



中国海洋石油总公司
CHINA NATIONAL OFFSHORE OIL CORP.



2012

SUSTAINABILITY REPORT

ABOUT THE REPORT

This annual Sustainability Report of China National Offshore Oil Corporation, which is the eighth since 2005, is an accurate reflection of our fulfilment of economic, environmental and social responsibilities in 2012. Below is some pertinent information about the report:

Reporting Entity: China National Offshore Oil Corporation

Alternative Reference: China National Offshore Oil Corporation is herein also referred to as CNOOC, the Company, the corporation, “we”, “our” or “us”.

Reporting Period: 1 January to 31 December 2012. In order to ensure the continuity and comparability of the information disclosed, the applicable period for certain information may be extended forward or backward accordingly.

Reporting Cycle: This report is an annual report.

Reporting Principles: To meet the needs of stakeholders and the general public, by disclosing key information on the Company in a true, objective, timely and comprehensive manner.

Data: All 2012 data disclosed herein are annual statistics. In case of discrepancies with the data in the annual report, the latter shall prevail. Unless otherwise specified, all amounts are expressed in Renminbi (RMB).

Information Sources: The Company’s official documents, statistical reports and our subsidiaries’ fulfilment of responsibilities. All information has been reviewed by our management, supervision department and the various subsidiaries.

Improvements: In order to reflect our fulfilment of responsibilities in a more objective, complete and concise manner, we have added new sections to the 2012 report to incorporate several key issues in social responsibilities. These sections include SUSTAINABILITY MANAGEMENT, GLORIOUS 30 YEARS, DEEPWATER, LIQUEFIED NATURAL GAS (LNG), and CSR ENGAGEMENT OVERSEAS. We have conducted on-site surveys of our subsidiaries’ fulfilment of responsibilities to determine the validity of the corporate case studies before approval for inclusion herein. During the preparation process, we listened to the opinions and suggestions of different stakeholders and proactively responded to their concerns.

Basis of Preparation: This report was prepared in accordance with the *Guidelines to the State-owned Enterprises Directly under the Central Government on Fulfilling Corporate Social Responsibilities*, issued by the State-owned Assets Supervision and Administration Commission of the State Council of the People’s Republic of China (SASAC); *Sustainability Reporting Guidelines* (Version 3.1) of the Global Reporting Initiative (GRI); the *Oil and Gas Industry Guidance on Voluntary Sustainability Reporting* (2010 edition), jointly produced by the International Petroleum Industry Environmental Conservation Association (IPIECA) and the American Petroleum Institute (API); the *Corporate Social Responsibility Reporting Guidelines in China* (CASS-CSR2.0) by the Corporate Social Responsibility Research Centre of the Chinese Academy of Sciences, and the *ISO 26000 Guidance on Social Responsibility* (2010 edition) by the International Standards Organization (ISO).

Language: This report is published in both Chinese and English. In case of discrepancies, the Chinese version shall prevail.

Accessibility: This report is available in print and electronic formats. The digital version can be downloaded from the Company’s website at www.cnooc.com.cn. To obtain a print version of the report, please email report@cnooc.com.cn.



THE LOGO OF CNOOC

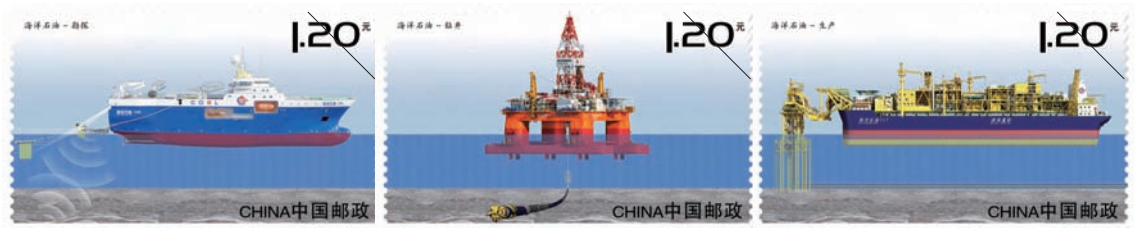
The corporate logo of China National Offshore Oil Corporation (CNOOC) encompasses the basic design elements comprising the letters that make up the company’s initials CNOOC, enclosed by the blue curves and ripples that represent China’s seawaters. The design in red, formed by the capital letters CNOOC, depicts an offshore drilling rig silhouetted against the rising sun, symbolising prosperity in China’s offshore oil industry.



ABOUT THE COVER

The cover illustrates an employee replacing the pressure gauge at the Bozhong 28-2 South oil fields in Bohai Bay, to ensure safe operation.

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CHAIRMAN'S LETTER



Dear all,

2012 marked the 30th anniversary of the founding of CNOOC and was the beginning of our Second Leap Development Programme. First of all, let me, on behalf of the Board of Directors and employees of CNOOC, express our heartfelt gratitude to all those who have cared for and supported us all these years.

The world today is facing enormous challenges from the mounting pressures posed by resources, energy supply and the environment. In order to ensure sustainable development, many countries have come up with roadmaps for achieving low carbon green growth to curb excessive consumption of energy resources. As a responsible energy company, we have proactively responded to this critical global issue by adhering to the vision of *Energy for All* and unwaveringly implementing the low carbon green growth strategy in line with requirements of the national roadmap for new models of industrialisation. Our sustainability ethos permeates the corporate strategies and daily operations and has significantly enhanced our creation of corporate value, low carbon competitiveness and sustainability. In doing so, we aim to thrive and grow together with the communities and environment in a safer, more environmentally friendly and more efficient manner.

In 2012, as we continue to expand our efforts in the development of resources, we pushed ahead with the development of ecological civilisation, invested significantly in promoting social harmony, and adhered to the simultaneous fulfilment of economic, environmental and social responsibilities. We continued to strengthen our efforts to conserve energy and reduce emissions by enforcing cleaner production and promoting the transformation and upgrading of traditional businesses, accelerated the development of the LNG industry chain, proactively explored alternative energies, and continuously improved the energy consumption structure. Additionally, we set up the CNOOC Marine Environmental and Ecological Protection Public Welfare Foundation, to protect the marine ecological environment. In terms of social responsibility, we strive to give back to the community through our active participation in social and charitable causes, including poverty reduction, aid to Tibet and educational assistance. In our energy investment and collaboration projects overseas, we fully meet our responsibilities as a global corporate citizen through our active roles in the development of the local economy and communities.

In 2012, with the creation and proper running of the First Board of Directors, we have made significant progress in the development of our governance structure. This has taken our corporate governance to a higher level and laid a solid foundation for compliance operations. With the directives of the Second Leap Development Programme in mind, we stepped up our efforts, to expand our operations from the shallow to the deep water areas, and to overseas locations. China's first independently designed and constructed *Hai Yang Shi You 981*, a sixth-generation semi-submersible drilling platform, with the capability of 3,000-metre deepwater exploration, commenced operations during the year. We completed the acquisition of the Canadian energy company Nexen. This deal will not only improve our asset structure and expand our reserves and yield significantly, but also improve our global oil and gas operational capabilities and sustainability even further.

As we achieve the above-mentioned successes, we clearly understand that sustainable development is a long-term and systematic process. Compared to the standards of a world-leading energy company, we still have a long way to go. Given our further understanding of social responsibilities and sustainability, in 2012, we came up with the social responsibility ethos of safe and efficient operations, low carbon green growth, putting people first, openness and transparency, charitable giving, and the courage to innovate. In line with this, we launched a dedicated programme to improve our management of corporate social responsibilities and proactively pushed ahead with the development of the related framework, to improve our overall sustainability.

Moving forward in 2013, we will continue to adhere to our mission and bravely take on our responsibilities as we strive to maximise the overall value of the Company's financial performance, the community and the environment. Together, we will create a better tomorrow.



Chairman Wang Yilin
26 March 2013

PRESIDENT'S LETTER



Dear all,

2012 was not only a pivotal year of transition in China's Twelfth Five-Year Plan period, but also the beginning of CNOOC's Second Leap Development Programme. Throughout the year, we have proactively fulfilled our economic, environmental and social responsibilities and continuously improved our sustainability performance.

Ensuring energy supplies. 2012 saw the best-ever performance in the history of our domestic oil and gas exploration operations. New discoveries of tertiary geological reserves reached nearly 700 million tonnes. Our overseas operations also saw new breakthroughs. Over the past year, we took our overall energy supply capacity to the next level with a total production of 51.86 million tonnes of crude oil, 16.4 billion cubic metres of natural gas and 470 million cubic metres of coalbed methane. At the same time, we made a solid step forward in our strategy for deepwater operations.

Ensuring safe production. In 2012, with the continuous improvement of intrinsic safety in mind, we focused on the computerisation of production safety related activities, as well as strengthened the elimination and control of hazards and management of the availability of equipment and facilities. We have achieved stability in the safety of our workplaces. At the same time, we dealt with the oil spill incident at Penglai 19-3 oil field properly by responding genuinely to public concerns and carrying out maintenance and clean-up of the oil field in a systematic manner and strictly in accordance with government requirements. We also urged ConocoPhillips to implement rectification measures. On 16 February 2013, the State Oceanic Administration (SOA) agreed to let ConocoPhillips resume its production related operations gradually.

Promoting environmental protection. We strive to transform ourselves into an environmentally friendly company that conserves resources. In 2012, we managed to save energy equivalent to 538,000 tonnes of standard coal and reduce the annual gross energy consumption per RMB 10,000 of production output to an equivalent of 0.307 tonnes of standard coal. We have also proactively promoted the production and utilisation of clean energies, increased our efforts in the introduction and promotion of natural gas, and explored the development of alternative energy sources, including wind power and motive power batteries. Additionally, we have set up the CNOOC Marine Environmental and Ecological Protection Public Welfare Foundation and participated in the

Asia-Pacific Economic Cooperation (APEC) Blue Economy Forum, restoration and revegetation activities for biological resources in the Bohai Sea, and the World Oceans Day and China Oceans Day activities. In doing so, we aim to protect the marine environment together with local communities.

Earnestly caring for employees. In 2012, as we fulfil our responsibilities to employees, in earnest, we continued to create a good environment for their development. As part of our commitment to putting people first, we have improved our employment policy and the working and living conditions even further. We have increased our efforts in the area of training and strived to develop a comprehensive framework for delivering large-scale training in a variety of subjects through different channels to employees. By increasing our efforts to build a harmonious mining community, provide assistance to needy employees and enrich cultural activities during off-work hours, we aim to create a healthy and comfortable living environment.

Actively giving back to the society. In 2012, as we actively engage ourselves in charitable causes, we continued to expand our efforts in rendering assistance to Tibet, fulfilled our commitment to donate RMB 500 million in support of the reconstruction of earthquake-affected areas in Sichuan, proactively provided relief assistance to areas in Yunnan and Guizhou affected by natural disasters, and continued to support the operation of dedicated charity projects, including Project Hope, Mother Water Cellar Project, and Lifeline Express. Over the past year, we donated a total of RMB 80.78 million. We have received the China Charity Award, the highest possible award in China for charitable giving.

Sustainable development and the fulfilment of social responsibilities are never-ending processes. Moving forward in 2013, we will continue to meet our responsibilities and obligations, to achieve a balanced development of the economy, environment and society and become a more responsible and good corporate citizen.



President Yang Hua

26 March 2013

ABOUT US

COMPANY OVERVIEW

China National Offshore Oil Corporation (hereinafter referred to as CNOOC, the Company, the corporation, “we”, “our” or “us”), which is the largest offshore oil and gas producer in China, is a mega state-owned company operating under the control of the State-owned Assets Supervision and Administration Commission of the State Council of the People’s Republic of China (hereinafter referred to as SASAC).

Headquartered in Beijing, CNOOC has, since our founding in 1982, maintained strong growth momentum, evolving from a purely upstream oil and gas exploration company to an international energy company with promising primary businesses and a complete industrial chain. In 2012, our positions in Petroleum Intelligence Weekly (PIW)’s World’s Top 50 Oil Companies and the Fortune Global 500 respectively rose to 33rd and 101st, up by 1 and 61 positions from the

previous year. Standard & Poor’s and Moody’s continue to rate the Company with credit ratings of AA- and Aa3, the highest possible for a Chinese corporation.

In order to create favourable premises for China’s offshore oil industry to make the full Second Leap, we have been operating soundly while addressing and tackling any issues or challenges coming our way and grasping a firm hold on the current industrial development trends and opportunities. Throughout our development in line with the Second Leap programme, we have been transforming our business model and adjusting the industry structure. Now, our business covers the main segments of oil & gas exploration and development; refining and natural gas & power generation; engineering technical and professional services; alternative energies and financial services.

Organisational Structure



OUR VALUES



Our Vision

Energy for All

Corporate Philosophy

People-orientation, responsibilities, win-win benefits, credibility, innovation

Corporate Spirit

Be dedicated, effective and innovative

Our Strategy

We aim to, by 2020, join the ranks of the world’s most successful oil companies and essentially become a world-class multinational energy company armed with effective governance structure, sound management practices, leading technology, advanced culture, all-rounded employee development and a strong sense of social responsibility; and by 2030, maintain the same status with the key performance and core competitiveness indicators at world-leading levels and develop fully into a global company with a strong sense of social responsibility and international influence that can win the satisfaction of the people, recognition of the society and market, respect of the shareholders and a sense of pride in the employees.

Development Principles

Cooperation
Sustainable growth
Differentiation

Development Strategies

Synergetic development strategy
Technology-driven strategy
Talent development strategy
Cost effective strategy
Low-carbon green strategy

SUSTAINABILITY MANAGEMENT

Sustainability Ethos

As one of the key global energy producers, CNOOC focus on striving to provide energy for all through consistently exploring and developing offshore oil and gas as well as other forms of energy resources worldwide.

At CNOOC, we believe that corporate social responsibility is at the heart of sustainable development making its management an imperative. As a responsible energy company, we strive to provide energy for everyone in a safer, more environmentally friendly and more efficient manner through excellent operations.

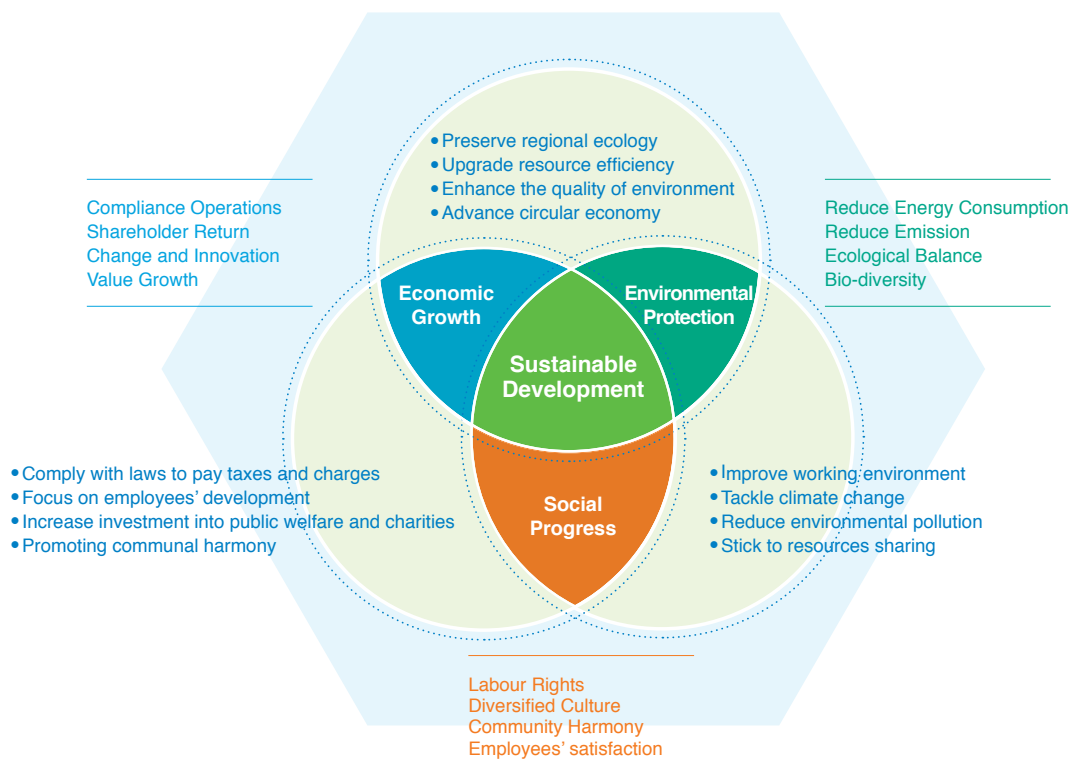
Our Commitment

At CNOOC, we commit ourselves to:

- Becoming a reliable, sound and sustainable energy supplier by conducting all activities safely and efficiently;
- Becoming an energy efficient and environmentally friendly producer and operator by achieving low carbon green growth;
- Becoming a creator of a happy life by caring for our employees and exercising mutual aid and fraternity through putting people first;
- Becoming an honest and trustworthy company by operating openly and transparently in accordance with the law;
- Becoming a respected and public-spirited facilitator of harmonious communities through charitable giving; and
- Becoming an open, inclusive and cooperative cultural communicator with the courage to innovate.

Sustainability Framework

Our sustainability ethos permeates the corporate strategies and daily operations of the Company through the organisational structure, policies and procedures. Such seamless integration of social responsibility management and operational management brings about sustainable development with a balance struck between economic growth, environmental protection and social progress.



Social Responsibility Management and Actions

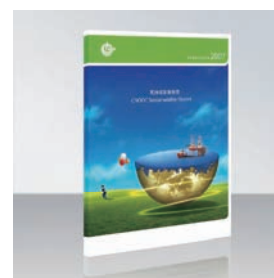
As we continuously deepen our understanding of social responsibility management and improve our corporate management framework, the relevant sustainability elements, such as responsibility to employees, environmental protection, compliance operations and social welfare, permeate across the production and operational processes, ultimately enabling us to develop harmoniously with the environment and society.

In 2005, CNOOC published the first sustainability report and established a working method based on coordination by the supervision department, division of roles and responsibilities between business units, and full participation by the subsidiaries.



In 2006, CNOOC was the first Chinese oil company to publish the Social Responsibility Management Guidelines for Production and Operation Investments, and the Huizhou Refinery Project took the lead in China to compile a Social Impact Assessment Report.

In 2007, we participated in the research and drafting of SASAC's Guidelines to the State-owned Enterprises Directly under the Central Government on Fulfilling Corporate Social Responsibilities, promulgated the HSE Management Regulations for Overseas Projects, and revised the Employee Disciplinary Procedures and the accompanying policies to promote and instil a culture of self-discipline across the organisation.



In 2008, CNOOC formed the Sustainable Development and Global Compact Promotion Committee, headed by the Vice President of the Company, serving as the highest-level body for coordinating and promoting socially responsible activities across the organisation, to meet the applicable requirements of the United Nations Global Compact (UNGC) and provide recommendations for corporate sustainability reporting.



In 2009, we played an active role in the formulation of public policies and industry guidelines through participation in authoring the guidelines, Responsible Investment in Conflict-Affected Countries, by the UNGC and the Corporate Social Responsibility Reporting Guidelines in China by the Corporate Social Responsibility Research Centre of the Chinese Academy of Sciences.

In 2010, we made proactive efforts to combat climate change and took the lead among state-owned key companies to publish the CNOOC Policies on Combating Climate Change and implement the CNOOC Action Plan for Combating Climate Change.



In 2011, we became a member of the Responsible Care Working Committee of China Petroleum and Chemical Industry Association (CPCIA). Additionally, we improved the sustainability framework, drilling down into the stakeholder focus, communication and engagement method, corporate actions and key performance indicators.

In 2012, we responded to SASAC's request and launched a two-year Social Responsibility Management Improvement programme, in which we published the Work Plan for CNOOC Corporate Social Responsibility Management Improvement Programme, conducted video conference training with the managers and relevant persons-in-charge from all our subsidiaries and have completed the self-assessment stage. The company set up CNOOC Marine Environmental and Ecological Protection Public Welfare Foundation.



In order to be a better corporate citizen, CNOOC successively joined international organisations, including the UNGC, International Petroleum Industry Environmental Conservation Association (IPIECA), International Association of Oil & Gas Producers (OGP), and the 3C Initiative (Combat Climate Change), and Chinese organisations, including the Chinese Safety Production Association, China Occupational Safety and Health Association (COSHA), All-China Environment Federation (ACEF), and China Chemical Safety Association.

Stakeholders

Our stakeholders include the government, employees, shareholders, customers, industry partners, suppliers, contractors, financial institutions, media, communities, the general public, and non-governmental organisations (NGOs). Communication with stakeholders is of paramount importance to us. By engaging with them in an open and transparent manner, we listen to their voices and take them into account when formulating and implementing our strategies, policies and plans. With their trust and support, we are able to achieve long-term and sustainable development. We hope to strengthen our communication and collaboration with all stakeholders even further, to promote a balanced development of the economy, environment and society.

The concerns of our stakeholders are our greatest priority. We communicate our understanding of social responsibilities through appropriate means such as paying visits and giving talks to them, and also put our goodwill into effective actions.



Mr. Wang Yilin, Chairman of the Board, interacting with our partners



Chinese New Year Reception for Chinese and foreign guests



World Oceans Day and China Oceans Day



Mr. Wang Yilin, Chairman of the Board, paying a visit to a needy family in the Bohai mining area

Stakeholder	Focus of Attention	Communication and Interaction Methods
Government	<ol style="list-style-type: none"> 1. Active implementation of national policies 2. Safeguarding the security of the nation's energy supply 3. Ensuring steady supply of energy to the market 4. Fulfilment of social responsibilities 	<ol style="list-style-type: none"> 1. Participate in the formulation of national policies, laws and regulations related to energy 2. Participate in the formulation of industry plan, industry standards, national standards and any other documentation related to the energy industry 3. Actively guide and influence public policies 4. Improve information disclosure
Employees	<ol style="list-style-type: none"> 1. Protection of employees' rights and interests 2. Employees' career development 3. Employees' health and safety 4. Exemplification of employees' merits 	<ol style="list-style-type: none"> 1. Enter into labor contracts 2. Establish trade unions and workers' congresses at all levels 3. Provide channels for employees to express opinions 4. Improve information disclosure
Shareholders	<ol style="list-style-type: none"> 1. Corporate governance 2. Shareholders' dividend 3. Information disclosure 4. Investor relations 5. Stock price performance 	<ol style="list-style-type: none"> 1. Information disclosure 2. Investors' hotline 3. Investors' conference and mailbox 4. Company website
Customers	<ol style="list-style-type: none"> 1. Provision of safe, environment-friendly and high-quality products and services 2. Performance of contractual obligations 3. Enhancement of consumer satisfaction 	<ol style="list-style-type: none"> 1. Enter into contracts and/or agreements 2. Conduct consumer communication activities 3. Customer service
Industry Partners	<ol style="list-style-type: none"> 1. Working together to comply with national laws, regulations and business ethics 2. Fair competition and harmonious development 	Industry association
Suppliers and Contractors	<ol style="list-style-type: none"> 1. Compliance with business ethics, laws and regulations 2. Establishment of long-term partnership 3. Achievement of mutual benefits and win-win relationship 	<ol style="list-style-type: none"> 1. Organise business negotiations and technology exchange activities 2. Leverage the use of electronic trading platform 3. Negotiate contracts 4. Daily business communication 5. Improve information disclosure
Financial Institutions	<ol style="list-style-type: none"> 1. Operating status 2. Operational risks 3. Corporate governance 	<ol style="list-style-type: none"> 1. Thematic meetings 2. Information report 3. Repay loans and interest on time
Media	<ol style="list-style-type: none"> 1. Status of fulfilment of corporate social responsibilities 2. Corporate performance 3. Milestone events, activities and measures 	<ol style="list-style-type: none"> 1. Disclose key information 2. Disseminate information through multiple channels
Communities and General Public	<ol style="list-style-type: none"> 1. Promotion of social and economic development in communities 2. Support of public welfare events 3. Maintenance of the community environment 4. Establishment of effective communication channels 	<ol style="list-style-type: none"> 1. Joint construction between the Company and the local communities 2. Participate in public welfare causes 3. Participate in community building projects 4. Periodic communication
NGOs	<ol style="list-style-type: none"> 1. Support of community organisations 2. Fulfilment of the Articles of Association of organisations 3. Enhancement of information disclosure 4. Support of environmental welfare causes 	<ol style="list-style-type: none"> 1. Attend relevant conferences 2. Share experience of the Company 3. Participate in the discussion of public policies

