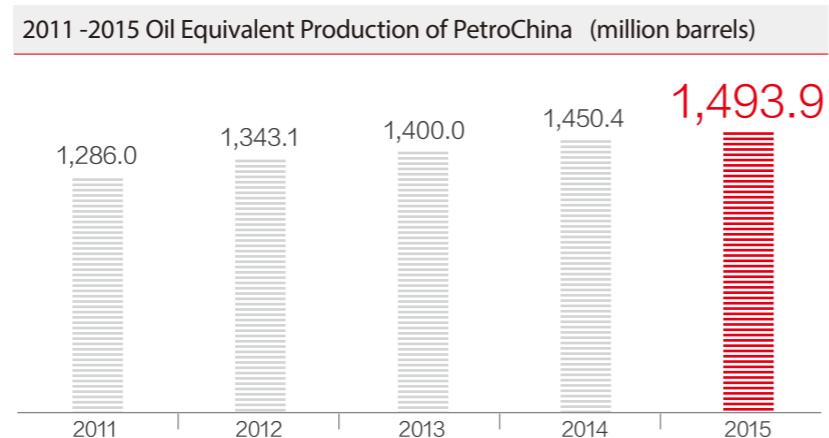
Secured industrial and residential gas supply of more than 40 major cities such as Beijing, Tianjin, Xi'an and Yinchuan

**First prize of the National Science and Technology Progress Award**

The "exploration and development of 50 million tons super-low permeability tight oil and gas fields and major theoretical and technical innovations" developed by PetroChina set an example of low-cost development of unconventional oil and gas fields. It also provided quotable technical reserves and a low-cost development model for the effective scale development of China's more than 20 billion tons super-low permeability tight oil and 21 trillion cubic meters tight gas resources. It won the first prize of the 2015 National Science and Technology Progress Awards.

### Increasing Oil and Gas Production Efficiency

Against the background of declining oil prices, PetroChina increased its technological innovation, with the focus changing from production scale to quality and efficiency. Specifically, we strengthened the dynamic adjustment of oil and gas production, implemented optimization of capacity deployment, cut inefficient and low-efficiency projects, expanded the application scale of horizontal wells, and tapped deeper to reach the potential of matured areas, thus effectively controlling the natural progressive decrease. The capacity building at the Longwangmiao Formation gas field in Moxi area in southwestern China was completed. Daqing Oilfield continued the development of water flooding technology and EOR technology and pushed forward ASP flooding technology, with the recovery rate breaking through 50% in main blocks. Changqing Oilfield developed key technologies to explore and develop tight oil and gas in super-low permeability reservoirs, created a model for scale development of tight gas fields, and produced more than 50 million tons of oil equivalent for the third consecutive year in 2015. In 2015, we produced 1,493.9 million barrels of oil equivalent, while the total oil and gas production cost dropped 3.18% from 2014.



**Zhai Guangming, a member of Chinese Academy of Engineering:**  
**Scientific innovation is the driving force for exploration and development in the Ordos Basin**

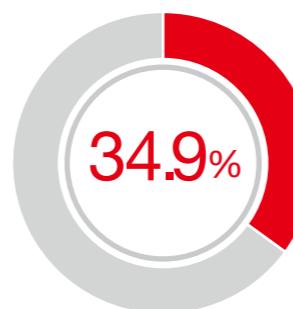
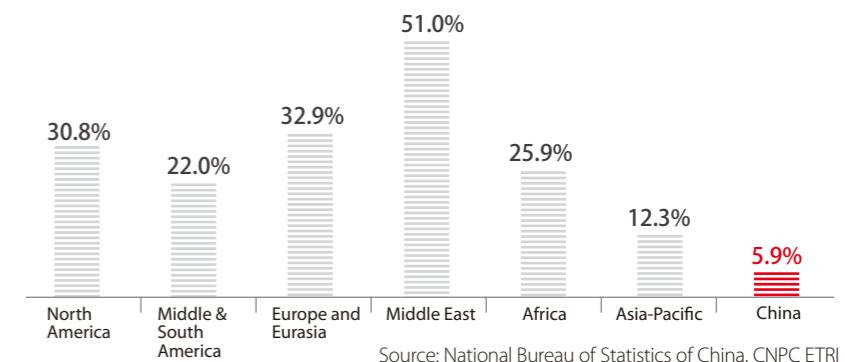
Covering a total area of 360,000 square kilometers, the Ordos Basin is composed of continental strata in the upper part and Paleozoic marine strata in the lower part. Due to the inadequacy of the technologies at the time, such a large-scale oil and gas basin remained undeveloped until the 1970s. Paleozoic marine strata have always been the issue that Chinese geologists were anxious to overcome.

The successful development of oil and gas resources is inseparable from the progress in science and technology. During the "12th Five-Year" (2011-2015) period, new breakthroughs were made in various exploration methods and development technologies. Advanced technologies helped to break open tight oil and gas formations, and build Changqing Oilfield into the largest oilfield in China with a production of 50 million tons of oil equivalent. With the E&P technology progress, oil production in Ordos Basin is expected to increase.

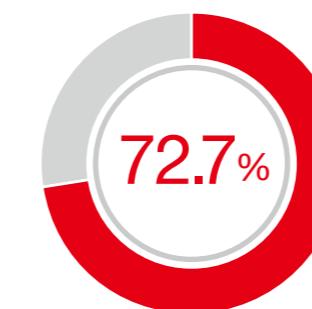
### Developing Clean Energy

The risks that climate change and air pollution have brought to global ecological and social systems are gradually emerging. Only by increasing the development and use of clean and efficient low-carbon energy and by reducing the carbon emissions caused by the use of energy can the global target be met of carbon dioxide emissions peaking soon and of effectively controlling the rise in the earth's temperature. Natural gas is generally recognized as a high-quality clean energy and is the most realistic option to adjust the energy structure, control air pollution and reduce carbon emissions at present. When generating the same amount of energy, the burning of natural gas generates 56% and 71% the amount of carbon dioxide produced by coal and oil respectively; 20% the amount of nitrogen oxide emissions of coal and oil respectively; and almost negligible amounts of emissions of sulfur dioxide and dust particles. China's Energy Development Strategy Action Plan (2014-2020) proposed to increase the proportion of natural gas use to more than 10% in primary energy consumption in 2020, so there is a great future for natural gas development.

#### Proportion of natural gas in primary energy consumption around the world



In 2015, contribution of natural gas to our total oil equivalent output reached 34.9%.



PetroChina's domestic natural gas output accounted for about 72.7% of the national total.

Currently and for the foreseeable future, fossil fuel will remain the driving force of world economic development. Against this background, PetroChina is eyeing the sustainable supply of future clean energy, and considers natural gas as a strategic and growing business. It is increasing investment in natural gas exploration and development, accelerating the construction of cross-border gas pipelines and the domestic gas pipeline backbone network facilities, advancing the development of unconventional gases such as tight gas, coal bed methane and shale gas, pushing forward the development and use of natural gas, researching, developing and promoting the development and use of new energy, in order to meet demand by society for clean energy.

#### Increasing Natural Gas Exploration and Development

We have continued to increase efforts in the exploration and development of natural gas, with domestic proven geological reserves of natural gas maintaining peak growth. In particular, we discovered Longwangmiao reservoir in Moxi area in the Sichuan Basin, the largest monomer marine uncompartimentalized carbonate gas reservoir so far in China, which has provided a resource protection for an increase in natural gas production. We actively advance capacity building in four natural gas production areas: Changqing, Tarim, Southwest, and Qinghai, with new supporting capacity of 11 billion cubic meters each year built in 2015. The Company's natural gas production increased by 7.1% per year on average in the period 2011-2015; and domestic production of marketable natural gas was 2.90 trillion cubic feet in 2015, showing that the Company's natural gas production and supply capacity continues to increase.



Pipeline Construction

**49,000 km**

The natural gas pipelines run by PetroChina extends 49,000 kilometers long

**28.3%**

In 2015, our tight gas output accounted for 28.3% of the Company's domestic total gas output

### Establishment of Piped Gas and Offshore LNG Transport Pattern

We have established a safe and steady system to supply natural gas. The system has resource diversity, flexible scheduling and efficient operations, makes the resource allocation more efficient and is better able to ensure market supply. With the commissioning of a number of key projects including Line C of Trans-Asia Gas Pipeline, Second West-east Gas Pipeline and western section of Third West-east Gas Pipeline, the natural gas pipelines run by PetroChina extends 49,000 kilometers long and through 29 provinces (directly administered municipalities and autonomous regions) and the Hong Kong Special Administrative Region, forming a gas network crisscrossing the country and connecting to abroad that benefits a population of over 500 million. Moreover, we established and commissioned 11 gas depots and 3 coastal LNG terminals, further enhancing our peak-shaving capacity.

### Promoting the Development of Unconventional Gas

We continued to increase efforts in exploration and development of tight gas, shale gas, coalbed gas and other unconventional natural gas resources, realizing a new phase of large-scale development of tight gas and coalbed gas and entering the rapid development of shale gas. For tight gas development, we worked hard to improve development efficiency and change the development mode towards multi-well types, cluster wells, factory-like operation and multi-layer development. In 2015, our tight gas output reached 27.02 billion cubic meters, accounting for 28.3% of the Company's domestic total gas output. For shale gas, we vigorously pushed forward the construction of national demonstration zones in Changning-Weiyuan and Zhaotong, and made important initial results in geological knowledge, development of technologies, organization and management, etc. The development cost of single horizontal wells dropped, while production increased dramatically. By the end of 2015, the Company completed the supporting capacity of 2.8 billion cubic meters per year, and produced 1.3 billion cubic meters in 2015. For coalbed gas, China's largest Baode mid-low rank coalbed gas field became operational. Studies on key technologies for coalbed gas exploration and development and a special project on demonstration & application technologies supported the growth in reserves and the development of scale of the two large coal gas demonstration areas in Qinshui and eastern Hubei. The coalbed gas international standard "Method of Determining Coalbed Gas Content ISO18871" was first released, indicating our coalbed gas development technology has reached the international advanced level.

### Utilization of Natural Gas and Alternative Fuels

PetroChina has actively expanded the use of natural gas in such areas as city gas, gas-fired power generation, public transportation, shipping, etc. In regions heavily affected by air pollution such as Beijing, Hebei and Xinjiang, we promoted coal-to-gas projects to improve the environmental quality in winter. In regions such as the Bohai Rim, Yangtze River Delta, Sichuan, Chongqing and Lhasa, we promoted the use of LNG vehicles in, among others, city buses, long-distance passenger transport, logistics and transportation sectors, and built LNG filling stations and other transportation facilities. There are currently nearly 100 CNG and LNG filling stations operational in Beijing, Tianjin and Hebei and serving nearly 10,000 new energy vehicles, effectively improving the atmospheric environment.

### New Energy

With an eye on future business, we develop geothermal energy, solar energy and other renewable energy sources, and actively explore the development and use of resources such as situ leached uranium mineralization and natural gas hydrates, aiming to give full play to the role of new energy in the building of a sustainable energy supply system.

#### Geothermal energy

carried out studies on development and use of geothermal resources in oilfields in northern China, the Liao delta and Xinjiang; and worked with Kenya's Ministry of Energy and Petroleum to develop local geothermal resources with our technological advantages.

#### Solar energy

supplied energy to oil wells by applying photovoltaic technology in oilfields in Xinjiang and Jilin; and completed a full solar station in PetroChina Beijing Marketing Company.

#### Biomass energy

established complete solutions for scaled-up and intensive planting and harvesting, raw materials processing and storage, and oil refining and filling, which provides scale production and supply capacity of fuel ethanol gasoline.

### Pushing Forward Pipeline Network Construction

We continue to expand the building of the oil and gas pipeline network to reduce oil and gas transportation costs, boost our capacities in transportation and allocation, and optimize the market allocation of resources.

### Improving Domestic Pipeline Backbone Network

In 2015, we made further improvements to our key oil and gas pipeline networks and a number of domestic oil and gas pipelines were completed and put into operation, including Tianjin harbor-Huabei Petrochemid and Tieling-Jinxi double-track crude oil pipelines, Shenyang-Changchun natural gas pipeline, etc. The construction of the east section of the Third West-East Gas Pipeline and Jinzhou-Zhengzhou refined oil pipeline progressed smoothly. As a result, the Company's oil and gas supply and regulating capacity was further enhanced.

### Expanding Transnational Oil and Gas Transportation Channels

In 2015, PetroChina continued to expand its transnational oil and gas pipelines. There was the ceremony to mark the commencement of work on the China-Russia Eastern Route Natural Gas Pipeline while work on the China-Russia Crude Oil Pipeline II progressed smoothly, significant both to optimizing China's energy structure and improving the atmospheric environment.

### Deepening International Cooperation

We adhere to the international cooperation principles of "mutual benefit and joint development" and comply with the laws, regulations and energy policies of the host countries. Based on our advantages in funding, technology and management, we have contributed to the global oil and gas market supply with our partners.

### Overseas Energy Development

In 2015, we deepened cooperation with countries related to China's One Belt and One Road initiatives such as the Middle East, Central Asia and Russia, optimized and adjusted the production rhythm of Aktobe and PK etc. projects in Kazakhstan, and maintained production and efficiency increase in oil and gas projects in Iraq, Chad, etc. Besides, we steadily pushed forward the optimization of oil and gas operations in North America, Canada, Australia and other developed markets. Now, the Canadian oil sands project phase I is advancing steadily. Over the course of the whole year, we achieved a net overseas oil and gas equivalent output of 203.5 million barrels.

**203.5 million barrels**

We achieved a net overseas oil and gas equivalent output of 203.5 million barrels



## Promoting Oil and Gas Cooperation with International Partners

We continue to make steady progress on cooperation with international partners in developing oil and gas resources in China. In 2015, we successfully took over the operating rights of Zhaodong Project in Dagang and the operating rights of Changbei Project Phase I in Changqing. The Northeast Sichuan Gas Project Phase I developed jointly with Chevron became operational, which will supply more natural gas to Sichuan and Chongqing regions.

## Vigorously Expanding International Trade

We optimize the global allocation of resources and serve the international oil and gas market. We have basically established three oil and gas operations centers in Asia, Europe and America, providing trade, processing, storage and transportation services to international markets. Our China-V standard motor gasoline was exported to Australia for the first time, meeting the requirements of the international high-end oil market.

## Ensuring Stable Supply

PetroChina sees ensuring stable supply as an important social responsibility. To this end, we are strengthening coordination and organizational efforts in order to establish a long-lasting mechanism and give back to society. During peak agricultural periods in the spring, summer and autumn (at the time of spring plowing, summer planting, summer harvesting, summer field management, fall harvesting, fall plowing and fall sowing), during critical moments when natural disasters strike such as earthquakes, heavy rainfall and snowfall, important periods when events are held, and during winter months when gas consumption peaks, we actively mobilize our resources, optimize transport capacity, strengthen on-site services, and ensure a continuous oil and gas supply in our service stations. In 2015, our refined oil and natural gas supply accounted for about 40% and 70% of the domestic market share respectively.

### Case Study | Stable Gas Supply for Securing a Warm Winter

Within the scope of our gas supply, the population using gas exceeds 500 million throughout 30 provinces (or directly municipalities, autonomous regions and special administrative regions) in China. Due to the large seasonal fluctuations in gas consumption and insufficient peak-shaving facilities, protecting the user demand for natural gas in winter is not only a matter of responsibility for the people's livelihood, but also a test for the Company. In particular, in late November 2015, extreme cold weather hit most areas of China, and the northern areas suffered rare cold weather that had not been encountered for 64 years. In addition, smog control exacerbated gas consumption. As a result, gas sales in November 2015 increased by 13.9% year on year. In November and December of 2015, we supplied 27.3 billion cubic meters of gas to the market, an increase of 11.4% year on year.

#### What are the difficulties of safeguarding gas supply in winter?

As an efficient and clean energy, natural gas has seen rapid growth in recent years. Same with water and electricity consumption, there are peaks and valleys in gas consumption in different periods. During the heating period in the first and fourth quarters of every year, natural gas consumption sees a substantial increase compared with that in the second and third quarters. In 2015, a difference of about 120 million cubic meters in the average daily gas consumption between the heating period and non-heating period occurred, accounting for 37% of annual average daily gas consumption. One major way of dealing with seasonal fluctuations in gas consumption is underground gas depots. In more mature natural gas markets overseas, the level of gas stored is rather high and the adjustment mechanism works fine. In the US, a volume equivalent to 18% of the total natural gas consumption sits in gas depots to be used in peak shaving. In Europe that volume exceeds 20%. By the end of 2015, China had built 18 gas depots, 17 of which can be used by PetroChina for peak shaving. They store 5.2 billion cubic meters, which is a mere 2.7% of the national natural gas consumption.



