

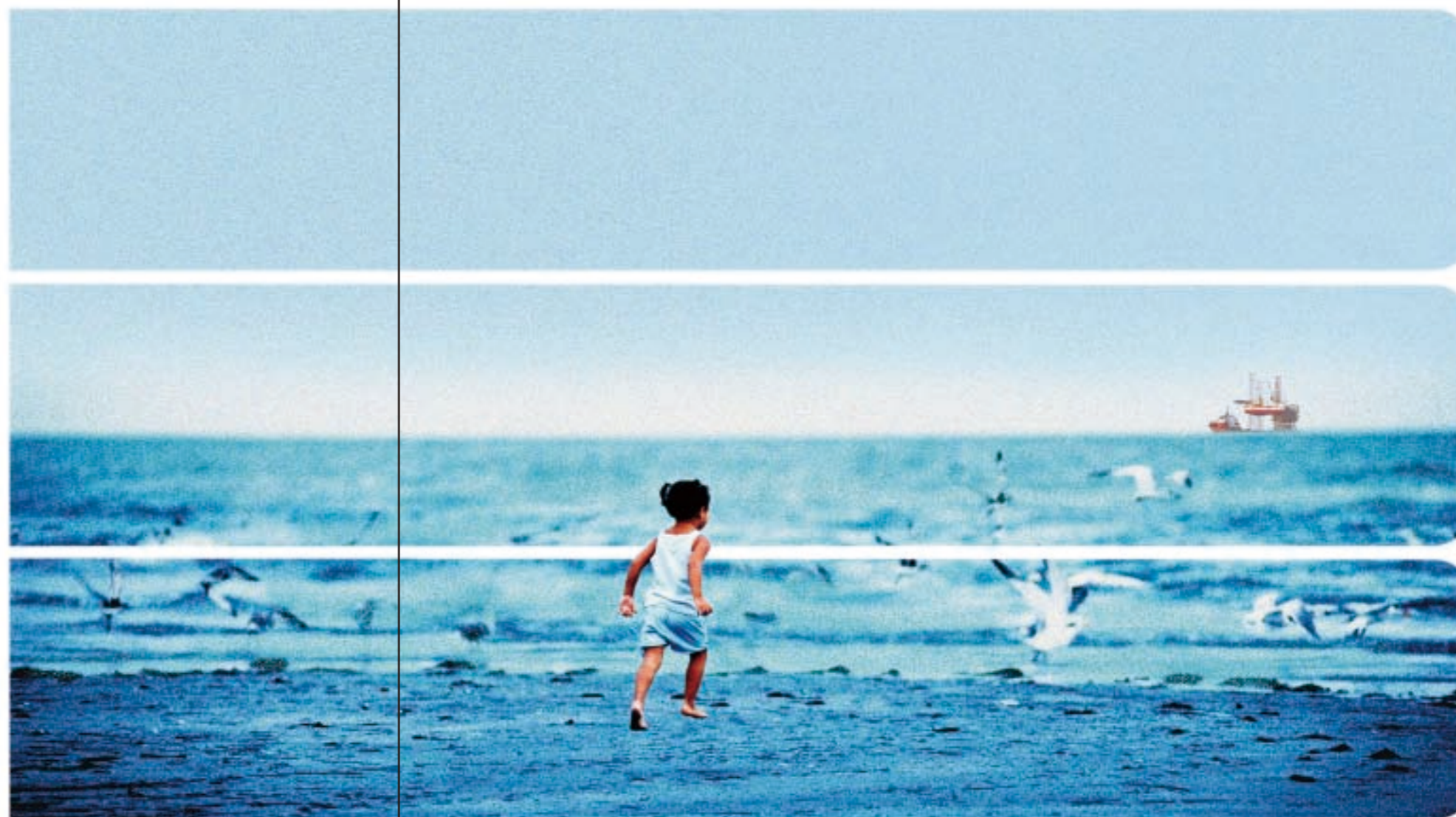
CNOOC

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2009 CHINA NATIONAL OFFSHORE OIL CORP.
Sustainability Report





Overview

This is the 5th sustainability report issued by China National Offshore Oil Corp. (hereinafter referred to as “CNOOC” or “this company”) to the public. This report follows Sustainability Reporting Guidelines of “Global Reporting Initiative”(GRI) and “Global Compact” principles of the United Nations.

The information disclosed in this report was sourced from the headquarters and affiliates of CNOOC, and the report period is from Jan. 1, 2009 to Dec. 31, 2009. The last report is “2008 CNOOC Sustainability Report”. CNOOC issues a sustainability report in both Chinese and English every year. External verification isn’t conducted for this report.

The structure of this report is determined through adjusting that of previous reports.

For any further information, please visit www.cnooc.com.cn.

For any opinion or suggestion, on this report, please contact us via the means below.

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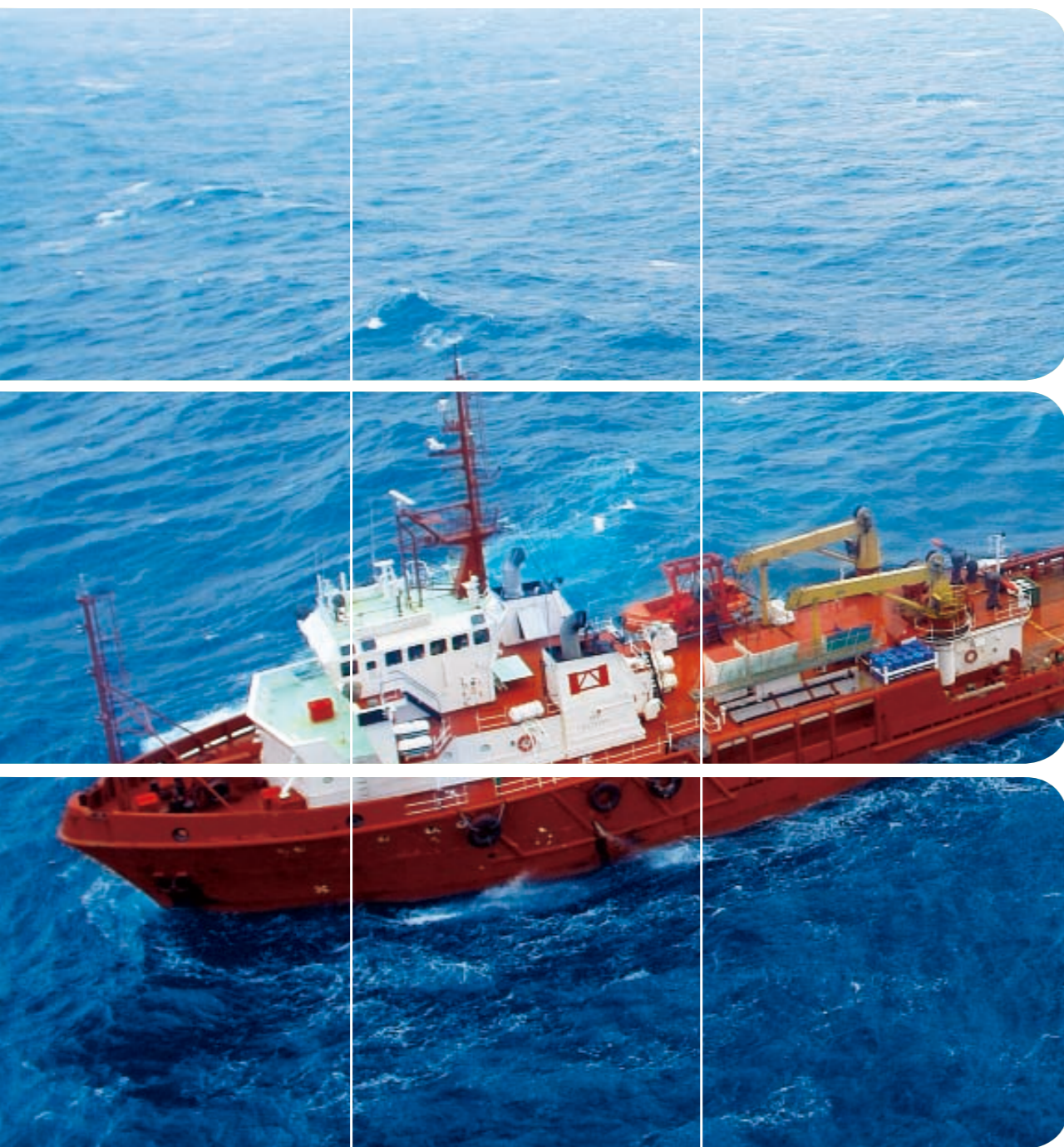
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01