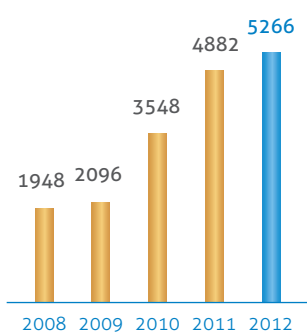
	Priority Actions	Key Performance Indicators
	<ol style="list-style-type: none"> 1. Maintain and add value to state-owned assets 2. Align with the national energy strategy, optimise the nation's energy structure and ensure energy supply 3. Cooperate with the State in formulating relevant laws and regulations 4. Pay close attention to developments in energy conservation and emission reduction, and actively cope with climate changes 5. Communicate effectively with the government of host countries 	<ol style="list-style-type: none"> 1. Payment of taxes and surcharges 2. Total volume of energy supply 3. Investment in energy conservation and emission reduction 4. Capital maintenance and increment ratio of state-owned assets 5. Economic Value Added (EVA) ratio
	<ol style="list-style-type: none"> 1. Improve the Company's remuneration system 2. Streamline the career path of employees 3. Conduct employee skills training 4. Provide benefits protection 5. Safeguard overseas employees' safety and legitimate interests 	<ol style="list-style-type: none"> 1. Total number of employees 2. Employee quality and structure 3. Duration and expenses for employee training 4. Number of employee casualties in accidents
	<ol style="list-style-type: none"> 1. Disclose information in time 2. Pay periodic visits 3. Publish annual reports 	<ol style="list-style-type: none"> 1. Credit rating of the Group 2. Rights and interests of minority shareholders 3. Key performance indicators
	<ol style="list-style-type: none"> 1. Conduct product quality supervision and examination activities 2. Enhance the brand value and awareness 3. Solicit opinions and suggestions from customers regularly 4. Disclose more information 5. Formulate quality standards and system 	<ol style="list-style-type: none"> 1. Customer satisfaction 2. Sales of oil and gas 3. Number of service stations
	<ol style="list-style-type: none"> 1. Participate regularly in exchange activities held by the industry associations 2. Assist in implementing the relevant policies and measures of the State 	<ol style="list-style-type: none"> 1. Number of association memberships 2. Number of partners
	<ol style="list-style-type: none"> 1. Call for tenders 2. Strictly regulate HSE management 3. Support the development of SMEs and promote local procurement 4. Standardised operations 	<ol style="list-style-type: none"> 1. Purchasing volume 2. Number of contracts signed 3. Number of contractor casualties in accidents
	<ol style="list-style-type: none"> 1. Pay loans and interests in time 2. Pay periodic visits 3. Disclose information 	<ol style="list-style-type: none"> 1. Credit rating of the Group 2. Key financial indicators
	<ol style="list-style-type: none"> 1. Publish reports 2. Disclose social responsibility-related information regularly 3. Disclose information on major events that are of public concern in a timely fashion 	<ol style="list-style-type: none"> 1. Media coverage 2. Media valuation
	<ol style="list-style-type: none"> 1. Joint collaboration and construction 2. Protect local ecological environment 3. Promote local employment 4. Guarantee safe production 5. Maintain public relations 	<ol style="list-style-type: none"> 1. Investment in community building 2. Amount of donations for community welfare causes
	<ol style="list-style-type: none"> 1. Exchange ideas about issues of concern to external parties 2. Actively participate in and support environmental protection initiatives 3. Organise and participate in relevant conferences 	<ol style="list-style-type: none"> 1. Number of participations in the relevant organisations 2. Number of participations in international forums and exhibitions

KEY PERFORMANCE INDICATORS FOR SUSTAINABLE DEVELOPMENT

Operating Performance

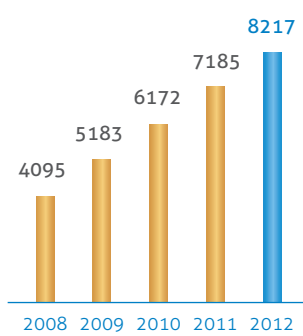
Operating Revenue

Unit: 100 million RMB



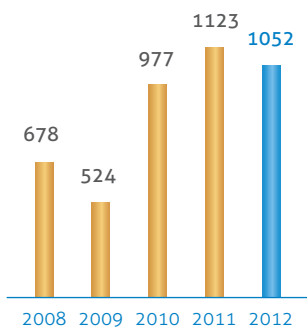
Total Assets

Unit: 100 million RMB



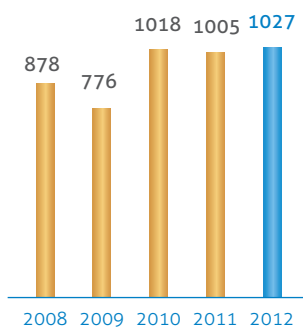
Total Profit

Unit: 100 million RMB



Capital Investments

Unit: 100 million RMB

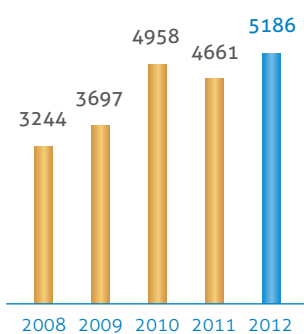


Indicator	2008	2009	2010	2011	2012
Rate of Capital Accumulation	13.7%	11.3%	20.2%	17.5%	13.8%
Percentage of Overseas Assets	24.8%	23.5%	26.7%	25.6%	25.7%

Energy Supply

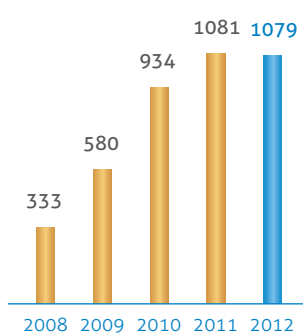
Crude Oil Production

Unit: 10,000 tonnes



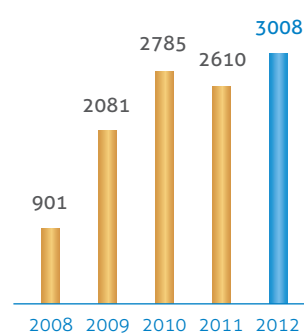
LNG Imports

Unit: 10,000 tonnes



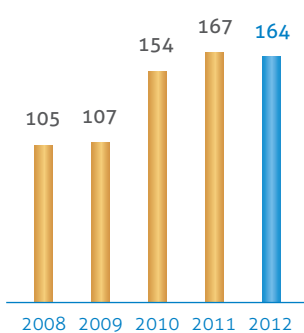
Crude Oil Refining Capacity

Unit: 10,000 tonnes



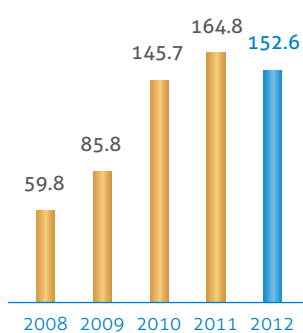
Natural Gas Production

Unit: 100 million cubic metres



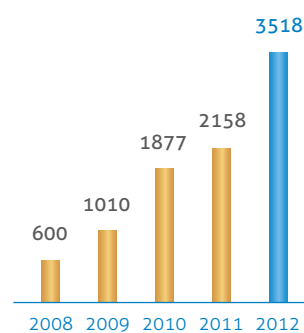
Natural Gas-Fired Power Generating Capacity

Unit: 100 million kWh



Crude Oil Trading Volume

Unit: 10,000 tonnes

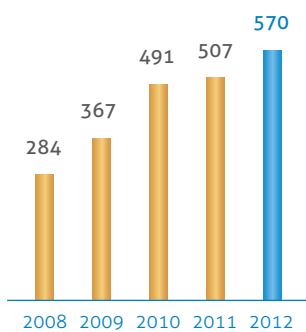


Indicator	2008	2009	2010	2011	2012
Refined Oil Production (10,000 tonnes)	0	416	684	679	779
Fuel Oil Production (10,000 tonnes)	569	333	475	757	750
Wind Power Generating Capacity (100 million kWh)	0	0	1.6	5.3	6.7
Domestic Share of LNG Imports	100%	100%	99%	88%	74%

Innovation Performance

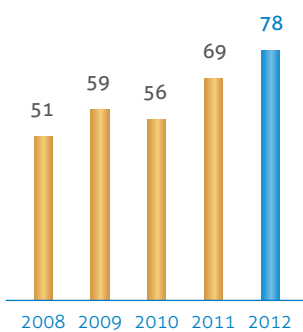
Number of Patent Applications

Unit: awards



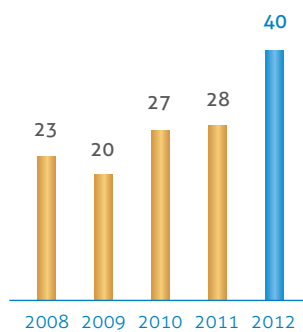
Technology Innovation Awards

Unit: awards



Management Innovation Awards

Unit: awards

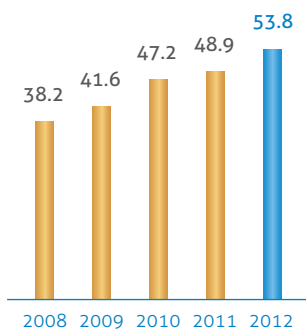


Indicator	2008	2009	2010	2011	2012
R&D Investments (100 million RMB)	14.3	19.7	20.9	17.4	25.5

Environmental Protection

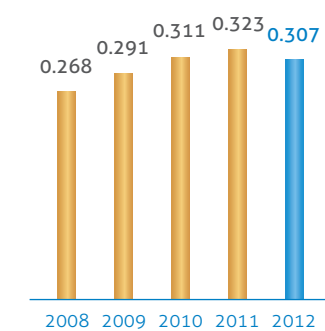
Energy Savings

Unit: 10,000 tonnes of standard coal equivalent



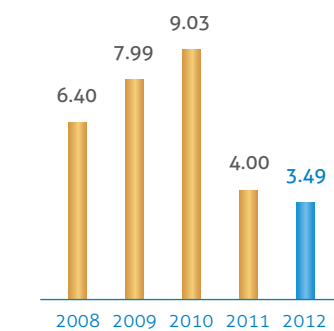
Annual Gross Energy Consumption per RMB 10,000 of Production Output

Unit: tonne of standard coal equivalent



Energy Conservation and Emission Reduction Investments

Unit: 100 million RMB

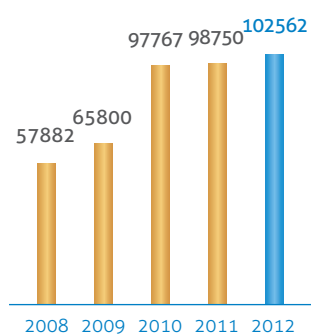


Indicator	2008	2009	2010	2011	2012
Sulphur Dioxide Emissions (tonne)	2832	2268	13690	13059	12968
Chemical Oxygen Demand (tonne)	806	803	1515	1702	1698

Social Contribution

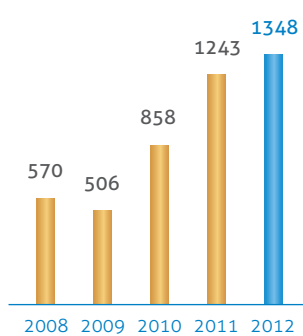
Staff Strength

Unit: persons



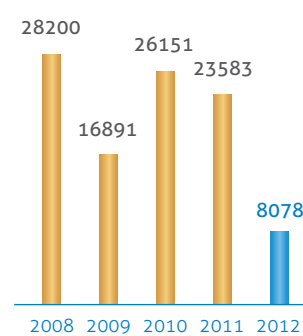
Taxes and Dividends

Unit: 100 million RMB



Charitable Donations

Unit: 10,000 RMB



Indicator	2008	2009	2010	2011	2012
Percentage of Female Employees	23.5%	23.7%	24.2%	24.8%	25.0%
Number of Foreign Employees (persons)	n/a	n/a	1449	1466	3387
Average Training Cost per Employee (RMB)	1914	1369	1572	1772	2287
Average Training Duration per Employee (hour)	70	46	52	68	82
Rate of Conclusion of Employment Contracts	100%	100%	100%	100%	100%
Rate of Social Insurance Coverage	100%	100%	100%	100%	100%
Death Toll of Employees (persons)	0	1	1	3	0
Death Toll of Direct Contractors (persons)	0	1	1	4	2
Rate of Physical Examination for Occupational Health	n/a	n/a	92.6%	96.2%	99.2%

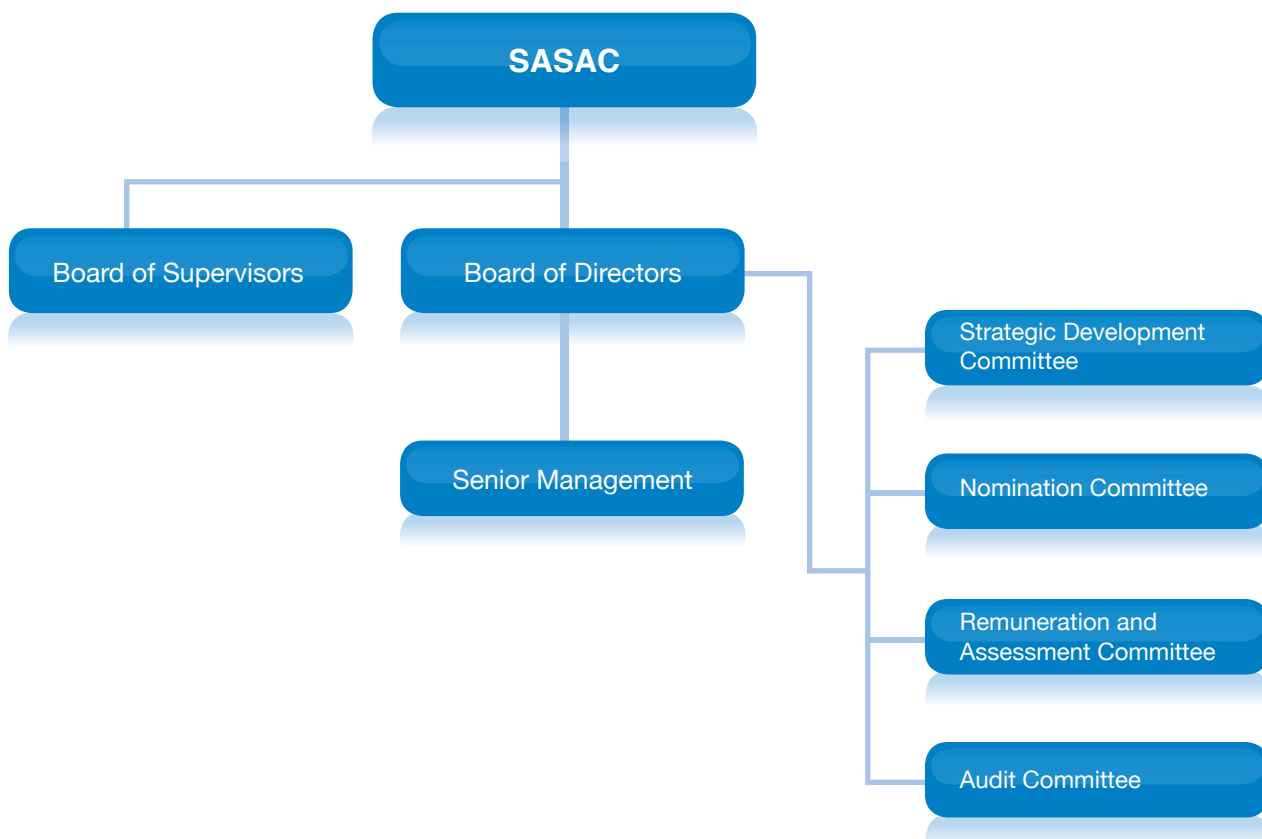
Note: The data of the newly merged company, Shandong Haihua Group Co., Ltd., is included in the scope of statistical reporting of CNOOC since 2010.

CORPORATE GOVERNANCE

CNOOC is wholly-owned by the State. Under the coordination of SASAC, we made all preparations for the formation of a proper Board of Directors in accordance with the Company Law, the Law on the State-owned Assets of Enterprises and other applicable laws and regulations of the People's Republic of China. This created a good corporate governance structure made up of the investors, Board of Directors, Board of Supervisors and the senior management, each having distinct roles, responsibilities and authorities and acting as an effective check and balance on each other to achieve sound decision-making and concerted operations.

At a working meeting convened by SASAC in February 2012, we formalised the creation of the CNOOC Board of Directors and kick-started its operation. The First Board held a total of five sessions during the year.

We have set up a management control framework for the integrated management, professional operation and concerted development of our entire group of companies. A complete corporate governance structure is in place in each listed company under our control, to ensure that their governance is strictly in line with the local laws and regulations of the place of listing, as well as the regulatory rules governing listed companies. On the other hand, operation and supervision of non-listed companies are in accordance with the corporate management requirements and the laws, respectively.



COMPLIANCE OPERATIONS

At CNOOC, we have always regarded compliance operations and fighting corruption as the lifeblood of sustainable development. As we continuously improve the management of risks, we pay close attention to compliance in our operations and unwaveringly promote self-discipline.

Improving Internal Controls

In order to adapt to the policies for the Board of Directors and to align with the new corporate governance structure, we revised the internal control structure, and all our subsidiaries have adopted it.

We also revised the Management Measures for the Inspection and Assessment of Internal Controls and set up an inspection and assessment framework for internal controls, based primarily on self-assessment by the subsidiaries and supplemented by random spot checks by the headquarters. The setup of an internal control structure and implementation of its policies have now been formally included in the annual production and operational performance assessment framework.

Strengthening Audit and Supervision

While ensuring no interruption to production and operations, we have tightened our audits of key investment projects, oilfield joint ventures, overseas assets and internal control management. Additionally, we made proactive efforts in the exploration of efficiency audit using alternative energies as the pilot. In 2012, CNOOC received the honour of a *Leading Enterprise in Risk Management and Internal Controls* awarded by China Institute of Internal Audit.

Our internal supervisors will continuously strengthen the supervision over the management and staff members of the subsidiaries, especially their implementation of the decisions and plans of the Company and the decision-making process related to key issues, appointment and dismissal of key officers, investment in key projects and the use of large amounts of funds. The purpose of which is to raise effectively the operational management standards of the subsidiaries.

External supervision is an essential means of ensuring compliance in our operations, and in the fight against corruption. With this in mind, we proactively support the work

of the Central Inspection Team (CIT), the Board of Supervisors appointed by the State Council, and the China National Audit Office (CNAO) by identifying problems thoroughly and resolving them in earnest.

Advancing the Establishment of the Anti-Corruption Integrity Policy

As we further consolidate and strengthen our efforts in instilling a culture of compliance with the code of ethics of the Communist Party of China (CPC) and the anti-corruption integrity policy, we continuously improve our discipline and corruption prevention framework for implementation across the board during our operations. This requires the unified leadership of the Party Leadership Group, concerted efforts by the CPC and the government, coordination of the discipline inspection and supervision departments, performance of duties by the relevant functional departments, and support and participation of the general public. We strictly enforce the policy of the Discipline Inspection Team of the Party Leadership Group reporting to the secretary of the Discipline Inspection Commission, and the Audit and Supervision Department of the Company reporting to the head of the supervisory body.

Personal integrity has become a decisive criterion in the selection, appointment, dismissal, overseas deployment and merit assessment of officers, and the progress of establishment of the anti-corruption integrity policy is a key indicator in the performance assessment of the various subsidiaries. We have coordinated and carried out supervision activities to oversee the proper exercise of authority, dedicated governance of the key areas of concern and the integrity and self-discipline of the managers. Managers at all levels across the Company have to sign an open commitment to comply with the CPC code of ethics and the anti-corruption integrity policy, assume dual responsibilities for each post, perform their duties with integrity and fulfil their reporting obligations in earnest. In 2012, we briefed 829 newly-appointed managers and warned and talked to 165 managers. There was no significant violation of the law and regulations.

We take all complaints or allegations of violation of discipline or the law seriously and will go all out to investigate and deal with each case. As part of the continuous effort to promote anti-corruption awareness and instil a culture of integrity, we

educate all new employees and newly-appointed officers on integrity issues. In 2012, we conducted 919 sessions of anti-corruption integrity awareness events, including online Q&A sessions, thematic reports, classic case study presentations and publicity video screenings and reached out to a total audience of about 31,000. With our employees operating according to the law, and the further development of their consciousness of performing duties with integrity, the culture of self-discipline gets hardwired into them.

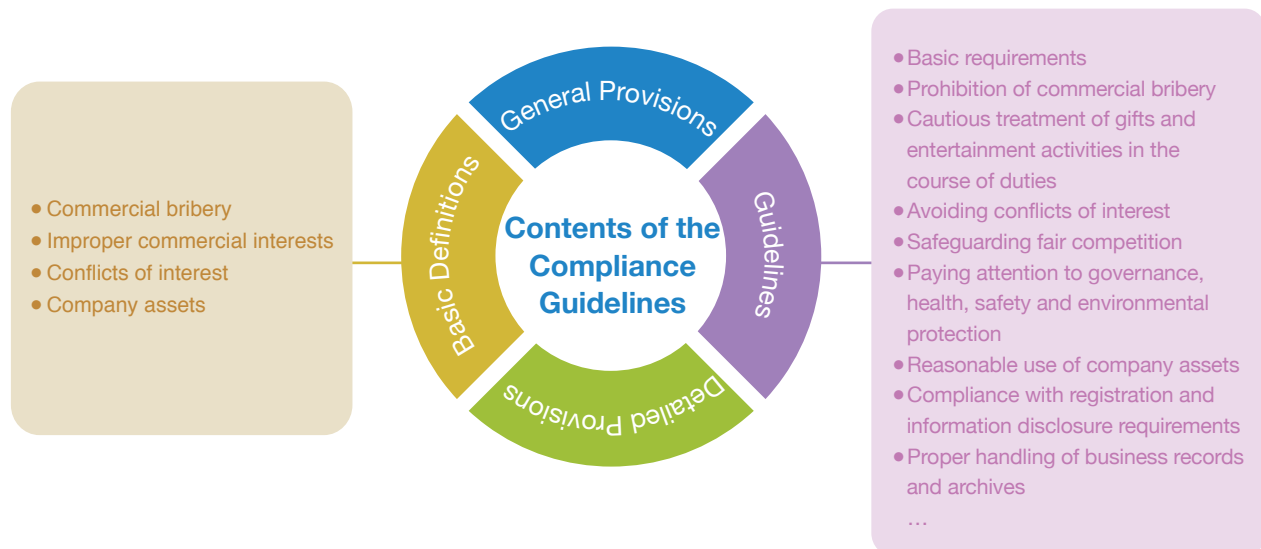
Strengthening the Building of Supervisory Teams

As we further fine-tune the supervisory structure, it is necessary to build a strong team to support the work. We

proactively pushed forward two dedicated management improvement programmes on anti-corruption integrity and risk management across the board and set up a complete framework for internal inspection tours by the Party Leadership Group. In 2012, we enhanced the business knowledge of, trained and supervised more than 300 officers through various means as part of the continuous effort to improve the job skills and levels of the supervisory team members. With the Discipline Inspection and Supervision Department of the Company, internal audits, risk management, Board of Supervisors appointed by the State Council, and inspection tours by the Party Leadership Group in place, the supervisory working framework gets consolidated and strengthened and in turn, leads to smooth-flowing concerted operations and effective collaboration outcomes.

CASE Pioneering the Setup of an Overseas Compliance Management Framework

At CNOOC, we proactively strive to operate abroad in a systematic, conscious and professional manner. We have gradually put in place an extensive overseas compliance management framework covering every aspect of our operations, to set out the policies and procedures to be followed by everyone. Consequently, we authored the *Employee Compliance Guidelines for Working Abroad*. These achievements won us the second prize of the 19th National Innovation Awards for Modernisation of Enterprise Management.



SOCIAL RECOGNITION

- CNOOC was ranked 101st in the 2012 Fortune Global 500. This is an advancement of 61 positions from the 2011 ranking.
- CNOOC was ranked 33rd in Petroleum Intelligence Weekly (PIW)'s 2012 World's Top 50 Oil Companies. This is an advancement of 1 position from the 2011 ranking.
- CNOOC scored second place in SASAC's 2011 performance assessment of state-owned key companies and received, for eight consecutive years, an 'A' grade for operational performance assessment.
- CNOOC took the 10th place in the China Top 500 Enterprises List jointly published by the China Enterprise Confederation (CEC) and the China Enterprise Directors Association (CEDA).
- CNOOC received the honour of "2012 China's Most Influential Enterprise", and the Chairman of the Board, Mr. Wang Yilin, received the honour of being one of the "2012 Top 10 Personalities in Chinese Enterprises".
- CNOOC was named a "Leading Enterprise in Risk Management and Internal Controls" by China Institute of Internal Audit.
- CNOOC received, for the third time, the "Charity Award - the Most Charitable Company". This is the highest possible award from the Chinese government in the area of charitable giving.
- CNOOC is among the first batch of companies, to receive an appreciation plaque from China Women's Development Foundation (CWDF) for being a strategic partner of the Mother Water Cellar Project.
- CNOOC received the Lifeline Express 15th Anniversary Special Award from China Lifeline Express Foundation.
- CNOOC won, for the seventh consecutive time, the "Most Globally Competitive Chinese Companies" Award jointly awarded by Roland Berger Strategy Consultants and the Global Entrepreneur Magazine.
- CNOOC was named a "Leading State-Owned Key Company in Poverty Reduction and Development" by SASAC.
- CNOOC took the 13th place in the 2012 Platts Top 250 Global Energy Company Rankings, and second among exploration and production (E&P) companies.
- CNOOC won the "Commodity Excellence Award for Oil" at the 14th Annual Platts Global Energy Awards.
- COSL was nominated for the Forbes List of Global 100 Most Innovative Companies.
- COSL won the 2012 China Corporate Social Responsibility Award.
- CNOOC Gas and Power Group was named an Excellent Company in the Production Safety Month in 2012.

1982-2012

三十年
周年

After 30 years of hard work, CNOOC has helped China essentially establish an offshore oil industry and has emerged as one of the top 500 companies and top 50 oil companies in the world with an annual equivalent domestic oil and gas production of 50 million tonnes. As we enter a new era, China's offshore oil industry must make a Second Leap in order to see further significant developments. This is not just a call for the entire industry to forge ahead into the future, but also a serious commitment of a national oil company like CNOOC.