## 6 Measures for Safeguarding Gas Supply in Winter

### 1 Domestic gas fields produced at full capacity

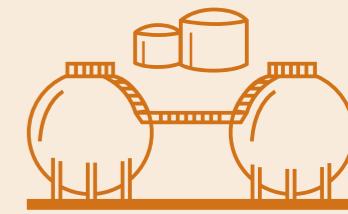
- Yield increase of 7 million m<sup>3</sup>/d in Tarim Oilfield
- Yield increase of 5 million m<sup>3</sup>/d in Qinghai Oilfield
- Yield increase of 3 million m<sup>3</sup>/d in Changqing Oilfield

### 2 Emergency deployment of LNG

- Emergency increase of LNG spot purchase, adjusted external transport volume of three LNG terminals to the maximum
- Faster docking and unloading of ships carrying imported LNG
- Increased the external gas transport volume of 5 million m<sup>3</sup> in Tangshan LNG Terminal
- An increase of 10 million m<sup>3</sup> LNG in Dalian LNG Terminal
- An increase of 2 million m<sup>3</sup> LNG in Jiangsu LNG Terminal
- Collected 69.2 billion m<sup>3</sup> available natural gas resources, up 18.3% year on year

### 3 Increased gas production of gas depots

- Gas production of owned gas depots increased by 181.3%



### 4 Optimized network operation, and increased the gas intake of pipeline network in North China

- Internal supply through important pipeline network nodes, and allocated resources to the regions that are most in need of gas
- Made more efforts to transfer gas stored in gas pipelines from west to east
- On January 24, 2016, Shaanxi-Beijing gas pipeline supplied a record 109 million m<sup>3</sup> of gas per day to Beijing, and the daily gas consumption in northern areas broke through 166 million m<sup>3</sup>.
- Central Asia-China Gas Pipeline transported a record 114 million m<sup>3</sup> of gas per day on average

### 5 Safeguarded gas consumption by residents

- In the peak time of gas supply in winter, companies such as Ningxia Petrochemical Company and Dushanzi Petrochemical Company operated at low load

### 6 Swapped resources with domestic oil and gas enterprises

- Swapped resources with Sinopec and CNOOC for safeguarding gas supply and easing the contradiction between supply and demand in regional markets





## SAFE AND CLEAN PRODUCTION AND OPERATION

The natural environment is essential for humans. Therefore, we incorporate care for people's lives and environmental protection into our corporate mission. Upholding the principles of "people-centred, prevention-driven, full staff participation and continuous improvements", we endeavor to build ourselves as a resource-conserving, environmentally friendly and safely producing business with the goals of "zero injuries, no pollution and zero accidents".



Production and operation in harmony with the environment

## IMPROVING HSE MANAGEMENT

Work safety and environmental protection is a prerequisite which secures our steady development. In 2015, we attached great importance to health, safety and the environment (HSE), gave top priority to safety and environment in our operations, and reinforced our HSE system. By improving the management system and implementing stricter inspection of responsibility fulfillment, PetroChina closely monitored workplace safety results, strengthened hazard control, and endeavored to enhance HSE management performance. As a result, our overall HSE performance was stable and improved in 2015.

### Improving HSE Management System

The Company carries out system audits covering all units twice a year. In 2015, we set up an audit team to conduct on-site audits, make recommendations and rectify problems. We initiated quantitative management of the HSE system, organized the preparation of *Criteria for Quantization Review and Evaluation of the HSE Management System*, and helped affiliates in benchmarking against advanced standards to improve their management level. Using the scoring system, the Criteria not only includes laws and regulations and the Company's system requirements, but also reflects the HSE best practices of outstanding enterprises. It also combines priorities and weaknesses, including rated risk prevention and control, contractor management, risk control, and pollution reduction.

  
**Goals of HSE Standardization at Grassroots Level**  
According to our schedule, more than 80% of our teams at grassroots level will complete HSE standardization by 2020, whereby we generally achieve scientific and standardized HSE management, ensure the integrity and reliability of our on-site equipment and facilities, and ensure the compliance of job specifications by employees, and production and operation risks are fully identified and effectively controlled.

**Content of safety and environmental protection performance appraisal**  
**Duty performance assessment**      **Capability assessment**  
Assessment of safety and environmental protection performance: to review employees' performance in safety and environmental protection, with the assessment results included in performance appraisal.  
Assessment of safety and environmental protection capability: to review the employees' capability in safety and environmental protection, with the assessment result serving as a reference for determining if the employees changing positions are qualified for the jobs.

### Promoting HSE Standardization at Grassroots Level

To ensure HSE management keeps pace with our daily production and operations, we carried out HSE standardization at the grassroots level, which covered compliance with management and operation procedures, equipment integrity and worksite cleanliness. We emphasized the importance of risk management & control, focused on the enhancement of execution capability, and standardized our procedures in order to ensure our staff at grassroots level pass the assessments, promote advanced HSE management concepts and methods to them, and facilitate the continuous improvement of HSE at the grassroots level.

### Management System and Performance Appraisal

In 2015, we made and revised safety management regulations and mechanisms, including the *Administrative Measures for Production Safety Risk Control*. We strengthened the implementation of the safety and environmental protection responsibilities of all employees, and carried out an appraisal of their capabilities to perform safety and environmental protection duties. As a result, our company-wide, clearly defined safety management system showing the various levels of responsibilities continued to become more effective.

## ENHANCING OPERATIONAL SAFETY

PetroChina sticks to the principles of "people-centred safety management", and believes that "safety comes from accountability, design, quality and prevention". Therefore, we have adopted production safety as one of our core values, and implemented this concept in all our sectors and all our production and operation processes. No major work safety accidents occurred throughout the year.



Tracking of the rectification of hazards found in oil and gas pipelines

### Implementation of whole-process management on work safety incidents

- Emergency preparedness
- Monitoring
- Early warning
- Emergency response and rescue
- Emergency evaluation

### Pipeline Hazard Control

We attach great importance to hazard prevention and control, in order to effectively improve the intrinsic safety of the Company. In 2015, we carried out targeted hazard investigation and remediation, and jointly promoted pipeline hazard control in cooperation with local governments. We have developed a platform to track the rectification of hazards found in oil and gas pipelines, and implemented real-time tracking of the rectification of hazards.

### Hazardous Chemicals Management

We exercised centralized management over the production, operation, packaging, storage, transportation, use and disposal of hazardous chemicals. We learned a lot from the fire and explosion accident at Tianjin on August, 12, 2015. We conducted safety inspections and targeted rectification of hazardous chemicals and inflammable and explosive materials in order to rectify various problems and hazards on a timely basis.

### Emergency Management

By adhering to the principle of "putting emergency preparedness first, and combining emergency preparedness with emergency rescue", we constantly improve our emergency management mechanism and strengthen emergency rescue capacity building. In 2015, we formulated the *Measures on Work Safety Emergency Management*, revised emergency plans, and launched pilot program on the application of an emergency response card for all grassroots posts. In addition, we carried out a joint emergency response mechanism, improved the location and storage of emergency supplies in key areas, and participated in oil spill response exercises and maritime search and rescue. As a result, our accident prevention and emergency response capacity has been on the rise.

### Supply Chain Safety

We included suppliers and contractors in our safety management and conducted whole-

### Strict screening process

- Implement safety qualification screening system for contractors and suppliers
- Establish safety performance records
- Regularly publish the list of qualified contractors, and remove unqualified contractors from it

### Process control

- Strictly implement the safety supervision responsibility of contractors, based on the principle that "those undertaking, supervising and implementing the project are held responsible"
- Conduct targeted safety inspection of contractors' oversight



50 %

In 2015, the number of accidents decreased by 50% over the previous year.

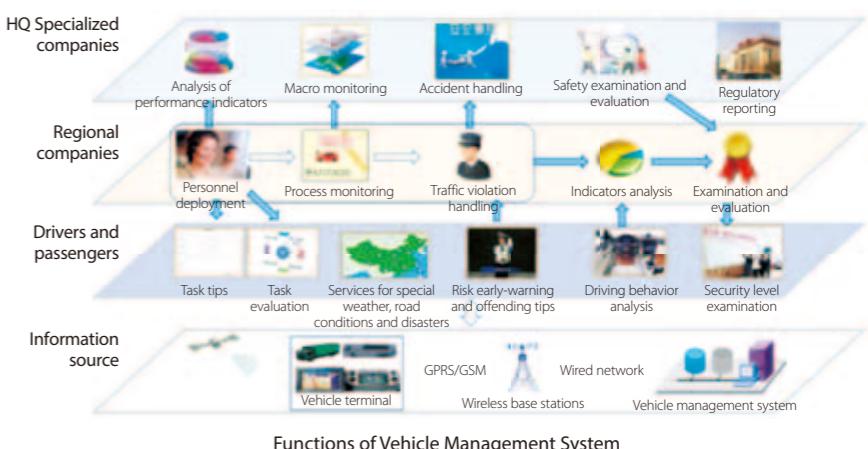
53 %

In 2015, the accident fatality rate decreased 53% over the previous year.

process management on their access, selection, training, use, evaluation and assessment, in order to prevent and reduce the number of accidents caused by suppliers and contractors.

### Road Traffic Safety

We strengthened the traffic safety system development and continued to promote the construction of the vehicle management system which integrates monitoring, control and scheduling functions. The system was first implemented at seven subsidiaries including Liaohe Oilfield Company and Xinjiang Marketing Company, which enabled us to implement dynamic real-time vehicle safety management and control, and thus effectively prevented the occurrence of major traffic accidents.



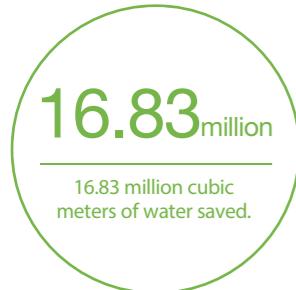
## ECOLOGICAL PROTECTION

Our oil and gas exploration and development projects, long-distance pipeline projects and refining facilities may involve certain environmental risks. PetroChina respects and protects the environment and strictly complies with relevant international and domestic laws and regulations. We take the initiative to evaluate the environmental impact of our decisions and activities, step up efforts in hazard control and environmental protection during production in order to safeguard our land, water and biodiversity, and reinforce ecological restoration of the environment. By doing so, we endeavor to grow in harmony with the environment. In 2015, the Company reported no major environmental pollution or ecological damage accidents.



### Environmental Risk Management

We assess and identify environment risks, implementing a risk prevention and control management model focusing on environmental forecasting, early warning and monitoring. We began the environmental risk management at an earlier stage, and established a sound risk management mechanism featuring "management in tiers, prevention and control by level". Environmental management is implemented in the whole process of construction projects. For each construction project, the facilities for the prevention and control of pollution and other damage to the environment are required simultaneously with the main project in the process of design, construction and operation, to ensure full control of environmental risks. We reinforced the environmental monitoring capacity, completed the installation and data networking of online monitoring equipment for waste water and waste gas, and performed real-time monitoring and early warning of discharges from major pollution sources, to ensure treatment at the source and control over the production process.



### Water Management

PetroChina endeavors to improve water utilization efficiency throughout its production and operation activities. It has introduced new technologies, new processes and new equipment, in order to implement wastewater recycling, reduce the use of freshwater, and realize the sustainable utilization of water resources. In 2015, we improved water management by using wastewater treatment and reclaimed water reuse technologies to reduce freshwater usage. Annual freshwater consumption decreased by 1.07%, with 16.83 million cubic meters of water saved.

### Water Resource Management Covering the Entire Industrial Chain



#### Exploration and Development

In our oil and gas development activities, equal importance is given to water pollution prevention & control and water recycling. After the oil-water separation and filtration treatment of the recycled wastewater, oil recovery and water reinjection were realized, preventing groundwater and surface water contamination. By the end of 2015, more than 97.7% of oil extraction wastewater in all oil and gas fields was treated.

We carried out water system maintenance and reconstruction, improved the water qualification rate, optimized operation programs, and upgraded waste water discharge and treatment processes to reduce production water discharge, and promoted the application of new technologies for water treatment to maximize water conservation. In 2015, the comprehensive water qualification rate of the Company's oilfield wastewater reached 94.08%, and water discharges were reduced by 30% year-on-year.



#### Pipeline Operations

We focused on managing the impact on water resources of construction projects and the risk of leakage accidents during pipeline operations. Environmental impact assessments (involving water environment) were conducted, and water conservation and protection concepts were assimilated into construction activities.



#### Refining & Chemicals

We improved water use efficiency by promoting clean production processes, saving water from the source, and optimizing water systems. We increased the concentration ratio of circulating water to reduce water supplement; and strengthened steam condensate water recovery to realize water saving. In addition, we emphasized wastewater treatment and reuse to reduce sewage discharge and improve the industrial water recycling rate; and enhanced plugging of underground pipelines to get lower groundwater loss rate.

### Decommissioning and Land Restoration



To realize the common development of oilfields and wetlands, Yingtai Oil Production Plant of Jilin Oilfield formulated the Yingdong Operation Area Site and Wetland Restoration Work Proposal, aiming to restore vegetation within two years on 1.2 million square meters of bare land occupied by 332 old wells. As of 2015, the first phase of the demonstration project has been completed, restoring 333,600 square meters of vegetation. The calamagrostis angustifolias planted on the old well sites are growing lushly.

### Waste and Emission Management

**Successful experiment of China's first set of high-performance water-based drilling fluids for horizontal shale-gas wells**

Currently, drilling fluids used in shale gas development include oil-based drilling fluids and water-based drilling fluids. Oil-based drilling fluid recycling is a major issue as according to the *National List of Hazardous Wastes*, oil-containing cuttings are hazardous waste and thus subject to hazardous waste management and disposal regulations. In the United States, oil-based drilling fluids are generally recycled at a factory. With the implementation of China's new *Environmental Protection Law*, the requirements on the environmental impact caused by oil-based drill cuttings have become more stringent. In 2015, China's first experiment with a set of high-performance water-based drilling fluids for horizontal shale-gas wells was successful.

The Company's independently developed water-based drilling fluid is roughly equal to oil-based drilling fluid in terms of performance, but with a significantly improved rate of penetration (ROP), without accidents, at a low cost, strong in safety and environmental protection, simple preparation and maintenance, and recyclable. For these reasons, safe drilling can be achieved by the completely replacing oil-based drilling fluid with water-based drilling fluid.

We strictly monitor the waste and emissions generated in the production process and strengthen waste management to reduce air, land and water pollutant emissions.

In 2015, the Company carried out a special audit on pollution reduction to report and rectify problems found. All pollution reduction projects supervised by the government have been put into operation. And "zero coal burning" was realized in oil and gas fields and refineries in Beijing, Tianjin and Hebei. In addition, we carried out a study on the ratification of water pollutant emissions, enforced integrated control of volatile organic compound (VOC) emissions, and completed the construction of a VOCs integrated information management and control platform for refining and chemical enterprises. The Company modified service stations for oil & gas recovery and treatment on a large scale.

PetroChina vigorously beefed up its innovation of pollution control technology innovation. The State Key Laboratory of Petroleum and Petrochemical Pollution Control and Treatment was approved for construction, promising a number of leading technologies and technical achievements in petroleum and petrochemical wastewater treatment and reuse, turning solid waste into resources, detection and recovery of VOCs, and site contamination risk control and repair. The "high concentration organic wastewater and alkali waste treatment technology for refining & chemical sector", a process package developed by Dagang Petrochemical, has completely solved the problem of alkali waste and water treatment. The oily sludge microbial treatment technology and supporting system of Changqing Oilfield is capable of reducing sludge by about 23,000 tons per year.

### Main Measures for Pollutant Emission Reduction

Projects	Measures
Upgrading project of advanced wastewater treatment of Jilin Petrochemical	<b>Assessment:</b> Four pollutant emission control targets incorporated into the performance appraisal of person in charge of the enterprise
Upgrading project of acrylic fiber waste water treatment of Daqing Petrochemical	<b>Pollution reduction process control:</b> Pollution reduction review, supervision over and dialogue with enterprises whose progress in pollution reduction is rather slow
Thermal power plant denitrification project of Daqing Oilfield	<b>Automatic online monitoring and management system:</b> Real-time monitoring and early warning on key wastewater discharge ports and exhaust gas ports
Thermal power plant upgrading project of Dushanzi Petrochemical	
FCC regenerator flue gas desulfurization and denitrification renovation project of Hohhot Petrochemical	

### Stop natural gas flaring

We tried to stop natural gas flaring in the operation through increasing capital investment and conducting technical research. Regarding the venting of associated gas during the exploration and development of Tarim Oilfield, the skidded associated gas recovery process was adopted, and a gas recycling network with an annual recovery capacity of 990 million cubic meters was established to reduce light hydrocarbon emissions.