Corporate Vision and Development Strategy



1.1 Corporate vision

CNOOC intends to become a world-class energy corporation with great social responsibility and high reputation.

1.2 Corporate philosophy

People-oriented

CNOOC regards and meets people's demands, and operates comprehensive systems to respect people's value, improve people's quality, give full play to people's abilities, guarantee people's rights and interests, strengthen cohesion and make people and the enterprise develop together.

Perform responsibilities

CNOOC tries to provide good quality energy for the development of the state and powerfully support social advance; sticks to the Scientific concept of development and sustainable development to realize harmonious and unified economic benefits, social benefits and environmental benefits. The employees of CNOOC create values for this company and the society through first-class work performance, have sense of justice and sense of responsibility conforming to social moral requirements, are liable for personal behaviors permanently and responsible for the customers and the enterprise.

Create win-win benefits

We think and discuss questions in the long run, seek for cooperative plans creating win-win benefits, integrate resources, supplement each other by own advantages, co-develop harmoniously and exert our potentials to realize the best allocation of resources, optimal organization, best utilization of talents and maximum value, further, satisfy all the interested parties.

Be honest and credible

During operation, CNOOC is credible, open and transparent, keeps promises, and maximizes the corporate value on the premise of not impairing social interests or the interests of other parties concerned. The employees of CNOOC are excellent and decent, stick to professional morals and have high sense of honor rather than cheat or falsify.

Innovation

We cultivate creativity and development ability, learn new information, new knowledge and new concepts, change thought, break through the limitation of regulations, take advanced modes and measures, establish advanced concepts and systems, develop the best technologies and techniques, and achieve first-class performance and pattern.

1.3 Corporate development objective and strategy

CNOOC intends to become a world-class energy company, i.e. a company advanced in the international energy industry in respect of overall strength, core competitiveness and sustainable ability, with the market share of 35% and above, very strong professional influence, social popularity and good reputation.

During the construction of world-class energy company, CNOOC adheres to harmonious development strategy, advanced science and technology strategy, talent strategy and low-cost strategy.

1.4 Address of President



President, CNOOC Fu Chengyu

In 2009, the global economy was in the haze of financial crisis, nevertheless, CNOOC seriously implemented the Chinese government's strategic arrangements against the financial crisis, made united efforts, overcame difficulties, and made contribution for the country to keep growth, people's livelihood and stability.

In 2009, CNOOC continued to propel energy saving and emission reduction, enhanced supervision and achieved good results. CNOOC has completed the energy saving and emission reduction objective of the "11th Five-year" Plan issued by the state one year in advance. The offshore oilfields of Bohai, Beibu Bay and other key protected sea areas realized output growth without pollution increase, greatly decreased petroleum hydrocarbon discharge amount, continuously dropped chemical pollutant discharge, and decreased chemical oxygen demand (COD) and sulfur dioxide discharge amount by 50% than the year of 2005, with obvious effects.

CNOOC popularized "Green Platform" in the upstream operations to enhance energy saving and emission reduction and protect the marine ecological environment. CNOOC propelled liquid natural gas (LNG) business, and made contribution for changing the energy structure of southeast coast of China and reducing energy consumption and pollution. Our LNG projects in Fujian and Shanghai were put into production in sequence, the first ship of Qatar liquid natural gas arrived at Dapeng Bay of Shenzhen in October 2009, and CNOOC signed an agreement with BG Company and locked the contract capacity of 3.6 million tons per year. In 2009, CNOOC increased the input in the field of new energy, and propelled the development of low-carbon economy. CNOOC signed coal-made natural gas, power cell and other green project agreements with Datong Coal Mine Group and Tianjin Jinneng Group respectively. CNOOC signed a CDM agreement for residual heat comprehensive utilization of 400,000 tons of calcined coke per year, as is a numbered overseas "carbon exchange" in Chinese petrochemical industry. In the new energy field, CNOOC successfully propelled six projects inclusive of Hainan Dongfang 48 MW Wind Farm. Inner Mongolia Huade Wind Power Project, the first overland wind farm of CNOOC, was successfully incorporated into grid and started to generate power on Nov. 25, 2009. The good development of new energy industry not only promotes our business development but also enhances our company's basis of sustainable development.

In order to guarantee the steady development of our company, CNOOC emphasized the construction of comprehensive risk management system, and fully propelled the construction of punishment and prevention system as well. CNOOC established internal full-time supervisor system, set up CNOOC Supervision Office and formed a "quintuple" mega-supervision pattern to prevent probable risks of this company.

Faced with the financial crisis, CNOOC cut costs and retrenched expenses, and did not decrease the input in social responsibility performance. CNOOC appropriated the medical treatment project construction funds for aiding the disaster area of Wenchuan Earthquake in time, firmly propelled the construction of the project, and won the title of "Sustainable Development Project for the Disaster Relief of Wenchuan Earthquake". CNOOC made additional donation of 20 million RMB to "Water Cellar for Mothers" Project to help the people in Yan'an City of Shaanxi Province overcome the difficulties in drinking water supply. CNOOC won "Charity Pioneer" Prize granted by China Women's Development Foundation for our continuous support to this project.

Work safety is the most basic task and guarantee of CNOOC production, construction and sound development. Through the efforts in multiple years, our company has kept perfecting the safety management system and continuously enhanced the safety culture among the employees. These affiliates widely improved their work safety management level and kept work safety in good conditions.

2010 is the last year for this company to achieve the objective in "the 11th Five-year" Plan, also the revolution year for this company to propel the change of development mode and lay a foundation for the sound and rapid development in the "12th Five-year" Plan. We will pay more attention to developing quality and benefits, emphasize restructuring, independent innovation, clean and low-carbon production. The staff of CNOOC will make joint efforts to harmonize economy, society and environmental protection during the rapid development of this company, continuously improve this company's sustainable development ability and make more contribution for the society.

02 Corporate Profile



2.1 Corporate introduction

CNOOC, the largest offshore oil and gas producer in China, is engaged in exploiting offshore oil and natural gas resources. This company was founded with the registered capital of RMB 94.9 billion in 1982. This company is headquartered in Beijing, and has 65,800 employees.