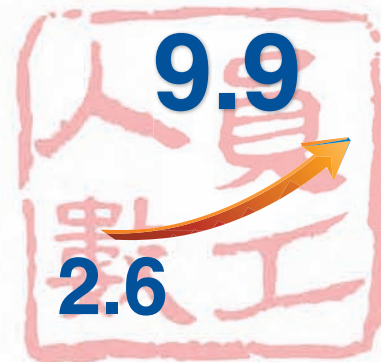
— Wang Yilin, Chairman of the Board



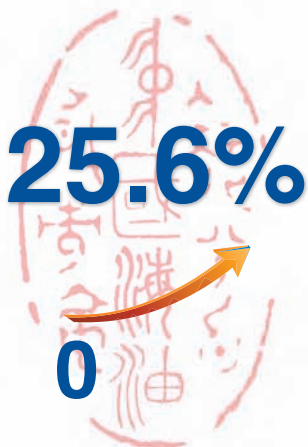
Total Assets (100 million RMB)



Net Assets (100 million RMB)



Staff Strength (10,000 persons)



Percentage of Overseas Assets

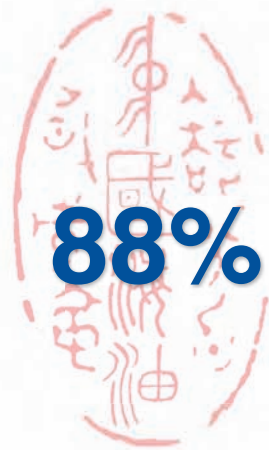
Note: All performance indicators above consist of two figures indicating the increase from 1982 to 2011.



Taxes and Dividends (100 million RMB)



Natural Gas Production
(100 million cubic metres)



Domestic Share of LNG Imports
(data for 2011)



Crude Oil Production (10,000 tonnes)

【Key Achievements】

- ▶ Preliminarily established a relatively complete offshore oil industry
- ▶ Significantly improved the overall competitiveness of the Company
- ▶ Formed an industrial value chain that integrates the upstream, midstream and downstream operations
- ▶ Preliminarily established a modern corporate governance framework
- ▶ Achieved rapid growth in our overseas businesses
- ▶ Inherited and developed a corporate culture unique to CNOOC
- ▶ Fostered excellent CNOOC human resources
- ▶ Achieved excellent results in the building of corporate leadership

1982-2012



【Our Experience】

Over the past 30 years, we engaged ourselves in exploring the nation's maritime resources and have gradually established and improved the domestic offshore oil industry. This contributed significantly to building China into a maritime power. Now, we have become:

A key energy supplier charged with the responsibility to protect the security of the nation's economy;

A pioneer in collaboration with foreign entities and integrated our corporate interests into that of the nation;

An innovator with successful practices in the reform of state-owned enterprises;

A pacesetter that leads the development of the domestic offshore oil industry and the related strategic emerging industries; and

A corporate citizen that cares for the community and puts people at the forefront for harmony and win-win cooperation.





【What Our Employees Say】

The exploration history of the South China Sea tells us that isolationism is not the way to go. Being open to collaboration is a must. The Second Leap Development Programme initiated by the headquarters has given us confidence and strength. We need to focus significantly on exploration activities.

Zu Jiaqi, CNOOC Nanhai West Corp.

The last 30 years have been an extraordinary development period for CNOOC. I saw a steady annual oil production of 50 million tonnes for 27 years at the Daqing oilfield. Now, in CNOOC, I see the same achievement at the offshore fields. These marked the key milestones in the booming growth of China's oil industry. CNOOC has undoubtedly achieved considerable success in these 30 years!

Dong Xiaoli, CNOOC Oil & Petrochemicals Co., Ltd.

Over the past 30 years, CNOOC has been exploring the vast seas and oceans for 'black gold' and achieved considerable success. The Company has created many learning and development opportunities for young people like me to gain knowledge and experience. While I am still young, I will work hard and face all opportunities and challenges with gratitude.

Jiang Haimei, CNOOC Research Institute

During the last 30 years, whenever CNOOC made a significant leap forward in its development, it is always the fruits of the labour and expertise of its employees. As someone born in the 1980s, I will certainly carry on and develop the CNOOC spirit of dedication, efficiency and innovation and the fabulous traditional values like diligence and perseverance.

Wang Xin, CNOOC Engineering

I have experienced the fastest growing 10 years in the Company's 30-year history, during which time the natural gas and power generation segment developed out of nothing to be a key business segment. Together with the Company, I share the joy and excitement of growth. I will be putting more passion than ever into providing more domestic supplies of clean energy.

Pei Rong, CNOOC Gas and Power Group





ENERGY SUPPLY

Energy underpins the sustainable development of the human society. It is the duty and responsibility of CNOOC to provide energy for all. By leveraging on technology and management innovation, we strive to utilise offshore oil and gas resources effectively, promote the development of offshore equipment manufacturing and other related industries, develop alternative energies and promote low carbon green growth with the aim of contributing actively to ensuring energy supplies and promoting development of the marine economy.



OIL & GAS EXPLORATION AND DEVELOPMENT

In 2012, we focused tremendously on the exploration and development of new medium and large oil fields. Through innovations in technology and management, we stepped up our research efforts in the study of oil and gas fields and their accumulation patterns. Our oil and gas exploration operations saw significant progress, with record high results for the self-managed ones. We discovered a series of economically exploitable medium and large oil fields, which added an equivalent of nearly 700 million tonnes of oil to the tertiary geological reserves.

Consolidating Energy Reserves

In 2012, we completed a total of 16,100 kilometres and 26,700 square kilometres of 2D and 3D seismic surveys, respectively and drilled 99 exploratory wells in China's seas. To this end, we made 12 commercial discoveries and have successfully evaluated 14 oil- and gas-containing structures. Our self-managed deepwater exploration saw one commercial natural gas discovery. Newly proven coalbed methane reserves amounted to 32 billion cubic metres. With a reserve replacement ratio of more than 100%, we have ensured the sustainable growth of oil and gas production.

Increasing Oil and Gas Production

As we pushed ahead aggressively with the delicacy management of old oil fields for stable production and exploration of potential reserves, we stepped up our efforts to apply conventional measures, commission adjustment wells and to carry out workover operations with the goal of accelerating the development of new oil fields. In 2012, we

drilled 1,376 wells and completed 1,055 wells at home and abroad. Over the past year, we produced a total of 51.86 million tonnes of crude oil, 16.4 billion cubic metres of natural gas and 470 million cubic metres of coalbed methane, of which domestic production of crude oil and natural gas accounted for 38.57 million tonnes and 11.3 billion cubic metres, respectively.

Full-Fledged Deepwater Expansion

As part of our proactive deepwater expansion plan, we set up a steering team to manage and improve our exploration and development operations in China's deep waters, with the purpose of creating a new growth potential for oil and gas production. China's first independently designed and constructed 3,000-metre, sixth-generation deepwater semi-submersible drilling platform, *Hai Yang Shi You 981*, commenced operations in the deepwater area of eastern South China Sea on 9 May 2012 and has successfully drilled three self-managed wells. On the 25th of the same month, *Hai Yang Shi You 201* set sail, to carry out pipe laying operations. These have raised our deepwater operational capabilities remarkably. Additionally, we completed the upgrading and refurbishment of the deepwater semi-submersible drilling platform, Nanhai No. 8, now delivered and commissioned; commenced the construction of the 18,000-tonne launch barge, *Hai Yang Shi You 228*, and 3,000-metre multifunctional underwater engineering vessel, *Hai Yang Shi You 286*, and successfully installed Asia's largest deepwater jacket at the Liwan 3-1 deepwater gas field. These successes have strengthened our abilities to build and install deepwater facilities and created new opportunities for the expansion of China's energy reserves.



Well workover operation on an offshore platform

INTERNATIONAL ENERGY COLLABORATION

With the win-win principle firmly entrenched in our minds, we strengthened collaboration with foreign partners in exploration, mining, trading and various other areas. By leveraging on our advantages in terms of availability of funds, technology, expertise and services, we have continually increased the proportion of overseas business, to raise our overall capabilities for operating globally.

Asset Acquisition

In 2012, we took over three exploration blocks in Uganda from Tulo and signed a series of cooperation framework agreements with BG group regarding the increase in long-term procurement of LNG resources by 5 million tonnes per annum, and in the equity interest held in the up- and mid-stream operations of Curtis. We have also transferred 40% equity interest in Congo's Haute Mer Block A at a premium through an open tender. In the beginning of 2013, we successfully completed the acquisition of the Canadian energy company Nexen. This deal is the largest ever foreign acquisition by a Chinese company.



The signing of a series of cooperation framework agreements with BG Group

Oil and Gas Mining

Our high-risk exploration abroad saw substantive progress. Outside China, we own 26 oil and gas exploration blocks in 13 countries across Asia, Africa, the Americas and Oceania, with an exploration area of approximately 120,000 square kilometres (the Bidas project in Argentina excluded). Over the past year, we completed a total of 1,791 kilometres and 1,538 square kilometres of 2D and 3D seismic surveys, respectively, drilled 40 exploratory wells and made 9 new exploration discoveries.

Construction for our projects abroad, including the Uganda, Nigeria Egina and BG Curtis projects, progressed steadily and sturdily. At the Missan oil fields in Iraq, works on the new facilities for additional production capacity sped up and the site has now entered the cost recovery phase. In 2012, our production of crude oil and natural gas abroad reached 13.29 million tonnes and 5.1 billion cubic metres, respectively.

As we expand our global operations, we also stepped up our efforts in international collaboration. We proactively opened 9 exploration blocks in the central and southern South China Sea for bidding by foreign parties, as well as 26 other blocks for international collaboration. Over the past year, we concluded seven oil contracts. These efforts have seen new results.



The 'Oil City' on the Sea

Engineering Construction

We strengthened our efforts in developing engineering construction projects on the international front. In 2012, we achieved overseas sales of RMB 2.18 billion, participated in various LNG module construction projects (327 in Australia's Woodside, 264 in Russia's Yamal, and more than 50 in Saudi Arabia's Sarb) and joined forces with Kvaerner to bid for the deepwater Browse DTU project. The Ichthys Onshore LNG project, which is our largest ever overseas project with a contract value of more than US\$300 million, progressed smoothly.

We delivered and commissioned the deepwater semi-submersible drilling platform, *COSL Promoter*. The Petroleum Safety Authority Norway (PSA) has granted AOC (Acknowledge of Compliance) to this platform, which is capable of operating

in the Norwegian sector of the North Sea, as well as other sea areas.

We have started construction of the deepwater semi-submersible drilling platform, *COSL Prospector*. This platform meets the operating standards for icy, environmentally friendly and extreme cold conditions and is particularly suitable for the harsh North Sea conditions.

Technology Cooperation

Our project team in Algeria firmly grasped the key breakthroughs regarding precise interpretation and grouping of faults, interpretation of the low resolution images of seismic data collected under desert surface conditions, and precise velocity analysis and time-depth conversion under complex lithological conditions. For the first time in North Africa, the team innovatively employed seismic multi-attribute fusion fault interpretation, four-velocity model, multi-horizon fault interpretation and various other methods to interpret and confirm low-amplitude traps. This helped create an advanced framework for the techniques and methods applicable to the interpretation of such traps. Additionally, the team has played pivotal roles in technology deployment and decision making for the exploration block.

We provided technical support for geological evaluation and storage capacity assessment at 15 shale oil and gas blocks abroad, with the two shale oil blocks in Eagle Beach and Niobrara of the United States as the highlight. At the same time, we carried out in-depth research into unconventional oil and gas, alternative energies, marine power and carbon footprint reduction.

Oil and Gas Imports

In 2012, we continued to increase our imports of oil and gas from more than 20 countries across Europe, the Americas, West Africa, Middle East and Far East. Crude oil imports were 8.22 million tonnes, up 78% from the previous year. Naphtha imports were 310,000 tonnes, up 100% from the previous year. LNG imports were 10.79 million tonnes, which is essentially the same as the previous year. Fuel oil imports were 2.18 million tonnes, an increase of 102%. Condensate imports were 640,000 tonnes, down 63% from the previous year.

ALTERNATIVE ENERGY INDUSTRIES

In line with the overall vision of the national energy strategy, we have always regarded the development of alternative energy industries to provide consumers with a sustainable supply of green energy as a pressing strategic mission. To this end, we have achieved some substantive outcomes.

We have simultaneously implemented various biodiesel production measures. We succeeded in the trial production of biodiesel at a FAME processing facility, which has the world's highest production capacity for a single facility and a design capacity of 270,000 million tonnes per annum. Additionally, by tackling the technical issues about the key equipment, we succeeded in the first trial production of biodiesel from waste cooking oil at two biodiesel facilities, the success of which will contribute to reducing raw material cost by at least RMB 1,000 per tonne.

Our wind farm operations have scaled some new heights. As a result of our enhanced delicacy management of the four wind farms, we have managed to keep the annual availability rates of all wind turbine generators at more than 99%, and that of key equipment at more than 99.2%. Over the past

year, wind power production reached 670 million kWh, up 26% from the previous year. Gansu Changma Phase 2 Wind Farm received the honour of a Friendly Wind Farm from Gansu Electric Power Company of SGCC (State Grid Corporation of China), thus becoming the pacesetter among the wind power companies at the 10 million kilowatt wind power base in the city of Jiuquan.

The market outlook for the battery business is good. Our subsidiary, Lishen Battery is the largest lithium ion battery manufacturer in China and the fifth ranked internationally in terms of the battery market share. Their sales and marketing network now covers Europe, North America and Asia. Thanks to the Energy Conservation and New Energy Vehicle Development Plan (2012–2020), the pilot projects in the cities of Tianjin, Qingdao and Guangzhou were ready to be launched. The first batch of 60 motive battery packs powered 40 electric buses for their pilot operations in Tianjin. Through collaboration with the US-based Coda Automotive, they managed to clinch an order for 400 packs of power batteries.



A 'Friendly Wind Farm' on the great grassland

ENERGY SUPPLY NETWORK

As we proactively push ahead with the development of our sales and marketing network, we strengthened our abilities to develop new customers, research market, pricing and industrial trends, obtain resources and coordinate sales activities. In doing so, we strive to ensure energy supplies to the market, with a focus on the 'Two Deltas and One Bay' (i.e. Pearl River Delta, Yangtze River Delta and Bohai Bay) and 'One River and Two Railway Lines' (i.e. Yangtze River, Beijing-Kowloon Railway and Beijing-Guangzhou Railway) regions.

In 2012, despite the unfavourable context of weak recovery of the global economy, the economic slowdown in China and insufficient domestic demand, we continued to make persistent efforts to gain a foothold in the market, grasp the general trends, operate soundly, innovate proactively on sales and marketing techniques, and exploit sales potential continuously. Over the past year, the cumulative sales of

chemical products and refined oil were 14.27 million tonnes, of which refined oil accounted for 10.21 million tonnes, with 48% from direct sales and 13% from retail sales.



Nantong Huasheng Oil Storage Warehouses



In 2012, the development of our sales and marketing network for refined oil and chemical products entered the optimisation, integration and overall enhancement phase. As at the end of 2012, we have set up sales companies in 11 province-level regions (Guangdong, Shandong, Jiangsu, Hubei, Hunan, Liaoning, Sichuan, Shanghai, Tianjin, Beijing and Hong Kong Special Administrative Region) and 24 prefecture-level cities. Additionally, we stepped up efforts to build oil storage warehouses, service stations and other terminal facilities. At the end of 2012, we own 36 oil storage warehouses with a total capacity of 1.03 million cubic metres and 356 service stations.

Oil Storage

In 2012, we made proactive efforts, from strategic decision making all the way through to actual implementation, to build storage facilities for imported crude oil. The 800,000 cubic metre bonded warehouse at the Daya Bay Petrochemical Industrial Zone in Huizhou commenced operations, charged with the mission of storing the national crude oil reserves. We have started construction work for the project on 1.2 million cubic metre crude oil storage tanks and the associated ancillary facilities of the petrochemical warehouse at the Western Harbour of Yantai Port in Shandong province, the project on 600,000 cubic metre crude oil and fuel oil storage tank and 90,000 cubic metre refined oil storage tank areas of the oil products warehouse at Xiaotian Bay of Daxie

Development Zone in the city of Ningbo in Zhejiang province, and the project of 10 million cubic metre crude oil reserve storage and the supporting port facilities of the warehouse in the city of Ningde in Fujian province.

Natural Gas

Under the guidance of the differentiation strategy, we optimised our business development through an in-depth analysis of the market, strategies of the competition, and customers' demand. We accelerated the development of our network of gas stations for vehicles and vessels and steadily expanded into the natural gas market.



Zhongshan Chengnan Qiaozhuang Gas Station

CASE

Our Response to the National Oil Storage Strategy



In order to ensure the security of the nation's energy supply, we converted the eight extra storage tanks at the Crude Oil Storage Tank Area of Daya Bay Petrochemical Industrial Zone in Huizhou to a bonded warehouse for storing the national crude oil reserves. On 30 August 2012, the 800,000 cubic metre facility commenced operations. With this, we have reached a new level in our ability to store crude oil on behalf of the State, and this marked a significant milestone in our development.

We now have a network of gas stations in 21 provinces and 70 prefecture-level cities serving heavy trucks, school buses, garbage trucks and other natural gas-powered vehicles. Meanwhile, 116 gas stations are under construction. The cumulative number of vehicles that benefited from our service reached 10,895. In the case of vessels, we adhere to the principle of steady expansion with pilot trials as the starting point. We have trialled the use of LNG as the fuel to power 20 fishing vessels in Tianjin, as well as designed and built standard LNG-powered fishing vessels in Guangxi. To ensure the security of resources for a stable supply of natural gas and continuously improve our emergency response capability, we have stepped up efforts in developing resources for domestic production of LNG from coalbed methane and coke oven gas, as well as explored and established a framework for the vehicle and vessel gas refuelling industry that will ensure the provision of resources in times of emergencies.

Additionally, we generated electricity from natural gas and increased fuel utilisation further to 58-65% through the adoption of a technology involving the combined circulation

of natural gas, fuel gas and steam. We have built and are operating natural gas-fired power stations, mainly in the provinces of Guangdong, Fujian and Hainan. Installed capacity of power stations in operation reached 4.8 million kilowatts, of which 3.63 million kilowatts are under our control and has made us the domestic market leader in this aspect.

Asphalt

Sales of our CNOOC 36-1 line of asphalt products saw rapid growth in scale and continuous expansion of market coverage. In 2012, we steered business development by ensuring supply to key projects, increased the market influence of the CNOOC 36-1 brand through the implementation of key projects, won tenders for 12 main highway projects in China through independent or authorised tenders, and made breakthroughs in the market for asphalt used in the construction of airport runways. This line of products now covers markets in 30 provinces and municipalities. With a good growth potential, it has successfully extended our industry and value chains.



CNOOC 36-1 asphalt paves Chang'an Avenue

ENERGY TECHNOLOGY INNOVATION

We made continuous efforts to improve our technology management policies and technology talent incentive scheme. We have, for the first time, carried out a project across all 32 research institutions within the corporation to assess their innovation capabilities. We have also made proactive efforts to push ahead with the rapid transformation and commercialisation of technological achievements.

Over the past year, we conducted research on 320 planned technology topics and launched 26 key science and technology projects in the Twelfth Five-Year Plan scope with a focus on 18 core domains. Six research projects within the National 863 Programme framework, including the *Critical High-Resolution Deepwater Seismic Technology Research* and the *Deepwater Pipe Laying Technology*, passed checks and received acceptance by the State authorities.

In 2012, we received the second prize of the State Scientific and Technological Progress Awards for our achievements in the development of the key technology for well cluster

configurations at Suizhong 36-1 offshore oil field, won Scientific and Technological Achievement Awards at the provincial and ministerial level for 22 achievements and awards from the trade associations for 19 achievements. The 2012 CNOOC Scientific and Technological Achievement Awards went to 36 achievements. He Baosheng of CNOOC Research Institute won the 21st Sun Yueqi Youth Science and Technology Award.

Over the past year, we successfully filed a total of 570 patent applications, including 210 for inventions and received 497 new patents, including 201 for inventions, bringing our patent achievements to a record high. We published a total of 103 sets of technical standards comprising 3 sets of national standards, 60 sets of industry standards and 40 sets of corporate standards. We have also received seven awards for the achievements of our QC teams in the petroleum and petrochemical industries. The Panyu Project Team, a Zero Defects QC team received the honour of *National Excellent Team*.

Geophysical Technology	The preliminary application of our independently developed Hai Liang high-resolution seismic data collection system was successful. The Enhanced Formation Dynamic Tester (EFDT) set a new record in China for formation testing operations and completed operations successively in Iraq, Myanmar and Indonesia.
Development and Mining Technology	The multi-component thermal fluid thermal recovery technology has effectively increased the daily oil production and serves as a demonstration of our capabilities. Research into key technologies for exploration and development of low porosity and permeability oil and gas fields saw significant progress and resulted in a series of technology for well drilling and completion and reservoir reconstruction and fracking, along with their supporting technologies.
Well Drilling Technology	The first experiment for enhanced-efficiency drilling and completion of unconventional-size slim holes in the Bohai Bay was successful. The low-density (1.2 g/cm ³) grouting technology has successfully resolved various technical issues, including cementing under complex pressure conditions.
Offshore Engineering Technology	The trial production of the first umbilical cable for underwater production system in China was successful. The high-efficiency pipe production line of CNOOC Engineering has formally gone into production and increased production efficiency by 110%.
Unconventional Oil and Gas Research	We have evaluated various shale oil and gas projects in North America, Europe and Australia as well as shale gas projects in China. We undertook the national key project for shale gas research. We carried out tests on the combined mining of coalbed methane, shale gas and tight gas.
Refining Technology	Our non-hydrorefining catalyst for reformate operation, which we have independent patent rights, has met advanced international standards and seen industrial use.
Cold Energy Utilisation Technology	Our technologies for synthesis of butyl rubber and air separation using LNG cold energy received three national invention patents and 34 utility model patents.

EXPLORING DEEPWATER RESOURCES

Deepwater Operations

On 9 May 2012, China's first independently designed and constructed deepwater sixth-generation semi-submersible drilling platform, *Hai Yang Shi You 981*, successfully commenced operations at 1,500-metre deep strata in the Liwan area of South China Sea. This marked a milestone in the implementation of the deepwater strategy of China's offshore oil industry. In 2012, we independently completed the drilling of three deepwater exploratory wells.

Deepwater Facilities

In line with our facility development strategy of structural adjustment, deepwater expansion and high-end quality, we continually improve the level of localisation of equipment and facilities. We have formed strategic alliances and long-term partnerships with domestic companies for reciprocity and encouraged the growth of the related Chinese industries.

With the *Hai Yang Shi You 981* platform at the core, we created a joint deepwater operating fleet consisting of six vessels with specific functions and capable of operating at a depth of up to 3,000 metres. This signified that China's capabilities in deepwater oil & gas exploration and development and expertise in building large offshore facilities are now on par with international standards. In 2012, we delivered *COSL Promoter* and started construction of *COSL Prospector*.

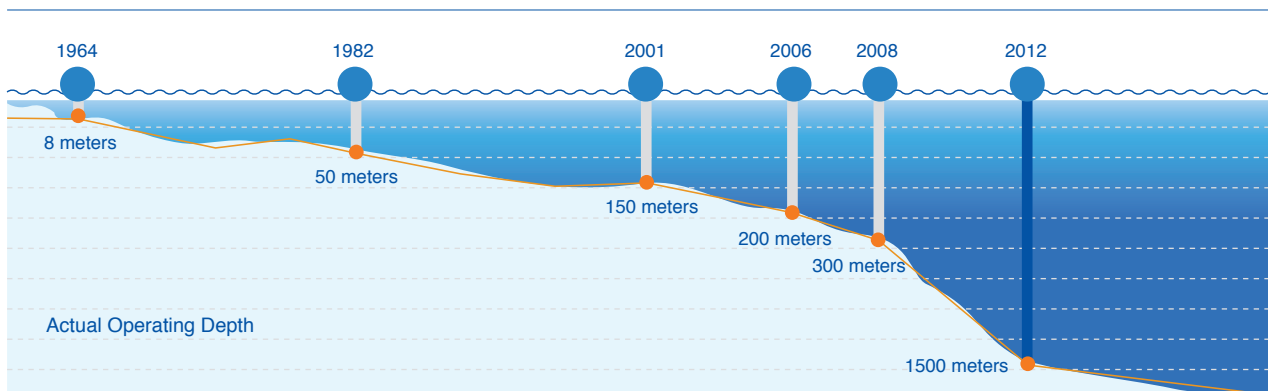
Deepwater Technology

In 2012, six research projects within the National 863 Programme framework, which we undertook, including the Critical High-Resolution Deepwater Seismic Technology Research, the *Deepwater Pipe Laying Technology* and the *Research on the Key Technology and Equipment for Deepwater Surface Drilling*, successfully passed checks and received acceptance by the State authorities. The State Energy Bureau accredited CNOOC Deepwater Engineering Technology Centre as a national centre.

We are capable of providing an integrated suite of deepwater pipeline technical services. The completion and operation of the multifunctional environmental protection vessel, *Hai Yang Shi You 255/256* enabled us to be equipped with the capability, to respond to deepwater oil spill emergencies.

Deepwater Expertise

As we continually improve the deepwater expertise development programme, we accelerated the construction of a deepwater operations team. We used *Hai Yang Shi You 981*, *Hai Yang Shi You 720* and other deepwater facilities as the base to speed up the training of deepwater operation capabilities. We have also accelerated the attraction of high-end deepwater professionals for core job functions, to provide support for our operational expansion to the deeper waters.



Hai Yang Shi You 981



Hai Yang Shi You 720



Hai Yang Shi You 708



Hai Yang Shi You 681/682



Hai Yang Shi You 201

EXPANSION OF LNG INDUSTRY CHAIN

Liquefied natural gas (LNG) is a liquid that forms when natural gas cools to -162°C under atmospheric pressure. This shrinks the volume of the gas by 600 times and gives it significant advantages in terms of safety, environmental friendliness and ease of storage or transport. The liquefaction process removes harmful gases and other impurities, and after regasification, LNG becomes a colourless, odourless, non-toxic and non-corrosive gas, making it one of the cleanest energy. Nitrogen oxide and carbon dioxide emissions from natural gas-fired power stations are only respectively 20% and 50% of that from coal-fired power stations.