### Conservation of Biodiversity and Natural Habitats

We take full precautions to avoid environmental impact caused by our production operations and activities, and work hard to revert the environment to its original state in case of any impact. In 2015, we carried out a comprehensive investigation and rectification of environmental pollution and ecological damage issues and rigorously assessed projects in sensitive areas. Furthermore, we reduced the impact on the ecological environment through noise reduction, emission reduction and other means. We invested a lot of efforts in the conservation of soil and water and in restoring the vegetation, working hard to restore the ecological environment and protect the biodiversity of our operation areas.

"Maintaining the local ecological balance is our responsibility too. Fish in the river is an integral part of the local ecosystem. The living environment is harsh here, so a broken link in the ecological chain will affect other living things. This is all included in our HSE Instructions."

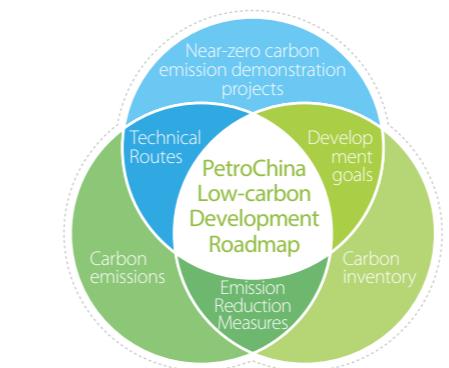
— Xu Wei, Safety Officer



In Iraq, to protect the ecological environment of the Suwaib river during construction, we migrated the fish between dams, and wrapped the pump inlet with gauze to prevent smaller fish from being sucked into the pump when performing diversion culverts to ensure that the works would not interrupt the downstream water source.

### PROMOTING ENERGY CONSERVATION

We intensified our efforts in energy conservation and energy efficiency enhancement, reduced the environmental pressures arising from energy consumption, and endeavored to build ourselves as a resource-saving and environmentally friendly enterprise. We strengthened energy source management, and carried out energy-saving assessment at the stage of the feasibility study for newly-developed, revamped and extended projects. We reinforced energy use management in the production process, conducted monitoring and evaluation of energy and water-intensive devices and equipment, and substituted oil with alternatives such as electricity, gas and solar energy. We carried out energy-saving technological transformation, and implemented 50 energy-saving projects in 2015, including energy-saving transformation of oilfield pumping systems and ethylene cracking furnaces. We boosted the efficiency of heating furnaces in oil and gas fields, implemented refining energy system optimization technology, and promoted continuous improvements in energy efficiency. In 2015, the Company saved 1.04 million tons of standard coal equivalent. Dushanzi Petrochemical Company and Ningxia Petrochemical Company were awarded the title of Energy Efficiency Leader and Benchmarking Enterprise among energy-intensive products in the Petroleum and Petrochemical Industry by the China Petroleum and Chemical Industry Federation.



### RESPONSE TO CLIMATE CHANGE

Climate change has become a global concern. It leads to global warming, rising sea levels and the frequent occurrence of extreme weather events which have a significant impact on the natural ecosystem and become pressing issues to be solved in today's society. The signing of the Paris Agreement on climate change will promote the development of clean energy and facilitate the establishment of a global carbon assessment system. As a responsible energy company, we strictly comply with the Chinese government's requirements on greenhouse gas emission reduction, and actively support and cooperate with the international community in the formation of policies and action to address climate



PetroChina Daqing Petrochemical Company, adjacent to a wetland area, operates in harmony with the environment

change. As the founding member of the Oil and Gas Climate Change Initiative (OGCI), we take the initiative to reduce carbon emissions and sequester carbon to address climate change challenges together with the international community.

#### Carbon Emission Management

We paid close attention to greenhouse gas emissions and have addressed climate change in our development plan. We began to formulate the roadmap for low-carbon development and started to establish the carbon emission control system. Specifically, development goals, emission reduction measures and technical routes are set, with a primary focus on carbon footprint verification, carbon emission reduction and the construction of near-zero carbon emission demonstration projects. Additionally, we will strengthen greenhouse gas management and control, plan and mitigate carbon dioxide and other greenhouse gas emissions from the sources, production process and product use, and conduct carbon inventories and reporting in accordance with international practice. We have participated in CDP (Carbon Disclosure Project) and submitted a questionnaire to disclose carbon management information.

#### Development of Clean Energy

We actively developed natural gas, coal bed methane (CBM), shale gas, biomass and other low-carbon energy, produced and supplied clean products, and worked hard to achieve clean production of the products and consumption process (see Chapter 2 for details).

#### Development and Application of Low-carbon Technologies

As the application of science and technology plays a significant role in controlling greenhouse gas emissions and addressing climate change, we carried out studies on carbon dioxide flooding and storage and other key carbon lowering technologies. PetroChina's "Study on Key Technologies for CO<sub>2</sub> Enhanced Oil Recovery and Carbon Dioxide Storage" project under the National 863 Program passed national acceptance in 2015. Moreover, we established China's first CCS (carbon capture and storage) base in Jilin Oilfield which covers the entire value chain, including carbon dioxide separation, capture and flooding in. Furthermore, a memorandum of understanding was signed with GE on technology and R&D cooperation which promotes our collaboration in carbon capture, storage and utilization, and low-carbon and environmentally friendly technologies.

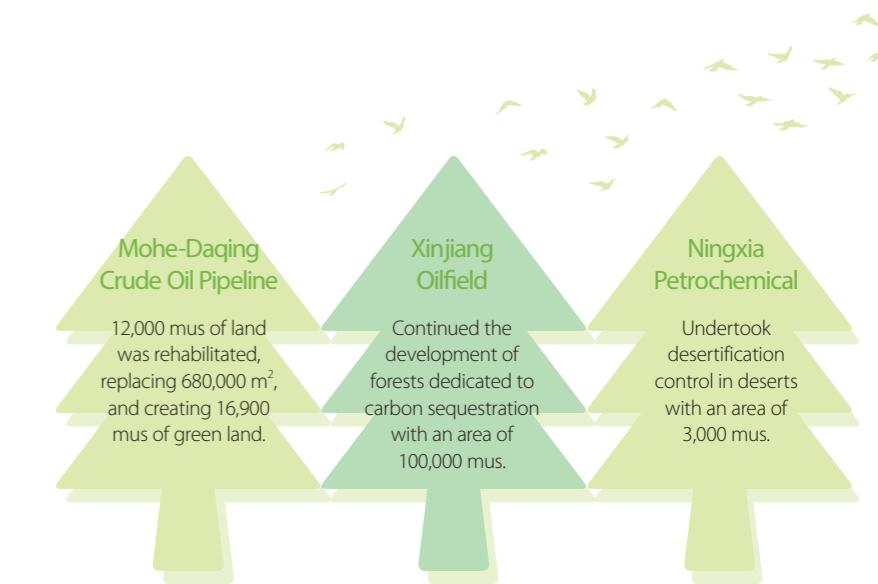
#### Market-based Mechanism for Carbon Saving

We actively participate in global carbon trading activities, in order to achieve carbon emission reduction targets through market-based mechanisms. Before signing contracts for overseas investment and M&A projects, we will fully consider the carbon constraints and requirements for total greenhouse gas control in the local area. We are the co-founder of the Tianjin Climate Exchange, the first comprehensive emission trading institution in China. In 2015, we completed the largest CCER(Chinese Certified Emissions Reduction) transaction in China, with a trading volume of 506,125 tons.

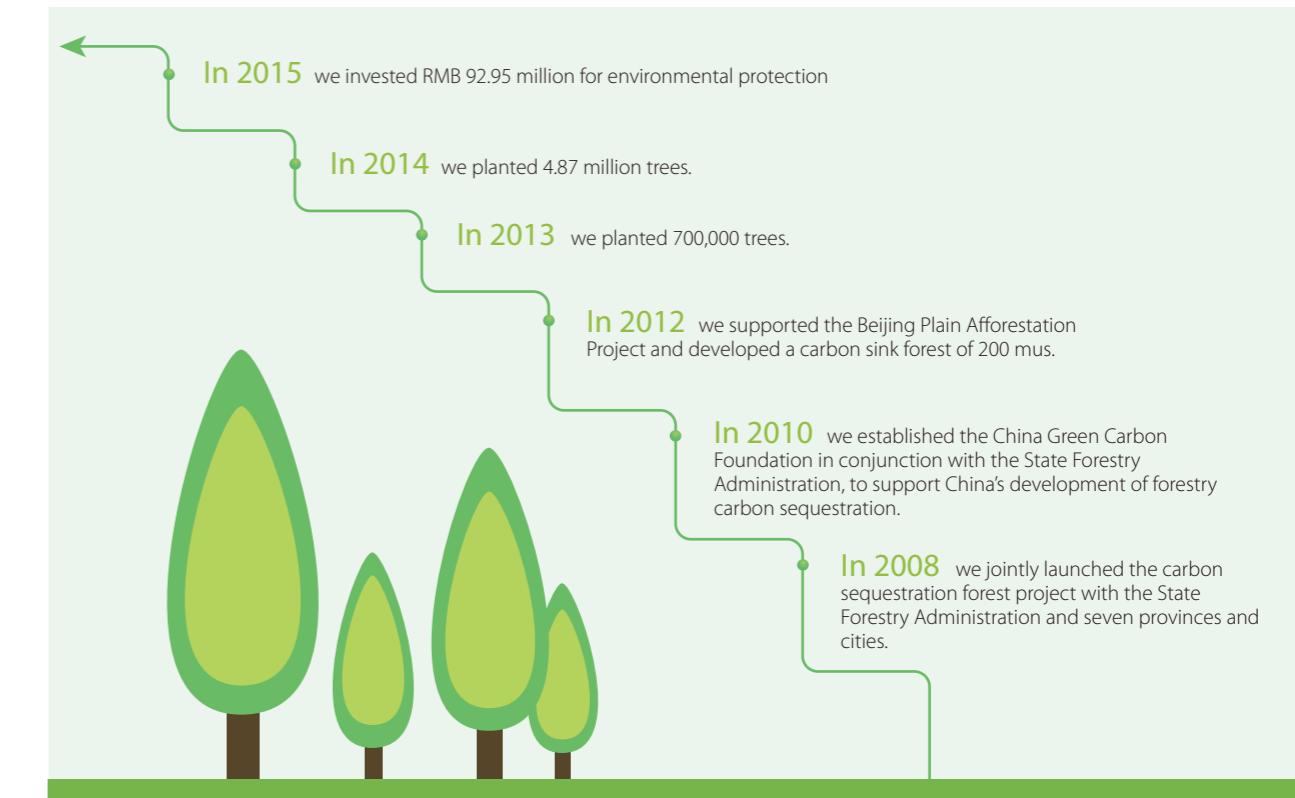


#### Forest Carbon Sequestration

We actively support China's forest construction and afforestation activities such as carbon sinks. In Changqing Oilfield, we joined hands with the local government to carry out the Qingyang carbon sink base construction project in Gansu province.



With its excellent performance in green, low-carbon development, PetroChina was named a "China Low-carbon Model Enterprise" for the fifth consecutive year at the Sixth "Low-carbon Development • Green Life" Charity Exhibition and the Press Conference on 2015 China Low-carbon Model Enterprises organized by China News Service and China News Weekly.





## CUSTOMER-FIRST MARKET SERVICE

Petrochemical and natural gas products play a vital role in China's economy as well as in the lives of the Chinese people. The Company attaches great importance to the environment, safety, and quality, and puts people first and adheres to the principle of "honesty, quality and a quest for excellence". Its target is zero accidents and zero defects, being a leader domestically and first-class internationally. It vigorously promotes management and technological innovation and makes its best efforts to provide a diverse range of quality products and services to consumers.



Located at an altitude of 4,200 meters, Yuzhufeng gas station is the highest gas station along the Qinghai-Tibet highway, and has helped to fulfill the pledge to provide one gas station every hundred kilometers along the highway from Golmud to Lhasa

## ENHANCING QUALITY MANAGEMENT SYSTEM

We consider quality to be the lifeline of an enterprise. At PetroChina, quality is always the top priority. We have put into practice the *State Council's Quality Development Program 2011-2020* and continually improved our quality management system, enhancing how we define, measure and standardize quality, in order to better our product and service quality, and to ensure our products' quality, safety, environmental friendliness and efficiency. In 2015, we continued to enhance the quality management system, focusing on updating quality standards, supervisions and inspections, and nurturing a culture of quality.

### Development and revision of standards

Strictly implemented mandatory standards, actively upgraded corporate standards, and participated in development and revision of national and industry standards

- We developed and revised 104 corporate standards in the whole year.
- Improving fuel quality standards: We developed the internal control targets for motor gasoline, diesel and ethanol-gasoline blending components and other corporate standards.
- Regulating handover measurement of oil products and liquid chemical products: We formulated regulations for the handover measurement of oil products and for measuring liquid chemical products with mass flowmeter, and other corporate standards.
- *The Method of Determining Coalbed Methane Content* and other two international standards led by PetroChina were released.

## 287,000

We organized training activities with participants of 287,000 person-times

## 8,800

We organized more than 8,800 quality training activities

### Quality supervision and inspection

- We carried out supervision and spot-checks on the quality of the products we produced, sold, procured and used, as well as the construction in progress. We reported quality hazards of major projects in the *Quality Risk Warning Bulletin* and adopted zero tolerance against unqualified products.

### Enhancing the level of measurement

- Our Chengdu, Guangzhou and Urumqi branches of the national oil and gas large flow rate measurement station finished running tests, construction standards assessment and construction work respectively.
- Our "High-Pressure Natural Gas Flow Standard and Value Transfer Method" was awarded the Second Prize for 2014 Science and Technology Progress by the Chinese Society for Measurement.

### Nurturing quality culture encompassing all staff, the entire process and all positions

- We carried out the "Quality Month" activities, convened 4,043 quality analysis meetings, and organized more than 8,800 quality training activities with participants of 287,000 person-times.

### Ensure product safety

Stage	Measures
Design	Provide safe and reliable protective equipment and supplies
R&D	Avoid the use of hazardous chemicals
Sales	Take measures to warn consumers about foreseeable risks



### PetroChina Oil Product Quality Upgrade Action

January 1, 2016		January 1, 2017
Targets	China-V motor gasoline and diesel quality standards to be implemented in 11 provinces and directly administered municipalities in eastern China from January 1, 2016.	China-V motor gasoline and diesel quality standards will be implemented across China from January 1, 2017.
New demand expected	90 million tons of motor gasoline and diesel	120 million tons of motor gasoline and diesel
Refinery quality upgrade	Dalian Petrochemical Company, Liaoyang Petrochemical Company, Fushun Petrochemical Company, Lanzhou Petrochemical Company, Dushanzi Petrochemical Company, Jinzhou Petrochemical Company, Jinxi Petrochemical Company, Daqing Refining& Petrochemical Company, Harbin Petrochemical Company, Sichuan Petrochemical Company, Changqing Petrochemical Company, Yumen Refinery, Golmud Refinery, Huabei Petrochemical Company, Guangxi Petrochemical Company	Jilin Petrochemical Company, Fushun Petrochemical Company, Lanzhou Petrochemical Company, Dushanzi Petrochemical Company, Jinzhou Petrochemical Company, Jinxi Petrochemical Company, Daqing Refining& Petrochemical Company, Harbin Petrochemical Company, Sichuan Petrochemical Company, Changqing Petrochemical Company, Yumen Refinery, Golmud Refinery
Total quality upgrade projects implemented	28	57
Total investment	RMB 12.8 billion	RMB 12.7 billion

### FOCUSING ON PRODUCT INNOVATION

Focusing on the development of our main business, we endeavor to make key technological breakthroughs and develop new technologies, new processes, new equipment and new materials to upgrade our current production facilities. We carry out product innovation based on market demand to provide consumers with a diverse range of quality products.

In 2015, we produced 1.12 million tons of petrochemical products of 75 new brands. Particularly, our new polyolefin products had significant progress in the development and application of medical materials and gas pipe materials, with new products of 24 brands developed accumulatively.