As of the foundation, CNOOC has kept in good conditions all the time, developed from an upstream company engaged in offshore oil and gas exploitation only to a comprehensive energy group with prominent main business and complete industry chain, and formed upstream (oil and gas exploitation, production and sales), mid and downstream (natural gas, power generation, chemical, refining, fertilizer), technical service (oilfield service, offshore oil engineering, comprehensive service), financial service, new energy and other industry blocks. In recent years, this company has realized great-leap-forward development and continuously enhanced the overall competitive strength through implementing reform and restructuring, capital operation, overseas merger & acquisition, upstream and downstream integration and other major measures.

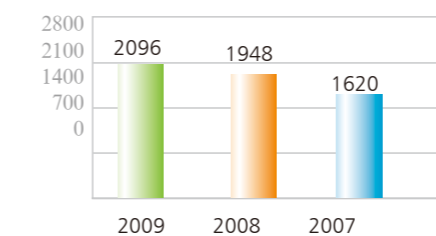
CNOOC has four major offshore oil production areas, i.e. Bohai Bay, West of South Sea, East of South Sea and East Sea. CNOOC is one of the largest offshore crude oil producers in Indonesia; meanwhile, CNOOC has oil and gas assets in Nigeria, Australia and other countries.

In 2009, CNOOC was at Standard & Poor's rating A+ and Moody's rating A1, still equivalent to Sovereign rating.

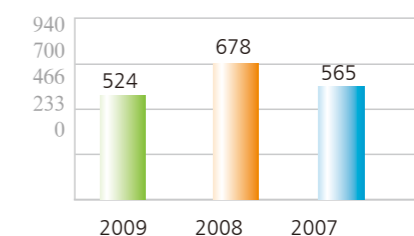
2.2 Corporate key indicators

Market performance indicators

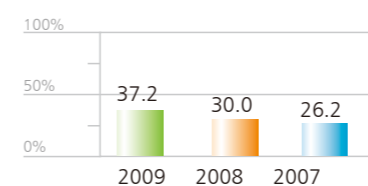
Income from main business (Unit: RMB 100 million)



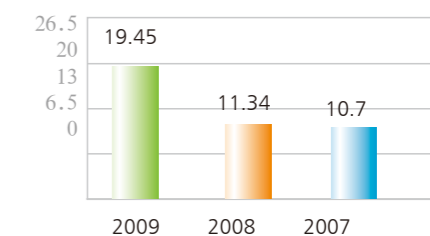
Total profits (Unit: RMB 100 million)



Asset-liability ratio (Unit: %)



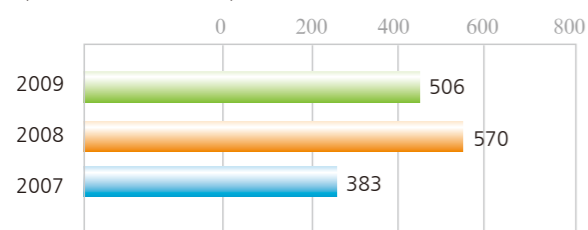
Input in research and development (Unit: RMB 100 million)



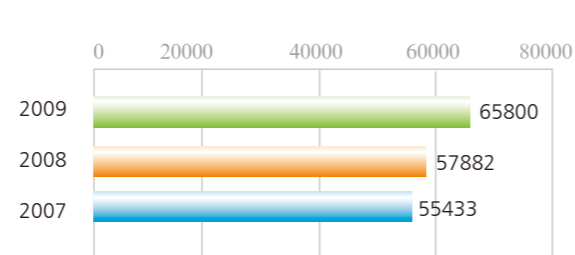
Social performance indicators

Profit turnovers and tax payments

(Unit: RMB 100 million)

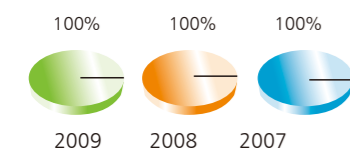


Total number of employees (Unit: person)



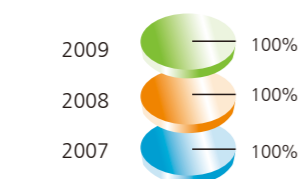
Labor contract signing rate

(Unit: %)



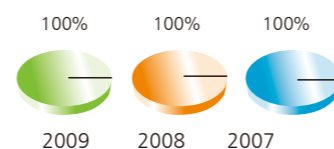
Social insurance coverage rate

(Unit: %)

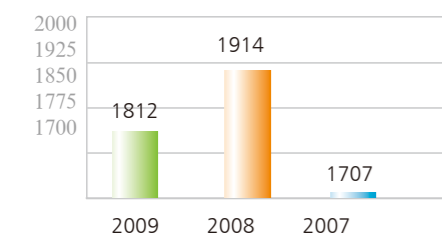


Labor union participation rate

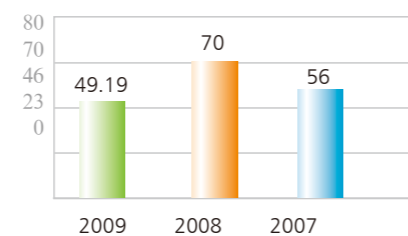
(Unit: %)



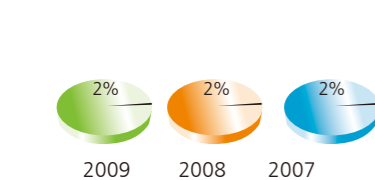
Training expense per capita (Unit: RMB)



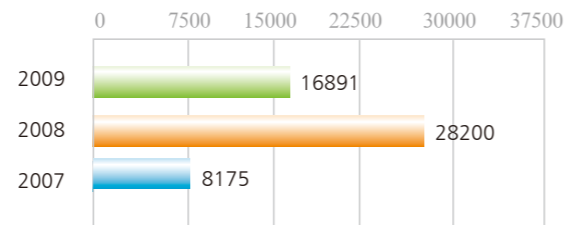
Training time per capita (Unit: hour)



Employee turnover rate (Unit: %)

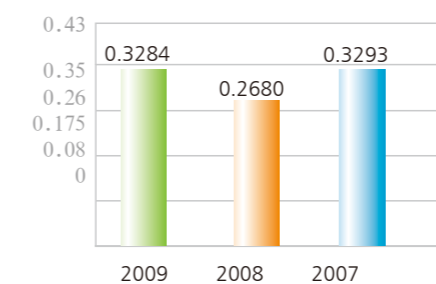


Public welfare donation (Unit: RMB 10,000)

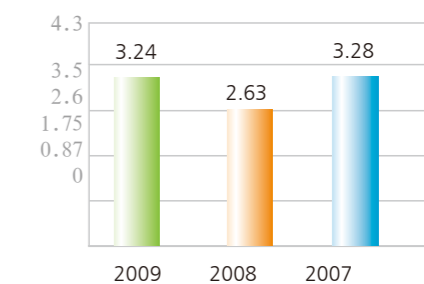


Environmental performance indicators

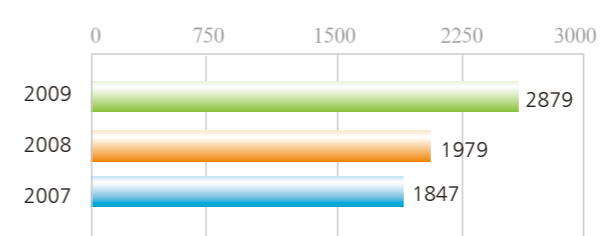
Energy consumption per unit of output value (tons of standard coal per RMB 10,000)