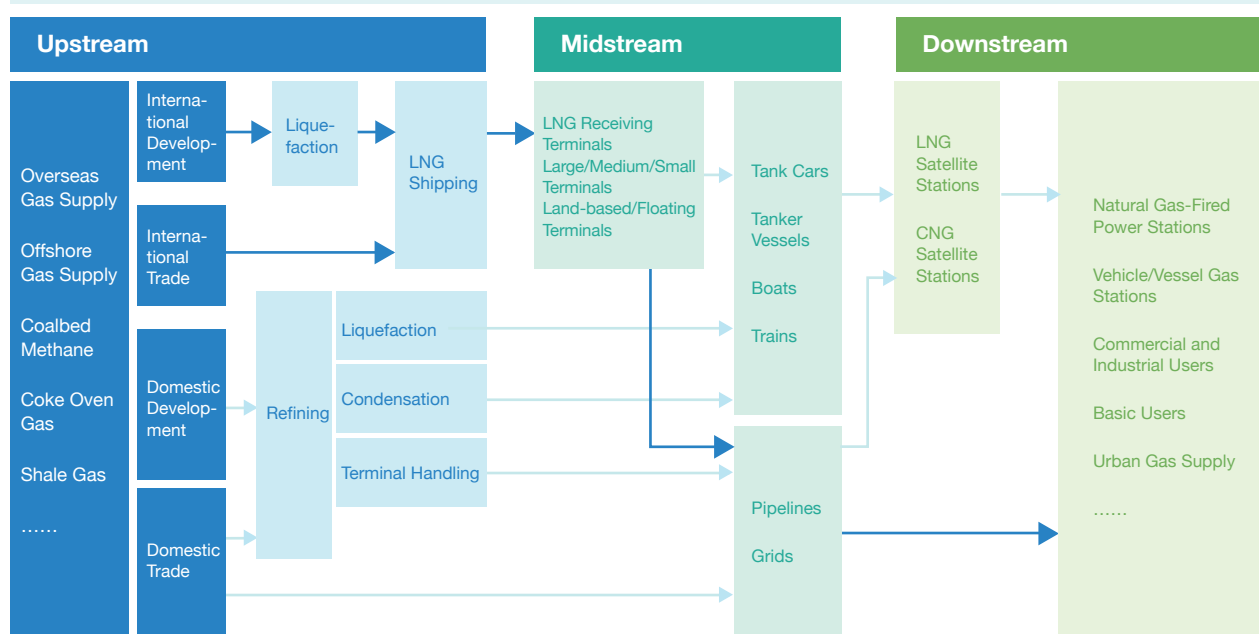
In order to ensure a sustainable supply of LNG, we have implemented a vertical integration strategy in which we invest in the whole industry chain. Apart from our existing operations, including LNG receiving terminals, natural gas pipelines and natural gas-fired power generation, we also extended downstream to participate in supply, distribution and sales, and upstream to exploration, development, liquefaction and other areas. We have proactively expanded our operations to exploration and development of LNG resources overseas and

unconventional natural gas in China.

Under the guidance of the vertical integration strategy, we took the lead in signing long-term procurement and sales agreements for LNG resources, and completed and started operations of China's first LNG receiving terminal. Additionally, we were the first to convert power station boilers across China from oil-firing to natural gas-firing, and took the lead in completing the construction of vehicle service stations and a demonstration base for the utilisation of LNG cold energy. These have helped us promote the burgeoning growth of the related industries and play a vital role in the areas of energy utilisation and conservation and emissions reduction in China.

Through effective synergies and complementarities between the up- and downstream of the industry chain, we are gradually establishing the foundations for the sustainability of alternative energy industries and creating a framework for a clean energy industry cluster with the aim of contributing to ensuring the sustainable, reliable and sufficient supply of clean energy to the coastal and near-coastal areas of China.

Layout of the LNG Industry Chain of CNOOC Gas and Power Group





QHSE

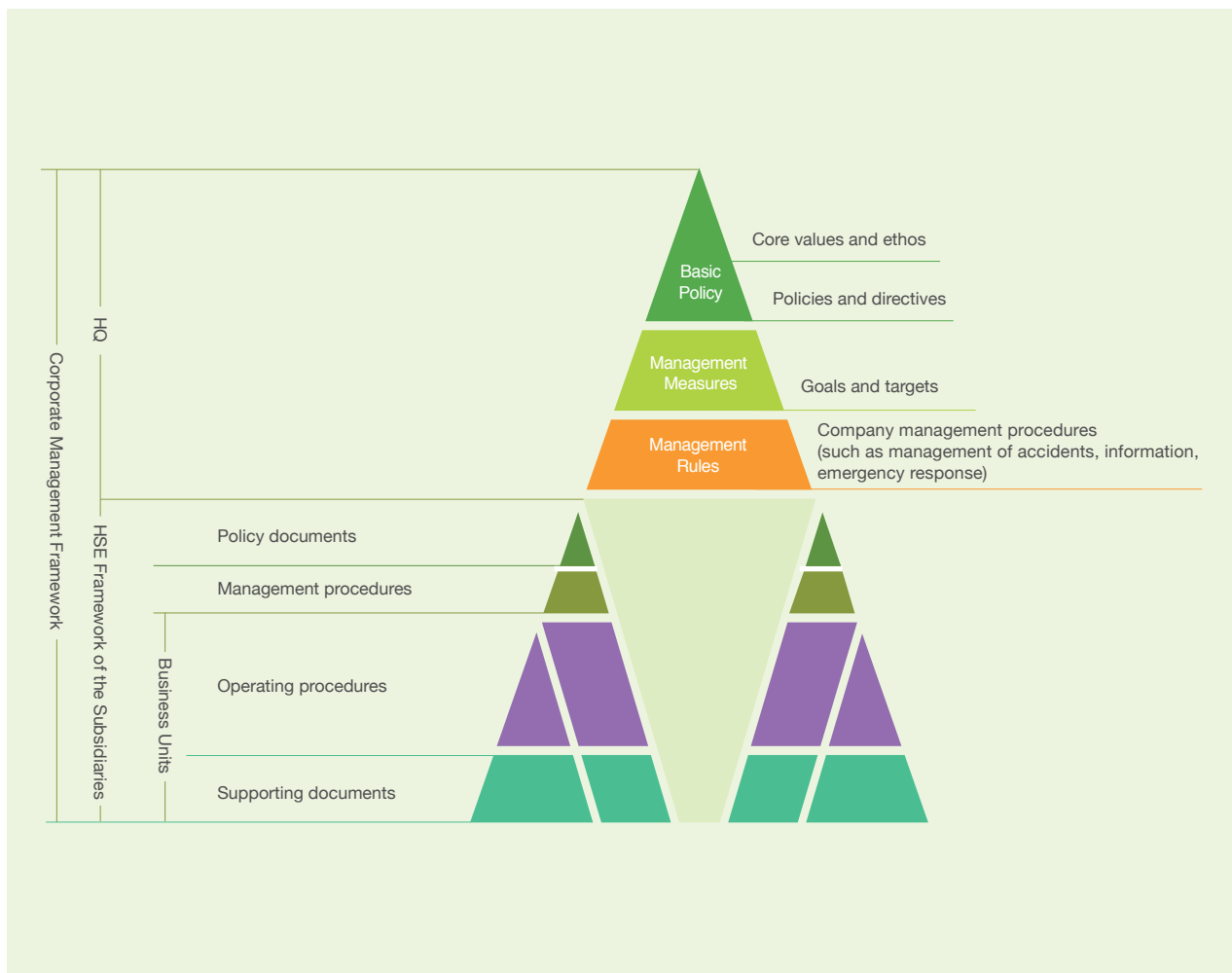
Caring for people and protecting the environment are integral to ensuring the creation of a good life. In order to improve the level of intrinsic safety and protect the ecological environment, we have been implementing the QHSE accountability system across all levels of the corporation, paying attention to the occupational health of employees, providing products and services with higher quality, and adhering to safe and environmentally-friendly production practices as we continue to push ahead with the development of the QHSE management framework.

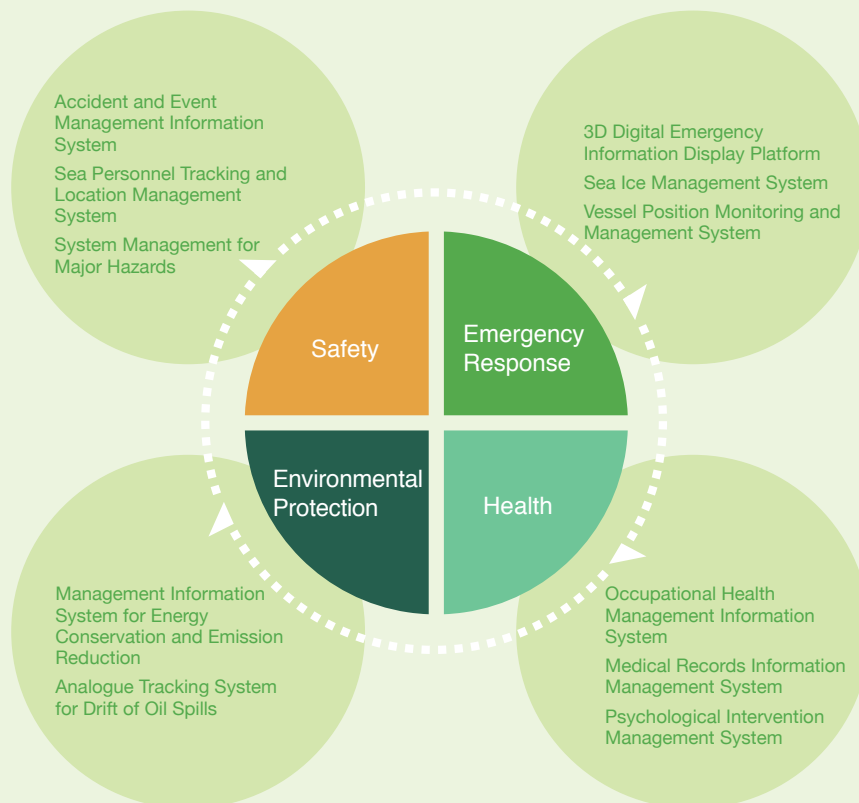


MANAGEMENT FRAMEWORK

As we continuously improve our quality, health, safety and environmental (QHSE) management framework, we have established 20 management measures and 41 supporting implementation rules covering areas including hazard identification and risk assessment, quality management, occupational health management, emergency management, accident and hazard management, and the HSE (Health, Safety and Environment) management of construction projects, merger and acquisition projects, contractors and overseas projects. In doing so, we have effectively put our QHSE efforts on track towards systemisation, institutionalisation, standardisation and normalisation.

We adhere firmly to the principle of developing safely by having preventive measures in place. In line with this, we have proactively explored the use of information technology to achieve a three-tier centralised management control model, based on four types of applications, that gradually integrates QHSE management seamlessly with information systems.





Our HSE Ethos

- ◇ HSE underpins the survival and guarantees the development of the Company;
- ◇ HSE management is an economic and a social responsibility;
- ◇ Employees are our most valuable resource and asset, and we should put them at the heart of what we do and care for their lives;
- ◇ Goals can only be achieved with action;
- ◇ To implement institutionalised management with continuous improvements and a firm belief that 'there is no best, only better';
- ◇ To pay attention to details and control risks with safety to-dos and no-nos;
- ◇ To manage contractors and achieve win-win outcomes by sharing information and experience with them;
- ◇ To protect the environment and resources by using clean and harmless materials and energy;
- ◇ To strive to be a pioneer in quality and raise industry standards while complying with statutory regulations and industry standards; and
- ◇ HSE is a comprehensive reflection of a company's overall quality.

QUALITY MANAGEMENT

We manage and control the quality of our products and services strictly in accordance with high standards, with the purpose of raising our core competitiveness through the creation of established brands, and building a good reputation through the delivery of quality customer services. Now, with a complete set of product certifications in place, combined with delivery of exceptional services, we have managed to create several established brands. Our market influence is constantly increasing.

In our control of quality, we adhere to the directives of putting people and safety first, maintaining the integrity and abiding by the law, strengthening the foundations with innovations, and achieving success through quality. As we strive toward improving the overall standard of our quality management, we

Quality Management Directives

- ◇ People orientation: The value orientation for quality development
- ◇ Safety first: A basic requirement for quality development
- ◇ Integrity and compliance: An important cornerstone for quality development
- ◇ Strong foundations: A necessary condition for quality development
- ◇ Innovation: A powerful force for driving quality development
- ◇ Quality for success: A core concept for quality development

understand that product quality is a strategy, foundation and support for creating competitive advantages. In achieving this, we have enhanced the core competitiveness of our products, the corporation and the industry.

In 2012, we promulgated the CNOOC Quality Management Plan for the Twelfth Five-Year Plan Period, in which we identified nine tasks for implementation during the specified period, as well as the measures for establishing management responsibilities, creating a framework for the relevant expertise, and investing in quality management.

Quality Management Tasks

- ◇ To develop a quality management framework;
- ◇ To improve the supervision and management of the quality of equipment and facilities;
- ◇ To improve the quality management process of internal inspection and rating institutions;
- ◇ To improve the quality assurance and control process for suppliers;
- ◇ To improve the training and certification processes;
- ◇ To promote advanced quality management methods;
- ◇ To build a quality management information platform;
- ◇ To work on developing established brands; and
- ◇ To carry out a quality management exercise across the corporation.



CNOOC Huizhou Refining & Petrochemicals Company

Product Quality

It is our commitment to deliver exceptional quality and customer satisfaction. By increasing the overall awareness of quality management among all employees, we strive to achieve high standards of excellence in our products, projects and services in order to meet the ever-increasing customer demands for quality.

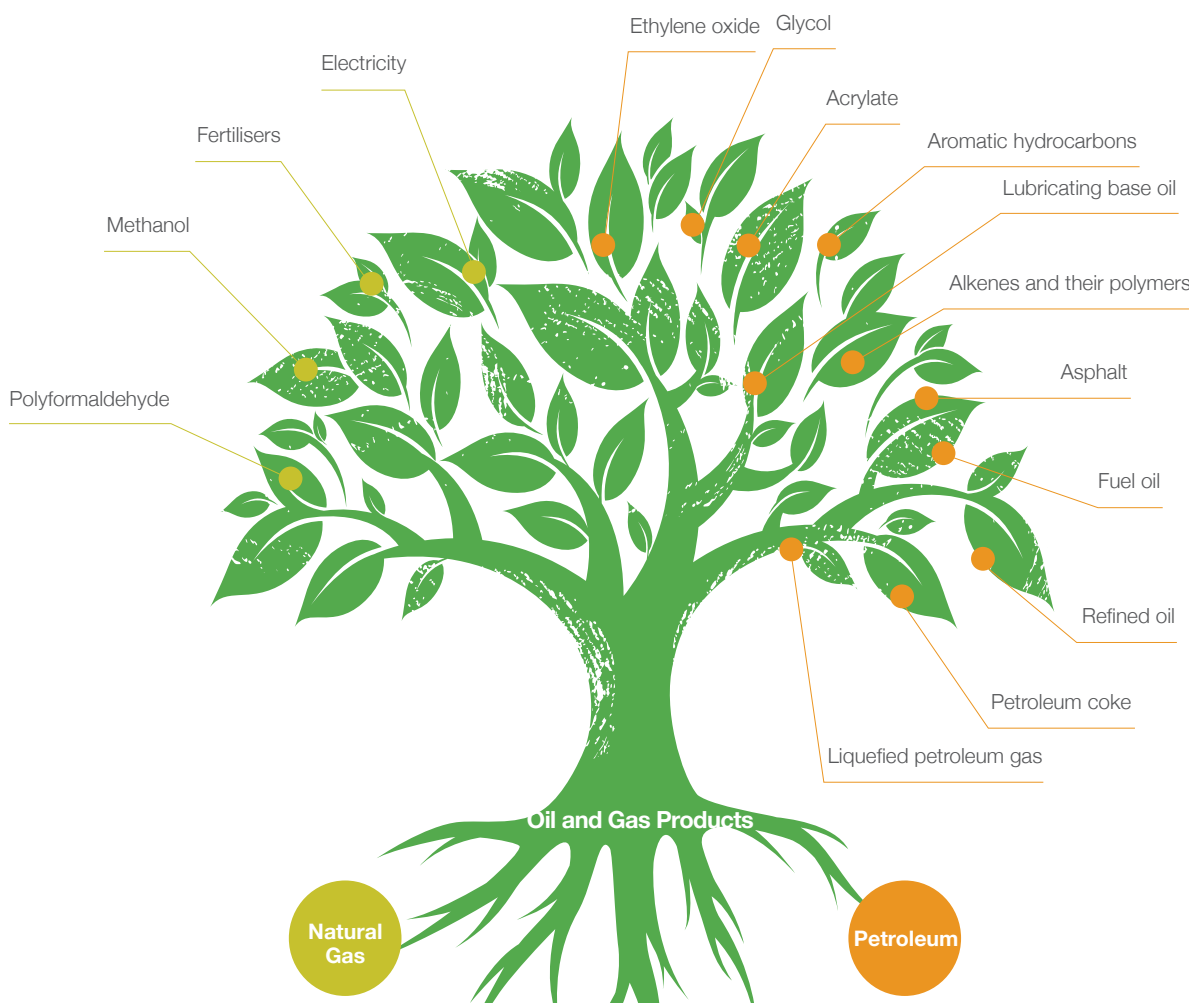
Quality Management Framework

As part of the on-going effort to improve our quality management framework, we have developed various implementation rules,

including management of the reporting of quality exception information, activities of the quality management team, and the quality of petrol and diesel products for vehicles. We have also revised some of the policies and procedures, including those for metrological and oil product quality management.

High Quality Products

Boasting a good reputation for our premium refined oil quality and Euro V-compliant diesel, we are a supplier of the Shanghai World Expo and Guangzhou Asian Games and provide the market with Euro V-compliant petrol. Sales of our 15 mature lines of asphalt products, including heavy-duty,



hard, hydraulic, emulsified, SBS-modified, rubber-modified, epoxy, high viscosity and elasticity, warm-mix and airport asphalts, cover markets both at home and worldwide. Special-purpose coatings saw their successful use in the conventional islands of some of the nuclear stations, the Shenzhou 9 spacecraft and large aircraft projects in China and have gained user acceptance. TCDTO-1, CNOOC's first independently researched and developed high-efficiency catalyst for the refining of aromatic hydrocarbons demonstrated outstanding capability in the thorough removal of olefins during its operational use at Huizhou Refinery. This has taken its quality to a level on par with world-leading standards. ELIS, our independently researched and developed conventional cable-based well logging device has fully entered the field of well exploration in China and seen its use in projects in Myanmar, Philippines, Indonesia, Iraq and other overseas locations. At the same time, its sales have reached Canada and India. Our customers have rated this device as a high quality and stable product with good after-sales technical support in place.

Supervision and Management

It is our commitment to increase awareness of quality management among all employees and lay down the responsibilities for quality supervision. We have been raising the quality supervision standards by understanding and learning from the experience of others at home and abroad. We have also been conducting various product quality-related inspections regularly, to crack down on accidents resulting from quality issues.

Our subsidiaries have established a dynamic monitoring protocol for the quality of crude oil and systematically adjusted the process parameters and production conditions, to ensure the quality of refined products. By addressing the root causes of refined oil quality issues, increasing efforts on inspecting the quality of oil products and imposing strict controls on the transportation process, we have managed to ensure the quality of petrol and diesel products sold. In 2012, we increased our efforts on personnel training and equipment investments, strengthened the joint inspection and evaluation as well as annual inspection of product quality, and improved the basic metrology process for quality control. In all inspections by the national authorities so far, the metrological accuracy of equipment at our oil storage warehouses and

service stations and the pass rate from random inspections of oil product quality have been 100%.

Brand Building

As part of the on-going effort to improve the management and development of our portfolio of brands, we have been increasing their intrinsic value and steadily enhancing their visibility. In order to lay a solid foundation for improving our management capabilities, we have set up a set of CNOOC-specific management protocols, as well as built a collaborative management platform through establishing and improving the management framework.

In early 2012, we trialled the implementation of the collaborative brand management platform, which is a resource sharing system that integrates the management framework, the planning, operation, supervision and feedback of key projects, as well as analysis of classic case studies, to improve management efficiency.

After nearly a decade of development, our suite of asphalt products has become the top national brand for heavy-duty asphalt. The CNOOC 36-1 asphalt product line received accreditation as the 2012 Established, Branded Product of the Chinese Petroleum and Chemical Industry. Lishen's batteries have garnered a high level of recognition with a satisfaction level of 84.55% from Samsung, Apple, TTI, Vodafone and other international clients. The internationally well-known Fudao's phosphate fertilisers and Sakefu's compound fertilisers now reach out to customers in the United States, Japan, Australia, South Africa and other high-end markets.

CASE**CNOOC 36-1 Asphalt Paves a 'Black Runway'**

CNOOC 36-1 is a well-known brand in China for asphalt products, which have seen their use in the Chang'an Avenue Upgrading Project, Yangtze Three Gorges Dam Project, Maintenance and Upgrading Project for Beijing Capital International Airport, Road Infrastructure Construction Project for Beijing 2008 Olympic Games, and other national key construction projects. In 2001, the brand broke the record of zero international trade in China for heavy-duty asphalt. Since then, it has seen sales to South Korea, Chad, Australia, Equatorial Guinea, Madagascar, Brazil and other countries and will be seeing its use in the construction of facilities for the Brazil 2014 World Cup and the Rio 2016 Olympic Games. These have helped pave a 'black runway' for Chinese asphalt brands to take off and 'fly' to the world market.

**CASE****Small Batteries Help Lishen Make it Big**

Tianjin Lishen Battery Joint-Stock Co., Ltd., a subsidiary of CNOOC, is a company engaged in the professional research and development, production and sales of lithium-ion batteries. It is the commitment of Lishen Battery to provide their customers with total power supply solutions. Lishen Battery is the largest lithium-ion battery manufacturer in China and the fifth-ranked internationally in terms of market share. The 'Lishen' brand has received accreditation as a China Famous Brand and a Chinese Well-Known Trademark. In March 2012, Lishen Battery became one of China's first batch of 141 companies for a pilot trial in the development of industrial corporate branding.

In 2012, Lishen Battery strived to serve high-end customers and provide them with technical support and logistics services. Their sales and marketing network now covers Europe, North America, Europe and other countries or regions. Customers include global giants such as Apple, Samsung, Motorola, LG, Dell, HP, Nokia, TTI, BDK and Vodafone, as well as Chinese industry-leading companies such as Lenovo, Huawei, ZTE and TCL.

CASE**Three Major Chemical Fertiliser Brands Provide National Agriculture Support**

By leveraging on our existing foundations in the fertiliser industry and the image of the three major domestically well-known brands, Fudao, Tianye and Sakefu, we have been promoting the adoption of soil testing formula and scientific use of fertilisers, which has garnered widespread acceptance from the farming community. While our fertilisers continue to play an active role in supporting China's agriculture, both our industrial and brand influences remain on an upward trend.

Service Quality

Operating with the principle of putting integrity and customers at the heart of what we do, we have created a professional and delicate customer service framework by segmenting our prospective customers in the industrial chain into groups and understanding their needs and requirements based on market analysis and orientation. In doing so, we managed to maintain and strengthen our relationships with customers, consolidate our traditional market share, and garner the trust and support of customers. With a good image and reputation in the industry and an ever-increasing level of customer satisfaction, we now have a firm customer base.

CASE

COSL 'Enables Us to Serve our Customers Better'

China Oilfield Services Limited (COSL) owns China's largest group of offshore oilfield service facilities and is capable of providing standalone services, as well as total integrated or general contracting services. In 2012, COSL received a total of 8 letters from customers regarding their appreciation or regards for the geophysical operations units or individual employees. Performance assessment of customer satisfaction towards geophysical services was good overall. There was no receipt of complaints on operational quality. With 440 customer satisfaction survey forms received, 224 customers visited and 137 letters of appreciation received, the Well Drilling Services Unit garnered an excellent overall customer satisfaction level. The Vessel Services Unit received a total of 53 letters of appreciation for as many as 57 vessels. The vessel, *BIN HAI*



253 received the BOAT STAR FOR 2011 award from ConocoPhillips China, and each of two other vessels, *BIN HAI 268* and *Hai Yang Shi You 654* received an Excellent Service Award from Anadarko Petroleum. The Oilfield Technical Services and Chemical Services Units respectively recorded a total of 54 and 90 customer visits and have garnered a high level of endorsement and consistent praise from customers. Transportation operations for crude oil and chemical products were orderly with excellent customer satisfaction and no major safety accidents.

CASE

Fifty Hours Battle Shows True Friendship

"If not for CNOOC sparing no effort to help us last night, I am afraid our factory in Zhuhai would have been on the verge of production halt. As the saying goes, a friend in need is a friend indeed. On behalf of BP, I hereby express our gratitude to CNOOC for all your support to our business..."

In the night of the 22nd of October, CNOOC received an emergency call for assistance from BP Asia's Hong Kong-based PX (Paraxylene) Procurement Director and Shanghai-based Regional Procurement Manager for China. According to them, the vessel shipping their imported materials met with an accident, and as a result, their PTA factory in Zhuhai was facing a pressing shortage of PX raw materials and was at risk of a production halt on the 25th. Immediately after receiving the request, CNOOC initiated the customer emergency response process and raced against the clock in preparing the materials required by BP from various sources. At 9:10 pm on the 24th, the vessel, *FENG FAN 17* carried 6,770 tonnes of PX and reached the harbour of BP's factory in Zhuhai. After 50 hours of battle, we finally delivered the required emergency response service with success.