### PROVIDING HIGH-QUALITY PRODUCTS

We make continuous improvements in our product mix and upgrade our product quality. Our products — including gasoline, diesel, lubricants and chemical products of different grades — are widely used in many different fields, such as automobiles, building materials, electronics, pharmaceuticals, printing, household appliances and daily-use chemicals.

#### Continuous Upgrading of Oil Product Quality

We have built a strict quality management system and ensure the entire-process quality control of gasoline and diesel through our oil and gas recovery units covering our refuel stations, in order to provide society with high-quality, safe and clean oil products. In 2015, we

accelerated oil product quality upgrading, responded enthusiastically to the *National Program for Accelerating the Quality Upgrading of Oil Products*, formulated upgrading work plans and project-commissioning timetables, and accelerated the quality upgrading and replacement of China-V gasoline and diesel. Besides, we promoted the use of our proprietary upgrade technologies. In particular, our *Development and Application of Complete-set Clean Gasoline Production Technologies Satisfying the National Phase-IV Vehicle Emission Standards* project was awarded the second prize of 2015 *National Science and Technology Progress*. We promoted skid-mounted diesel exhaust gas purification devices in refueling stations, contributing to the reduction of diesel exhaust pollutants NO<sub>x</sub> emissions. By the end of 2015, all of our gasoline and diesel produced by domestic refineries reached the China-IV standard, among which 22.2% of vehicle gasoline and 9.4% of vehicle diesel reached the China-V standard.

#### Gasoline quality upgrading technologies include:

FCC gasoline selective hydrodesulfurization (DSO) technology  
FCC gasoline selective desulfurization hydrougrading (GARDES) technology

#### Diesel quality upgrading technologies include:

Ultra low sulfur diesel hydrotreating (PHF) technology  
Low-grade diesel hydrotreating (FDS) technology



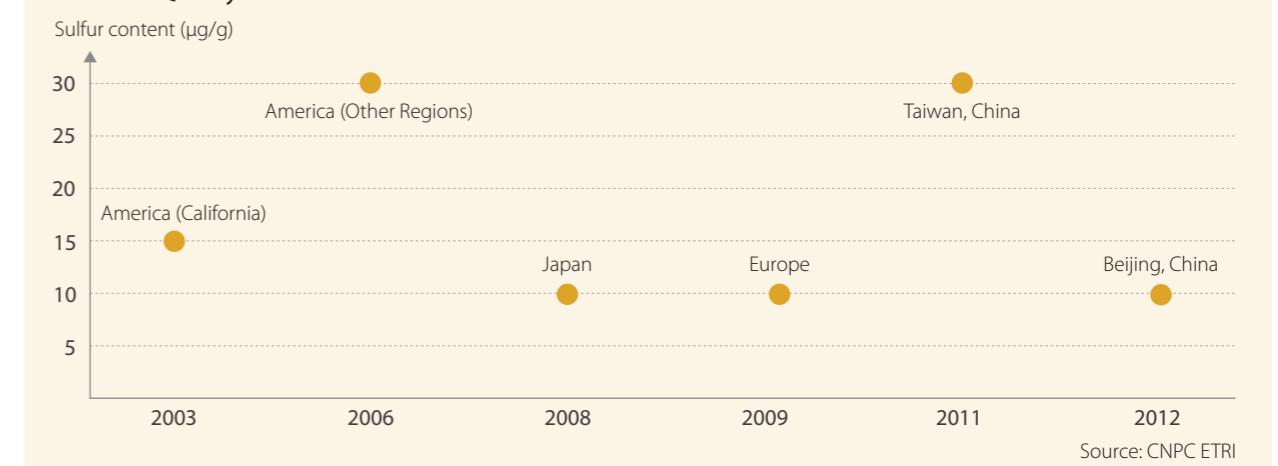
Click to view PetroChina Oil Products Quality Upgrade Report

<http://csr.cnpc.com.cn/csr/xhtml/PageAssets/ypzlsjbg2014.pdf>

#### Upgrade Route



#### Gasoline Quality Standards of China and Other Countries





Providing High-Quality and Environmentally-friendly Chemical Products

We cultivate high-quality brand products, and provide consumers with environmentally friendly and diversified solutions. The ABS products from Jilin Petrochemical Company enjoyed continuous quality improvement and made great progress in the domestic market for high-end white goods; emulsion polymerization rubber prepared by substances free of nitroso compounds or nitroso precursor was adopted in the production, processing and use of environmentally friendly SBR, boosting its environmental performance. Long-life turbine oil, extreme pressure long-life turbine oil and extreme pressure combined-cycle turbine oil from Kunlun Lubricant Company were certified by GE, meeting the requirements of international companies. Heavy traffic road asphalts from Karamay Petrochemical Company and Liaobei



A photograph showing two workers in a industrial setting. One worker is in the foreground, focused on a task on a machine, while another worker is visible behind him. Both are wearing red hard hats and dark uniforms. The background shows complex industrial equipment and piping.

Petrochemical Company were named the *Distinguished Brands in 2015* by the China Petroleum and Chemical Industry Federation (CPCIF) because of their outstanding product quality. PetroChina was honored as China's New Green Benchmark Brand Enterprise at the 2015 Conference on Green Development and Creating a New Ecological Civilization Benchmark & the Second Urban Development and Ecological Balance Forum.

## Products named “Distinguished Brands” by CPCIF

Year	Product Name	Manufactured by
2015	ABS	Jilin Petrochemical Company
2015	Heavy Traffic Road Asphalts	Karamay Petrochemical Company Liaohe Petrochemical Company

# DELIVERING CONSIDERATE SERVICES

Giving priority to customer satisfaction and upholding a customer oriented concept, we are making great efforts to expand the coverage of our service network and functions and to enhance our brand influence and customer acceptance, so as to provide a satisfying customer experience.

## Optimizing Service Network

We keep optimizing our service network. In 2015, with the development of an aggregate of 306 refueling stations, including 15 oil and gas stations, our service network covered 31 provinces, municipalities and autonomous regions, as well as the Hong Kong SAR of China. In Chawalong township, Chayu county, Linzhi city, Tibet Autonomous Region, we set up a temporary refueling service point for local oil products preparation, to address the local refueling inconvenience.

### Enhancing Service Experience

In 2015, we launched the "Smart Service Station" project in keeping with the "Internet+" trend. With big data, cloud computing, Internet of Vehicles (IoV), Internet of Things (IoT), mobile payment and other Internet technologies, we combined the offline consumer experience with online orders and built comprehensive service stations themed on "People, Car and Life", aiming to achieve a transformation from oil sales to automotive lifecycle services.



PetroChina's Smart Service Station



### Customer Satisfaction Survey and Feedback

We continually carry out custom satisfaction surveys and feedback to improve our service level and create a specialized customer retention system. In 2015, we conducted spot checks on and paid unannounced visits to more than 430 refueling stations in 17 provinces (municipalities) and regularly reported the rectifications, enhancing the our quality of refueling stations. Our 95504 customer service centers accepted 926,000 customer calls, resolved 700,000 customer inquiries, and handled more than 10,000 customer complaints.

## SUPPLY CHAIN MANAGEMENT

At PetroChina, we actively promote the sustainable development of the supply chain and provide the public with high quality products and services in a respectful, communicative, honest and cooperative manner. A unified supplier database was established, and through open tenders, fair competition and online transactions, we provide suppliers with fair, transparent and competitive opportunities. "Open business, controlled processes, fully documented, and permanently traceable" are the watchwords with which we ensure the quality of procured products and services. We have also established a complete supplier quality management mechanism which covers quality approval, quality inspection, supervision and spot-checking, and on-site supervision of the manufacturing of major products. Through the use of information technology and Internet tools, we implemented supervision and inspection of different units, different positions and different stages in the same process of the same business, to minimize dishonest behavior. Moreover, at various stages — during the supplier admission, supplier assessment, strategic supplier development, materials and service procurement, tender invitations and tender evaluations — we clearly pointed out to the suppliers our specific supplier requirements in terms of business ethics, human rights, HSE, quality standards and public responsibility. We have also developed a green procurement policy, including material and supplier management regulations, to review our partners' environmental performance. We developed a green procurement policy involving materials procurement management, supplier management, etc. We carried out a comprehensive environmental review for suppliers, aiming to build a responsible supply chain of petrochemical products.

### Supply chain management measures

Centralized, two-level management	System construction	Strict access, dynamic management	Establish a unified shared resource library
<p>Centralized, two-level management</p> <p>The headquarters is responsible for management of suppliers of materials within the Class-I materials directory</p> <p>The supplier management departments of affiliates are in charge of the rest</p>	<p>System construction</p> <p>Build a supplier management system framework to regulate supplier evaluation, graded and classified management, and supplier evaluation management</p> <p><i>Supplier Management Measures</i> and other regulations</p>	<p>Strict access, dynamic management</p> <p>Establish performance appraisal system, implement "survival of the fittest" and dynamic management to weed out unqualified suppliers</p>	<p>Establish a unified shared resource library</p> <p>Apply materials procurement management information system, to realize supplier resource sharing and computer-based whole-process management</p>



## "PEOPLE-ORIENTED" EMPLOYEE DEVELOPMENT

At PetroChina, employees are our most valuable asset. The all-round development of employees is one of our important development targets. We protect employees' rights, care for their health and well-being and create a platform for their development. We continue to promote the hiring of local staff, and have been strengthening security at our overseas operations. We endeavor to create an inclusive, equal, mutually trusting and cooperative working environment, and to ensure value is aligned to benefit both employees and the Company.



Employee Outward Bound Training



Administrative staff	15.4%
Technical staff	13.3%
Production staff	59.0%
Sales staff	7.5%
Financial staff	2.4%
Others	2.4%

## PROTECTION OF EMPLOYEE RIGHTS

We remain committed to a people-first philosophy in treating our employees with respect and equality while protecting their legal rights. We endeavor to resolve the practical issues that most concern our employees and make sure that all employees can equally share in the fruits of our development.

### Fair Treatment of Employees

We strictly abide by international conventions approved by the Chinese government including the *International Covenant on Economic, Social and Cultural Rights* and *Discrimination (Employment and Occupation) Convention*, domestic laws including the *Labor Law of the People's Republic of China* and the *Labor Contract Law of the People's Republic of China*, and relevant laws, rules and regulations of the host countries. We have established a fairly complete employment management and policy system to regulate employment practices according to the law. The system incorporates employment contract management, remuneration insurance and benefits, leave, performance appraisals and vocational training. Through self-inspection of our employment practices in compliance with the law, we provide effective protection of the legal rights of employees.

We acknowledge the importance of protecting human rights and support the UN Convention on human rights. We respect and protect human rights in conjunction with our business activities. PetroChina also communicates with its employees about the Company's policy



Master's Degree and above	3.3%
Bachelor's Degree	29.7%
College Degree	23.3%
Technical Secondary School and below	43.7%

and constantly improves it. We are committed to providing equal opportunities and fair treatment to all employees regardless of their nationality, ethnicity, race, gender, religion and culture. We prohibit the employment and use of child labor and reject all forms of forced or compulsory labor. We emphasize the employment of local residents, women, ethnic minorities and college students in order to increase job opportunities for local communities. We strictly implement regulations on female employees' confinement and lactation to protect their rights and interests. In 2015, the Company didn't make any layoffs for economic reasons despite the continued decline in the price of oil. We improved labor efficiency through increased job training and other measures. We continued to recruit fresh college graduates through the online recruitment website "Recruiting Platform for College Students", without restrictions regarding applicants' ethnicity, gender or religion. We also established a WeChat recruitment platform to make information public to the applicants.

**31.6 %**

Female Staff accounted for 31.6% of the Company's total employees.

**4.7 %**

Female Administrative Staff accounted for 4.7% of the Company's total employees.

**6.5 %**

Ethnic Minority Employees accounted for 6.5% of the Company's total employees.

**100 %**

In 2015, the rate of employees returning to work and keeping their posts after taking maternity/paternity leave was 100%.

### Remuneration and Benefits

The Company has further improved its performance appraisal and remuneration system, promoted the mechanism to link payroll with performance, established a compensation scheme that pays attention to the value of a position, the job performance and the innovative results of employees while matching the particularities of all staff operations, ensuring that employees' compensation grows synchronously with the Company's business development and labor productivity. The compensation system continues to favor researchers, front-line employees, and those in difficult and key posts, so that each employee can realize their full potential. In addition, we are steadily extending employee coverage of social security programs in accordance with the Social Insurance Law of the People's Republic of China, and we have improved supplementary medical care and insurance, corporate annuity and living allowance schemes to ensure employees' interests are addressed. We are adjusting overseas risk allowance standards according to the risk levels to ensure the standards are more reasonable and fair.

### Democratic Participation

The Company attaches great importance to employee democracy and their legal rights and employees play a role through democratic management, democratic participation and democratic oversight. Apart from establishing trade unions, PetroChina has put in place a democratic style of management and a transparent system to deal with matters at its plants, through its Employees' Congress system, to ensure employees are well-informed and have the means to participate in and supervise corporate management. We have further standardized the content, procedures and model of our open system for matters at its plants by clarifying rights and obligations, the organizational system, and working processes for the employee representative congress.

The Company has established multiple channels to communicate with employees and has continued to implement democratic procedures. We communicate across different levels of the Company, and conduct multi-level communication through meetings with staff representatives and online discussions, to encourage employees to participate in the management of production and operations.

How does the Company determine the existing and potential risks to employees' rights and the relative impact on its operation and collaboration activities?

In addition to the existing systems that protect employees' rights, the Company's Supervision Department, Petition Department, as well as the Trade Unions at all levels solicit employees' opinions on a regular basis. Through the Employees' Congress system, employees can voice their demands at Congresses of all levels.

The Company's senior management visits frontline employees each year to get to know their concerns. There are also relevant departments in both the headquarters and subsidiaries responsible for maintaining employees' interests. The Company obtains information on employees' rights and interests through a variety of channels. Our international partners, such as BP and Exxon Mobil, adopt normative systems and policies with regard to human rights. All of our joint venture projects have developed robust systems to protect employees' safety, health and other rights and interests.

### CASE STUDY Mailbox for Dialogue with Employees

To maintain close ties with the employees and understand their concerns, Wuqi Operation Area of Changqing Oilfield No. 3 Oil Production Plant has set up a mailbox and kept a log book for the timely acceptance and recording of letters from employees. Employees are welcome to put forward their suggestions on production and operation management, and will receive feedback to resolve the issues raised. It was praised by the frontline station staff.



### OCCUPATIONAL HEALTH

We abide by the Prevention and Control of Occupational Diseases Act of the People's Republic of China in our occupational health management, focusing on the prevention and control of occupational hazards as well as the implementation of related measures. We give top priority to employee health and personal safety by emphasizing occupational health management and protection at field operations, adopting mechanized production to reduce labor intensity and improve working conditions, and caring for employees' mental health.

In 2015, we improved our occupational health management system, carried out studies on the occupational health management models and systems of Chinese and foreign oil companies, formulated the Regulations on Occupational Hazard Informing and Warning Management, and compiled programs including the Classification and Evaluation of Noise Hazards during the Drilling Process and Recommended Practices for Prevention. We strengthened health management at frontline workplaces, introduced mobile drinking water treatment system on construction sites in the field and enhanced the working and living conditions for employees. We investigated employees who once encountered occupational hazards and the employees' occupational history when they were transferred to other posts, in order to better control occupational hazards. Special rectification activities were also carried out to further improve employees' occupational health conditions. In 2015, the rate for physical exams for occupational health remained at 98% and the detection rate for occupational hazards in the workplace was above 98%.

We pay close attention to our employees' mental health. We implemented the Employee Assistance Program (EAP), set up a hotline and a website for psychological counseling, and carried out various forms of training on mental health knowledge, in order to encourage employees to establish a positive and healthy attitude. We also hired counselors to deliver lectures on cultivating a healthy mind and relevant knowledge to frontline employees working in saline wastelands, deserts or another harsh natural environments, in order to help them release stress and live a healthy and happy life.

**98 %**

In 2015, the rate for physical exams for occupational health remained at 98%

EAP has effectively promoted organization system regulation and overseas employee management regulation. A number of indicators affecting the mental health of overseas employees have improved significantly. For example, the proportion of suicide attempts by workers engaged in high-risk jobs dropped from 4.9% to 1.1% after intervention.