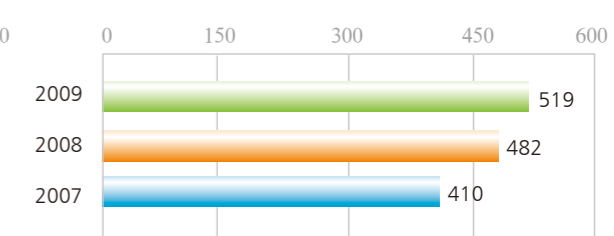
Water consumption per unit of output value (tons per RMB 10,000)



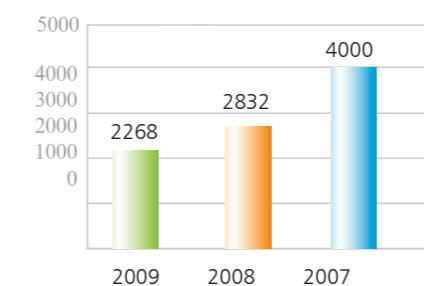
Offshore oilfield petroleum hydrocarbon discharge amount (ton, in China and Indonesia)



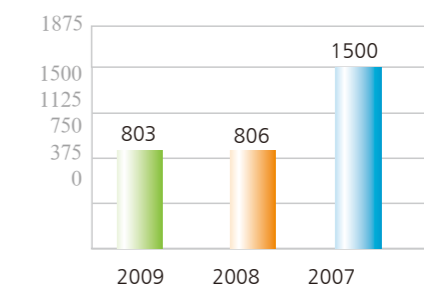
Oil and gas field greenhouse gas emission volume (10,000 tons, in China and Indonesia)



Sulfur dioxide (SO₂) discharge amount (ton)



Chemical oxygen demand (COD) discharge amount (ton)



03 Corporate Governance Structure and Management System



3.1 Organization structure of the top management

Fu Chengyu	Party Committee Secretary	General Manager
Zhou Shouwei	Party Committee Member	Deputy General Manager
Cao Xinghe	Party Committee Member	Deputy General Manager
Wu Zhenfang	Party Committee Member	Deputy General Manager
Wu Guangqi	Party Committee Member	Party Committee Discipline Inspection Group Leader
Lü Bo	Party Committee Member	Assistant General Manager
Wu Mengfei	Chief Accountant	
Zheng Changbo	Assistant General Manager	
Yang Hua	Assistant General Manager	
Liu Jian	Assistant General Manager	
Yuan Guangyu	Assistant General Manager	
Wang Jiexiang	Assistant General Manager	
Li Fanrong	Assistant General Manager	
Zhu Weilin	Chief Geologist	
Zhao Liguó	Chief Legal Advisor	
Meng Liming	Chief Economic Manager	



Significant personnel changes:

In May 2010, Li Hui was appointed as Party Committee Member and Deputy General Manager of CNOOC;

Lü Bo was appointed as Deputy General Manager of CNOOC.

Yang Hua was appointed as Party Committee Member and Deputy General Manager of CNOOC.

Liu Jian was appointed as Party Committee Member and Deputy General Manager of CNOOC.

Li Fanrong was appointed as Party Committee Member and Deputy General Manager of CNOOC.

Cao Xinghe would not take the post of Party Committee Member and Deputy General Manager of CNOOC any more because of age limit.

3.2 Organization structure of CNOOC

<p>Upstream Sector CNOOC Ltd.</p>	<p>CNOOC Research Institute (Its predecessor was CNOOC Research Center)</p>
<p>Mid and downstream Sector CNOOC Gas & Power Group</p> <p>CNOOC Marketing Company</p> <p>China National Chemical Supply & Sales (Group) Corp.</p> <p>China National Chemical Construction Corp.</p> <p>CNOOC Haixiningde Industrial Zone Development Co., Ltd.</p>	<p>China National Offshore Oil Refinery and Marketing Division (CNOOC Oil & Petrochemicals Co., Ltd.)</p> <p>China Offshore Oil & Gas Development & Utilization Company</p> <p>China Blue Chemical Ltd.</p> <p>CNOOC Petrochemicals Import & Export Co., Ltd.</p>
<p>Technical services China Oilfield Services Limited</p> <p>CNOOC Energy Technology & Services Limited</p>	<p>Offshore Oil Engineering Co., Ltd.</p> <p>China Ocean Oilfields Service (Hong Kong) Ltd.</p>
<p>Financial services CNOOC Finance Co., Ltd.</p> <p>CNOOC Insurance Ltd.</p>	<p>Zhonghai Trust Co., Ltd.</p> <p>CNOOC Investment Co., Ltd.</p>
<p>Others CNOOC New Energy Investment Co., Ltd.</p> <p>CNOOC Nanhai West Corporation</p> <p>CNOOC Donghai Petroleum Administration</p> <p>CNOOC Offshore Oil Communication & Computer Center</p>	<p>CNOOC Bohai Corporation</p> <p>CNOOC Nanhai East Petroleum Administration</p> <p>CNOOC Enterprises Corporation</p> <p>China Offshore Oil Press</p>

3.3 Corporate governance and decision making mechanism of CNOOC

CNOOC is a national oil company and state-authorized investment institution. SASAC has the right to supervise this company in the name of investor. According to Guidance for the Articles and Guidance for Rules of Procedure, CNOOC implements general manager responsibility system and sticks to democratic centralism to guarantee scientific decision making and standard operation.

In 2009, this company implemented the major strategic arrangements of Chinese government against the international financial crisis, actively performed the responsibilities of a central state-owned enterprise in the background of international financial crisis, and every professional committee and functional department seriously supervised, audited and implemented related economic, social, environmental and other policies and strategic plans of this company. Through the joint efforts of all leaders and employees, this company obtained excellent production and operation performance, and further improved corporate image and social influence.

Disciplinary inspection, supervision, internal audit, risk management, board of supervisors and other departments at all levels of this company implemented national major decisions on fighting corruption and advocating incorruptibility, firmly propelled the total risk management construction with the optimization of internal control system as main content through taking the perfection of punishment and prevention system as outline, and tried to establish a supervision system suitable for the national conditions, with the characteristics of CNOOC and adaptive to the need of development.

Through in-depth experimental points, CNOOC propelled the construction of risk management and internal control system in the whole company.