OCCUPATIONAL HEALTH

While we respect the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, in earnest, we pay attention to occupational health management and put the safety and wellbeing of our employees at the forefront. We keep close track of changes in the national occupational health regulations on construction projects, workplace, occupations such as occupational health surveillance, and other related areas. We have implemented the Occupational Health Management Measures, Implementation Rules for Assessment, Review and Inspection of Occupational Disease Hazards at Construction Projects, and Health Management Rules for Offshore Workers. These measures and rules focused on the identification, analysis and control of occupational disease risk factors with the purpose of improving the workplace environment and taking active measures to protect the health of employees.

Construction Projects Occupational Health Management

We implement the preliminary assessment, design of protective facilities, assessment of the effects of control measures, and inspection of completed protective facilities for occupational disease hazards strictly in accordance with the applicable laws and regulations. We have, in 2012, reviewed 9 preliminary assessment reports as well as reviewed assessment reports on the effects of control measures and inspected the completed protective facilities for occupational disease hazards at 3 projects. Additionally, we set forth new requirements on the assessment of the effects of control measures for occupational disease hazards in accordance with the instructions of SAWS.

Workplace Occupational Health Management

In 2012, we implemented across the board, the CNOOC Occupational Health Management System with computerised management and query functions. Integrated with occupational health tracking for construction projects, a standard self-assessment system for the occupational health management of large companies, and a database of laws and regulations, the system enables occupational health managers across all levels to be in the loop about the management status in their unit. According to the statistical records of the system, the coverage rate of occupational health physical examination and records, and the implementation rate of regular inspection for

workplace occupational disease risk factors were 99.2% and 97.25%, respectively. Over the past year, there was no case of occupational disease.

Occupational Health Awareness Campaigns and Training

We have put in considerable efforts to carry out campaigns on the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, to increase awareness among employees regarding the prevention and control of occupational diseases, and disseminate the related health information.

Occupational health management is an essential component of QHSE training in all our business units. Additionally, we stepped up efforts on carrying out training on-site for the management, occupational health managers and technical operators of the various companies, to promote proper practices for the management of occupational health and the prevention and control of occupational disease hazards.

Offshore Medical Rescue Capabilities Improvement

Our hospitals, the CNOOC General Hospital and the Worker's Hospital of CNOOC Nanhai West Corporation assume the responsibilities of providing medical assistance, field emergency medical service, routine diagnosis and treatment, healthcare, prevention and treatment of communicable diseases and food poisoning, and health awareness and education. Additionally, the Occupational Health Service Centres of both hospitals hold accreditation as a National Grade A Assessor for Occupational Disease Hazards, which enables them to perform assessments for the occupational disease hazards of offshore oil operations, and regular assessments for occupational disease risk factors. The Offshore Medical Rescue Centre of CNOOC General Hospital is currently the largest field emergency medical service provider in China with a complete management framework and the most professional field service, as well as a medical institution with the most number of diving doctors. With a fast-responding emergency logistics support system for offshore operations in place, the Centre attends to more than 50,000 patients every year. This has effectively ensured normal offshore oil operations and the safety of on-sea and undersea operations.

OPERATIONAL SAFETY

The offshore oil industry is a high-risk one. As such, we always consider production safety to be the lifeblood of our corporate development. We have never relaxed our grip on safety management. As we strive to build a superior operational quality and safety management system, we have created a safety culture with five to-dos and no-nos firmly entrenched in our minds and been putting considerable effort into developing a safety management framework, increasing our efforts on eliminating, investigating and managing safety hazards, and pushing ahead with the development of an emergency management framework.

Production Safety

Production safety is a key component of corporate social responsibilities and the basic guarantee for corporate sustainability. It is our belief that ensuring safe production and increasing safety awareness among all employees are never-ending processes. With this in mind, we have been committing ourselves to provide our employees and those of our contractors with a safe working environment.

We intensified our efforts in creating and enforcing production safety standards, with basic requirements to be met across

the board at the corporate, operational and professional levels. Out of the 64 subsidiaries that need to be assessed, 43 already met requirements. While enforcing production safety according to government rules and regulations and the industry standards, we have managed to strengthen our work in this area further.

As part of the effort to push ahead with the development of a safety management framework, we reviewed the frameworks of Hubei Dayukou Chemical, CNOOC Southeast Asia, CNOOC Petrochemicals, CNOOC Engineering (Qingdao) and other subsidiaries.

While intensifying the initial management of production safety, we compiled the CNOOC Guidelines on Preparing Preliminary Safety Assessments of Oil and Gas Facility Upgrading and Expansion Projects, to standardise the preparation and review of preliminary project safety assessments.

We have stepped up our supervision and inspection efforts on production safety. For instance, we conducted pre-drilling safety inspections at the project sites in Myanmar, Canada, Southeast Asia and other locations, as well as several such inspections on *Hai Yang Shi You 981*. We have also reviewed the safety practices of our diving and helicopter contractors.



An employee on duty in Fujian putting extra effort during an inspection tour to ensure adequate LNG supplies for winter

On the basis of self-inspection, we conducted joint safety inspections on oil storage warehouses together with seven ministries and commissions including SAWS, in which we focused on random inspections of the Huizhou National Oil Storage Warehouse Project, Huizhou Refinery Project, Nantong Huasheng Oil Storage Warehouse, Dongguan Lisha Oil Storage Warehouse and the Shenzhen Yiwan Oil Storage Warehouse. After completing each inspection, we submitted the results, along with the status of any rectification measures, promptly to SAWS.

Over the past year, we had 117 cases of recordable injuries, no accident cases involving employee fatalities, and 2 accident cases involving contractor fatalities (2 employees of our contractors died). With no incidence of serious accidents and a significant drop in the number of ordinary accidents during the year, we have ensured the stable and orderly progress of our production safety work. In 2012, CNOOC Gas and Power Group received the honour of an Excellent Operating Company in the Production Safety Month.

We have been proactive in urging Huizhou Refinery to make changes to safety measures following the explosion incident on 11 July 2011. This work is now essentially complete. Through accident investigation report, three-dimensional accident simulation, conferences, training and other means, we required all operating units across the corporation to learn the lessons from the incident and crack down on the potential occurrence of similar incidents.

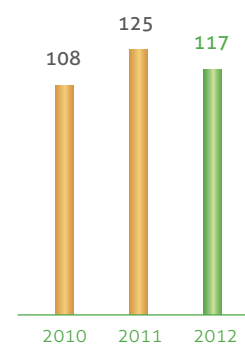
We have stepped up our efforts to study geological oil formations at the Penglai 19-3 oil field, and maintained and managed our oil fields systematically and strictly in accordance with government requirements. Additionally, we made proactive efforts to reach an agreement with the Ministry of Agriculture, the State Oceanic Administration (SOA), and ConocoPhillips on the compensation and remedies for fishery losses and ecological damages, as well as urged ConocoPhillips to implement rectification measures. On 16 February 2013, SOA agreed to let ConocoPhillips resume its production related operations gradually.



Engineers conducting inspection and maintenance of fire and gas equipment at an LNG station pipeline facility

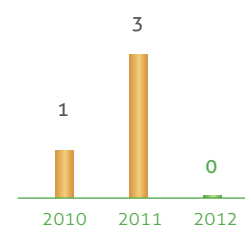
Recordable Injuries

Unit: injuries



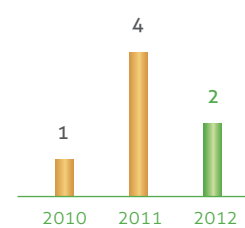
Death Toll of Employees

Unit: persons



Death Toll of Direct Contractors

Unit: persons



As part of the increased efforts to manage production safety strictly in accordance with the applicable requirements of the Ministry of Commerce, our subsidiaries overseas have implemented our risk management system for safe operation abroad, and imposed strict reporting requirements for safety accidents and other unexpected events. Over the past year, there was no major accident abroad. Employees working at our facilities in Iraq, Uganda and other overseas locations successfully underwent the training on the Guidelines on Management of Overseas Chinese-Invested Companies and Personnel Safety organised by the Ministry of Commerce.

Safety Culture

With our years of experience in safety management, we have created and developed a safety culture based on five to-dos and no-nos, as well as conducted a diversified range of safety training, to inculcate in our employees the sense of personal responsibility for the safety of oneself and others. We always emphasise to them the importance of safety practices and encourage them to report any acts of safety violations. These have helped increase their self-awareness on safety issues.

We have been conducting the Production Safety Month and the Production Safety Warning Week activities with the theme of Systematic and Safe Development. We compiled case studies of almost 300 Safety Warning Week activities from 2004 until 2012 into a book, analysed accident case studies, and made arrangements for our employees to watch promotional videos on production safety. In 2012, we (1) organised the collection of original articles and videos with a safety theme and received almost 300 articles and 100 video materials, (2) organised knowledge quizzes on safety and environmental protection, speech contests on safety management and other similar events, and (3) set up training rooms for delivering targeted hands-on practical training. These enabled every employee to participate in the safety activities and safety management work and in turn, increased their awareness on operational safety and effectively instilled the safety culture in them.

In 2012, seven of our video works for promoting production safety, including Small Screw Makes Big Things, won two Third Class Awards and five Excellence Awards at the Third Production Safety Video Works Screening event.



To-Dos and No-Nos:

- ◇ To consider the safety risks, and do not proceed if unsure;
- ◇ To consider the safety measures, and do not proceed if imperfect;
- ◇ To consider the safety tools, and do not proceed if not available;
- ◇ To consider the safety environment, and do not proceed if not sound; and
- ◇ To consider the safety skills, and do not proceed if not equipped.

Investigation, Tracking, Elimination and Management of Major Hazards

Identification and assessment of safety risks are the fundamentals, and supervision and management of hazards that could lead to major accidents is the key to safety management. We have strengthened our management efforts by improving the framework, the quality of employees and the supervision and inspection process, pushing ahead with capacity building, inculcating a sense of accountability, increasing the level of crisis response, and other aspects.



Engineers conducting a safety inspection

We made use of information technology to improve the effectiveness of risk control. With risk identification and assessment as the focus, we have set up a system for investigating, eliminating, managing and controlling major hazards and risks, in which a dynamic database of risk information enables us to get up to speed, in real time, on the status of risk assessment, hazard elimination and the past rectification measures of our subsidiaries. In 2012, we recorded a total of 69 risks and 9,340 hazards in the system and resolved 8,986 hazards. The percentage of hazards rectified reached as high as 96.2%. Various risk statistics and analysis tools helped turn the management of production safety from a passive handling mode to an active prevention mode and in turn, create a safety culture adopted by employees at all levels within the corporation.

Equipment and Facilities Management

As part of our efforts to create an intrinsically safe environment, we have implemented across the board an accountability system for production safety, focused on managing the root causes and the whole equipment life cycle, strengthened the use of new technology for the field maintenance and management of equipment, and transformed the equipment management process from preventive maintenance to predictive maintenance.

We implemented an equipment and facilities management system based on supervision and guidance from the headquarters, and actual management and control of the equipment and facilities by the various subsidiaries. We have maintained all equipment in good technical conditions through comprehensive planning, reasonable configuration, purchasing the best, proper use, dedicated maintenance and care,

systematic overhauls, and timely upgrade and refurbishment.

Our inventory of equipment currently covers 1,427 sub-categories in 26 main categories within the petrochemical industry and is gradually shifting towards more sophisticated, large-scale and complex equipment. In 2012, we assessed the availability rate of all key production equipment across the corporation to be at least 98%, and this has ensured the needs of production and development.

Implementation of availability management for equipment and facilities is a gradual process. In order to achieve a balance between reliability (including performance, safety and environmental friendliness) and economic viability, we manage the entire life cycle via an overall optimisation approach. With availability management at the forefront of our minds, we have pushed forward five dedicated development measures, to break through the bottleneck of staged management, solve lateral management issues, and integrate availability management into the business process of the functional departments.

Availability Management Measures

- ◇ To develop a perfect availability management framework
- ◇ To develop a team of availability management and technical professionals
- ◇ To develop an integrated availability information management platform
- ◇ To develop a set of availability performance assessment system
- ◇ To introduce and develop a range of availability technologies

Computerisation of Safety Management

Computerisation is a crucial means to improve safety management as we proactively address the current trend of rapid business development, swift organisational expansion and continuous industrial chain expansion. We strive to implement a computerised HSE management framework in line with the strategic goals of the Second Leap Development Programme thoroughly across the entire corporation. As part of this process, we put risk management at the forefront and concentrate on the standardisation of production safety, elimination and investigation of risks and hazards, HSE management of contractors, accident response and other actual needs.

In 2012, we rolled out various key management information systems, including a management and control system for

eliminating and investigating major hazards and risks, an information system for the QHSE management of contractors, an information system for production safety standards and an accident management system.

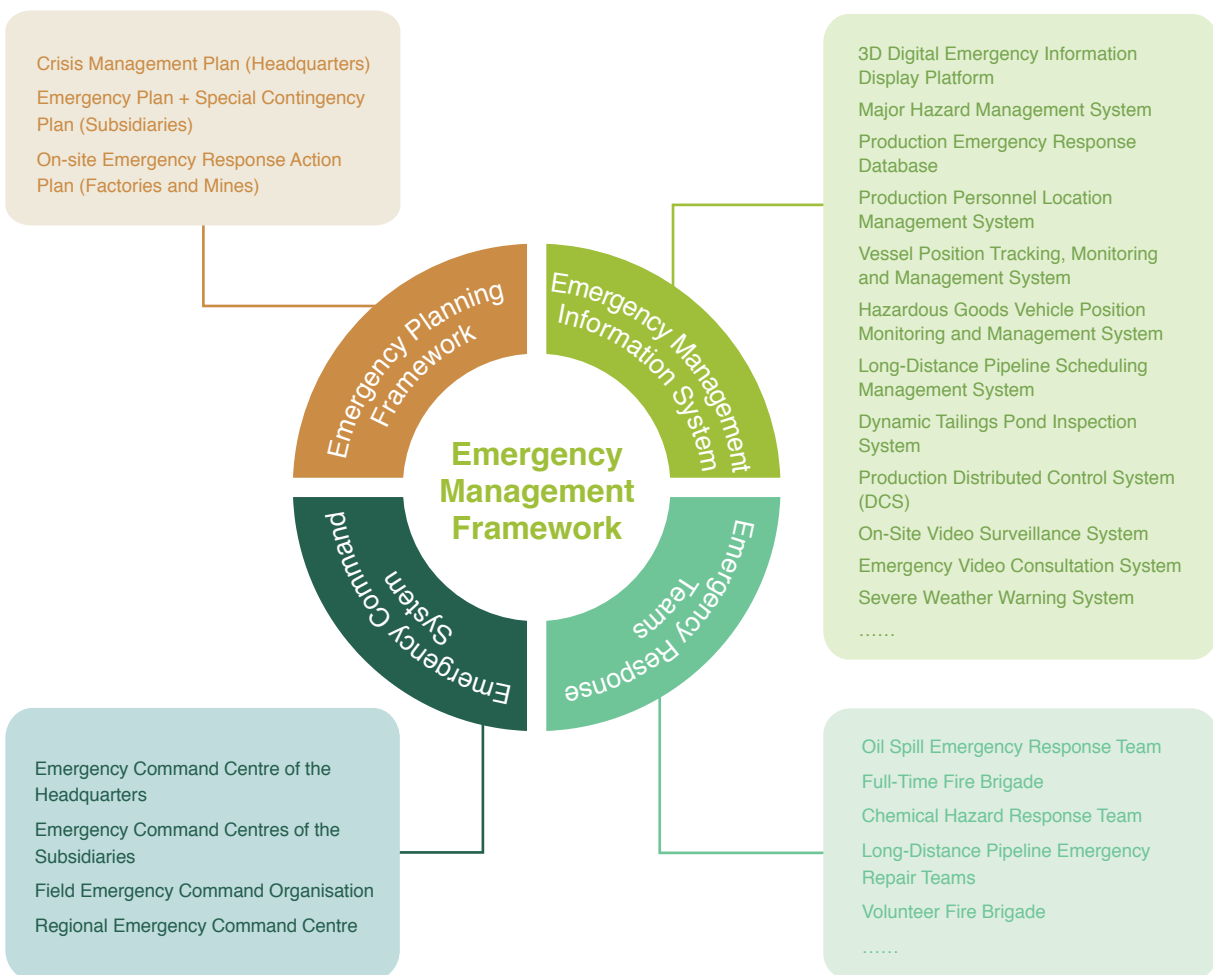
Emergency Management

With systematic risk analysis at the heart and the principles of putting people first and preventive control firmly entrenched in our minds, we created a comprehensive emergency management framework comprising the emergency planning system, emergency command system, emergency information system and emergency response teams. Through training and drills, we managed to increase the overall ability of the corporation to resist risks, and minimise the impact of emergencies.

We adopted a three-tier emergency response management model involving the headquarters, subsidiaries and the operating sites, as well as created a three-tier emergency planning system

comprising the crisis management plan of the headquarters, emergency response plan of subsidiaries and the emergency response action plan of the operating sites. Through the experience gained from drills and actual operations, we have been improving the emergency plans on an on-going basis.

In 2012, we compiled the *CNOOC Guidelines on Preparing On-Site Emergency Response Action Plans* and guided the various business units in developing emergency plans, continually pushed ahead with development of the emergency management information system, as well as implemented and managed typhoon precautionary measures based on the new strategy of taking precautions both onshore and offshore, reinforcing structures to withstand typhoons while avoiding them, and taking extensive precautions while focusing on key areas. The headquarters initiated the emergency response procedures and successfully responded to five emergency events through effective implementation of a comprehensive and integrated emergency management



framework. There were no cases of secondary accidents over the past year. CNOOC Enertech-Marketing Services Co. received accreditation from the Tianjin Maritime Bureau as an Outstanding Company in Tianjin for Offshore Oil Field Emergency Preparedness.

Contractor Safety Management

Our fulfilment of safety responsibilities depends in some way or another on the actions of our suppliers, contractors and other partners. For this reason, we choose our partners carefully and increase their safety management standards through entering into agreements with them, providing training, as well as monitoring and review.

It is imperative that we manage our contractors carefully with comprehensive preventive and supervisory measures in place. We have developed a contractor HSE management information system in accordance with the Contractor HSE Management Regulations, to manage and control the various processes, including tendering, contract award, site access, operations and job completion.

In 2012, we promulgated the Management Measures for Shallow Water Operational Safety Qualifications and awarded the CNOOC Shallow Water Operational Safety Qualification to contractors that meet the requirements of the ADCI Standards and that of CNOOC for the management of operational safety in the shallow waters. In doing so, we have standardised our safety management requirements for this area even further. Additionally, we have arranged for third-party helicopter

assessment experts to evaluate the safety and technology of 21 helicopters from two suppliers and have raised suggestions for improvements.

Traffic Safety

With our actual needs in mind, we have been working proactively with the traffic management authorities in carrying out awareness campaigns on traffic safety using different methods of dissemination. The purpose of which is to create a good environment for promoting traffic safety, strengthen the traffic safety education of employees and the safety management of roads and traffic within the operating sites, and to prevent and reduce the incidence of major traffic accidents. Over the past year, we had a total of 33 traffic accidents, which resulted in the deaths of five employees and contractors within the corporation and five external personnel.

We have analysed and found that the number of employee casualties and fatalities caused by traffic accidents is far greater than that of other types of accidents involving injuries. As such, we are always extremely concerned about our employees' traffic safety, which we consider being an integral part of our safety management work, and in particular, their safety when driving on long-distance trips. In order to increase their awareness on traffic safety further and improve their safe driving skills, we conducted training and talks on defensive driving, issued safety warnings on risks that may arise when driving during holiday seasons, gave proactive support to the activities of private car clubs, and took the opportunity of the first National Traffic Safety Day to educate private car drivers.

CASE

Emergency Response Drill for LNG Tank Car Spills



An emergency repair personnel wearing a respirator and fire proximity suit, is working on closing a valve on the LNG tank car

In the afternoon of 14 May 2012, we conducted an emergency response drill that simulates an actual emergency situation involving LNG tank car spills at an LNG satellite station in Fengtang Town of the city of Chaozhou in Guangdong province. Following the occurrence of the 'accident', we immediately deployed various resources and managed to stop the spill from the LNG tank car within 10 minutes, thanks to our comprehensive emergency response plan and a well-trained emergency repair team.

ENVIRONMENTAL PROTECTION

The development of ecological civilisation is a long-term plan concerning the wellbeing of people and the future of the world. Focusing on low carbon green growth and renewable development for ensuring a balanced economy, environment and society, is the prevailing trend today. With the principle of developing a green, low carbon, clean and renewable economy in mind, we stepped up our efforts in transforming ourselves into an environmentally-friendly company that conserves resources. As we fulfil our environmental responsibilities and strive to achieve win-win outcomes for the development of ecological civilisation in the society and the economic development of the corporation, we continually optimise and improve the industry and product structures, eliminate outdated production processes and technologies, implement cleaner production, develop renewable economy, proactively combat climate change, and implement energy conservation, emission reduction and environmental protection measures.

Combating Climate Change

In 2012, we continued to implement the CNOOC Action Plan for Combating Climate Change and strived to address the impact of climate change on our existing and future businesses. As part of this, we have fully fulfilled our commitment to reshape the industry structure, develop low carbon energy sources, underline international collaboration, meet the requirements of laws and regulations, optimise the allocation of resources, implement energy conservation and emission reduction measures, adhere to measurement and

statistical standards, advocate carbon trading, and to step up efforts on awareness training to improve understanding. In doing so, we focused on staying abreast of and studying the relevant technologies and policies with the aim of providing more variety of low carbon options for our future development of energy sources.

Clean Energy Development

Developing and utilising natural gas resources underpin the development of a low carbon economy. The world is now entering a golden age of natural gas. In 2012, we continued to push ahead with offshore natural gas production, expand LNG imports steadily, pay proactive attention to the development of coalbed methane and shale gas, and strive to optimise the allocation of relevant resources at home and abroad.

As we continue to optimise our natural gas-fired power, wind power, biomass energy, alternative energy vehicle and other projects, we have cumulatively provided the country with almost 71 billion kWh of electricity, which is equivalent to a saving of around 3.57 million tonnes of standard coal. We completed the construction and trial production of the biodiesel demonstration facility with an annual capacity of 60,000 tonnes, in which we own independent intellectual property rights. Since November 2010, the facility has been producing biodiesel for use in vehicles, to meet the challenges brought on by energy security and climate change. We restricted the sales to only the provinces of Hainan and Guangdong. This has helped play an active role in boosting the development of China's biodiesel industry.

Type of Power Generation	Unit	2006	2007	2008	2009	2010	2011	2012	Total
Natural Gas-Fired	100 Million kWh	35.2	52.4	59.8	85.8	145.7	164.8	152.6	696.4
Wind Power	100 Million kWh	0	0	0	0	1.6	5.3	6.7	13.5

CASE**Tianjin's Converted Fishing Vessels Get a Taste of LNG**

Currently, there are 1.06 million fishing vessels of all types in China consuming more than 8 million tonnes of oil each year. This accounts for 80% of oil consumed by the fishing industry. Additionally, the fuel costs of fishing vessels account for at least 60% of the harvesting costs. We worked together with the Fishing Vessel Inspection Bureau of the Ministry of Agriculture in encouraging fishing vessels to use LNG clean energy. In August 2012, we launched our first Diesel-LNG Dual Fuel Fishing Vessel Conversion Project at Beitang Fishing Port in Tianjin. The conversion of the 20 fishing vessels would not only bring 15 to 20% of savings in fuel costs to the fishermen, but also reduce the emission volume of the various pollutants by about 80%.



Research and Development in Low Carbon Technologies

It is part of our on-going effort to stay abreast of the latest development trends in the low carbon energy industry. We joined forces with the Development Research Centre of the State Council, Shanghai Jiaotong University and other research institutions to carry out systematic research into the strategies and policies for developing China's low carbon energy industry and have developed the next-generation energy system model. As the battery team leader of the Electric Vehicle Industry Alliance, we undertook development in 10 generic technologies, including an advanced manufacturing process, and technology for the management system of motive power batteries. We researched and developed motive power battery systems for six all-electric vehicle models, including Changan A00 and FAW Besturn B50 and have trialled their use on different models. We initiated more than 120 research and development projects on compact lithium-ion battery technology, undertook research into 27 topics of the National 863 Programme and other science and technology programmes at the provincial and ministerial levels, including research and development into high-performance, rechargeable lithium-ion motive power battery systems for electric vehicles. Currently, we have received 665 national patents. We have also participated in formulating China's industry standards for power batteries.

Development of Carbon Credit Trading

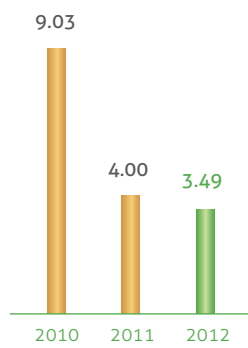
We are currently developing more than ten CDM projects in the areas of wind power, natural gas-fired power, associated gas-fired power and biodiesel. Five wind power projects have obtained EB registration with the United Nations. We have also developed measures to reduce carbon dioxide emissions by nearly 840,000 tonnes per annum. Two natural gas-fired power CDM projects have traded carbon credits. We led the development of the LNG refuelling methodology for vehicles, which is the first methodology in the field of transportation in China that received approval from the CDM Executive Board (CDM EB). This has provided practical quantitative criteria for energy conservation and emission reduction and in turn, facilitated the promotion and use of LNG as a transportation fuel. Additionally, we participated in the development of the CDM methodology for natural gas-fired cogeneration, which also received approval from CDM EB.