Zhang Jie, GM of the counseling company which has provided PetroChina with EAP services for eight consecutive years



EAP training for employees of the Kazakhstan branch of Trans-Asia Gas Pipeline Company



New recruits from college at Jilin Oilfield Company

## ESTABLISHING A PLATFORM FOR EMPLOYEE DEVELOPMENT

We adhere to modern corporate concepts and advocate innovation in creating space and mechanisms for employee development. We have improved our training centers and network and address our employees' need for career development at different stages by providing career planning services. We strive to develop innovative employees and provide a stage for employees to develop their self-worth.

### Employee Training

By applying modern enterprise training concepts, we continue to improve the construction of our training bases and training network. We have carried out diversified and differentiated vocational training for employees through knowledge training, professional training, job training, off-the-job training, etc, in order to achieve positive interaction between employee growth and the Company's development.

On the basis of promoting all-staff training, we have implemented training projects focusing on four types of talent including the management personnel, technical experts, operational personnel and international talents. In 2015, we sent a number of outstanding management personnel and key professional technical staff to domestic and foreign well-known universities and training institutions to attend training in language, international business, business administration, law, etc, in order to develop their international perspective and international operational capabilities, and promote their comprehensive and healthy growth.

We believe that contests play an important role in encouraging training and enhancing employees' professional skills and literacy. In 2015, we held a refining and chemical vocational skill competition, revealing a number of high-skilled talents. We also encourage our employees to participate in national and world-class skill competitions. In 2015, we took part in the first

163

In 2015, PetroChina headquarters organized 163 training programs

national competition for hazardous chemical incidents rescue skills, the second national petroleum and petrochemical system "CNOOC Cup" vocational skills competition, and the seventh petroleum and chemical vocational skills competition, and obtained excellent results.

### Provide continuous Career Development Channels

With a corporate culture that values moral integrity as well as professional competence, we have developed a selection process that is democratic, open, competitive and merit-based in order to create a positive workplace atmosphere that enables the recognition and best use of talent. We attach great importance to career planning and endeavor to expand career development space for employees to maximize their potential. In 2015, we implemented the parallel managerial and technical system (double sequence) reform that is suitable to the characteristics of technical professionals in all our research institutes, to provide our technical professionals with an independent, continuous and stable career path. To help the technical experts reach their potential, we aim to establish a skills heritage network led by national skill master studios and demonstrated by the Company's skilled expert studios. We have accumulatively established 54 skilled expert studios, of which 13 were selected to be national skill master studios.

By the end of 2015, we had 12 academicians at the Chinese Academy of Sciences and the Chinese Academy of Engineering, 1,017 experts entitled to the Government Special Allowance, as well as 153 senior technical experts, 254 skilled experts, 3,809 senior technicians, and 21,417 technicians.

### 2016 Staff Training and Development Program

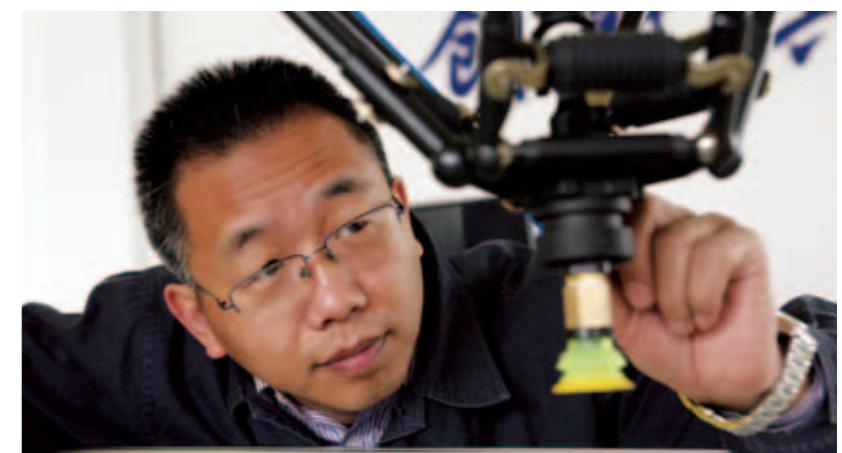
Operating staff skills promotion plan

Innovation and efficiency improvement program

Petroleum Experts Development Program

### How is the compensation of technical professionals in the "Double Sequence" system determined?

Based on the job evaluation and performance appraisal of technical professionals, we work to establish a fair, rational, standardized and orderly performance compensation system, oriented to the labor market, and reflecting the position's value, level of ability and work performance. The compensation is mainly composed of post salary, allowances and subsidies, and performance-related pay.



The Skill Master Studio at Fushun Petrochemical Company led by Diao Kejian has invented innovative products such as an intelligent fire and explosion suppression device and fire fighting robot, which are all national leading technologies

## LOCAL STAFF DEVELOPMENT

At PetroChina, we embrace a respectful, open and inclusive culture and are committed to selecting more local talents overseas, upgrading their professionalism and making them more responsive to market forces. We abide by all laws and regulations of the host country. We have formulated Protocols on Local Employee Management in Overseas Operations and have established an optimal system for hiring, deployment, performance appraisals, incentives and penalties. We work hard to attract and train top local talent and to provide a working environment more conducive to employee development.

### Local Hiring

We actively recruit and train local employees and do not discriminate against local candidates for managerial positions, providing local people with job opportunities. We have hired professionals in over 30 countries and regions to work in exploration and development, project construction, international trade, finance, accounting, and human resources at overseas projects. In 2015, our technical R&D center in Houston organized a Recruitment Open Day to attract local talent. In Iraq, the Rumaila Oilfield project has set up an education and training fund to provide training for local employees, and organized more than 10 training programs in 2015.

### Respect for Cultural Diversity

PetroChina fully respects cultural diversity and local customs. We promote communication between employees from different cultural backgrounds and advocate respect for different values and traditions, in order to foster cross-cultural cooperation in a culturally diverse workplace. In 2015, we held development training for both Chinese and foreign staff in the Americas, to enhance mutual recognition and understanding. In Iraq's Al-Ahdab project, we respected local customs, and made reasonable time arrangements for local staff during the month of Ramadan, and celebrated with them after the end of Ramadan.

### CASE STUDY Project in Chad Held Training Courses for Operating Staff

In 2015, our project company in Chad held training courses for the operating staff. Specifically, it provided training on petroleum geology, oil production, automation, HSE, operating equipment and Chinese language for 60 trainees. From 2007 to 2015, the project company recruited 902 local employees accumulatively, and many excellent local employees have become senior technicians and middle managers.



**91.3 %**

In 2015, international employees and local employees accounted for 91.3% of our overseas workforce.



An employee outward bound event in the Americas enhances employees' understanding of different cultures

## STRENGTHENING OF SECURITY IN OVERSEAS OPERATIONS

The safety of our employees has always been an overriding priority in our overseas operations. We steadily promoted security management systems, continuously enhanced emergency response capabilities, and eliminated security-related fatal incidents.

In 2015, we formulated Security Management Regulations for International Business, carried out an appraisal and review of overseas social security management system performance, and implemented risk assessment and counter-terrorism security training. All these measures have effectively responded to the impact of terrorist threats to the safe operation of overseas projects, and contributed to the improvement of the overseas security management level.

### Overseas Security Risk Management (four levels)

Risk Level	Management Measures
Extremely high risk	The Company sets out clear and unified security management requirements and implements intensified security management policies.
High risk	Before project implementation: carry out security risk assessment and formulate an effective security program, the project is not implemented until it is examined and approved by the Company. During project implementation: keep improving the security program and revising the emergency response plan according to changes in local security situations, and organize drills to ensure personnel safety
Medium risk	Carry out risk assessment, formulate an emergency response plan and implement security measures before project implementation
Low risk	Implement necessary security measures



## GIVING BACK TO SOCIETY

As a company rooted in society, we have a duty to give back. Our ultimate goal is to promote socio-economic development, so we attach great importance to the well-being of people and social advancement. We expand cooperation with the private sector through joint ventures, enhance local development capabilities, give donations to impoverished students and organize our staff to join volunteer activities and community service. Through our efforts, we strive to build a harmonious society.



Summer camps in local communities are held by the Aktobe Munaigas in Kazakhstan

## PROMOTING LOCAL DEVELOPMENT

"I have been looking forward to this moment for a long time, as three years have passed since I came to PetroChina to discuss the matter in December 2012. This is an exciting moment, because we witness the birth of such a JV enterprise serving the general public."

—Lin Jinben, President of Fujian Energy Group Co., Ltd.

PetroChina's development is inseparable from the support and help of governments, communities and the wider public. While providing continuous and stable energy supply for economic development, we insist on the principle of "open cooperation for mutual benefit", expanding our joint-venture cooperation with state-owned capital, social capital and foreign capital in the upstream, midstream and downstream sectors. During the process of developing and running our projects, we help to nurture local suppliers and contractors, thereby creating jobs, driving the growth of related businesses, and giving back to local people.

PetroChina actively developed a mixed ownership economy in 2015. We established Fujian Natural Gas Pipeline Network Co, Ltd jointly with Fujian Energy Group Co, Ltd, helping to promote local socio-economic development and continuously improve people's livelihoods. In addition, we made steady progress in the development of a number of joint venture projects such as Xinjiang Marketing Company and the oil and gas exploration project in the western part of Tazhong.

Since its completion and operation, the South Xinjiang Gas Supply Project has supplied natural gas to people of all ethnic groups living in southern Xinjiang, benefiting more than four million urban and rural residents in 42 cities and counties, and 20 areas surrounding the Tarim Basin. The project plays an increasingly important role in improving people's livelihoods, improving the environment and developing the local economy of southern Xinjiang, and was granted the 2014-2015 National Quality Engineering Award.

"Such training (on tourism) comes as a great relief. It incorporates both theoretical learning and practical study. And the many innovative cases are enlightening."

—Ma Li, Director of Tourism Bureau of Yanqi County, Bayingolin, Xinjiang Uygur Autonomous Region

## POVERTY ALLEVIATION

Poverty alleviation is an important topic in sustainable development around the world and also one of our key concerns. We have responded positively to the initiatives of the United Nations' 2030 Agenda for Sustainable Development and to the Chinese government's policies on poverty alleviation targeted at the improvement of people's livelihoods, industrial development and intellectual development. By combining our business strengths with local resources and market advantages in the areas receiving assistance, we have innovated the models of poverty alleviation, have taken targeted measures to help the needy and have helped them develop the local economy on their own. In 2015, we continued to carry out targeted and pairing assistance programs for poverty alleviation with our controlling shareholder China National Petroleum Corporation, which included clean drinking water supply, road and educational facility construction and the provision of medical services in rural areas in 14 counties (districts) of eight provinces (directly administered municipalities and autonomous regions) including Xinjiang, Tibet, Qinghai, Henan and Jiangxi.

We have sought to introduce the concepts of Internet marketing and the urban-rural sharing economy to areas with appropriate conditions, in order to help foster the development of local industry and markets. In areas with abundant natural resources but lacking marketing channels and expertise, we worked with the China Foundation for Poverty Alleviation (CFPA) in 2015 to provide E-commerce training and build communication and cooperation platforms for relevant personnel in counties including

**30,000** 

PetroChina built roads in mountainous areas in Xishui county of Guizhou province, which facilitated access by about 30,000 people and created indirect economic value in excess of RMB1 million.

**38,000** 

The project in Fanxian county in Henan province enabled the access to safe drinking water by 38,000 people who were long plagued by drinking high-fluorinated and brackish water.

**11,000** 

The Sipu Waterworks in Hengfeng county of Jiangxi province provided safe drinking water to 11,000 local residents and nearly a thousand students and teachers.

**20,000** 

The student cafeteria renovation project in Taiqian county and Tongbai county of Henan province improved the dining conditions for 20,000 students.

**2,000** 

PetroChina supported the development of Agricultural Plantation in Lenghu County of Qinghai province, which once completed will produce 75 tons of pollution-free green vegetables of 10 varieties annually, thus solving the problem of 2,000 local residents who had found it difficult to consume vegetables for 60 years.

Fanxian county and Taiqian county of Henan province, Xishui county of Guizhou province, Hengfeng county of Jiangxi province, and Kaixian county of Chongqing, and enhanced their understanding of and capabilities in E-commerce. Cooperating with E-commerce companies such as Alibaba and Suning, we help people in Xishui county and Hengfeng county to sell rural products in the urban market through the Internet. In Xinjiang Uygur Autonomous Region, we offered training to people in charge of the local tourism industry in Tacheng, Bazhou, Turpan and the Second Farm Division of the Xinjiang Production and Construction Corps, etc, to improve their awareness and capability in terms of the packaging of local tourism products.

In addition, we financed the safe drinking water project in Guyuan city in the Ningxia Hui Autonomous Region, which enabled local people to have access to clean drinking water. In Xingmin town of Guizhou province, we provided free medical check-up services, treating and advising about 560 patient visits. In recognition of our outstanding contribution to charity and poverty alleviation, PetroChina was named the "Most Charitable Business" at the ninth China Charity Awards by the Ministry of Civil Affairs of China in 2015.

## SUPPORTING EDUCATION

It takes ten years to grow trees, but a hundred to rear people. The Company believes that supporting education is important for social progress and development. Therefore, it set up scholarships, offered grant loans and subsidies to students from underprivileged families, and supported relevant competitive activities in order to give young people equal opportunities for education and help them to pursue their goals and personal growth. It teamed up with 13 tertiary institutions, including China University of Petroleum, Tsinghua University and Peking University, to set up the PetroChina Scholarship. In recent years, it has stepped up efforts to assist high school students from poor families, particularly in the early years of their secondary education. From 2011 to 2015, it awarded scholarships of RMB 19.95 million to 3,175 students and 150 teachers. The "Xuhang" Bursary Program was launched with the aim of helping students who have finished high school and are receiving relatively little social support. We have also sponsored the Formula Student China Kunlun Lubricant Cup (FSC) for five consecutive years, aiming to create a platform for industry-academia-research collaboration to nurture talent for the automobile industry.

"For those of us who dream of becoming racing drivers, a stage is needed to showcase our intelligence, imagination and creativity. PetroChina Kunlun Lubricant provides us such a stage on which we are free to let our dreams fly and realize our potential."

—A contestant

## CASE STUDY "Xuhang" Bursary Program

Since high school education is not compulsory in China and high school students are not eligible to national bursaries (which are mainly earmarked for poor students from ordinary undergraduate colleges/universities and higher vocational schools), some high school students in underdeveloped areas are still burdened with heavy education costs. In 2015, PetroChina and CFPA co-sponsored the "Xuhang" Bursary Program to help high school students from poor families to complete their studies.

## One million visits at service stations participating in donation matching program

PetroChina made use of its service stations to support the "Xuhang" Bursary Program. For every liter of gasoline refueled by its customers, the Company would give RMB 0.01 to help poor students complete their studies through the CFPA. As of the end of 2015, a total of 50 service stations in Zhengzhou of Henan province and Chengdu of Sichuan province participated in this charitable activity, with a total of more than one million refueling visits to these stations.

## How does the "Xuhang" program help students?

### Financial aid

Students in need normally receive financial aid of RMB 2,000 per year for their studies at school, and one-off financial aid of RMB 5,000 would normally be given to students in need who are admitted to colleges and universities.

### Support group

PetroChina helps set up support groups for aid-receiving students, which enables them to help each other, and fully develops their respective strengths in management, learning and daily life, etc.

### Counseling

PetroChina organizes various comprehensive, interactive activities to lighten the psychological burden on students: to help them accumulate knowledge and broaden their horizons; and to clarify where they are heading and establish ideals, all in a relaxed atmosphere.

## Who participated in the "Xuhang" program?

"At the key moment of my schooling, PetroChina's 'Xuhang' bursary program lent a helping hand. I would like to express my gratitude to PetroChina and the community for their kind support. It has rekindled my passion for life and my hopes for further studies. University is my new starting point. I will redouble my efforts to study and continue to spread benevolence."

—Liu Xu (not his real name), a graduate from Xinjian High School in Xinyang city, Henan province. With the help of the "Xuhang" program, he finished high school education successfully and was admitted to China Youth University of Political Studies in 2015.

"Since my family couldn't afford my school fees when I was a child, helping poor students has always been my dream. The 'Xuhang' program gives me an opportunity to help others, and I fully support it."

—Mr. Xu, a regular customer at PetroChina service station

"My hometown is Zhumadian in Henan province where the economy is not well developed. However, there are many children eager to learn and they do well at school. Previously I provided financial support to a high school student until he graduated from college. The donation matching program launched at PetroChina's service stations can help more poor students to complete their studies. I lend my full support to it and will be actively involved in it."