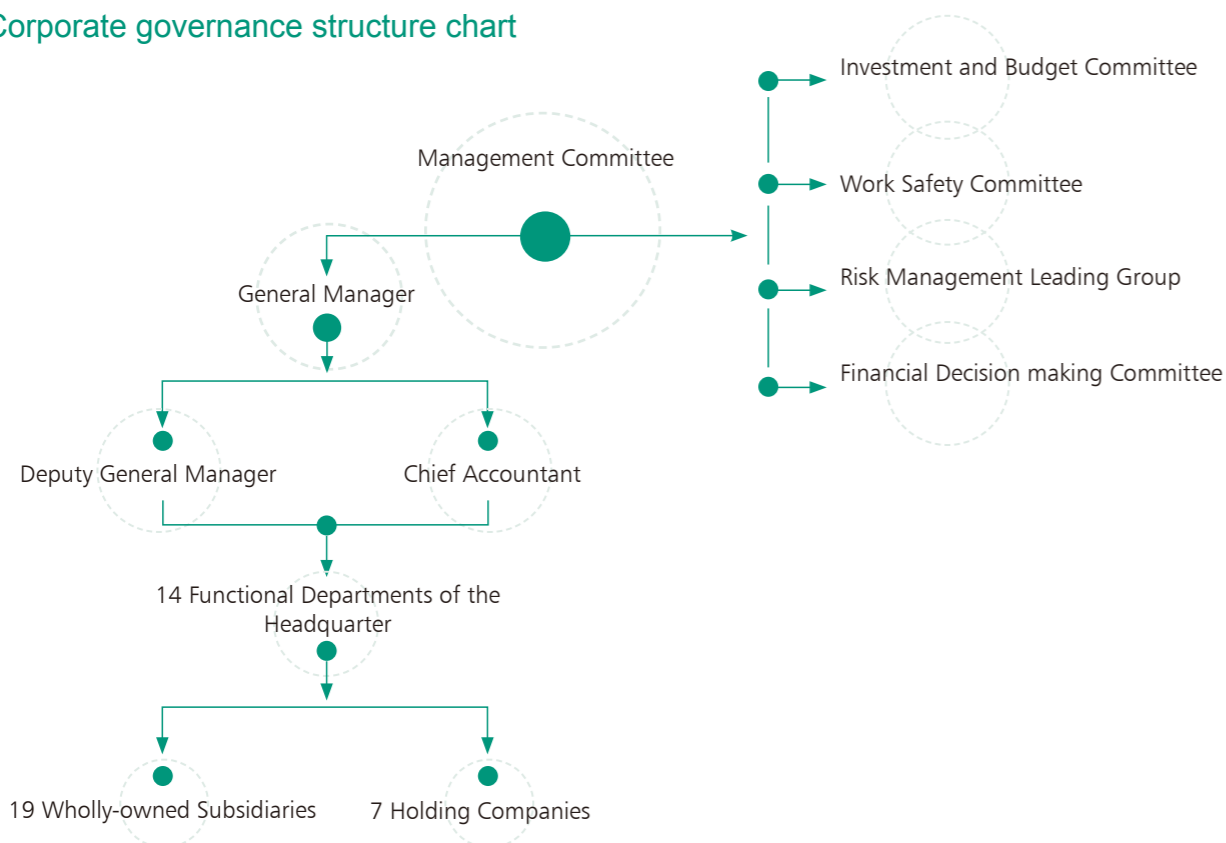
CNOOC launched Guide for the Construction of Risk Management and Internal Control System, Evaluation Method for Internal Control Review and Detailed Rules for Risk Management, amended and issued Financial Internal Control System (Version 2009) and Management Regulations of Financial Internal Control System of CNOOC, and fully started the construction of audit supervision system centering on Rules for Handling Breaches of Discipline.

CNOOC dispatched the members of board of directors and board of supervisors for total 92 persons all the year round, met the need of grassroots units in time and maintained the interests of CNOOC effectively.

This company powerfully enhanced the construction of full-time supervisor team. This company formulated full-time supervision management system document, and formed five basic systems inclusive of Management System of Supervisor Dispatching (Interim) and Management Procedure of Supervisor Dispatching (Interim), management procedures and operating rules. In 2009, CNOOC selected and appointed six full-time chairmen of board of supervisors and 6 full-time supervisors. This company adjusted all the previous part-time supervisors to full-time supervisors, appointed full-time supervisors to wholly-owned subsidiaries of CNOOC for full supervision, and clearly required that the reports of chairmen of board of supervisors should be directly submitted to CNOOC Discipline Inspection Group Leader and General Manager. This company established department interaction mechanism, and coordinated the supervised units to propel the implementation of corrections. An eight-day professional knowledge training emphasizing supervision work specifications and work practices was carried out for the new supervisors.

In addition, this company summarized the experiences in using a risk management platform during the implementation of upstream construction projects according to the risk management practices in engineering, law, finance and other key specialties, launched Risk Management Procedure of Engineering Construction Projects, popularized the use of risk management information platform in other newly founded project companies under CNOOC Gas & Power Group and CNOOC New Energy Investment Co., Ltd, and enhanced the risk management of project construction process. As to financial risks, CNOOC prepared Financial Risk Analysis Report, and designed 33 non-systematic financial risk warning indicators to help the monitoring of financial operation process and move the risk management pass of financial business ahead. This company formulated and launched Contract Management Procedure and Legal Work Management Regulations to promote the construction of corporate legal system.

Corporate governance structure chart



3.4 Participation of interested parties

This company's fully communication with the interested parties to seek for the understanding, identification and support of interested parties is the basis of sustainable development of this company. The timely communication with the interested parties is favorable for CNOOC to identify risks, perfect corporate management and reduce the probability of occurrence of risks.

In 2009, CNOOC communicated with governments, communities, employees, partners, media, non-governmental organizations and other interested parties effectively, and achieved expected effects. The matters that the interested parties were mainly concerned about were mainly embodied in energy supply, environmental protection, operating performance, work safety, community contribution and employee career development. This company communicated with the interested parties by means of meeting, questionnaire survey, suggestion box, regular financial report, field investigation, etc.

Main interested parties

Interested parties	Concerned matters	Communication mode
Governments	Oil and gas output, observation of disciplines and laws, energy saving and emission reduction, taxes, etc.	Feedback of opinions of laws and regulations to the governments, approval of construction projects, corporate sustainability report, annual risk report, energy saving and emission reduction report, related meetings, etc.
Shareholders	Corporate strategy, project investment, oil and gas output capacity, profit, corporate governance, etc.	Performance communication meeting, annual report, quarterly report, sustainability report, etc.
Communities and non-governmental organizations	Environmental protection, local resource consumption, promotion of the economic development of the peripheral regions, employment of local labors, corporate citizen, etc.	Community questionnaire, news release, social impact assessment of construction project, corporate sustainability report, organization of visit, etc.
Employees	Career development, earnings, welfare, interpersonal relations, etc.	Employee hotline, workers' congress, trade union, sustainability report, training, etc.
Customers	Product quality, safety, price, etc.	Complaint hotline, symposia, company website, sustainability report, annual report, etc.
Suppliers	Price, punctual payment, contract, etc.	Selection of qualified contractors, bidding and tendering meetings, sustainability report, etc.

CASES

It's important guarantee for the construction of a harmonious society that an enterprise bears its social responsibilities. In order to direct the social responsibility performance during the implementation of a construction project, CNOOC issued Instructions for Social Responsibility Management of Productive Investment Projects in 2006. According to these instructions, CNOOC took the lead in compiling "social impact assessment report" for large-sized projects, e.g. Huizhou Oil Refining Project. In June 2009, Huizhou Oil Refining Project was successfully put into production. This project covers the communication with local government, community residents and other interested parties as well as the performance of social responsibility and environmental responsibility.

Before the commencement of Huizhou Oil Refining Project, CNOOC adequately communicated with related government departments and neighboring villagers to consult their opinions of project construction. Then CNOOC actively took measures for training the villagers to improve their skills, recruited qualified villagers and helped them hunt jobs. During the period of project design and construction, CNOOC incorporated a series of important matters inclusive of biodiversity protection, pollutant treatment and promotion of local economy to social impact assessment and management. The success of CNOOC Huizhou Oil Refining Project adequately embodies the importance of consulting the opinions of interested parties and minimizing negative social impacts.