Implementation of Energy Conservation and Emission Reduction Measures

With the strategic goal of developing fully into a leading global energy company firmly entrenched in our minds, we consider energy conservation and emission reduction as the key to transforming our development model and increasing our core competitiveness. As we implement, in earnest, the relevant

Annual Investments in Energy Conservation and Emission Reduction

Unit: 100 million RMB



national laws, regulations, directives and policies concerning resource conservation and environmental protection, we have effectively conserved energy and reduced emissions through improving the governance framework, strengthening the assessment of responsibilities in meeting targets, tightening the management control, stepping up efforts in implementing technology reforms, and other measures on an on-going basis.

In 2012, we managed to save energy equivalent to 538,000 tonnes of standard coal and reduce the annual gross energy consumption per RMB 10,000 of production output to an equivalent of 0.307 tonnes of standard coal, a drop of 5% compared to the previous year. We implemented ten key energy conservation and emission reduction projects, including the utilisation of turbine waste heat, conversion of boilers from fuel oil to natural gas, recovery and utilisation of associated gas, terminal gas power conversion, recovery of low-pressure fuel gas from terminals, reconstruction of atmospheric- and low-pressure furnaces, dual dehydration of heavy alkali, installation of phase change heat transfer devices and the optimisation of energy systems, which saved energy equivalent to 93,000 tonnes of standard coal.

Energy Conservation

As we implement the institutionalised and delicacy management of energy conservation across the board, we have created the relatively complete organisational and policy frameworks, and steadily pushed ahead with the standardisation and computerisation of work in this area.

We are in the midst of implementing the second phase project of the management information system for energy conservation and emission reduction. Currently, we have completed the system development work and implemented the system at most of the production units. On completion, this system will cover all our subsidiaries and business units, to provide a comprehensive framework for emission reduction information, completing and filing pollutant emission data, statistics, management control and warnings. This will allow us to achieve flat and delicacy management of pollutant emission reduction. Right now, we have implemented the system at 65 land-based terminals and factories in the upstream. In October 2012, we launched a project to expand the upstream implementation of the Emission Reduction System. Now, we have connected 40 oil field(s) within 18 operating areas or companies of our Tianjin, Zhanjiang, Shenzhen and Shanghai subsidiaries to this system. During the implementation process, we supervised and inspected our subsidiaries on specific issues, with a focus on areas including checking whether they are operating in compliance with the law, whether the pollutants emitted have met standards, and the total reduction in emissions. At the same time, we asked them to take rectification measures to correct the issues found.

In 2012, we (1) completed on-site assessments of the responsibilities of 15 key high-energy-consumption subsidiaries in meeting their energy conservation and emission reduction targets for 2011, (2) asked our Energy Conservation and Emission Reduction Monitoring Centre to monitor the energy savings and emission reductions of, and perform energy audits on 65 subsidiaries, (3) assessed and reviewed the energy savings of 17 key fixed-asset investment projects, (4) organised and held the 2012 Energy Conservation and Emission Reduction Working Meeting, in which we signed responsibility pledges with our subsidiaries on meeting the energy conservation and emission reduction targets for the

Twelfth Five-Year Plan period, (5) created a volunteer energy conservation supervisory system where we have engaged 330 volunteer supervisors across the corporation, (6) formulated five corporate energy conservation standards, including Energy Conservation Monitoring Standards for Offshore Oilfields, and (7) invested approximately RMB 349 million and implemented 152 energy conservation and emission reduction projects.

In 2012, the National Development Reform Commission (NDRC) incorporated the new energy-saving dual heavy alkali

dehydration facility at the pure alkali factory of our affiliate, Shandong Haihua Group into the first batch of investment plans within the central government's 2012 budget and allocated to it RMB 7.8 million of funds from the budget. Six of our subsidiaries, including Huizhou Refinery, CNOOC Asphalt (Taizhou), and Zhongjie Petrochemical, received accreditation from the China Petroleum and Chemical Industry Federation as an Outstanding Petroleum and Chemical Company in Water Conservation.

CASE

Comprehensive Utilisation of Low-Pressure Natural Gas at Weizhou Oil Fields

As the Weizhou oil fields reach the middle and late stages of development, the amount of high-pressure natural gas at the Weizhou 12-1A platform slowly becomes less and less, whereas low-pressure gas becomes abundant, to the extent of not seeing full utilisation, with around 150,000 cubic metres released every day. In the facility at the Weizhou oil fields for comprehensive utilisation of low-pressure natural gas, low-pressure flared natural gas gets connected to all pipelines in the gas distribution station after entering the inlet of the medium-pressure compressor. Following this, it undergoes LPG and light oil recovery before it gets sold to downstream users. In 2012, the WZ 12-1 oil field delivered 28 million cubic metres of low-pressure natural gas (around 30,800 tonnes of standard coal equivalent) to the Weizhou LNG receiving terminal.



CASE

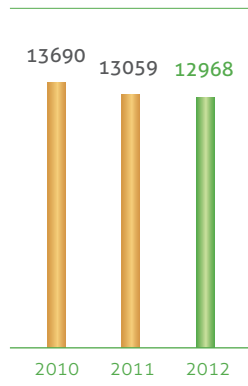
Energy-Saving Dual Heavy Alkali Dehydration Facility



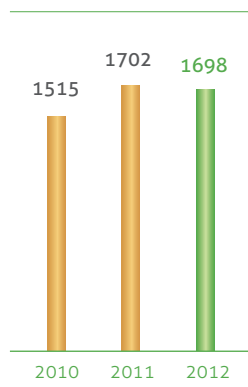
After the dual centrifugal dehydration process, water content in heavy alkali gets reduced from 18.5% to around 13.5%, which is a reduction of about 5%. This would mean savings in calcined steam consumption by about 150 kilograms per tonne of alkali, in energy consumption per tonne of alkali by about an equivalent of 14.53 kilograms of standard coal, and in the annual energy consumption by an equivalent of 26,000 tonnes of standard coal.

SO₂ Emissions

Unit: Tonne

**COD Emissions**

Unit: Tonne

**Emission and Pollution Reduction**

It is our commitment to make proactive efforts to achieve cleaner production, accelerate the development of emission reduction projects, and strive to become an environmentally-friendly company. With this in mind, we adopted a pollutant emission quota allocation system, in which we spread the emission quota reasonably, to allow the various operating units to meet the energy conservation and emission reduction targets.

We took the lead among the state-owned key companies to adopt the international ISO 14064 standards. We have compiled the calculation method and standards for identifying the sources of greenhouse gas (GHG) emissions in the petroleum industry, as well as the statistical and calculation table for GHG emissions by our subsidiaries and affiliates. Additionally, we have conducted checks on our GHG inventory across the corporation, to provide a guarantee for further management of our carbon assets.

We completed our key technology research into the deep treatment of microalgae in wastewater from the production of natural gas from coal. Of which, we have achieved significant innovations in the technology for carbon dioxide fixation via microalgae cultivation in gasification wastewater and that for methane production from algae. These research achievements would provide support for the choice of wastewater bio-treatment process and lay the foundation for future water reuse and zero emission projects, as well as support the development of industries in water-deficient areas for the production of natural gas from coal.

We have stepped up our efforts to recover and utilise GHG. For instance, at our FPSO (floating production storage and offloading) facility in the Wenchang oil field, we carry out treatment of light hydrocarbons in the associated gas we offload and then store them, to increase the energy recovery and utilisation rates. We are capable of treating and recovering 180,000 cubic metres of associated gas per day. We have also made use of the carbon dioxide emitted from synthetic ammonia facilities, to produce food-grade dry ice and biodegradable plastic. In doing so, we could recover 36,000 tonnes of carbon dioxide each year.

In 2012, our sulphur dioxide (SO₂) and chemical oxygen demand (COD) emissions were, respectively, 12,968 tonnes and 1,698 tonnes, down 0.7% and 0.2% from 2011. The main sources were the industries such as petroleum, petrochemical and chemical.

In 2012, the authorities carried out comprehensive inspections of the reduction of nitrogen oxide (NO_x) and ammonia/nitrogen emissions. Our subsidiaries and affiliates gradually submitted the relevant pollutant emission data. Over the past year, we emitted 18,337 tonnes of NO_x and 443 tonnes of ammonia/nitrogen. On this basis, we will be putting more efforts into taking appropriate emission reduction measures in order to meet our emission targets for these two pollutants in the Twelfth Five-Year Plan period.

Emissions Indicator	Unit	2012
Sulphur Dioxide (SO ₂)	Tonne	12968
Chemical Oxygen Demand (COD)	Tonne	1698
Nitrogen Oxide (NO _x)	Tonne	18337
Ammonia/Nitrogen	Tonne	443

CASE

Fertiliser Facility Turns into 'Beautiful Island'

On 30 November 2012, we commissioned the deep wastewater treatment facility at our Hainan base. This facility would bring about near-zero discharge of wastewater.

In order to implement the national policy on energy conservation and emission reduction thoroughly, our Hainan base specifically invested in and built a 500-tonne-per-hour wastewater recovery facility for the 800,000-tonne-per-annum methanol facility and the 1.2 million-tonne-per-annum DCC project. This would reduce wastewater discharge by more than 4 million tonnes per annum. After treatment, the wastewater would meet the quality standards required for water used in landscaping. This means a saving of millions of RMB for the Company.



Focus on Environmental Protection

Protecting the environment is our unwavering commitment during all phases of a project life cycle, from the establishment all the way through to abandonment. To this end, we begin environmental impact assessment (EIA) early. We always make it a point to pre-assess environmental risks during the pre-feasibility and feasibility study stages so that we can identify in advance the environmentally sensitive targets in the vicinity of the project, as well as avoid environmental risks and make the necessary arrangements in good time. For instance, when designing and laying natural gas pipelines, we take the initiative to avoid national forests, wetlands and heritage conservation sites. When we designed the natural gas pipelines in Fujian province, we laid additional pipelines totalling 41.72 kilometres in length in order to avoid the Python Nature Reserve in the county of Minhou, Bianfuzhou Wetland Reserve and other nature reserves. This added about a few hundred million RMB to our investment.

In 2012, we submitted to the authorities 12 Offshore Oil Field EIA reports for review, 12 reports for approval and 6 Final EIA Reports, and obtained approval for 21 reports.

Our subsidiary, CNOOC Environmental Services is the only environmental protection services company in China capable of providing secondary containment of oil spills at an international level. Now, they have seven oil spill response bases, five environmentally-friendly oil spill recovery vessels along with their ancillary equipment, and professional oil

spill response teams. With this, they have set up an oil spill response network covering China's coastal areas. Additionally, we have been working closely with the State Maritime Bureau, the Ministry of Transport, and other authorities, as well as joined Asia Pacific's first regional oil spill response technical advisory organisation, RITAG. These efforts have resulted in the formation of a diversified resource sharing platform and contributed a pivotal role in a series of oil spill incidents.

It has been the commitment of our mid- and downstream businesses, to engage in cleaner production (CP) and protect the ecological environment of the areas they operate. Our subsidiary, Huizhou Refinery achieved world-leading levels for the various CP indicators, including water consumption, energy consumption and pollutant emission. They have achieved zero discharge of production wastewater and solid wastes in areas near the coast, and 100% compliance of requirements for deep-sea wastewater discharge. Additionally, they became the only refining and chemical company among the 90 companies accredited as a 2011–2012 Cleaner Production Company in Guangdong Province.

CNOOC Energy Conservation and Emission Reduction Monitoring Centre possesses qualifications for energy conservation and emission reduction monitoring, energy audits and other related areas of work. The Centre has, over the last five years since its establishment, carried out nearly 100 comprehensive environmental monitoring projects covering 29

cities in 15 provinces, municipalities and autonomous regions and has established a good collaborative relationship with companies such as China Testing International (CTI), Pony Testing International Group, and SGS.

Outside of China, we focus a lot on environmental protection, energy conservation and emission reduction issues in the areas we operate and strictly observe the requirements of international conventions and rules, as well as local laws and regulations. In our proactive efforts to fulfill our operating ethos of energy conservation, environmental protection and low carbon green growth, we ensure an effective control on environmental protection, energy conservation and emission reduction through the support of strong organisation and

management, systematic policy framework, sophisticated equipment and a high quality operations team. We have equipped all vessels and platforms engaging in international operations with equipment and facilities that strictly meet the requirements of international conventions regarding prevention of air pollution and living water pollution, to discharge or recover standards-compliant air pollutants and living wastewater. Additionally, we have implemented controls on the environmental protection, energy conservation and emission reduction performance of new large-scale facilities and offshore bases and assessed these controls and the environmental impact during the feasibility study stage, in order to ensure control of the root source.

CASE

CNOOC Marine Environmental and Ecological Protection Public Welfare Foundation



In early 2012, we initiated and set up the CNOOC Marine Environmental and Ecological Protection Public Welfare Foundation with a donation of RMB 500 million. With the responsibility to protect the marine environment and ecology on the shoulders, the Foundation has initiated scientific research and technological development projects in the area of the marine environment and ecology and has supported international exchange and collaboration activities in the maritime field, as well as other related charitable causes.

中国海油海洋环境与生态保护公益基金会成立暨第一届理事会第一次会议



Biodiversity Conservation

When engaging in oil and gas mining activities worldwide, we focus a lot on the consequences of our operations on the natural environment and have always strived to protect the biodiversity of our operating sites and their surroundings. We assess the environmental impact of all our offshore projects strictly in accordance with the requirements of the relevant government, and biodiversity is the main assessment criterion.

After assessing the evaluations of the current state of marine environmental quality (including the current state of deepwater water quality, current state of the environmental quality of seafloor sediments, marine biological resources, intertidal organisms and island ecosystems), fishery resources and other related aspects, we will, based on the assessment results, analyse the impacts of the various phases of the project, including construction and operations, on biological protection. Once we have identified the scope and scale of the impact, we make sure that we formulate for the project involved, a set of detailed ecological protection measures, including biological transplantation, the use of environmentally-friendly blasting methods, formulation of emergency response plans for accidents, and the choice of appropriate working hours to reduce the impact on spawning. Additionally, we have implemented ecological restoration measures such as artificial release, artificial reef construction and island afforestation. These measures have helped minimise the ecological impact and played an effective role in biodiversity protection.

CASE

Focus on Ecological Protection in Uganda

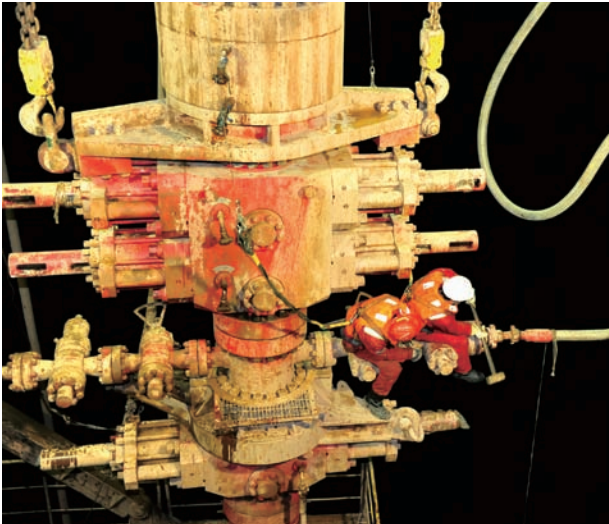
Our first exploratory well in Uganda is in a wildlife sanctuary. In order to reduce the impact of our operations on the local environment, we insisted on implementing all the local animal and park conservation standards. During our period of operations, we proactively communicated with the relevant authorities on everything from road construction and bridge reconstruction to tree removal, mobile toilet construction and wild honeycomb removal from a well derrick, no matter how trivial it is.

In order to protect the natural environment within the operation area and manage operational wastes, we formulated a comprehensive Waste Management Plan and carried out field drills and training on blowout prevention, fire fighting, medical evacuation, oil spill response and other areas.



CASE

Saying Goodbye in a 'Green' Way



On 17 November 2012, *Hai Yang Shi You 922* successfully completed the abandonment of, and attached a 'green seal' to the 52nd exploratory well in 2012 at the Bohai oil fields.

As usual, we sealed off even the water layer during the well abandonment operation. This approach is far more stringent than the national standards and helped to restore the seafloor landscape with no effects posed on any form of marine navigation and fishery production.

While attaching the 'green seal', *Hai Yang Shi You 922* also recovered all mud and lithic debris and categorised all other garbage before transporting them back on land for further environmental treatment. In this way, we helped protect the marine environment and in turn, achieved a harmonious balance between the development and utilisation of marine resources and the protection of the environment.

CASE

Blue Seas and White Sands Thanks to Technology

As we implement the State Council-approved Bohai Blue Sea Action Plan, in earnest, we have implemented a lead sealing policy on the sewerage system of all our vessels in the Bohai Sea, to achieve zero emissions in our operations.

In the last five years or so, COSL invested significantly in upgrading the zero emission systems on offshore platforms, including living wastewater and human excreta treatment facilities. They invested more than RMB 5 million in upgrading the Bohai No. 4, 8 and 9 and the Nanhai No. 1 and 2 platforms. Additionally, they set up an EPS (Environmental Protection Project Service) project team. The team has studied and grasped the technology and process for the treatment of drilling wastes, compiled a series of technical manuals and operating procedures, including the Solids Control Technical Manual and the Drilling Waste Treatment Technical Manual, and is capable of providing on-site drill cuttings recovery, drill cuttings re-injection, oil-containing drill cuttings drying and other services.



Renewable Economy

In order to overcome the drawbacks of the traditional economic model and achieve a sustainable development of the economy and society, countries around the world have been proactively exploring the development of a renewable economy and have considered this as the best way to solve the sustainability problems.

For years, we have been adhering strictly to our strategy of developing along the lines of a clean, green, low carbon and renewable economy. In line with this, we strive to develop a renewable economy, to reduce resource consumption and pollutant emissions and achieve a harmonious balance between the corporation, society and nature.

In September 2007, we formally laid the foundation for the production facility in the city of Putian in Fujian province, for

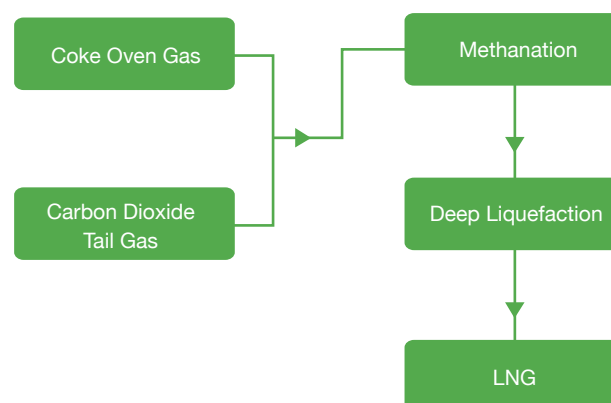
performing air separation using LNG (liquefied natural gas) cold energy. As China's first LNG cold energy utilisation project, this added a new spotlight to our development of a renewable economy. CNOOC Energy Development Corporation and Air Products and Chemicals, Inc. of the United States joined forces and invested in the construction of the facility. The methodology for air separation using LNG cold energy, which we developed based on the Fujian LNG Cold Energy Project, is the first methodology in the field of cold energy utilisation worldwide that received approval from the United Nations in 2010.

In 2012, we set up the Cold Energy Utilisation Research Institute, to build an incubator for the CNOOC LNG Cold Energy Utilisation Project and strive to build a platform for the development of new technologies.

CASE

LNG Production from Coke Oven Gas

We invested RMB 400 million in a facility located in the city of Heze in Shandong province, to produce LNG clean energy from the coke oven gas and carbon dioxide emitted by companies in the vicinity. In doing so, we have managed to turn trash into treasure. Over the past year, the amount of usable waste carbon dioxide was 140,000 tonnes.





CARING FOR EMPLOYEES

The principle of putting people first underpins the sustainable development of a company. At CNOOC, we firmly believe that employees are our most valuable resource and asset and put them at the heart of what we do. We want our employees to grow together with us. As we fulfil our responsibilities to them, in earnest, we improve their working conditions, create a career development framework, care for their mental health, and promote diversity and employment of locals in the areas we operate.



EMPLOYMENT MANAGEMENT



- 20 and under 20 (2.3%)
- 21-30 (41.2%)
- 31-40 (27.1%)
- 41-50 (20.0%)
- 51-60 (9.4%)



- Management positions (26.7%)
- Technical positions (28.7%)
- Operation positions (44.6%)



- Graduate School (5.3%)
- University (34.9%)
- College (22.0%)
- Specialised Secondary/Technical/Vocational School (16.0%)
- Higher Secondary School and other (21.8%)

We have developed a full set of guidelines for hiring, staffing and other crucial aspects of the employment process in strict accordance with international conventions and the *Labour Law of the People's Republic of China*. Additionally, we improved our staffing system even further and converted all core employees under the social employment scheme to the new employment contract scheme.

With the principle of fair, just and transparent employment firmly entrenched in our minds, we treat our employees from different national, racial, gender, religious and cultural backgrounds equally, prohibit the use of child labour, shun the act of forced labour, and proactively promote the hiring of women, disabled people and those from ethnic minorities. At the same time, we manage and control the human rights practices of our contractors by way of enforcing a system of rules, entering into agreements with them, conducting awareness training and other measures. Over the past year, there was no known violation of human rights, whether by the Company or the contractors we engage.



Quality control inspector

In 2012, we hired a total of 2,948 fresh graduates and 1,883 personnel from the market. We are also continuously attracting top talent and have hired four experts from abroad during the year. As at the end of 2012, our workforce stands at 102,562, of which women accounted for 25% and held 16 of the most senior positions. Our employee turnover rate in 2012 was 1.7%.

We strive to align our corporate culture with the local conditions and respect the values, customs and traditions of our employees. With a total foreign workforce of 3,387, we employ as many as 70% locals in the areas we operate. Apart from strengthening the transfer of knowledge and skills locally, we have also arranged for the top-notch ones to undergo relevant training in China, to experience the CNOOC and Chinese cultures for themselves.



Ugandan employees undergoing training in China

CAREER DEVELOPMENT

By adopting a systematic talent development strategy, we aim to improve our human resource planning to train and shape our employees to international levels and provide them with a smooth career development path. We strive to create a better employee development framework that allows us to attract top talent, groom talent for key projects, and recruit and retain technical professionals.

As part of our efforts to create a pool of expertise and encourage appropriate personnel movements within our four walls, we open our vacancies to internal applicants through the eHR system. In doing so, we provide them with a wealth of opportunities to grow and develop their careers.

As we continually improve the personnel policy framework for officers, we strengthened the performance evaluation, competitive selection, interaction and grooming of management staff with the purpose of ensuring proper appointment of managers. With an enhanced nomination system in place, we have put in serious efforts, to select and fill positions based on open competition. We filled the vacancies for the Chief Financial Officers of some of our subsidiaries through internal recruitment and selected and appointed senior management positions.

Strengthening the selection and management of high-end technical professionals is our priority. We launched our first evaluation exercise for the employment renewal of experts working in our subsidiaries. 55 experts met requirements and continue their contracts. In our on-going efforts to assess professional qualifications, we named 110 personnel across six fields Professional-Rank Senior Professionals, and 258 personnel Senior Professionals. Additionally, in our increased efforts to nominate and select national technical experts, we named 15 candidates to enjoy special subsidies from the government. Four experts received the title of National Energy Policy Research Expert. Since 2008, we have attracted a total of 291 experienced high-end Returned Overseas Scholars with a significant track record of science and technology research achievements and seven experts under the Recruitment Programme of Global Experts (also called the Thousand Talents Programme), with 85% having Masters, Doctorate or higher qualifications. We placed these experts in key positions across different fields within our group of companies.

As part of the effort to strengthen management of the vocational qualifications of professionals, we arranged for

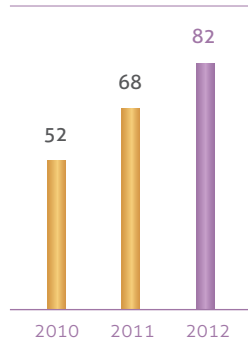
those working in engineering projects across the entire group to take certification exams. In total, 1,063 participated and 93% passed, of which six obtained Large-Project Manager qualification, and 36 obtained Experienced (Senior) Project Manager qualification. Additionally, we organised and supervised the assessment of vocational qualifications across the board and awarded the title of Exploration Manager and above to 50 personnel.

In our on-going increased efforts to build a team of technical experts, we have established standards for 65 categories of workers, developed 18 sets of training materials and created a knowledge base for 39 categories of workers. These formed the basis for training and assessing front-line skilled workers. Almost 10,000 workers participated in vocational skills assessment, and a record high of more than 6,000 obtained higher qualifications. We have 14 National Technical Experts on board. Among all skilled workers from the main categories, 28.99% hold at least Senior Skilled Worker qualification. For the first time, we recognised skilled workers across the board and have groomed 35 outstanding performing teams, 35 outstanding individuals and 30 outstanding performance assessors. In 2012, we systematically reviewed the rules and structure for shaping skilled workers, and have essentially completed the Research Report on the Rules and Structure for Shaping CNOOC Skilled Workers.

EMPLOYEE TRAINING

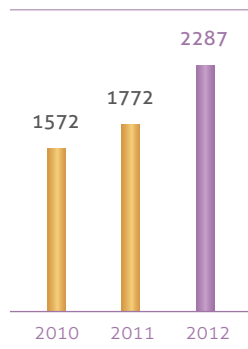
Average Training Duration per Employee

Unit: hours



Average Training Cost per Employee

Unit: RMB



We have proactively implemented a training framework involving collaborative efforts across all levels of the corporation, each with clear roles and responsibilities. Additionally, we made use of the National Key Laboratories and our deepwater and overseas projects to provide training to high-end professionals whenever required, in the hope of grooming them for key projects.