—Mr. Xie, the owner of Zhengzhou Zotye Auto 4S Store

## What are the effects of the "Xuhang" program?

The first batch of bursary funds from the "Xuhang" program worth RMB 200,000 in total has been given to 200 students in their third year at four high schools: at Bazhong Tongjiang Middle School and Aba Prefecture Xiaojin Middle School in Sichuan province, and Zhumadian Shangcai No. 1 Middle School and Xinyang Xinjian Middle School in Henan province. Among them, 145 students (72.5%) scored results higher than the college admission requirements in the 2015 Higher Education Entrance Examination. The "Xuhang" program will continue to sponsor 600 students in four high schools.

## VOLUNTEER ACTIVITIES

PetroChina has made continued efforts to improve the voluntary service system. It encourages and supports employees to devote their personal time, skills and expertise to participate in volunteer activities, to serve the community and show their care.

2015 marked the fifth year for PetroChina to provide free food and gasoline at the Company's service stations along the national and inter-provincial highways to migrant workers who did not manage to buy a train ticket to return to their hometowns during the Spring Festival and had to ride motorcycles instead. Now this service has been extended to 62 service stations in 4 provinces, including Fujian, Jiangxi, Hunan and Hubei, helping over 100,000 person-times.

In recognition of our unwavering efforts, we were presented the gold award in the Contest of the Second Chinese Volunteer Service Project held by the Ministry of Civil Affairs and other institutions, and the Best Corporate Social Responsibility Practice of Large State-owned Enterprises in 2014. In addition, the Volunteer Public Service Center of Changqing Oilfield Company launched charitable programs at some supermarkets, which made donations in proportion to their sales. Charity sale corners are set up in some supermarkets to receive donated items from consumers who are then eligible to buy products at preferential prices. In 2015, we had 5,832 youth volunteer teams with 157,000 members. They provided 379,000 hours of volunteer services to 1.446 million beneficiaries.

## CONTRIBUTIONS TO THE DEVELOPMENT OF OVERSEAS COMMUNITIES

We respect the cultures and conventions of the host countries in which we operate as part of our efforts to develop long-term stable partnerships with them and promote their socio-economic development.

### Enhancing Communication with Local Communities

We have set up environmental protection and community relations coordination departments in many overseas areas to promote cooperation with local governments, NGOs and community representatives. By holding conferences, issuing reports and paying visits, we strengthen communication and coordination and achieve a win-win situation in cooperation. For the Canadian project, we have set up a counseling office and held senior official meetings, leadership committee meetings, community advisory group meetings and environment meetings, in order to communicate with members of the local community, and enhance their understanding of and support for the project.

### Local Environmental Protection

We stress the importance of striking a balance between business development and environmental protection. Therefore, we strictly comply with the laws and international standards on environmental protection in the countries in which we operate, protect local ecological environment and strive to minimize the impact of our operations on the environment. In Ecuador, our Andes Project received recognition from the United Nations Development Programme and the State Council's State-owned Assets Supervision and Administration Commission in the PRC, for its efforts to protect the local tropical rainforest where it operates. In order to reduce NOx emissions at the Kazakhstan-China Gas Pipeline Project and show our care for local natural environment, we increased investment to install the new gas turbine compressor units equipped with advanced drying low-emission technology.



## CASE STUDY Protecting the Tropical Rainforest in Ecuador

Andes Petroleum Ecuador Ltd is a JV company jointly established by CNPC and Sinopec, with CNPC acting as the project operator. The oilfield is located in the hinterland of the Amazon Rainforest, with over half of the project's oil zones overlapping with nature reserves. Its special geographical location and diverse ecological environment have made this place a global level environmentally sensitive area (ESA), drawing the attention of environmentalists all over the world.

**Putting the environment first:** The EHS department plays a key role in the project company. We place environmental protection as a top priority and have enforced strict safety and environmental protection rules and procedures in accordance with the best practices of the industry.

**Stakeholders' participation in environmental management:** A risk matrix approach is used to rank EHS risks, and EHS related parties are evaluated and ranked according to the analysis, so that we can determine the focal points of the company's EHS efforts. From the perspectives of managers, persons in charge and contractors, a systematic formulation of EHS management mechanism ensures that the EHS duties are specifically designated and interlinked, and can be fully implemented by all parties.

**Environmental impact monitoring:** The GIS geographic information system is used to monitor the environmental and social impact of the exploration and development activities, and provide support to decision making in location selection, positioning of pipeline leaks, wetland analysis, analysis and monitoring of nature reserves, and analysis of the traffic network.

**Reliable professional team:** Managerial personnel are designated to be in charge of security, medical service, environmental protection, and operational safety at the worksite, with dedicated HSE personnel accounting for more than 8% of the workforce.

**Environmentally friendly operation:** The drilling cuttings and mud receive innocuous treatment before disposal. All associated gas produced is used for power generation. And the ground surface is reverted to its original state in the shortest possible time after operation.

### Numerous Awards:

- It was shortlisted by World Oil Magazine as a top three candidate for the "Best HSE/Sustainable Development Award", and was nominated for the "Environmental World Award" by the Energy Institute in the United Kingdom.
- Awards for environmental protection and management innovation from BIZZ and other world famous institutions.
- An award for Excellent Work in Technology Transfer and Development of the Oil Industry in Ecuador from Ecuador's Ministry of Non-renewable Natural Resources and the Society of Petroleum Engineers (SPE).

### Developing Local Economy

PetroChina places strong emphasis on reliance on local resources and procurement of local products and services, strengthening cooperation with local enterprises in technical services, logistical support, catering and logistics to boost and promote the development of local SMEs and create more income and employment opportunities for the local communities. In Kazakhstan, a local company has seen the number of employees growing by seven times during the decade of serving the Aktobe project, and has grown into a modern company with advanced equipment, extensive experience in geological logging and nine fully-equipped geological teams.

### Tax payment according to law

PetroChina strictly complies with the laws and regulations in the countries where it operates, makes lawful and transparent tax payments to local governments, and makes due contributions to local economic development. In countries where the EITI (Extractive Industries Transparency Initiative) standard is implemented, such as Iraq and Mongolia, our local companies actively participate in the multi-stakeholder groups and publish information on our projects and tax payments, as required by EITI with the content beyond EITI's minimum disclosure requirements. In Iraq, we joined EITI stakeholders group meetings, were included in Iraq's EITI Committee together with Shell, ExxonMobil, etc. and participated in the improvement of the EITI report outline. In Mongolia, we also joined the EITI national committee and working group, and contributed funds to local education and environmental protection programs.

### Community welfare

We take an active role to help improve the living conditions of local people, give donations to education, healthcare and other public welfare programs in order to achieve harmonious and mutual development. In 2015, the Kazakhstan-China Gas Pipeline project company assisted 27 Kazakh students to study at the Kazakh-British Technical University. The Aktobe project company organizes summer camps every year to enhance the education level of local children. In Chad, we have built 24 water wells in Koudalwa where we operate, benefiting 20,000 residents in 21 nearby villages. We also launched joint education projects with local higher petroleum institutes to provide internship and training opportunities. In addition, we assisted local government in implementing the youth employment program, and have recruited over 40 graduates in our refinery.

### Protecting Indigenous rights

Before the construction of a project, we conduct assessments of the social and economic impact, such as the requirements of the indigenous people, human rights, cultural heritage, involuntary resettlement, etc. We try our best to protect all the rights and interests of the indigenous people. We uphold standard operation in land compensation, and make compensation plans by referring to the opinions of the local governments, our partners, and the local villagers. Specifically, compensation is paid before land use, and the compensation information is released timely in order to ensure operational transparency.



#### CASE STUDY

#### Children's Summer Camp in Aktobe

The Aktobe Munaigas in Kazakhstan attaches great importance to the development of children, and has invested a lot to improve relevant facilities. Every year, it organizes summer camps in the local communities for over 2,000 children, making it a paradise for the children in Aktobe.



### AWARDS IN OVERSEAS COMMUNITIES IN 2015

#### ★ Oman project was named the "Outstanding Company for Social Responsibility" in Oman

The Oman project vigorously protects the environment, promotes local employment and carries out public welfare activities. In 2015, it was granted "2014 Outstanding Company for Social Responsibility Award". The project has strengthened the management of hazardous chemicals, contaminants, and reduces exhaust gas emissions, solid waste and wastewater discharge, in strict accordance with local laws and international practices. Its recycling rate of industrial wastewater has reached 98% and industrial solid waste recycling and bio-safety treatment rates have reached 100%. The project strengthens local employment and training to create more job opportunities for local people. Over 92% of employees of the company are local hires. What's more, it actively participates in social welfare activities in order to improve the quality of life of local communities, by offering grants to excellent students of local petroleum and engineering colleges, improving local infrastructure and improving living standard of the local people.



"2015 Presidential Award for Corporate Responsibility" granted by Kazakh government

#### ★ Aktobe Munaigas was granted "2015 Presidential Award for Corporate Responsibility" in Kazakhstan

Aktobe Munaigas attaches great importance to the fulfillment of its social responsibilities. The company has designed and set up a 2 bcm/a gas processing plant according to the actual situations of oil and gas fields. It has greatly improved the utilization of oilfield associated gas and gas cap gas, and guaranteed the gas supply to residents of Aktobe Province and southern Kazakhstan, making it an excellent enterprise in the utilization of natural gas in Kazakhstan.

#### ★ PetroChina Indonesia was granted two safety management awards by the Indonesian Ministry of Energy And Mineral Resources

PetroChina International (Indonesia) has considered safety and environmental protection the highest priority ever since it entered the Indonesian oil and gas market. The company strictly complies with the relevant laws and regulations of the local government, executes high safety and environmental protection standards, the contractor safety management system (CSMS), and operation standards and processes that meet safety and environmental protection requirements. By doing so, it strives to eliminate hazards in oil and gas production, minimize the environmental impact caused by operations, and protect the local ecological environment together with its employees, contractors and the local community.



## INVESTOR FAQS

 Could you provide a brief outline of PetroChina's general sustainability management setup – organisation and governance procedures – by addressing stakeholder engagement, materiality assessment, and communication/reporting?

The Company implements the health, safety and environment management system (HSE management system) which is geared to international standards and widely accepted by the petroleum industry. Following the PDCA management model, our HSE management system comprises seven key elements. Through the process of PLAN, DO, CHECK and ACTION, we keep enhancing our HSE management and performance. For the details of the system, please refer to the graphic on page 26 of the 2014 Sustainability Report.

 PetroChina and a few of its subsidiaries are involved in allegations of corruption. Please provide us with information about ongoing investigations and court procedures in China or elsewhere regarding allegations of corruption against former and/or current employees of PetroChina and relevant subsidiaries which are controlled by PetroChina.

Regarding PetroChina's progress in fighting corruption, the Company has a firm commitment against corruption and has adopted a series of anti-corruption measures. These include:

1. The Company wants to achieve good corporate governance. PetroChina has always placed a priority on safety and environmental protection, harmony and stability, and anti-corruption as three fundamental projects, as well as taken a firm stance against corruption. As a company that is listed on the Hong Kong Stock Exchange, the New York Stock Exchange and the Shanghai Stock Exchange, PetroChina has a well-established corporate governance structure as well as an open and transparent information disclosure system, in compliance with all applicable listing rules and related policies. Since becoming a member of United Nations Global Compact (UNGC) in 2007, and as one of the pioneer Chinese corporate participants, PetroChina has been reporting its progress in social responsibility, including anti-corruption, in compliance with the Ten Principles of the UNGC.
2. The Company views anti-corruption as one of the key initiatives for the management. PetroChina has established an anti-corruption leading group led by its Chairman, and formulated a system and work plan for corruption penalties and prevention, to continuously promote the functioning of the disciplinary mechanism for corruption.

3. The Company has developed comprehensive mechanisms, rules and procedures to combat corruption. PetroChina has further enhanced and reinforced its systems, promoted management innovation, strengthened its fundamental work, ensured the proper exercise of management authority, clearly defined the delegation of power, developed a compliance management system, stepped up the supervision of its overseas businesses, and strengthened its supervision and accountability system. Since 2012, the Company has implemented a series of measures and regulations, including the *2013-2017 Work Plans to Establish and Improve the Systems for Punishment and Prevention of Bribery, Anti-corruption Guidelines for Overseas Businesses and Views on the Implementation of Anti-Corruption Training of Senior Management*. These aim to create a long-lasting, effective mechanism which can close loopholes, and prevent and resolve problems.

Please find below information on ongoing investigations into former employees:

1. Several of PetroChina's former employees were suspected of bribery and other acts of corruption. China's regulators have made clear that the suspected corrupt conduct of these former employees was limited to the individuals concerned. PetroChina and its affiliates or subsidiaries have not been implicated in any allegation of corruption.
2. The former employees under investigation are mainly facing allegations of bribery, abuse of power, misconduct and violating the internal discipline of the Communist Party of China. Once their cases of violating China's laws have been confirmed, China's procuratorial organ will file a suit against them in court. At present, some of the suspected employees have been tried and relevant information has been published, while the rest remain under judicial investigation. The Company has no further knowledge of the matter.
3. PetroChina takes a zero-tolerance stance on corruption. With our relentless focus on

combating and preventing corruption, the Company has developed a series of rules and regulations, and built relative monitoring and inspection mechanisms.

We believe that PetroChina remains a trustworthy company with investment value. We will make continuous efforts to run the enterprise according to the law, keeping to operational compliance and promoting sustainable development, to yield sound returns for our shareholders.

 To improve the corporate governance structure and ensure the compliance of the election of directors, senior management and the operations of its Board of Directors, PetroChina has set up a board nomination committee, consistent with the best standards in corporate governance. The Nomination Committee was established in August 2015, along with its relevant rules of procedure. A more transparent and complete nomination process has thereby come into being.

 In terms of policies, internal control and internal audit systems, what progress has been achieved so far in 2015 and what are the plans for the future?

 Are systems for internal performance measures and reporting in place, and what are the intentions with regard to improving performance in that respect?

 The government's investigation into bribery allegations among state-owned enterprises is still ongoing. Could the Company give an overview of the situation so far, and what have been the reactions towards the investigation and recent sentencing of former PetroChina management?



Does PetroChina own any assets or project stakes in Sudan?

PetroChina has no assets in Sudan or South Sudan.

As a subsidiary of China National Petroleum Corporation (CNPC), PetroChina has been carrying out production and operations independently since its listing in April 2000. This is in compliance with the Company Law, the Articles of Association of the Company, and the regulatory rules stipulated by the listing venues. With the operational guidelines of maximizing enterprise value and shareholder value, PetroChina conducts extensive oil and gas production in China and abroad, and respects local religions, customs and culture, emphasizes environmental protection, and maintains stable production. To comply with the relevant regulations of the United Nations, and to respect the principles of the United States. And some other Western investors that prohibit investing in companies operating in conflict-prone and sensitive regions, PetroChina neither owns assets nor project stakes in Sudan, South Sudan and other conflict-prone and sensitive countries. As CNPC and PetroChina are two separate legal entities, PetroChina has no influence or control over the investment decisions of China National Petroleum Corp.

We would like to take this opportunity to clarify our position on these issues:

1. Considering the concerns of our shareholders and investors, PetroChina, as a listed company, does not have any contact with or ties to the government of Iran. PetroChina has not engaged in oil and gas exploration, development or production investment in Iran. We have not

maintained any joint ventures, offices or employees, or engaged in the sales of any products or provided any services in Iran.

2. China National Petroleum Corporation (CNPC), PetroChina's holding company, owns assets and operations in Iran. However, we must emphasize that CNPC and PetroChina are two separate legal entities. PetroChina has no influence or control over the business activities of its parent and controlling shareholder, nor any involvement with its parent's business activities in the region.

 Please provide a clarification about the nature of your business in Iran's energy sector and your future plans for operations in this industry.

PetroChina attaches great importance to the protection of investors' interests and always respects their choices. Therefore we avoid investing and operating businesses in politically sensitive areas. In countries and other jurisdictions under UN sanctions and sanctions by the governments of our listing markets (such as Iran), we do not have any oil and natural gas exploration, development, production and investment projects at present. We also do not have any venture companies, representative offices and staff or provide any products and services in these areas. PetroChina does not communicate or have relationships with these countries and governments. We handle our investment and business activities in politically sensitive regions in a prudent and responsible manner. We always take the protection of our shareholders' rights and respect for our investors' choices into consideration.