3.5 Risk, opportunity and sustainability analysis

Brief Description of Achievements and Challenges in 2009 and Future Plans

Field	Achievements	Challenges	Future plans
Corporate governance	Finished 153 audit projects involved in total amount of assets of RMB 215.10 billion; Conducted bidding and tendering supervision in the whole company for three consecutive years, and obtained fruitful results in supplier base management.	Further enhance the construction of supervision institutions and teams; Incorporate supervision force to corporate governance structure, and better exert supervision function.	Propel the construction of supervision institutions and teams; well conduct the audit of engineering construction projects, overseas assets and newly inputted funds, newly merged and acquired enterprises and newly entered fields; Take measures, and take advantage of "quintuple" supervision mechanism.
Environmental protection	Realized annual energy saving and emission reduction objective; Disused single hull oil tanker; the affiliate(s) won the title of "China Environment Friendly Enterprise".	Implement national quantitative requirements on greenhouse gas emission reduction; and eliminate a lot of hidden dangers of environmental protection of newly merged enterprises.	Launch "combating climate change policy", and carry out greenhouse gas emission measurement and statistics; Implement board supervision for units with protrusive hidden danger of environment.
Work safety	Issued Management Regulations of Examination of Health, Safety and Environmental Protection Liability Accident Reports; Finished the control of 10 hidden dangers of major accident; Set up emergency management information system construction leading group and project work group, and further enhanced accident response ability.	Safety management of mid and downstream hazardous chemicals; Soar of obsolete facilities and equipment; Insufficient experiences of new comers in work safety.	Improve the safety standards and automatic control of hazardous chemical production enterprises; Popularize facility and equipment intactness management; Enhance the work safety training of field operators.

3.6 Authentications with public credibility related to economic, environmental and social management system

☆ CNOOC have ranked in the List of Central State-owned Enterprises (SOE) with Grade A in Performance released by State-owned Assets Supervision and Administration Commission of the State Council (SASAC) for five consecutive years.

☆ CNOOC ascended by 91 places than 2008 and ranked at the 318th Place among "World Top 500 Enterprises" declared by American magazine Fortune in 2009.

☆ CNOOC was at Standard & Poor's rating A+ and Moody's rating A1, still equivalent to Sovereign rating.

☆ CNOOC Ltd. under CNOOC was incorporated to "Global Champions Top 40" appraised by American Business Week as the sole Chinese winner, and ranked at the 16th Place.

☆ CNOOC Ltd. under CNOOC ranked at the 48th Place in "World Top 50 Oil Enterprises" appraised by American Petroleum Intelligence Weekly, and at the 18th Place in net profits.

☆ CNOOC ascended by 21 places than 2008 and ranked at the 80th Place in 2009 World Top 500 Enterprises in Market Value released by English Financial Times.

☆ CNOOC medical construction project aiding the disaster area of Wenchuan Earthquake won the title of "Sustainable Development Project for Disaster Relief of Wenchuan Earthquake" conferred by Red Cross Society of China, China Charity Federation and China Foundation for Poverty Alleviation.

☆ CNOOC won "Special Contribution Prize of Hope Project in the Recent 20 Years" conferred by the Central Committee of the Communist Youth League of China and China Youth Development Foundation.

☆ CNOOC ascended by 5 places than 2008 and ranked at the 17th Place in the "2009 China Top 500 Enterprises" released by China Enterprise Confederation and China Association of Entrepreneurs. Meanwhile, CNOOC ascended to the top ten places and ranked at the 7th Place in "2009 China Top 200 Enterprises with Excellent Benefits".

☆ CNOOC won the honor of "60 Outstanding Brands in the 60th Anniversary Year of the Foundation of the People's Republic of China" appraised by the website of China Central Television (CCTV).

☆ CNOOC won the honor of "60 Most Influential Brands" appraised by People's Daily Online and China Economic Weekly.

☆ China Offshore Oil & Gas Development & Utilization Company under CNOOC won the honorable title of "China Environment Friendly Enterprise" appraised by All-China Environment Federation.

CNOOC ascended by 91 places than 2008 and ranked at the 318th Place among "World Top 500 Enterprises" declared by American magazine Fortune in 2009.ises" declared by American magazine Fortune in 2009.

The 318th Place

04 Economic Responsibility and Performance



In 2009, CNOOC overcame the adverse impacts of austere macroeconomic difficulties, typhoon and others on production and operation, and achieved the performance better than expectation. This company kept good development and healthy financial operation, and achieved the sales income of RMB 209.60 billion and total profits of RMB 52.40 billion. In the end of 2009, the total assets of this company reached RMB 518.30 billion, 20.4% up the same period of the previous year. CNOOC realized the synchronous growth of reserves and output and the synergistic development of upstream, midstream and downstream, further perfected the integrated industrial pattern of this company. This company's oil and gas output of upstream, output of fertilizer, methanol, ethylene, natural gas power and others increased greatly than the previous year.

By the end of 2009, CNOOC Ltd. under CNOOC had had total net proven reserves of 2.66 billion barrels of oil equivalent.

In 2009, CNOOC made total 15 new discoveries through own exploration in Chinese sea areas, and successfully evaluated 11 oil and gas structures; made 2 new discoveries through cooperative exploration, and successfully evaluated one oil and gas structure.

In 2009, CNOOC made new breakthrough in deep water exploration, newly discovered natural gas in Lihua 34-2 Gas Field, and successfully evaluated Liwan 3-1 Gas Field.

In addition, CNOOC obtained remarkable effects in the evaluation of Kenli 10-1 Structure; discovered multiple small oilfields around Wenchang Oilfield Cluster, as is promising to drive the overall development.

In 2009, CNOOC had more than 20 offshore oilfield projects under construction, and realized the punctual commencement of production in most newly constructed oil and gas fields and the advanced production of three new projects; successfully completed the annual production objective, achieved the net oil and gas output of 227.70 million barrels of oil equivalent, 17.2% up the same period of previous year.

At abroad, CNOOC holds the equity of oil and gas blocks of Indonesia, Australia, Nigeria and other countries.

In order to further optimize the allocation of downstream resources of this company and propel the integrated strategy of upstream and downstream, CNOOC set up a refining and chemical division for the centralized management of oil refining, petrochemical, heavy oil utilization, petroleum and chemical products sales of this company.

In 2009, CNOOC Huizhou Oil Refinery Phase I Oil Refining Project with annual production capacity of 12 million tons per year was put into production, ending the "no refining but exploitation only" history of CNOOC. CNOOC made outstanding achievements in heavy oil utilization, won the bid for Chang'an Street Reconstruction Project for the excellent quality of CNOOC 36-1 asphalt, and obtained more than 50% of asphalt sales volume; filled in domestic blank by newly-developed naphthenic base environment friendly highly-aromatic rubber oil, produced and sold 1,459 tons of rubber oil, and realized industrialized production of rubber oil. Original differential products reached large scale, thereof the annual production and sales volume of "50 asphalt" was up to 48,000 tons, 79% up than the previous year. CNOOC became the largest "50 asphalt" producer and supplier in China; the varieties of commercial asphalt increased from 6 to 10.

In 2009, CNOOC achieved the physical goods sales and trading volume of 19.24 million tons, and gained the sales income of RMB 70.70 billion, successfully breaking through the barrier of petroleum products market. By the end of 2009, CNOOC had had affiliates in 23 domestic key cities inclusive of Beijing, Shanghai, Tianjin, Guangzhou and Wuhan, overseas institutions in Hong Kong, total 208 gas stations with the reservoir capacity of 900,000 m³ and 28 oil depots in North China.