As we proactively promote a learning environment within the organisation, we continually strive to create a pool of expertise through increased training efforts. In 2012, we prepared the CNOOC Training Master Plan for the first time as part of our on-going efforts to improve the attitudes and competencies of our employees. We delivered 42,016 sessions of various kinds of training to more than 735,000 personnel, with an average annual training cost of RMB 2,287 and duration of 82 hours per employee.

We set up an awareness promotion team to organise and conduct ten sessions of presentations on the vision and goals of the Second Leap Development Programme. A total of 2,230 CNOOC employees attended these presentations, at the end of which they fully understood the grand strategy and accepted and supported the implementation of the programme.

In order to meet the development needs of our overseas operations, we expanded the channels to deliver training across all levels in the areas of key professional knowledge and skills, including unconventional oil and gas exploration and development, foreign oil finance and taxation, modern project management, and operations management. We organised and conducted a systematic two-month training course on unconventional oil and gas technology management in the University of Calgary for 24 mid-level technical managers. The course covered more than 20 topics in four key areas, namely, development of heavy crude oil, shale gas and thickened carbonate oil, and laws and regulations. Additionally, in collaboration with Sinopec, we picked eight mid-level finance managers from across the corporation and sent them to the United States for a four-month dedicated training on foreign oil finance management.



Senior employees training new employees



Interaction between Chinese and foreign employees

SALARY AND BENEFITS

We respect the applicable laws and policies of the jurisdictions in which we operate and have established a competitive salary and benefits framework with marketisation of labour, monetisation of allocations and socialisation of benefits in mind. The purpose of which is to allow the income of our employees to increase normally and flexibly, depending on the performance of the corporation.

As we continue to implement the corporate annuity and supplementary medical insurance schemes across the board, we continually increase the reach, multidimensionality and comprehensiveness of our employee insurance framework and have achieved 100% social insurance coverage over the past year. This has helped our employees improve their levels of livelihood security. Additionally, we provide employees with physical examination, paid leave, difficulty assistance, critical illness relief and various other benefits as part of our efforts to help them solve any worries they may have.

In our on-going efforts to optimise our employee performance management framework, we have implemented an innovative framework across all levels of the corporation based on morals and expertise and measured by merit. We continue to give priority to front-line workers who form the core foundation of our operations when allocating salaries and benefits, to strengthen the incentive rewards to exceptional employees. We have increased our efforts in giving rewards to work in the areas of oil and gas exploration, development, engineering technology, and construction.

MENTAL HEALTH

In order to ensure safe production, we have, since 2009, been conducting a series of related work, including training on mental health crisis intervention, building stress management models, and offering stress management and mental health services. With the purpose of finding the most appropriate model for our stress management services, we carried out in-depth research into the cause, development and effects of mental stress in employees. Based on the research findings, we built an organisational stress model to determine the relationship of safe production, physical health, mental health, job performance, corporate culture and other factors with stress. This provided the basis for our management of production safety and maintenance of employees' health. With offshore workers as the subject, we built a stress management model and initiated a pilot of our mental health services. Following the success of the first phase carried out during the previous year with workers in the Bohai Sea and eastern South China Sea, we launched the second phase in the East China Sea and western South China Sea in 2012. At the eight pilot facilities, we completed 11 rounds of data collection and stress management services with offshore workers and conducted 27 sessions of awareness presentations, 437 semi-structured individual interviews, as well as psychological counselling with 348 employees across all job functions at our offshore platforms. We have also issued 6,744 Sunshine Membership Cards to employees and their family members. These constitute part of the second phase pilot model.

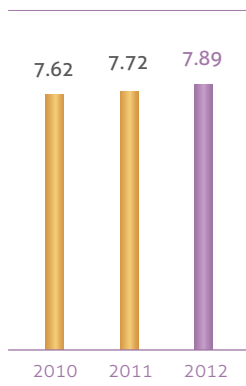


Teambuilding activity for Indonesian workers

EMPLOYEE ENGAGEMENT

Employee Satisfaction (10 points = full marks)

Unit: points



We respect the differences and diversity of employees in gender, age, health condition, race, ethnicity, religion and various other aspects and ensure that no discrimination take place in the workplace.

All our subsidiaries have labour unions in place, which is essential to the collegial management of a company. We always make it a point to convey company affairs, strengthen the collegial management and supervision framework, and enhance dialogue and communication between the different companies and their employees, to protect the rights thereof to engage in significant corporate decisions. Since 2008, we have been conducting employee satisfaction surveys regarding working environment, salary and benefits, career development, and interpersonal relationships based on the principles of full participation and systematic sampling.

In ensuring the rights of our employees to know and supervise, we rigidly adhere to the collegial management system and make persistent efforts to improve the process for clear and full disclosure of our affairs. We have also increased the roles of employees in the selection and appointment of officers, performance appraisal, recognition of merit and other aspects, to let them participate more in the supervision process.

In ensuring the rights of our employees to participate and express their views, we let them attend collegial management meetings to be involved in decisions for the growth and development of the Company, and have the opportunity to borrow wisdom from high-end overseas returned scholars, i.e. experts in the Thousand Talents Programme. We have conducted interaction activities for high-tech professionals and informal communication among young employees. Through appropriate suggestion schemes and innovative performance improvement activities, we aim to engage our employees to brainstorm and inspire the potential in each other.

We are constantly ensuring that the complaint channels are functioning properly, to facilitate the fast and smooth flow of employee feedbacks and suggestions to the management of the Company and the relevant subsidiary.

In 2012, the Complaint Reporting Handling Office handled a total of 32 cases of letters and visits from 65 personnel, which is a reduction of 43.9% and 64.7%, respectively compared to the previous year. These comprised 8 letters from 16 personnel, a reduction of 74.2% and 86.3%, and 24 visits from 49 personnel, a reduction of 7.7% and 26.9%. The office managed to close 18 cases through mediation with the department involved, quell the complaints in 10 cases through explanations of policies, and ease the conflict in 3 cases through counselling and guidance. Overall, the conflict-resolution success rate was 96.9%.

We allow employees to have the flexibility in their choices of jobs. We will never control their resignation through any means or for any reason. Neither will we impose restrictions on personal freedom through any means. Over the past year, there was no known complaint of compulsory or forced labour.



Suggestion box

We have been creating different opportunities for our employees to engage in a rich and diverse range of healthy and self-improving cultural and sports activities, to improve their overall development and build their team spirit and sense of belonging to the Company. In the afternoon of the 21st of September, we held the Eighth CNOOC Fun Games at our base in Yanjiao and drew attendance from the employee representatives of our various business units in Beijing and the surrounding areas and that of 17 foreign oil companies based in Beijing, including BP, Chevron and ConocoPhillips. The participants pitted their skills and formed friendships with each other through fun and sweat.

In our on-going efforts to create the environment and conditions for our employees to stay fit, we provide them with exercise equipment, issue family health handbooks and organise activities such as visits to watch cultural performances, Chinese

New Year fun fairs, hikes and employee volleyball matches. Additionally, we support the development of our employees' interests and hobbies through a proactive role in 11 sports and recreation clubs, including mountain climbing, basketball, photography, Yoga and singing clubs, with the purpose of enhancing communication while promoting a healthy, dynamic and enriching lifestyle. In 2012, almost 35,000 employees in Beijing and the surrounding areas participated in the activities organised by the various clubs.

Helping our young and single employees to start families is our priority. At our 2012 Singles Networking Event for Beijing and the surrounding areas, almost 80 young singles from ten of our business units as well as the State Intellectual Property Office and Capital Institute of Paediatrics congregated to discuss and contemplate their 'family plans'.



2012 CNOOC Singles Networking Event for Beijing and the surrounding areas

CASE

CNOOC Engineering Holds Mass Weddings collective Wedding Ceremony

On the 19th of September, a mass wedding took place in front of the CNOOC Engineering Building. Forty-seven couples, dressed in ceremonial dress, entered the wedding hall hand in hand. Members of the CNOOC CPC Youth League Committee, management of the various business units based in Tanggu district of Tianjin municipality, and the family members of the couples witnessed the solemn, romantic and happy moment. Since 2006, CNOOC Engineering has successively organised a total of six large-scale mass wedding ceremonies for their young employees. CNOOC Engineering has, over the past six years, helped 252 employees finding their life partners.



CASE

CNOOC Fun Games

In 2002, CNOOC held a Domestic and Foreign Networking Event for the Mid-Autumn Festival. Since then, it has evolved into the CNOOC Fun Games. By providing a fun sporting experience for the domestic and foreign employees working with us, we want to create a cultural and sports activities platform with exercise, fitness and relaxation as the goal, to improve understanding, communication and collaboration for win-win outcomes. After ten years of development and innovation, this has become a brand-building activity for us to develop our corporate image, communicate our win-win strategy and improve our corporate culture. All along, the events have been drawing attendance from famous foreign oil companies, including BP, Chevron, ConocoPhillips, Shell, Total, Schlumberger and Halliburton. It is now a well-received networking event among domestic and foreign oil and gas employees and has gained a high level of acceptance from the managing members of the supervisory authorities, including All-China Federation of Trade Unions, State General Administration of Sports, and SASAC who attended the events as guests.



Rich and diversified range of leisure activities for CNOOC employees

EMPLOYEE DIFFICULTY ASSISTANCE

We focus a lot on providing assistance to needy employees. In 2012, we helped more than 4,000 employees in difficulty and forked out RMB 12.5 million of aid funds. We have established and improved many forms of assistance plans, including livelihood support, medical assistance, children's educational assistance, buddy assistance and family visits during festive seasons. As a result, we helped to improve the lives of our employees and in turn, let them fully experience our care and concern, develop their passion and creativity, and promote the harmonious development of the Company.

CNOOC Zhanjiang Company has successively set up educational assistance and poverty reduction funds in the various offshore facilities, to provide financial assistance to needy employees and families in the areas surrounding the oil fields. The primary sources of these funds are the personal donations from employees and prize money won by the operational teams. In 2012, this company forked out RMB 49,000 to help employees, and RMB 48,500 to subsidise the education of primary and secondary school children in the areas around the mining blocks.

The Maintenance and Repair Division of CNOOC Engineering continually promotes mutual assistance among employees. At the operational level, the pairing of the head of the labour union with needy employees has helped to increase the level of assistance and won praise from employees at large.

Our subsidiary in Shanghai takes a humanistic approach to visit and care for older folks who are living alone with no children by their side and having lots of living inconveniences. Apart from routine phone calls from the union, the liaison officers in every operational block have to pay regular home visits to show concern to them as well as maintain active contact with their neighbourhood family doctors, to address any living or medical needs quickly.



A volunteer from the Guo Mingyi Benevolence Team



CNOOC youth volunteers

CASE

Love in 'Refuelling'

In the afternoon of the 10th of August, Cai Qiusheng, a worker at the CNOOC Qiubao Service Station, had an accidental fall while he was resting. His head hit the ground, following which he became unconscious. His colleagues sent him to the hospital straightaway. "Please make sure that you use the best appropriate medicine and do your best to rescue our employee. We will pay for his medical expenses first," the local manager said to the attending doctor. Cai got out of danger after ten days of stay in the ICU. On the day of transfer to the normal ward, his colleagues at the service station went to the hospital to see him. The flood of heartfelt concerns and friendly reminders moved him to tears. He looked forward to returning 'to the large family' of Qiubao.

In his letter of thanks, he wrote: "The company helped to settle my medical bills and address the urgent needs of my family...This is not an on-the-job injury, and yet care and concern from the management and my colleagues have showered upon me, as though I was part of their family. All these made me and my family feel the warmth of the large family of CNOOC. This goes to show the values and responsibility of the company. I feel so honoured and proud to have the opportunity to be part of the CNOOC service station. After returning to my job, I will certainly give back to the company with my down-to-earth and hard work."



GIVING BACK TO THE SOCIETY

The development of a company requires strong support from the whole of society, which, in turn, requires active contributions from companies in order to develop. As we forge ahead aggressively to ensure energy supply and create economic value, we have never forgotten our roles and responsibilities as a corporate citizen. We commit and dedicate ourselves to improving the livelihoods and development of communities through participation in charitable causes.



HUMANITARIAN ENGAGEMENTS

We constantly engage ourselves in charitable giving, poverty reduction, disaster relief, educational support and assistance, and community building. In 2012, we donated a total of RMB 80.78 million and received the China Charity Award, the highest possible award in China for charitable giving.



CNOOC Public Welfare Foundation website (beta version)

Aid to Tibet

2012 was a pivotal year for our fourth round of aid to Tibet, in which we completed and commissioned nine humanitarian projects.

- Nyima County Urban Master Planning and Design
- Construction of Recreation Centres for Farmers and Herders in Nyima County
- Nyima Town Infrastructure Maintenance
- Construction of Child Care Centre in Gaqing Village of Sinya Township, Nyima County
- Comfortable Housing for Low-Income Farmers and Herders in Nyima County
- Financing for the Rural Bookstore Project in Nyima County
- Training of Technical Professionals in Nyima County
- Second Phase of Vegetable Cultivation Base in Ombu Township, Nyima County
- Support for Nyima Horse Racing Festival



Tibetan children celebrating a festival happily

CASE

A Shining Pearl Rises on the Northern Tibetan Plateau

For more than ten years since 2002, we have been providing targeted assistance to Nyima County of Nagqu Prefecture in Tibet. We carried out 76 humanitarian projects, which brought improved livelihood sustainability and served as a demo for promoting growth in the region, particularly with the farming and herding communities in mind. Our efforts have helped turn this poor and backward small county into a shining pearl on the northern Tibetan Plateau.

As part of the effort to create a framework for ensuring the long-term effectiveness of our work in Tibet, we constantly conduct training for various categories of personnel at all levels and professionals in different fields, including education, medicine, agricultural and animal husbandry technology, hydropower and project management, to provide support for regional development. Additionally, we commit to setting aside funds for improving the teaching environment in primary and secondary schools, financing needy families and students, and improving the quality of basic education, with the purpose of strengthening the fundamentals required for long-term growth.



In our proactive efforts to expand the channels of assistance, we mobilised our subsidiaries and partners to participate in and support our work in Tibet. Our employees at large actively stepped forward to pair up with students in Nyima County for one-to-one assistance. Five of our international partners enthusiastically donated to the construction of classroom buildings at the Project Hope primary school in Sinya Township of the county.

Aid to Sichuan

In 2012, the general surgical inpatient building at Guangyuan No. 1 People's Hospital, general internal medicine services building at Deyang People's Hospital and outpatient building at Luojiang County People's Hospital, which we funded and built, started operations. The multi-purpose classroom building and student dormitory at Dongqi 81 Middle School, multi-purpose classroom building, canteen and activity centre at Guangyuan

Middle School, and the R&D and training buildings at Luojiang County People's Hospital have all been commissioned. These facilities now serve seven million people in Deyang, Luojiang County and Guangyuan of Sichuan province. Nearly 10,000 students have moved into new classrooms capable of sustaining earthquakes of magnitude greater than 8.



Construction of the CNOOC-financed general surgical inpatient building at Guangyuan No. 1 People's Hospital completed



Construction of the CNOOC-financed multi-purpose classroom building at Guangyuan Middle School completed

Poverty Reduction

As we continually explore different poverty reduction measures, we focus not only on resolving immediate needs, but also enabling sustainable livelihoods and self-development capabilities for long-term growth in the communities we serve. In 2012, we received the honour of an Outstanding State-Owned Key Enterprise in Poverty Reduction and Development.

Eliminating Anaemia in Infants and Young Children

We contributed RMB 1 million to support the project of China Children and Teenagers' Fund (CCTF) to eliminate anaemia in infants and young children. In doing so, we helped deliver nutrition packs to almost 10,000 infants and children aged 6 to 36 months in the impoverished areas of western China, to improve and remove their iron-deficiency anaemic conditions.

Supporting Legal Aid

We contributed RMB 1 million to support the '1+1' legal volunteer programme of China Legal Aid Foundation to meet the legal needs of the poor in counties with no lawyers available. In doing so, we have helped to strengthen the legal

support capabilities and promote the establishment of a team of legal professionals in these communities.

Lifeline Express

We donated RMB 500,000 to China Lifeline Express Foundation to support the surgeries of 250 poor cataract patients in the city of Baise in Guangxi province. Following the Brightness Special Merit Award received in 2011, we received the 15th Anniversary Special Award from Lifeline Express.

Mother Water Cellar Project

We donated RMB 2 million to China Women's Development Foundation (CWDF) to support the implementation of the Mother Water Cellar Project in the city of Yan'an in Shaanxi province. In doing so, we helped build 400 rainwater harvesting pits and four water harvesting facilities, to serve 7,436 people in the area. We have asked CWDF to set up a dedicated bank account for the management of project funds and keep records of all grants to beneficiaries in order to ensure transparency and accountability of the use of funds.

CASE

Reducing Poverty in Gansu

In Gansu province, we contributed RMB 5 million in 2012 to build a medical service building each at the hospitals in the townships of Kajiaman and Zuogaiduoma in Hezuo city as part of our poverty reduction efforts. These two buildings cover a total gross floor area of 2,152.95 square metres, and the one in Kajiaman has now been commissioned. Additionally, we contributed RMB 5.3 million to support the project of Xiahe County to provide herders with new tent houses, which helped set up 600 tents, each equipped with a 30 square metre cotton tent, heating stove, folding bed, folding table, water storage device and other facilities. The implementation of this project has improved the living conditions of farmers and herders, as well as the quality of life in the herding communities.

Disaster Relief

An earthquake measuring 5.7 on the Richter scale hit the border between Yiliang County in the city of Zhaotong in Yunnan province and Weining County in the city of Bijie in Guizhou province at 11:19 am on 7 September 2012, and an aftershock of magnitude 5.6 followed in Yiliang at 12:16 pm. In response to this, we donated RMB 3 million each to Yunnan and Guizhou to support the disaster relief efforts in the affected areas.

Immediately after the quake, our subsidiary, China Oilfield Services Limited (COSL), established contact with their seven Project Hope primary schools in Yunnan, of which Taiping and Shumuke in Luozehe Town of Yiliang are near the epicentre. The structure of the main buildings in all seven schools, including the classroom buildings, multi-purpose buildings and student dormitories, remained stable. All 2,338 students and 94 teachers were safe and sound, and villagers in the vicinity gathered in the schools for refuge. The principals of the two schools in Yiliang have specially expressed their gratitude to CNOOC through COSL.

Educational Assistance

In 2012, we continued to support the education cause through various means, including donations to Project Hope primary schools, establishment of scholarships and bursaries, and financing of social institutions. As part of the effort to improve the learning environment in Nanguan Primary in Yan'an, we donated 700 sets of classroom desks and chairs, 65 sets of office desks and chairs for teaching staff and 1,023 books, arranged for the pairing of members of the Guo Mingyi Benevolence Team with 39 poor students of the school, donated more than RMB 400,000 worth of money and materials, and established a long-term assistance relationship. Additionally, we donated RMB 500,000 to finance the construction of student canteens at Diwu Primary School in the city of Kaili in Guizhou province.



We continued to support the CNOOC University Educational Assistance Fund project in 37 higher education institutions across China and provide financial assistance to the poor and needy students. All 12 COSL-financed Project Hope primary schools in the provinces of Yunnan and Hainan started operations in 2012. We have set up special incentive funds for outstanding teachers and students of the Project Hope primary schools, and our employees voluntarily donated more than RMB 500,000. In 2012, we received various awards, including the 20th Anniversary Award for Outstanding Contribution to Project Hope in Hainan Province.

CASE

Children in the Mountains Go to School, Thanks to CNOOC Model



Over the last 15 years since 1997, it has always been our unwavering commitment to support the education cause with the highest of quality.

In the CNOOC Management Measures for Project Hope Primary Schools promulgated in 2002, we specified the following requirements: (1) to create the Educational Contributions Award, Outstanding Student Award, and a bursary scheme for needy students, (2) to provide timely assistance to the schools annually, apart from sending regards during Children's Day and Teachers' Day, in maintaining and reconstructing the school facilities, acquiring new teaching and sports equipment, supplying school uniforms and in any other work as and when needed, and (3) to organise Project Hope Primary School Summer Camp activities, send outstanding students to Beijing, and let employees pair up with children in the mountains for one-to-one assistance.

Since 2004, nearly 40 graduates of more than 20 CNOOC-financed Project Hope primary schools have made it to university. Tongzhazi Project Hope Primary School received recognition as a Chengde Green School; Xunkou Project Hope Primary School in Mancheng County received recognition as a Baoding Green School, and Xiaotangtougou Project Hope Primary School received recognition as an Excellent Teaching Quality Primary School in Longhua County.

"When selecting sites for new schools, CNOOC chose neither prosperous towns nor those along highways but in the mountains. The reason is that here, they are really very, very poor and need outside assistance," said He Cui, Secretary of the Communist Youth League Committee of Qiaojia County, excitedly, "CNOOC is truly helping the poor!"

"Material-wise, CNOOC has contributed material wealth to the impoverished areas. Spiritual-wise, CNOOC's support for the education cause in the poor mountain areas has led to a good social environment and effectively promoted the development of the local culture. All these can never be worked out using any mathematical formula," said Zou Qilin, Vice Principal of the central school of Luozehe Town in Yiliang County.

"CNOOC has established a framework for ensuring the long-term effectiveness of their support for the education cause, and have been developing the schools they financed as though they are bringing up their own children," said Lin Yanfei, Deputy Secretary-General of Yunnan Youth Development Foundation, with approval of the CNOOC Model.

VOLUNTEER ENGAGEMENTS

Bearing our practical needs in mind, we have been offering a rich and diversified range of community volunteering opportunities, to create a cohesive volunteering framework consisting of one-to-one pairing, financial support, services, contributions and charity work. By actively advocating volunteerism, we are able to contribute constantly to the advancement of public morality.

Guo Mingyi Benevolence Team

We formed 252 Guo Mingyi Benevolence Teams, with 7,422 youths actively engaged in the initiatives of the various teams through participation in teaching, helping the poor, low carbon environmental protection and other volunteering work or community welfare activities. With this, the activities of Guo Mingyi Benevolence Teams and 'Learning from Lei Feng' campaigns stay on track to become the norm.

The Guo Mingyi Benevolence Team of our Shanghai branch organised 'One Lesson' teaching volunteering activities in which volunteers gave art, physical education and other lessons to students.

Pioneering Low Carbon Green Growth

We have been advocating and encouraging youth volunteerism for green growth undertakings. To this end, our young employees responded actively with the goal of pioneering the cause of energy conservation, emission reduction and low carbon green growth. Volunteers from the Bohai Sea to the South China Sea took to the beaches during weekends on their own initiative, to help clean up and restore the beautiful bays of China. Additionally, they put proactive efforts into tackling the issues in technological transformation for energy conservation and emission reduction, to keep the oil content in waste water discharged from the oil fields in Beibu Gulf well within the national standards for the control of pollution from increased production. We have also engaged young Communist Youth League members to remember and contribute to the low carbon environmental protection cause, and this helped facilitate the success of more than 300 low carbon and energy conservation initiatives.

Bringing Warmth to Empty Nests

It is our long-term commitment to mobilise volunteers to care for parents and bring warmth to their empty nests. We assign individuals to specific households for the provision of regular one-to-one assistance. Apart from showing concerns to the lonely older folks through door-to-door visits or phone calls periodically and bringing books on healthcare information to them, volunteers provide them with medical services, psychological counselling, haircuts and any other service as needed, to help solve and reduce their hidden emotional distress. During major festive seasons, volunteers also make it a point to spend time with them.

Spreading the Love to Schools

Our young employees volunteered at four CNOOC-financed Project Hope primary schools in the cities of Chengde and Baoding in Hebei province, to show appreciation to teachers and spread the love. They presented Certificates of Honour and prize money to outstanding teachers and model students, and donated RMB 100,000 to help improve the teaching conditions in the schools. At the central primary school of Bakeshiying, a mountain town in Luanping County of Hebei province, they showed their concerns and donated more than RMB 10,000 worth of Xinhua Dictionary, Dictionary of Chinese Idioms, textbooks, reference books, stationery and sports supplies.

CASE

CNOOC Service Stations See China's First Batch of LNG-Powered Long-Nose School Buses

School buses with the shape of a long nose, equipped with a smart Operations Management System and powered by LNG, are the first of its kind in China. Our service stations in the city of Zhongshan in Guangdong province will be providing high quality services to LNG-powered school buses, to bring the benefits of CNOOC's renewable energies to primary and secondary school students and enable them to escape the misery of having to breathe the exhaust from old school buses.



CASE

Volunteers Care for Migrant Workers

It is our long-term commitment to care for the migrant workers we employ. By carrying out targeted projects and activities, we hope to increase their sense of belonging and identity. We strive to improve their job skills and competencies continuously through vocational education and training, on-the-job training and skills competitions, as well as improve their mental health conditions through providing mental health education and psychological counselling and guidance. We truly want to understand and solve the problems they may face.



We have mobilised youth volunteers to pair up with migrant workers for one-to-one assistance, to 'grow up together happily with them'. These volunteers taught the children of the workers to show concern to their parents through letters and phone calls, to help improve the bonding and relations between them. Additionally, the volunteers supplied the workers with Chinese New Year greeting cards, for them to have the opportunity to send festive greetings to their children and communicate the expectations they have on them, and supplied their children with school bags, books, toys and other gifts as a form of concern for their healthy growing up.