China National Petroleum Corp. (CNPC), PetroChina's holding company, owns assets and operations in Iran. However, we must emphasize that CNPC and PetroChina are two separate legal entities. PetroChina has no influence or control over the business activities of its controlling shareholder, nor any involvement with its parent's business activities and investments in Iran.

 What is PetroChina's view on employee rights?

At PetroChina, employees are a valuable asset. We respect and protect their rights, and strive to promote their overall development, and to enhance the value of both employees and the Company, so as to make sure that all employees can share the fruits of our development. According to the relevant domestic laws and regulations, employee rights include the following items:

1. Equal rights of employment and vocational selection.
2. The right to receive remuneration. The payment should be paid monthly in currency. The employer should not default or deduct the payment without any reason. The employee is entitled to holiday pay, including statutory holidays, marital and funeral leave, and community service leave.
3. The right to take leave. The employer should ensure the employee can enjoy at least one day of rest per week, work not more than eight hours per day and the average working hours should not exceed 44 hours per week. If the employer needs to extend the working hours for production, prior negotiation is required and should not extend beyond three hours per day.
4. The right to workplace safety and hygiene.
5. The right to employee training for professional skills.
6. The right to raise a formal grievance to resolve labor disputes.
7. The right to enjoy social security and benefits.
8. The right to turn down work of a dangerous nature.
9. The right to join a legal trade union and independently initiate legal activities.
10. The right to negotiate fairly with the employer through the employees' congress or by other means, in respect of participating in democratic management or protecting legal labor rights according to the law.

 What are the Company's commitments to employees, partners and other stakeholders on their rights?

Employees are the key driver of an enterprise's development and reforms. We have always placed people first and effectively protected the rights of our employees. We have made the following commitments:

1. We will strengthen the democratic management of our employees, improve the system of employees' congresses, clarify rights and obligations in a comprehensive manner, and ensure that major issues of the Company and matters related to the vital interests of employees are reviewed and approved by the employees' congress.

2. We will standardize the construction of systems for employee directors and employee supervisors, thereby allowing them to get fully involved in decision making, safeguarding employees' rights and interests, and strengthening supervision.

3. We will further promote transparency in industrial affairs and standardize the content and manner of our open system for industrial affairs, to ensure employees are well-informed and have the means to participate and engage in corporate management.

4. We will deepen harmonious labor relations and further improve the performance-based remuneration mechanism, to simultaneously promote income growth, corporate development and labor productivity. Our compensation and benefits policy will acknowledge the contributions of scientific research personnel, as well as employees in arduous front-line positions and those with heavy responsibilities in key positions.

5. We will implement all national labor standards, and actively improve safety and sanitary conditions and the working environment, to ensure the safety and health of our employees.

6. We will handle all petitions and appeals to higher authorities in accordance with the law, and properly manage stakeholder needs.

7. We will promote the construction of projects related to people's livelihoods and help employees to improve their living conditions through diversified channels. We will also tap the government's policies of helping people to promote the construction of multi-level old-age service system at the staff communities, and the poverty alleviation mechanism, thereby improving our employees' overall happiness and safety.

The majority of our partners are large international companies with best compliance practices. During our partner selection process, we have made specific requirements regarding our contractor's qualifications, technologies, environment protection and protection of human rights in accordance with relevant policies and regulations, in order to protect the rights and interests of our partners' employees throughout our partnership.

 How does the Company fulfill the commitment to uphold staff rights through its risk management system and strategies? What internal policies, procedures and management systems are put in place to safeguard staff rights?

In terms of national policy, the Company strictly complies with the *Labor Laws of the PRC*, keeping with the spirit of the *Decisions by the All-China Federation of Trade Unions (ACFTU) on Strengthening the Coordination of Labor Relations, Earnestly Safeguarding the Lawful Rights and Interests of Workers, and Promoting the Development of a Harmonious Socialist Society and the Guiding Principles of the Chinese Energy and Chemical Workers' Union on Promoting the Spirit of the Fourth Plenary Session of the 18th CPC Central Committee and the Enhancement of Workers' Interests*.

As for the Company, we have put in place various systems to protect staff interests. Our risk management system attaches great importance to the protection of their interests, which lays a solid foundation for the successful implementation of our development strategies. The Company has developed different systems to ensure their interests are protected during operations. For example:

1. Mechanism for trade union participation. The Company puts in place a mechanism to allow workers at different levels to participate in the trade union, to offer them channels to express their views, and to create a platform for the timely settlement of major labor and trade union issues. (Some of business units have established the "System for Joint Meetings between Workers and Management" and the "Opinions on Implementation of Fair Discussion and Collective Contracts", which clearly demonstrate the crucial role of the trade union.)

2. Coordination system for grassroots workers. It enables the trade union to fully discharge its supervisory role and to ensure the Company enters into and implements employment

contracts according to the legal requirements. Moreover, it helps define how the company hires agency staff. Some business units have established a series of supporting systems, including the *System for Supervision and Inspection of Collective Contracts*, the *Management System for Labor Dispute Mediation*, the *Rewards Management System*, the *Management System for Performance Appraisals* and the *Temporary Working Hours Measures* to protect the legal interests of workers.

3. Workers' democratic management system. The Company has issued the *Opinions on the Work of Democratic Leadership for the Workers' Representatives Conference at Business Units of Oil Enterprises*. We focus on making the workers' representatives conference a platform for implementing a democratic management system, and undertake continuous efforts to improve it, thereby enabling workers to elect their representatives, make decisions, and implement management and supervision roles in a democratic manner. This further enhances workers' rights to know, participate in and supervise the Company's affairs, and to elect their representatives. Some business units have established the *Regulations on the Workers' Representatives Conference*, the *Democratic Election Management System* and the *Procedures of the Workers' Representatives Conference*. Moreover, they explore various ways to promote democratic management, including having democratic management committees, democratic forums, informal meetings with workers and democratic discussions, as part of their goal to develop a modern corporate system.

4. Plant administration open to workers. The Company has published the *Opinions on Further Opening of Plant Administration to Workers amid Intensified Reform* to promote the further opening of plant administration. Through this mechanism, the related plants notify workers of issues related to corporate reform and development on a timely basis, such as important corporate decisions, affairs related to workers' interests, and the development of management teams with high integrity. We will further increase the extent of information to be disclosed and the ways of making disclosures, ensuring that information relating to plant administration is disclosed in a regulated, systematic and standardized way.

5. Supervision of trade union law implementation. We step up efforts to supervise the implementation of trade union law, carry out consultation for this purpose and seek suggestions for the improvement of its implementation through various activities. To ensure the occupational safety and health of workers, PetroChina has issued the *Rules on the Warning and Notification of Occupational Hazards*, the *Rules on Occupational Health Management for Construction Projects* and the *Rules on the Management of Occupational Health Records*. In addition, we have published the *Research Report on Regional Distribution and Prevention Measures of Infectious Diseases for Workers at PetroChina's Overseas Projects*. The Company upholds the principle of "Safety comes first with priority given to preventive measures, promote self-initiated prevention and treatment with supervision carried out according to regulations". We strive to improve the working environment of staff and to increase their awareness of occupational health and safety. In addition to that, we ensure all staff members take occupational health examinations every year, get protected through occupational health preventive measures, and receive occupational health and safety training. The Company also strictly implements the system to give employees rest days and annual leave, so that occupational diseases, common diseases and frequently occurring diseases are effectively under control. As a result, the health condition of our workforce has continuously improved every year.

6. Trade unions' alert and handling system for labor disputes. The trade unions at all business units have established a system for information reconciliation, collection and analysis, which facilitates the compilation of assessment indicators to evaluate the likelihood of labor disputes. Preventive measures will be taken if needed. Some business units have issued the *Opinions on the Establishment of Early Warning Mechanism by Trade Unions to Settle Labor Disputes*, which will help develop a three-tier early warning network at the corporate level, plant level and workplace level. This will create a relatively comprehensive protection system and harmonious labor relations.

7. Mechanism to assist needy workers in trade unions. The Company has established the *Regulations for Management of the Funds to Support Needy Workers*. Every year, we earmark funds to assist needy workers at each business unit. To ensure the relief funds go to the workers who really need them, some business units have established a four-tier alleviation network at the corporate level, the plant level, the workplace level and the production team level, so that the latest status of needy workers can be tracked and relayed to the management. As a result, needy workers will receive aid at the earliest possible opportunity.

The trade unions are mainly responsible for handling the human rights issues of the Company's divisions and business units. Those divisions and business units will cooperate with the relevant departments, striving to protect the rights and interests of the employees.

Q How will the employees responsible for human rights issues coordinate with other related departments (Other departments include Human Resources, Procurement, Business Risks and Community Participation)?

1. The trade unions cooperate with the Human Resources Department and Corporate Management Department to set up a well-established labor dispute alert system, which is jointly managed by the three parties. They comply strictly with all applicable laws and regulations, and set clear rules for different issues, including leave and vacations, extra pay for working on holidays, social insurance, and labor dispute resolution, in the corresponding labor management system.

2. The trade unions work with the Training Department to guarantee all workers the right to vocational skills training.

3. The trade unions work with the Technology, Safety and Environmental Protection Department to manage various aspects of safety, including safety production, environmental protection, occupational health, traffic safety, fire safety and emergency issues. Details of the relevant content are studied and production procedures and processes set up, to ensure employees are working in a safe and controlled environment. They also established the *Employee Health Examination Management System*, *Occupational Diseases Prevention and Treatment Management System* etc. to protect employee health.

4. The trade unions coordinate and communicate with the Safety and Environmental Protection Department and the Procurement Department to include the management and supply of protective equipment in the procurement procedure and system, so as to ensure the timeliness and accuracy of the supply.

5. The trade unions coordinate and communicate with the relevant departments of the Company's business units to review and implement proposals submitted by employee representatives, as well as their tenable suggestions.

6. The trade unions coordinate and communicate with the Services and Logistics Department to ensure employees' welfare benefits, and to provide a rich and varied cultural experience for those workers.

Q Does the Company's Board of Directors or senior management carry out adequate supervision of employees' rights?

The Health, Safety and Environment Committee has been set up under the Board of Directors, which is responsible for employee work safety. The Company's Chairman serves as the Head of Committee, supervising employees' rights and interests. The Vice-President of the Company is responsible for the production safety of employees.

Q How does the Company define existing and potential risks to employees' rights and the relative impact on business operations and partnerships?

In addition to the existing systems intended to protect employees' rights, the Company has set up the Supervision Department, Compliance Reception, as well as Trade Unions at all levels to listen to employees' opinions on a regular basis. The system of the Employees' Congress enables them to voice their demands at Congresses of all levels. The Company's senior management visits frontline employees each year to listen to them, and get to know their needs. There are relevant departments in both headquarters and branch offices responsible for maintaining employees' interests. The Company obtains information on employees' rights and interests through a variety of channels. Our international partners, such as BP and ExxonMobil, adopt normative systems and policies with regard to human rights. All joint venture projects under the Company have developed robust systems to protect employees' safety, health and any other rights and interests.

 How does PetroChina identify and manage human rights risks? Does the company have a human rights policy?

1. We remain committed to a people-first philosophy in treating our employees with respect and equality while protecting their legal rights. We strive to resolve the practical issues that most concern our employees and ensure that all employees can equally share in the fruits of our development.

2. We strictly abide by domestic and international rules and regulations and have established a fairly complete employment management and policy system to regulate employment practices according to the law. The system incorporates employment contract management, remuneration, insurance and benefits, leave, performance appraisals and vocational training. Through self-inspection of our employment practices in compliance with the law, we provide effective protection of the legal rights of employees.

3. We are committed to providing equal opportunities and fair treatment to all employees regardless of their nationality, ethnicity, race, gender, religion and culture. We prohibit the employment and use of child labor and reject all forms of slave and forced labor. Instead, we emphasize the employment of local residents, women, ethnic minorities and college students in order to increase job opportunities for local communities.

 Which are the Company's current leading and lagging safety indicators? What targets have the Company set to improve work safety?

In recent years, the Company's achievements in production safety have been solid. It has established a system of indicators for safety statistics per million person-hours that is on par with international standards. It achieved one million safe person-hours and a fatal accident rate (FAR) of less than 0.005 per million hours worked each year. It will continue to strictly comply with the new *Production Safety Law*, reinforce safety management and HSE management, strengthen the regulation of contractors for work safety, and enhance process management and control, accident prevention and supervision and assessment system. The primary goal of our HSE efforts is to achieve "zero accidents, zero pollution and zero casualty". The guiding principles of our HSE work are to "put safety, environment, quality and staff" as top priorities. Through a clear lines of responsibility as well as stringent risk and HSE management, the accident and casualty rates at our production facilities continue to decline, while the HSE performance has improved remarkably. All of these achievements enable us to reinforce the company's corporate image and lay a solid foundation for our stable growth.

 PetroChina Yunnan Petrochemical Co., Ltd. was fined for violation of the national environmental protection law and the Anning refinery was ordered to halt construction work. What measures will the Company adopt to prevent the occurrence of similar issues in the future? When will the construction work at the Anning refinery resume?

After the oil refinery project in Yunnan had been approved by the Ministry of Environmental Protection (MEP), the scope of its construction work was enhanced and adjusted during the implementation phase, and the new environmental impact assessment was initiated in a timely manner. In August 2015, the MEP ordered a halt to the construction work which involved alterations and imposed a fine of RMB 200,000. As a result, PetroChina Yunnan Petrochemical, among project construction companies, has halted the construction of the alterations. (1) The company strictly complies with the *Environmental Protection Law* and related laws and regulations, and is formulating and revising a related management system and regulations. (2) Among project construction companies, PetroChina Yunnan Petrochemical has compiled an updated environmental impact assessment report for the project and submitted it to the MEP for approval. Upon the approval of the MEP, the relevant work will resume.

 While more and more ecological protection policies are put in place to prevent the deterioration of the environment, how will they affect the Company's risk management? How is the progress of the Company's environmental impact assessment? What are the strategies to mitigate the deterioration of the ecological environment?

The relevant ecological protection regulations require the company to step up its environmental efforts when developing business, selecting the locations for its projects, and carrying out production or decommissioning work. The Company will optimize its businesses, carefully select the locations for its projects, reinforce its corporate environmental protection efforts and orderly develop its environmental monitoring measures.

 What internal requirements does PetroChina have for conducting environmental risk assessment or conducting environmental impact assessment studies on new projects?

1. We strictly comply with relevant international and domestic laws and regulations, intensify environmental protection during production, actively promote the development and utilization of clean energy and environmentally friendly products, and strive to develop in harmony with the environment.

2. Environmental management is implemented in the whole process of construction projects. For each construction project, environmental protection facilities are required simultaneously with the main project in the process of design, construction and operation.

3. With regard to environmental risk factors in production, we have developed a multi-tiered risk management mechanism and formulated strict environmental protection measures, to eliminate pollution and protect the ecological environment at the source.

4. We strive to minimize the occupation of arable land, ensure soil and water conservation, and take measures to restore vegetation restoration measures, in order to restore the ecological environment and protect biodiversity wherever we operate.

 What are PetroChina's plans on future sustainability reporting – will data on carbon emissions be disclosed?

PetroChina has developed its proprietary system to keep a detailed record of its greenhouse emissions according to related national technical specifications, and used the HSE information system to generate and analyze statistics on greenhouse emissions. With regard to disclosure on carbon emissions, the Company will calculate greenhouse emissions based on the new national greenhouse emission calculation methods and reporting guidelines. The emission data will be released according to related regulations upon approval of the third party organizations and government authorities. Currently the related work has not been completed yet.

 It is not clear from reading PetroChina's sustainability reporting if the Company is able to consistently measure and manage toxic emissions and waste as elements of a cross-organizational environmental management system. What environmental management system has been established at PetroChina, and what is its coverage?

The Company has stated in the 2014 Sustainability Report that: "At PetroChina, we strictly monitor waste discharge during production, reinforce our environmental monitoring capacity, completed the installation and data networking of online monitoring equipment for waste water and waste gas, and perform real-time monitoring and early warning of discharges from major pollution sources, to ensure treatment at source and process monitoring."

With regard to environmental risk factors in production, such as oil & gas spills, emissions and waste discharge, we have developed a multi-tiered risk management mechanism and formulated strict environmental protection measures, to eliminate pollution and protect the ecological environment at the source.

 What are the plans for future reporting and providing transparency on environmental performance?