On Sep. 7, 2009, CNOOC reorganized Shandong Haihua Group Co., Ltd., and held 51% of its shares. Shandong Haihua Group Co., Ltd., founded in middle 1990s, was a large state-owned enterprise integrating coal chemical, salt chemical and petrochemical and mainly developing rising ocean chemical industries.

In 2009, China Oilfield Services Limited, faced with the slump of international oilfield service market, actively developed domestic market, and obtained good results in popularization and application of new technologies, improvement of integrated operation ability, exploration of deep water operation, etc. In 2009, the company further enhanced equipment capacity, put some large equipments into production and operation, and such equipments include 4 jack-up drill ships, 3 workover support vessels, 10 oilfield service vessels, 5 sets of ELIS equipment, 4 sets of MWD equipment and 1 submarine cable team. The company applied for 85 patents all the year round, and has obtained the approval of 51 patents (inclusive of 15 patents for invention).

In 2009, Offshore Oil Engineering Co., Ltd. became a qualified contractor authenticated by SHELL, TOTAL, BHP and other international energy companies in sequence, and its annual total amount of orders was 29.3% up than 2008.

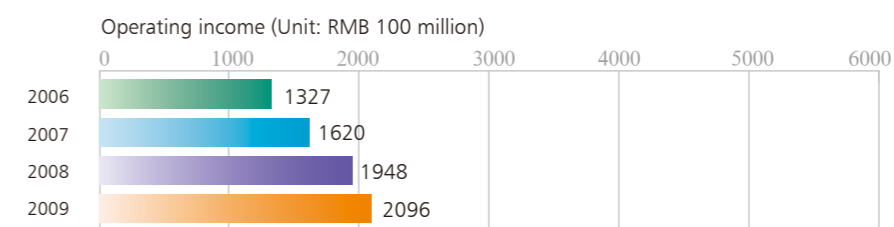
All the oil and gas fields constructed by Offshore Oil Engineering Co., Ltd. were put into production on schedule or in advance, with unprecedented amount of work. The 170,000 tonnage floating production storage offloading (FPSO) constructed by the company and integrating upper module detail design, construction, installation, connection and debugging was delivered to the customer in Sep. 2009. In 2009, contract signing and foundation laying were carried out for Tianjin Harbor Industrial Park Field Project and Zhuhai Gaolan Port Deep Water Ocean Engineering Equipment Manufacturing Base Project in sequence.

In 2009, CNOOC Energy Technology & Services Limited formed four core business sectors including energy operation service, energy comprehensive service, fine chemical products, health and environmental protection industry relying on the development of upstream, midstream and downstream services of oil and gas industry and through continuous resource integration, organization integration, industry integration and structure optimization. In 2009, the company signed a purchase and sales agreement with Australian Macquarie Bank in respect of CDM Project for residual heat comprehensive utilization of 400,000 tons of calcined coke per year. It is estimated that the project will decrease carbon dioxide emission by 390,000 tons per year and gain about RMB 30 million per year.

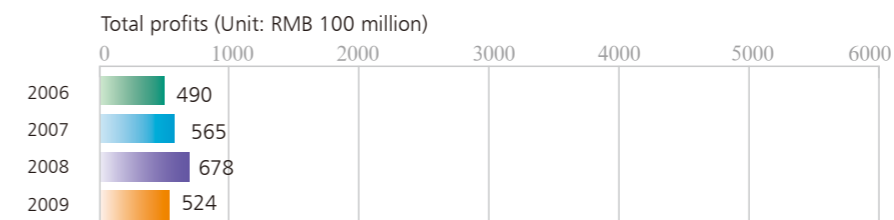
China Ocean Oilfields Service (Hong Kong) Ltd. provides materials and equipment purchase, production logistics and other services for domestic and foreign oil enterprises engaged in oil exploration and production in Chinese sea areas. By the end of 2009, the company has achieved the income of RMB 126.08 million, thereof, the income from the procurement sector was HKD 101.21 million, 62.79% up than the same period of previous year.



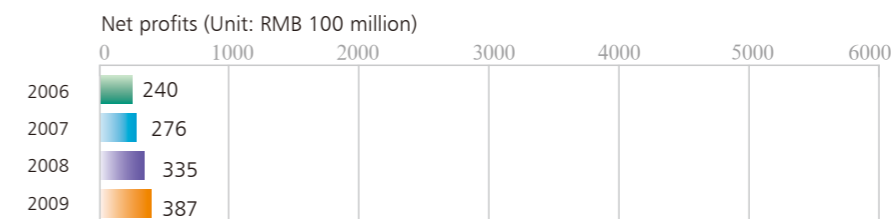
4.1 Financial indicators inclusive of business turnover and profits