As part of our efforts to care for the children of migrant workers back home, we built 'Hope Homes' equipped with libraries, recreation rooms, psychological counselling rooms and other facilities. We mobilise youth volunteers regularly to engage in activities such as educational and psychological counselling, to help out in the learning, living, psychological, and any other needs these children may have. Additionally, we asked our business units in the vicinity to help solve the schooling problems of the children of, and employment problems of the family members of the workers.



COMMUNITY ENGAGEMENTS

As part of our proactive community engagement efforts to address the living needs of residents, we carried out a series of heart-warming projects that would help create harmonious ambiances and beautiful landscapes in the communities. We commit ourselves to serve the community, instil harmony and bring benefits to people. To this end, we try to understand and respect the local culture and take the initiative to assimilate into the communities.

Management of mining communities is a systematic process. By establishing a set of feasible operating frameworks integrating various resources, we strive to foster a properly managed, safe, stable, healthy, happy, civilised, peaceful, vibrant and beautiful community, to improve harmony from a higher level.

In 2012, we cooperated with the local authorities in the construction and planning work, and operations for the supply of water, electricity and heat. Water drainage and other work have slowly been taken over and managed by local companies in the market. These have helped build strong foundations for market-oriented community management and a proper operating framework for service delivery based on social division of labour.

In the Bohai mining area, we have (1) constructed a security network covering the entire community; (2) established a framework involving the combined efforts of the water supply, electricity supply, heat supply, water drainage, facilities management, medical insurance and other functional departments, to serve the needs of the residents; (3) introduced the Interim Measures for Harmony and Stability in the Bohai Mining Community and perfected the five main frameworks; (4) created a new service brand incorporating the

provision of family, cultural and healthy lives after retirement, and (5) innovated a relief model with the charity association within the community as the effective vehicle for the fulfilment of social responsibilities in our implementation of the third phase of One Hundred Households Assistance Programme and the Quality of Life Improvement Assistance Model modelled after the livelihood assistance model, to provide needy families with personalised assistance according to their actual needs and act as a link to provide care and concern. Additionally, we have significantly increased the satisfaction with life and happiness indices of the local residents through our efforts to leverage on our existing resources to carry out environmental protection projects and our collaboration with the local institutions to deliver high quality medical services and cultural resources to the community.

In the western South China Sea, we have (1) proactively pushed forward plans to improve the mining community services; (2) held joint working meetings with the local governments, to work together in implementing reconstruction plans according to the policy of Guangdong province for rebuilding old urban areas, old factory buildings and old villages in order to promote the rapid development of the local economy and communities; (3) proactively carried out poverty reduction programmes, to help solve the worries of needy employees and their family members; (4) organised 186 sessions of cultural and sports activities to enrich the leisure lives of retired employees, drawing an attendance of around 45,000, and (5) carried out the construction of cultural, comfortable accommodation and other supporting facilities and stepped up management of the training of security guards and cleaners, to provide strong support for the construction of the community environment.



Children's Day celebration at Capital Institute of Paediatrics

Main Frameworks for Harmonious and Stable Mining Communities

- ◇ Coordinated organisational framework
- ◇ Systematic and efficient stability framework
- ◇ Civilised and peaceful environment framework
- ◇ Comprehensive public services framework
- ◇ Fair and just relief assurance framework

CASE

Two-Pronged Assistance

In 2012, CNOOC Nanhai West Corporation implemented at four impoverished villages in Botou District of the city of Zhanjiang in Guangdong province, a two-pronged assistance approach involving specific planning for each household and assignment of specific responsibilities to each facilitator. Other than assisting the poor households with no earning capacity, we also helped 284 of those with earning capacity in the four villages to develop household production projects. In doing so, we helped each village strengthen the collective economy projects and increase economic efficiency by fully leveraging on their location, resources and other competitive advantages. Through regular distribution of bonuses, we provided the poor households with a relatively stable income, and at the same time, achieved steady growth of the value of the poverty reduction funds.

We have stepped up efforts to provide poor households with skills training to equip them with the ability to be re-employed, as well as help school-age children go to school, and their children in non-compulsory education continue their studies. The team leaders of each poverty reduction team have been working in the villages all the time and in 2012, helped rebuild the dilapidated homes of 100 households.

CASE

CNOOC Open House

Young Cultural Ambassadors from Beijing Visit CNOOC

On the 16th of June, the CNOOC Industrial Achievement Exhibition and Open House saw 50 Young Cultural Ambassadors. The young ambassadors wrote on the guest book: “CNOOC, China’s pride” and “I like this place!” The teacher who led the ambassadors said, “This activity has not only enriched the extra-curricular lives of the children, but also enabled them to understand CNOOC. Thank you so much. In mid July, Young Cultural Ambassadors across the country will be gathering in Beijing for the finals. When the time comes, we hope that children from other areas will also have the opportunity to see the CNOOC Industrial Achievement Exhibition and experience the charm of CNOOC!”



After the visit, the exhibition hall successively received afterthoughts and hand-drawn drawings from the ambassadors. One of the ambassadors wrote: “This excursion was a rare learning and practice experience in which I gained a better understanding of petroleum energy. As a visiting young ambassador, I will tell my peers and the people around me about everything I learnt here.”

Huizhou Refinery Opens to the Public

Huizhou Refinery organised an open house with the theme of ‘Experiencing Clean and Safe Production in Huizhou Refinery’. Scenes of the clean factory areas and safe production environment brought surprise and recognition from representatives of the Neighbourhood Offices in the vicinity, school teachers and students, company representatives, family members of employees, and leaders from the Daya Bay Environmental Protection Bureau.



CSR ENGAGEMENT OVERSEAS: BECOMING A RESPONSIBLE GLOBAL CORPORATE CITIZEN

Becoming a responsible global corporate citizen is our goal. In our earnest fulfilment of our social responsibilities overseas, we adhere to the principle of promoting harmony and achieving win-win outcomes, and take the initiative to assimilate into the local communities.

Uganda

Since our entry into the Ugandan market, we have always committed ourselves to be a good neighbour and interact proactively with the communities we call home.



Happy Ugandan primary school students

Long-term supply shortage combined with an outbreak of cholera in May 2012 posed a pressing demand for medicine in Ntoroko District. On the 15th of June, we donated approximately US\$35,000 worth of medicines in total to two hospitals in the District, to help alleviate the epidemic.

We often pay visits to Buhuka in Hoima District, where the Kingfisher oil field is located. Immediately after learning of the damage to the only water tower in the vicinity capable of supplying drinking water, which may affect the health of local residents, we sent engineering technicians to repair the tower within a month so that residents could gain access to clean water once more.

Teachers' Day in 2012 saw the launch of an exercise for the first time, to donate supplies in support of the education cause. Six Chinese and foreign employees delivered school bags printed with the CNOOC logo, stationery and food supplies to the teachers and students of Buhuka Primary School. The principal said with gratitude, "CNOOC has been making donations to our teachers, allowing them to work with no worries ever since they came here. Now, they are sending educational and food supplies to us once again. We sincerely thank you for this."

According to the Hoima District Mayor, "CNOOC is our good partner. They are participating in the development of our District."

Nigeria

As one of the partners of the OML 130 project in Nigeria, we have been proactively fulfilling our social responsibilities by donating approximately US\$2 million annually for educational investment and personnel training purposes. Additionally, we have, among other things, provided the local communities with medical emergency response equipment, helped in building the Federal Central Neuropsychiatric Clinic, donated complete sets of equipment for AIDS testing, supplied intensive care equipment and special paediatric care equipment, and provided ambulances.



Discussing social responsibility matters with the locals

Iraq

A group of military personnel triggered a land mine when performing mine clearance operations on 29 September 2012. This resulted in four injuries, with the commander being the most serious. Our local manager visited the casualties at the hospital and extended condolences to them, as well as issued safety warnings to all contractors, requiring them to observe minefield safety regulations when in the camps and operation areas.

CASE

Helping Families of Iraqi Employees

“I thank the people of China and my Chinese colleagues. I wish everyone all the best in their work...” said Ali Jizer, an Iraqi employee, excitedly.

Ali’s son, Jafar suffers from congenital urethral stenosis and needed to undergo treatment by urethral dilatation and urethral reconstruction. However, the child never received effective treatment due to financial difficulties of the family. On 28 March 2012, our Chinese employees in Iraq enthusiastically contributed money in the hope of seeing Jafar undergo treatment and regain his health, to enjoy a happy childhood.

Qatar

In Qatar, we equip every employee apartment with a first-aid kit and maintain good relations with the local hospitals, to provide our Chinese and foreign employees with effective healthcare support.

It is our commitment to protect the local fisheries within the areas we operate. We strictly require our workers to pay attention to their floating nets and fish cages during operations, and to get along well with the fishermen.

Indonesia

For years, we have been working together with the National Ocean Park of the Thousand Islands and the local non-governmental organisations and communities in planting mangrove forests on Pulau Kelapa. Mangrove forests provide a good habitat for fish to live in, as well as prevent the loss of land by wave action. Additionally, we helped the local residents rebuild their jetty, an effort that received their widespread acclaim. They cordially named the jetty as CNOOC Jetty. We also helped the National Ocean Park build a semi-natural turtle breeding base.

Since 2007, we have, on an annual basis, been providing the students of almost 70 schools on the Thousand Islands with intensive training classes before Indonesia’s National Examination (UNAS) for senior high school students. We have also set up scholarships to reward outstanding students. Additionally, our medical officers have been providing the residents of Pulau Tidung Besar with free medical services.

We respect the religion, customs and traditions of our Indonesian employees. We let them have enough time for prayers and provide them with Halal food. During Ramadan (Muslim fasting month) and Idul Adha (Muslim Day of Sacrifice), we help them buy gifts, to reduce their workload.

Australia

As part of our on-going efforts to support and contribute to the cultural exchange between China and Australia, in 2012, we sponsored for the third time, the Western Australia qualifying round for the World Chinese Bridge Competition for University Students organised by the Confucius Institute at The University of Western Australia.



CNOOC sponsors the Chinese Bridge Competition of The University of Western Australia

Canada

In 2012, we (1) set up a three-year scholarship programme at the Schulich School of Engineering at the University of Calgary; (2) financed the scholarship programmes of Calgary Homeless Foundation and the Faculty of Social Work at the University of Calgary, to encourage more social workers and volunteers to help the homeless, and (3) supported the project on social assistance to the homeless in fall 2012 that the Calgary Homeless Foundation organised and benefited 600 to 1,000 people. The homeless will receive lunch, clothing, toiletries, haircuts, and the necessary medical services and legal assistance for free.

LOOKING AHEAD TO 2013

In 2013, the economic and energy market situations in China and the world at large remain complex and unpredictable. Uncertainty in the global economic recovery continues to increase, and the total demand from the main economies remains weak. While international oil prices are likely to remain highly volatile, there will hardly be any fundamental change in the oil supply and demand structure. Globally, the trend of asset reorganisation within the oil and gas industry becomes more apparent, and that of weak profitability in the refining industry will continue. No apparent signs of a breakthrough in the short term for alternative energy technologies could be seen. This means both opportunities and challenges for us.

Building China into a maritime power is now a national strategy of the Chinese government. For us to achieve sustainable development, it is imperative that we actively execute our mission to make the Second Leap and use it as a breakthrough to implement the innovation-driven development strategy, speed up the adjustment of economic structure, and improve the quality of our oil and gas business.

Achieving continuous growth of offshore oil and gas production and ensuring the security of the nation's energy supplies are both integral to our efforts to help build China into a maritime power. As we strive to provide the nation with more oil and gas resources, we must step up our resource exploration and development efforts, continue to operate independently and in collaboration with others, proactively implement the deepwater strategy, steadily push ahead with the exploration and development of oil and gas resources, speed up the pace of development of the offshore equipment manufacturing industry, improve the level of localisation of equipment and facilities, and enhance the development capabilities for offshore resources.

Safety and environmental protection are the lifeblood of our development. In view of this, we cannot afford to relax our management in any way. With intrinsic safety in mind, we will strengthen the management of the availability of facilities and equipment, and elimination and control of hazards. We will continue to increase the quality, effectiveness and relevance of safety training, to raise the safety awareness of employees and actively address the risks brought on by a predominantly young operations team and extensive use of contractors. As we continue to strengthen the construction of our emergency response capability, we will focus on integrating risk prevention and emergency preparedness, continue to develop prevention measures for daily operational risks, including high-risk operations, essential equipment and facilities and key hazards, and focus on strengthening our capabilities to handle crises such as severe weather and typhoons.

Protecting the marine environment is essential to the development of ecological civilisation, as well as an important measure for building a beautiful China. We will be taking effective measures to fulfil our responsibilities in protecting the marine ecological environment with the aim of achieving economic, social and environmental benefits while forging ahead with corporate development. We will also be putting in efforts to transform ourselves into an environmentally friendly company that conserves resources through implementation of energy conservation and emission reduction measures to comply with the related standards. With low carbon and renewable green growth in mind, we will be putting in efforts to promote change in the methods of producing, converting and using resources.

Our social responsibility ethos of safe and efficient operations, low carbon green growth, putting people first, openness and transparency, charitable giving, and the courage to innovate, will remain at the heart of what we do. In line with this, we will fine-tune the implementation of the dedicated programme to improve our management of corporate social responsibilities even further and continue to develop the related framework, to improve our overall sustainability. All in all, we strive to maximise the overall economic, social and environmental value and proactively provide energy for all.



THIRD-PARTY ASSESSMENT

Rating report on China National Offshore Oil Corporation Sustainability Report 2012



Upon the request of China National Offshore Oil Corporation, CSR Research Center of Economics Division of Chinese Academy of Social Sciences (hereinafter "Center") invited experts from Chinese Expert Committee on CSR Report Rating to form China National Offshore Oil Corporation Sustainability Report 2012 Rating Team. The rating team rated China National Offshore Oil Corporation Report 2012 (hereinafter "report") as follows:

1. Rating Criteria

Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (CASS-CSR 2.0) published jointly by the aforesaid Center, China Enterprise Confederation, China Petroleum and Chemical Industry Association, China Light Industry Federation, the Sino-German Corporate Social Responsibility Project, China WTO Tribune and China Committee of Corporate Citizenship.

2. Rating Results:

Completeness (★★★★)

The Report discloses key information on "Resource Supplying", "OHSE Responsibility", "Employee Responsibility", "Social Responsibility" etc. With 72.84% of core indicators being disclosed on Oil & Gas Exploration Industry, the report has well completeness.

Materiality (★★★★☆)

The Report discloses key performance issues for Oil & Gas Exploration Industry such as "quality of products", "energy supplying with all strength", "occupational health safety", "circular economy", "Climate Change" etc. The report has excellent materiality.

Balance (★★★★☆)

This report discloses negative information on "records of producing accidents", "accident of directed contractor", "traffic accidents" and describe "'7-11' fire accident of Huizhou Refining and Chemicals Controlled Company" briefly. The report has excellent balance.

Comparability (★★★★☆)

This Report discloses data on 38 key performance indicators of five consecutive years. The report has excellent comparability.

Readability (★★★★★)

This report has a clear structure and suitable length, concise and fluency language, with cases description with datasheets and flow charts, well explaining the technical terms. All of which makes this report very excellent readable.

Creativity (★★★★☆)

In this report, "the model of the sustainable development" merges the corporation's development strategy together and using the special subject form to describe the essence corporation responsibility. "The Topic of 30 Years" show the corporation's sustainable performance and the "The Topic of deepwater" respond the annual great invents. So this report has an excellent creativity.

Overall rating (★★★★☆)

Through evaluation and deliberations, the rating team agreed to rate China National Offshore Oil Corporation Sustainability Report 2012 as leading by giving a four-star and half rating to it.

3. Suggested Improvements

- (1) Disclosing more core social responsible indicators on the industry to improve the completeness of the report.
- (2) Increasing the foreign country's information part on corporation responsibility to promote the effectiveness of the report's external spreading.

Rating Team

Team leader:

Zhong Hongwu, Director of CSR Research Center, Economics Division, Chinese Academy of Social Sciences

Team member:

Cheng Duosheng, Executive Director of Global Compact Network China Secretariat

Chen Yuanqiao, Research Fellow of China National Institute of Standardization, Secretary General of ISO26000 CSR Special Working Group



中国企业社会责任报告
评级专家委员会
Chinese Expert Committee on CSR Report Rating

Peng Huagang

Head of the rating team
Vice president of executive council of the Center
Director general of Research Bureau of SASAC

Zhong Hongwu

Team leader of the expert
rating team
Director of CSR Center

GLOSSARY OF TERMS

Drilling Platform

Offshore drilling platforms are marine structures used mainly for drilling exploratory wells. Such platforms, generally divided into mobile and fixed platforms, are essential for offshore oil and gas exploration and development operations and house drilling, power, communications, navigation and other equipment, as well as lifesaving and accommodation facilities.

Extraction Ratio

Extraction ratio refers to the percentage of geological oil reserves accounted for by the amount of oil that can be extracted from oil reservoirs. This is a key criterion in evaluating the level of development of an oil field.

Thickened Oil

Thickened oil is highly viscous crude oil that contains a relatively high level of asphaltenes and resins. This usually refers to those with ground densities greater than 0.943 and underground viscosities greater than 50 centipoises. Heavy oil is another name for such oil due to its high density.

Oil Reservoir

This is the smallest unit for the storage of oil. Oil reservoir layer or oil layer in short refers to the porous strata for the storage of oil. Not every part of an oil layer will contain oil. Oil reservoir refers to those independent oil-containing areas within an oil layer.

Exploratory Well

Exploratory wells refer to wells drilled within an oil or gas field for acquiring the necessary geological data to determine the existence, delineate the boundaries, and perform industrial evaluations of oil or gas reservoirs. Those drilled during the exploration phase can be further divided into prospecting, preliminary exploration and detailed exploration wells.

Development Well

Development wells are well fields in development and construction.

Adjustment Well

Adjustment wells refer to scattered or clustered wells drilled, in addition to existing well clusters, for improving the development of oil fields.

Well Logging

Well logging usually refers to geophysical well loggings, in which different forms of well loggers made based on electrical, magnetic, acoustic, thermal, nuclear and other physical principles, enter wells through the use of well logging cables, to allow the ground electrical measuring instruments to record continuously along the well bore the various parameters that change with changes in depth. Underground rock formations, including oil, gas, water, and coal layers and metal deposits, can then be identified through curves representing these parameters.

Fracking

Fracking, also known as hydraulic fracturing, refers to a technique used to create fractures in the oil layer using hydraulic pressure. The process involves the use of a fracking device, to inject a large volume of viscous fluid under high pressure into the oil layer and then fill the resulting fractures with proppants such as quartz sand to increase the permeability of the oil layer and in turn, increase the amount of water injected or oil produced.

Oil Spill Response

Oil spill response is the formulation of plans and adoption of measures to control and prevent oil spills and reduce pollution damage, based on the environment and resources in the potential spill sources and waters within the designated sea areas. This sees common use in offshore oil exploration and development activities.

LNG

Liquefied natural gas or LNG in short refers to the liquid that forms when natural gas extracted from gas fields cools to a low temperature under high pressure after undergoing the fluid and acid removal, drying and distillation processes. LNG is predominantly methane and is colourless, odourless, non-toxic and non-corrosive.

CDM

The Clean Development Mechanism (CDM) is a mechanism that allows both developed and developing countries that ratified the Kyoto Protocol at the Third Conference of the Parties of the United Nations Framework Convention on Climate Change, to fulfil part of their emission-reduction commitments overseas through emissions trading at project level.

Recordable Production Safety Events

According to the OSHA standards of the United States, recordable production safety events include medical treatment, work restrictions, lost time and deaths.

Occupational Disease

This refers to diseases that develop as a result of exposure to occupational hazards at work.

QHSE

The abbreviation QHSE stands for Quality, Health, Safety and Environmental. Established based on the principles of compatibility of similarities and complementarity of differences, and on the basis of the ISO 9001 and ISO 14001 standards, GB/T 28000 family of standards and SY/T 6276 Petroleum and Natural Gas Industries - Health, Safety and Environmental Management System, the QHSE management framework usually refers to the framework that directs and controls the quality, health, safety and environmental aspects of an organisation.

COD

Chemical oxygen demand or COD in short refers to the amount of oxidant consumed when treating water samples using a certain amount of strong oxidants under certain conditions. The usual use of COD is to determine the extent of contamination of water bodies by reducing substances.

DCC

Deep catalytic cracking or DCC in short refers to a new technique that extracts and produces gaseous olefins from heavy oil as the raw material, through a form-selective catalytic reaction. The Hainan Fine Chemical Project uses the deep catalytic cracking process in one of its core facilities and is, therefore, widely known as the DCC Project.

Coalbed Methane

Coalbed methane, which is a coal-associated mineral resource and considered an unconventional form of natural gas, refers to a kind of hydrocarbon gas (predominantly methane) found trapped within coal beds, mainly adsorbed to the surface of coal matrix particles, and partly dispersed in the porosity of coal or dissolved in the coalbed water.

Shale Gas

Shale gas specifically refers to an unconventional form of natural gas found trapped within shale formations.

Tight Gas

Tight gas is an unconventional form of natural gas found in sandstone formations with permeability less than 0.1 millidarcy.

Deepwater Semi-Submersible Drilling Platform

Deepwater semi-submersible drilling platform refers to a semi-submersible drilling platform that can operate in deep waters. Semi-submersible drilling platform, also known as column-stabilised drilling platform, is a kind of mobile drilling platform with small waterplane area and a large part of the floating structure submerged under water.

LNG Cold Energy

LNG must be gasified into room-temperature gases through a heat exchanger in the corresponding LNG receiving terminal before use as a fuel or chemical raw material. LNG cold energy refers to the large amount of energy in the range of approximately 830 to 860 kJ/kg (including the latent heat of vaporization of liquefied natural gas and the sensible heat resulting from the re-heating of gaseous natural gas from the storage temperature to the ambient temperature) released from the gasification process.

Butyl Rubber

Butyl rubber, also known as isobutylene isoprene rubber or IIR in short, refers to synthetic rubber produced from the copolymerization of isobutylene with a small amount of isoprene. Such rubber has good chemical and thermal stability, with the airtight and watertight properties being the most notable.

Air Separation

Air separation usually refers to the process of separating oxygen, nitrogen, carbon dioxide or other gases from air by using methods such as deep refrigeration, adsorption and membrane separation, based on the differences in physical properties between the various components in air. In this report, we specifically refer to the liquefaction of air using cold energy, followed by production of the corresponding liquefied industrial gases through the separation process.

CNOOC

China National Offshore Oil Corporation Limited (HKEx: 00883, NYSE: CEO, www.cnocold.com).

COSL

China Oilfield Services Limited (SSE: 601808, HKEx: 02883, www.cosl.com.cn).

CNOOC Engineering

CNOOC Offshore Oil Engineering Co., Ltd. (SSE: 600583, www.cnocengineering.com).

China BlueChemical

China BlueChemical Ltd. (HKEx: 03983, www.chinabluechem.com.cn).

CNOOC Gas and Power Group

CNOOC Gas and Power Group Limited (www.cnocgas.com).

CNOOC EnerTech

CNOOC Energy Technology & Services Limited.

Shandong Haihua

Shandong Haihua Group Co., Ltd. (www.haihua.com.cn).

Lishen Battery

Tianjin Lishen Battery Joint-Stock Co., Ltd. (www.lishen.com.cn).

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Community Engagements	EC8/SO1	SE1/SE2/SE3/SE4/SE5	S4.1/S4.2
Special Topic: CSR Engagement Overseas	EC8/SO1	SE1/SE2/SE3/SE4/SE5	S4.12
LOOKING AHEAD TO 2013	1.2/EC2	E1/E2/E3/E5/E7/SE1/SE7/SE17	A1
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FEEDBACK FORM

In order to improve the social responsibility engagement of CNOOC on an on-going basis, we would like to hear your thoughts, which will form an important basis for us to do better. We hope that you could spare some time to give us your valuable feedback on the report and our work.

Your Information:

Name: _____ Company: _____

Tel: _____ E-mail: _____

Your Feedback:

1. What is your overall opinion of the report?

Very good Quite good Average Quite poor Very poor

2. What do you think of the information disclosed in the report?

Very abundant Quite abundant Fair Quite little Very little

3. What do you think of the quality of the information disclosed in the report?

Very high Quite high Average Quite low Very low

4. What do you think of the report structure?

Very reasonable Quite reasonable Fair Quite poor Very poor

5. What do you think of the design of the report layout?

Very reasonable Quite reasonable Fair Quite poor Very poor



6. If you have any opinion or suggestion on the social responsibility engagement of CNOOC or the production and dissemination of our sustainability report, please feel free to let us know:

Contact Us:

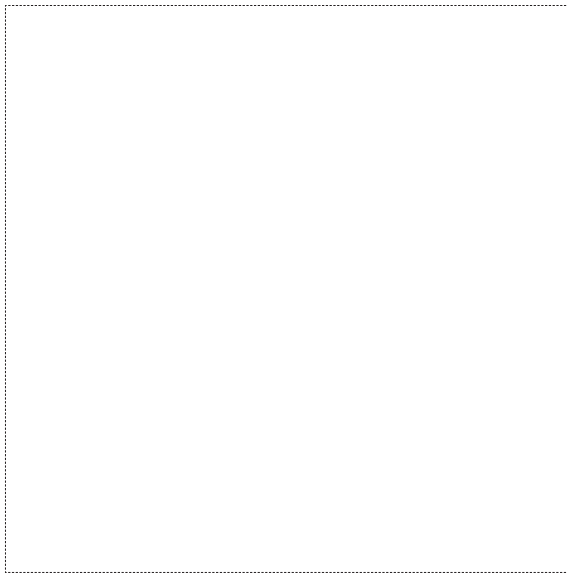
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The electronic version of the 2012 Sustainability Report is enclosed with this printed version.

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CNOOC

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