PetroChina will promote stable development and redefine its corporate image. The Company will give priority to three fundamental tasks, including promoting safety and environmental protection, harmony and stability, and anti-corruption measures. The Company will also strengthen compliance and respond more readily to low oil prices, to demonstrate the improvement in the Company's ESG practices. In response to the issues raised by the capital market and the general public, we will further enhance our information disclosure in corporate governance, emission of greenhouse gases, community building overseas, safety and environmental policy, and employee interests, etc.

## PERFORMANCE STATISTICS

Category	Indicator	2011	2012	2013	2014	2015
Economic	Total assets (RMB 10 <sup>9</sup> )	1,917.6	2,168.9	2,342.1	2,405.5	2,393.8
	Turnover (RMB 10 <sup>9</sup> )	2,003.8	2,195.3	2,258.1	2,283.0	1,725.4
	Net Profit (RMB 10 <sup>9</sup> )	133.0	115.3	129.6	107.2	35.5
	Taxes <sup>①</sup> (RMB 10 <sup>9</sup> )	416.8	410.0	420.4	414.0	337.5
	Proven crude reserves (10 <sup>6</sup> barrels)	11,128	11,018	10,820	10,593	8,524
	Proven gas reserves (10 <sup>9</sup> ft <sup>3</sup> )	66,653	67,581	69,323	71,098	77,580
	Oil equivalent production (10 <sup>6</sup> barrels)	1,286	1,343.1	1,400.0	1,450.4	1,493.9
	Crude oil production (10 <sup>6</sup> barrels)	886	916.5	932.9	945.5	971.9
	Marketable natural gas production(10 <sup>9</sup> ft <sup>3</sup> )	2,396.4	2,558.8	2,801.9	3,028.8	3,131.0
	Total length of crude oil pipelines (km)	14,782	16,344	17,614	18,107	18,892
	Total length of refined products pipelines (km)	9,334	9,437	9,534	10,086	10,091
	Total length of natural gas pipelines(km)	36,116	40,995	43,872	48,602	48,629
	Crude runs (10 <sup>6</sup> barrels)	985	1,012.5	992.3	1,010.6	998.1
	Ethylene production (10 <sup>3</sup> tons)	3,467	3,690	3,982	4,976	5,032
Safety	Death rate caused by accidents (person/100 million working hours)	0.70	0.20	0.25	0.466	0.26
	Total accident rate (incidents/million working hours )	0.0326	0.0387	0.0522	0.0487	0.0498
Environment <sup>②</sup>	Total energy consumption (10 <sup>6</sup> TCE)	—	—	—	—	80.77
	Total raw coal consumption (10 <sup>6</sup> TCE)	—	—	—	—	11.83
	Total crude oil consumption (10 <sup>6</sup> TCE)	—	—	—	—	2.90
	Total natural gas consumption (10 <sup>9</sup> m <sup>3</sup> )	—	—	—	—	16.5
	Total electricity consumption (10 <sup>9</sup> kwh)	—	—	—	—	42.9
Comprehensive energy consumption for producing unit volume of oil and gas equivalent (Kg standard coal / ton)						
128						

Category	Indicator	2011	2012	2013	2014	2015
Environment <sup>②</sup>	unit energy factor consumption for refining (Kg standard oil / [t · factor])	9.46	9.24	8.99	8.74	8.3
	Comprehensive energy consumption of producing ethylene products (Kg standard coal / ton)	647.5	642.6	624.4	616.7	594
	Energy conserved (10 <sup>6</sup> TCE)	1.13	1.21	1.08	1.16	1.04
	Water conserved (10 <sup>6</sup> cubic meters)	17.44	19.26	20.07	19.79	16.83
	COD discharged in wastewater (10 <sup>3</sup> tons)	—	—	—	31.0	*
	NH <sub>3</sub> -N emissions (10 <sup>3</sup> tons)	—	—	—	12.4	*
	SO <sub>2</sub> emissions (10 <sup>3</sup> tons)	—	—	—	174.4	*
	NO <sub>x</sub> emissions (10 <sup>3</sup> tons)	—	—	—	140.3	*
	Number of employees (10 <sup>3</sup> )	553	548	544	535	522
	Percentage of employees receiving occupational health checks (%)	95	95	91	97	98
Employees	Percentage of non-Chinese nationals in overseas hires (%)	94	94	93.4	91	91.3
	Contribution to poverty alleviation(RMB 10 <sup>6</sup> )	37.06	41.24	67.99	89.74	208.64
	Educational donations (RMB 10 <sup>6</sup> )	119.28	91.51	107.36	64.31	15.40
	Donations to disaster relief (RMB 10 <sup>6</sup> )	5.95	18.81	21.52	3.14	3.88
Public welfare	Environmental protection (RMB 10 <sup>6</sup> )	0.75	9.65	13.77	0.85	92.95

① The total taxes paid by the Company in China and abroad. The data disclosed in the Sustainability Reports published before 2015 were the taxes paid by the Company in China.

② As of the day the report released, the data of COD discharged in waste water, the NH<sub>3</sub>-N emissions, the SO<sub>2</sub> emissions and the NO<sub>x</sub> emissions in 2015 of the Company is under review of the Ministry of Environmental Protection of China (MEP). The MEP will announce the result to the public when the data is ready. We will continue to release the above data in the next year's report.

### Note: Measurement units

1 BOE = 1 barrel of crude = 6,000 cubic feet of NG = 169.9 cubic meter of NG

1 cubic meter of NG = 35.315 cubic feet of NG

1 metric ton of crude = 7.389 barrels of crude (API = 34)

## OBJECTIVES AND PLANS

In 2016, aiming to become a world-class international energy company, we will promote strategies of resources, markets, internationalization and innovation by upholding the guideline of steady development. To enhance comprehensive strength and play a greater role in the energy revolution, we will implement a number of initiatives emphasizing reforms, opening-up and cooperation, technological innovation, talent pooling, corporate ruling by law, and safety development, hence to share our achievements with stakeholders and realize social prosperity.

Aspects	2016 Objectives	2016 Action Plans
Corporate governance	Optimize corporate governance structure, improve relevant systems ensure, operation and management in compliance with law, and optimize basic management.	<ul style="list-style-type: none"> <li>Improve the corporate governance structure, and optimize the management and control model;</li> <li>Strengthen legal education;</li> <li>Improve rules and regulations, and promote their integration with management systems;</li> <li>Intensify the implementation of rules and regulations;</li> <li>Focus on compliance management in key areas, fair competition in the market, and honest and law-based operation;</li> <li>Adjust and optimize the allocation of audit resources and distribution, strengthen auditing oversight, legal supervision and effectiveness monitoring, and strictly investigate accountability for violations.</li> </ul>
Oil & gas production and supply	Stronger oil and gas businesses, increase value of crude oil and natural gas, and promote economical use of energy resources.	<ul style="list-style-type: none"> <li>Push forward balanced development between domestic and overseas oil and gas exploration and development, continue to reduce exploration and development costs, and increase quality and benefits;</li> <li>Accelerate the development of natural gas;</li> <li>Efficiently develop unconventional, offshore and new energies;</li> <li>Move forward oil and gas cooperation guided by the "Belt and Road" initiative;</li> <li>Emphasize technological innovation;</li> <li>Strengthen brand building and management.</li> </ul>
Safety and environmental protection	Strictly implement <i>Work Safety Law</i> and <i>Environmental Protection Law</i> , reinforce supervision, and continually improve the performance of safety and environmental protection.	<ul style="list-style-type: none"> <li>Implement quantitative review on HSE management system throughout the Company;</li> <li>Intensify graded risk prevention &amp; control and hazard treatment;</li> <li>Strengthen soil and groundwater pollution prevention and control and greenhouse gas emissions control;</li> <li>Vigorously implement energy conservation and emissions reduction;</li> <li>Effectively reduce the consumption of energy, water and land for self-use;</li> <li>Promote the application of green technologies such as CO<sub>2</sub> flooding and clean oil production.</li> </ul>
Employee development	Build a talent team innovatively, and promote strategic restructuring of the talent team.	<ul style="list-style-type: none"> <li>Improve performance-linked compensation mechanism;</li> <li>Implement major talent projects to attract innovative talents;</li> <li>Improve the evaluation and incentives mechanism and service guarantee system, and create a good environment for employees' selection and appointment;</li> <li>Promote the reforms in professional and technical posts;</li> <li>Encourage employees to create and innovate based on their positions, and improve the policies and mechanisms for the sharing of technological results and benefits;</li> <li>Implement diversified and differentiated vocational training, and initiate the skills promotion program, innovation and benefit-increasing capacity building program, and oil expert program for operating staff.</li> </ul>
Social contribution	Reform and development results benefit more people for social harmony.	<ul style="list-style-type: none"> <li>Broaden joint ventures and cooperation, and push forward reforms to promote mixed ownership of state-owned enterprises steadily;</li> <li>Improve public relations;</li> <li>Move forward targeted and pairing assistance for poverty alleviation;</li> <li>Participate in public welfare undertakings;</li> <li>Support local economic and social development, and share the value of local resources and fruits of development with host countries.</li> </ul>

## GRI AND IPIECA/API INDEX

The report consults the reporting elements and performance indicator indices proposed by the Global Reporting Initiative(GRI) and compares the report with indicators listed in Oil and Gas Industry Guidance on Voluntary Sustainability Reporting by the International Petroleum Industry Environment Conservation Association (IPIECA) and American Petroleum Institute (API).

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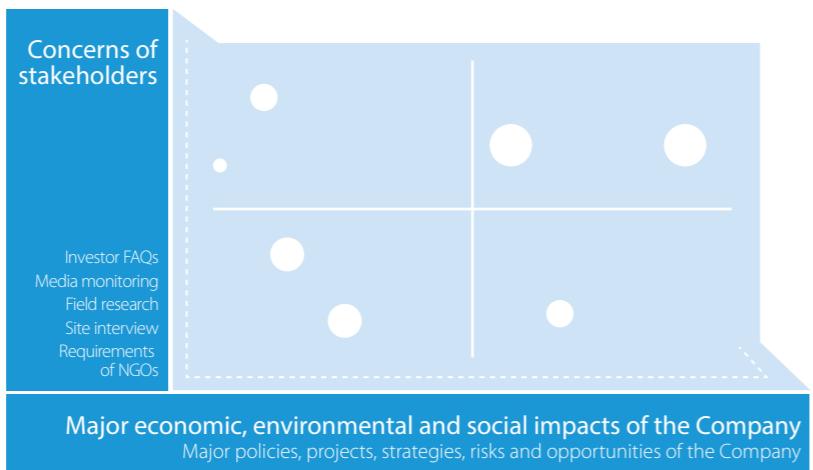
## GLOBAL COMPACT AND US

The *Global Compact* is a global framework initiated and advocated by the United Nations aiming at the promotion of sustainable development and the collective improvement of social well-being through responsible and innovative business practices. As a member of the UN Global Compact, we are committed to observing and supporting the Ten Principles advocated by the Global Compact in the fields of human rights, labor rights, environment protection and anti-corruption, using the Ten Principles to guide our practices in fulfilling social responsibilities. And we will continue to disclose our progress in keeping with the Ten Principles in the Global Compact in our annual report.

	Ten Principles in the Global Compact	Corresponding sections herein
Human Rights	1. Businesses should support and respect the protection of internationally proclaimed human rights 2. Make sure that they are not complicit in human rights abuses 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	5.1 Employees' Rights, Investor FAQs 5.1 Employees' Rights, Investor FAQs 5.1 Employees' Rights, Investor FAQs
Labour Rights	4. The elimination of all forms of forced and compulsory labour 5. The effective abolition of child labour 6. The elimination of discrimination in respect of employment and occupation 7. Businesses should support a precautionary approach to environmental challenges	5.1 Employees' Rights, Investor FAQs 5.1 Employees' Rights, Investor FAQs 5.1 Employees' Rights, Investor FAQs 3.5 Response to Climate Change
Environment Protection	8. Undertake initiatives to promote greater environmental responsibility 9. Encourage the development and diffusion of environmentally friendly technologies	Message from the Chairman, Interview with the President, 3.2 Enhancing Operational Safety, 3.3 Ecological Protection, 3.4 Promoting Energy Conservation, 3.5 Response to Climate Change 3.5 Response to Climate Change
Anti-Corruption	10. Businesses should work against corruption of all kinds, including extortion and bribery	Message from the Chairman, About PetroChina, Integrity and Compliance-based Corporate Governance

## APPROACH TO REPORTING

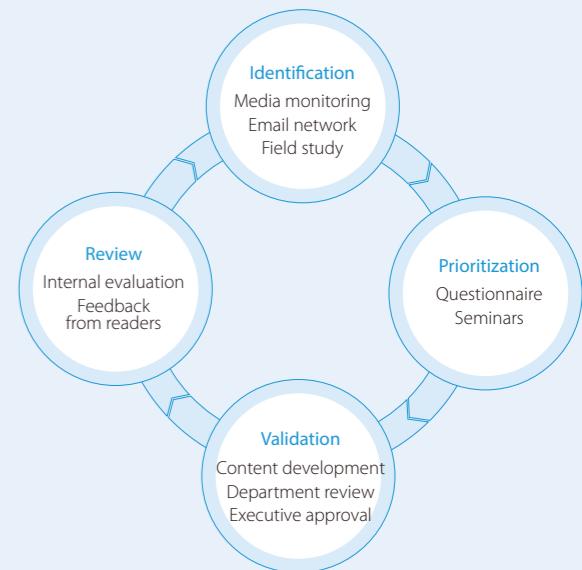
This report focuses on major international and domestic events related to the sustainable development of the Company and its subsidiaries.



## Content Selection Process

The contents in this report were selected and disclosed based on their substantiality, integrity and balance principle, and taking into account the concerns of stakeholders and the Company's great influence on the society. They exert substantial impact on the Company's sustainable development.

1. The Company pays close attention to the views of its stakeholders, and collects their comments through community visits, periodical reports, field study and online communication. It makes suggestions on the topics of the report by taking into account stakeholders' major concerns.
2. We assess the Company's sustainable development strategy and cover major social, economic and environmental events related to our strategies, risks and opportunities.
3. We refer to the social responsibility initiatives and standards proposed by NGOs for topic selection. These include ISO26000 (Guidance on Social Responsibility).
4. Topics are selected based on the comprehensive assessment of stakeholders' concerns and their impact on the Company's strategies. The time span and the scope of impact for each specific topic are clearly defined to ensure the accuracy of the information disclosed.



## ABOUT THIS REPORT

This report illustrates activities the Company undertook in 2015 pursuant to its ongoing commitment to advance the community, the economy and the environment. All information disclosed in this report was sourced from PetroChina's official documents and statistics as well as from statistics gathered from the Company's affiliated enterprises. It takes into account the Company's development priorities and stakeholder concerns. This report has been reviewed in accordance with the Company's *Rules for Information Disclosure Control and Disclosure Procedures*. For continuity and comparability purposes, this report provides explanations on past and future initiatives on certain issues.

This report is formulated according to the key principles of accuracy, transparency and consistency. We took reference from the *Guideline on Preparing the Report on Performance of Corporate Social Responsibility* issued by the Shanghai Stock Exchange and the *Environmental, Social and Governance (ESG) Reporting Guide* issued by the Hong Kong Stock Exchange. Furthermore, we continued to consult the *Sustainability Reporting Guideline (Version 4.0)* released by the Global Reporting Initiative (GRI) and the *Oil and Gas Industry Guidance on Voluntary Sustainability (2015)* co-published by the International Petroleum Industry Environmental Conservation Association (IPIECA) and the American Petroleum Institute (API). As a member of the United Nations Global Compact (UNGC), we report our progress in compliance with the Ten Principles and will submit the report to be posted on UNGC's website (<http://www.unglobalcompact.org>).

This report includes a set of Forward-Looking Statements. Excluding historical facts, all events that may or will occur (including, but not limited to, premise, objectives, estimation and business plans) and descriptions of such events are categorized as Forward-Looking Statements. Due to the presence of external uncertainties, actual outcomes or the future climate may differ from those expressed in the Forward-Looking Statements. As the Forward-Looking Statements were made prior to December 31, 2015, PetroChina holds no responsibility or liability for any modifications made subsequent to the said date.

Thank you for taking the time to read this report. We welcome any comments and suggestions you may have as we believe that your feedback can improve our performance. This report is published, along with the *Company's Annual Report 2015* in March 2016, in simplified Chinese, traditional Chinese and English. In the case of any discrepancy, the version in simplified Chinese shall act as the lead publication. Please visit our website ([www.petrochina.com.cn](http://www.petrochina.com.cn)) for more information or to download the electronic version of this report.



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