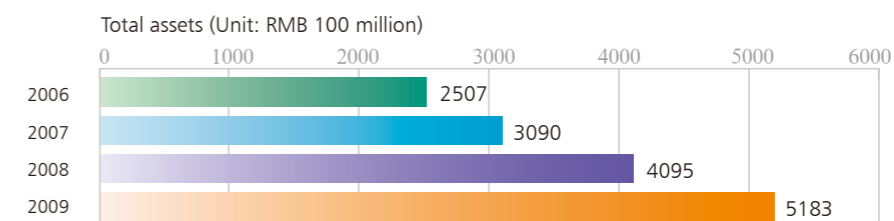
3-year compound growth rate: 16.5%



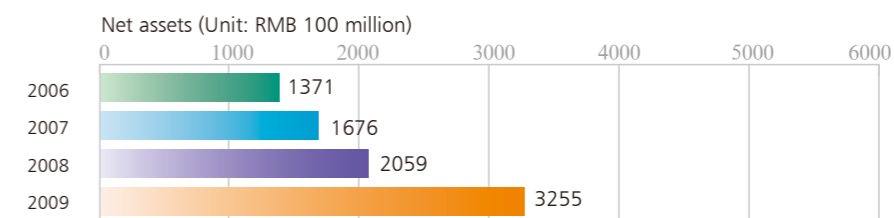
3-year compound growth rate: 2.3%



3-year compound growth rate: 17.3%



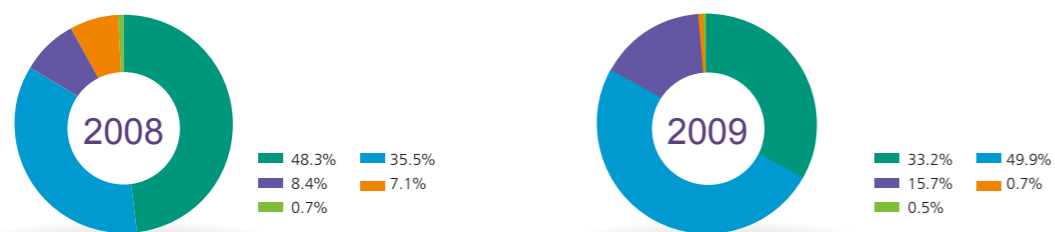
3-year compound growth rate: 27.4%



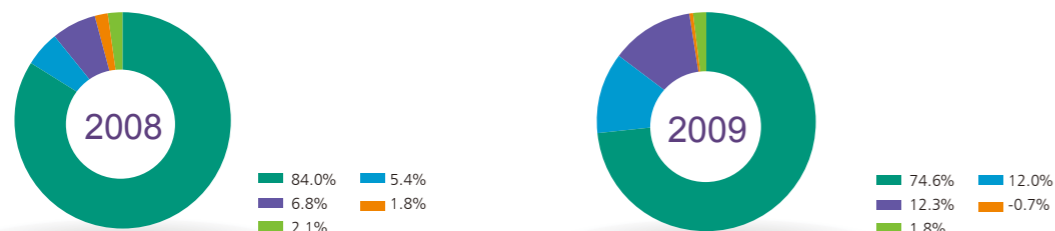
3-year compound growth rate: 33.4%

4.2 Structure changes of economic indicators

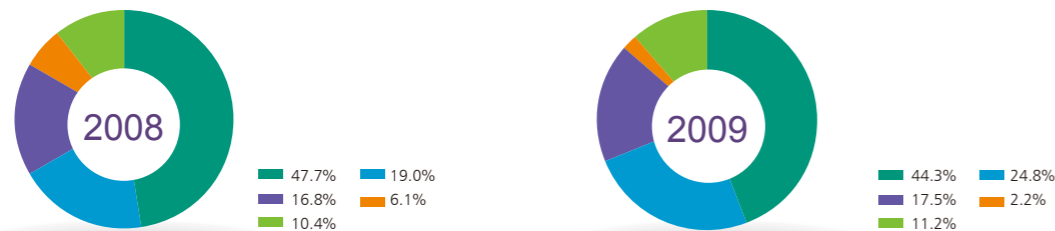
Structure change of operating income



Structure change of total profits



Structure change of total assets



■ Upstream sectors: Limited Liability Company
■ Downstream sectors: China Blue Chemical, Oil & Gas Development & Utilization, Gas & Power Group, Refinery, China National Chemical Supply & Sales, Petrochemicals Import & Export, China National Chemical Construction, Shandong Chemical Planning & Design Institute, New Energy, Marketing Company
■ Technical services: China Oilfield Services, Offshore Oil Engineering, CNOOC Energy Technology & Services
■ Comprehensive services: Haixiningde, Ocean Oilfields Service, Research Center, 5 regional companies including CNOOC Investment, Press, Computer Center, International Engineering, OOGC
■ Financial services: CNOOC Finance, Zhonghai Trust, CNOOC Insurance, CNOOC Investment

Taxes and fees paid in 2009

Items	(RMB 100 million)
Corporate income tax	109.37
Value added tax	128.63
Consumption tax	79.42
Turnover tax	11.46
Mining royalty	7.93
Personal income tax	8.34
Other taxes	41.34
Special oil gain levy	62.55
Share oil	23.89
State-owned capital gain in 2008	33.47
Total	506.40

4.3 R&D input and achievements

In 2009, CNOOC input RMB 1,945 million in R&D.

In 2009, CNOOC made unprecedented breakthrough in oil and gas reserve discovery through overcoming the difficulties in scientific research; popularized the application of distinctive well completion technology to Penglai 19-3 Oilfield, increasing single well production capacity by 46% and decreasing well completion expense by %39%; preliminarily succeeded in applying domestic first offshore large scale infill adjustment well to Suizhong 36-1 Oilfield, and increased water drive reserves and oil production rate through the comprehensive adjustment and infilling of 40 wells; successfully developed and installed ELIS system high-end well logging apparatuses in succession, greatly improving the offshore service capacity of ELIS system, and won national independent innovation product certificate for such product; conducted the first offshore test for domestic first set of independently researched and developed offshore three-dimensional multiple-cable high density seismic data acquisition equipment, and finished the data acquisition of 60 square kilometers in Jinzhou 32-4 Oilfield; gave a generous gift for the celebration of the 60th anniversary of the foundation of the People's Republic of China through laying CNOOC's high-quality asphalt for Chang'an Street in Beijing.

In 2009, CNOOC made a lot of achievements in scientific and technological innovation. Six scientific and technological achievements inclusive of "Research and Development and Industrialization of New Industrial Water Treatment Chemicals" won provincial and ministerial awards for advanced science and technology, and made unprecedented breakthrough in the total number of prizes. Twenty-four (24) achievements inclusive of "Phase I Fuel Gas Turbine Control System Technical Reconstruction" won the industrial awards for advanced science and technology. Thirty (30) achievements inclusive of "Conduct Efficient and Continuous Prospecting to Make Breakthrough in Oil and Gas Discoveries in the South of Bohai Sea" won CNOOC award for advanced science and technology. "Construction and Implementation of CNOOC Scientific and Technological Statistics Management System" won 2009 Managerial Innovation Awards of CNOOC and China Petroleum Enterprise Association. In addition, CNOOC had total 385 accepted patents in 2009, and obtained the approval of 165 patents; the employees of CNOOC published 526 science and technology papers in domestic and foreign technical journals; CNOOC published total 133 standards in 2009, including 59 national standards, 28 industry standards and 46 enterprise standards.



Provincial and ministerial awards of scientific and technological results

Item	Prize Grade
New Industrial Water Treatment Chemical Research and Development and Industrialization	The First Prize of 2009 Award for Advanced Science and Technology of Tianjin City
Bohai Oilfield Same Well Oil Production and Water Infusion Integration Technology	The Second Prize of 2009 Award for Advanced Science and Technology of Tianjin City
Large-sized Deep Water Jacket Construction Technology	The Second Prize of 2009 Award for Advanced Science and Technology of Tianjin City
Offshore Shallow Water Delta Thick Oilfield Development Technology	The Third Prize of 2009 Award for Advanced Science and Technology of Tianjin City
Development and Industrialization of Low Grade Calcium Silicon Phosphate Rock (Collophane) Positive-Reverse Flotation New Technology	The Third Prize of 2009 Award for Advanced Science and Technology of Hubei Province

The First Prize of 2009 Awards for Advanced Science and Technology of CNOOC

Project Name: Conduct Efficient and Continuous Prospecting to Make Breakthrough in Oil and Gas Discoveries in the South of Bohai Sea

Project Name: Implementation and Application of New Thought of Regional Development Planning to the Development of Chinese Offshore Oil and Gas Fields

Project Name: Development and Application of Real Time Decision Making System of Prospecting and Exploitation

Project Name: Drilling Riser Setting Depth Control Technology and Its Application

Project Name: Offshore Oilfield Same Well Oil Production and Water Infusion Integration Technology

4.4 Investment in fixed assets

In 2009, CNOOC invested RMB 77.66 billion in total, thereof, the investment in oil and gas exploitation was RMB 43.69 billion, accounting for 56.3% of total investment; that in oil refining, fertilizer, chemical and LNG was RMB 12.62 billion, accounting for 16.3%; that in new energy development was RMB 1.79 billion, accounting for 2.3%; that in technical and support services was RMB 19.24 billion, accounting for 24.8%; that in financial service was RMB 320 million, accounting for 0.4%.

Thereof, the investment in core business was RMB 77.34 billion, accounting for 99.6% of total investment, while that in other businesses was RMB 320 million, mainly for financial service and accounting for 0.4%.

05

Social Responsibility and Performance



5.1 Social responsibility organization structure and system

In order to guarantee the active performance of social responsibility, CNOOC set up Sustainable Development and Global Compact Promotion Committee in 2008, and Deputy General Manager of CNOOC was assigned as the director of the committee. As the highest leading institution of this company for promoting social responsibility performance, the committee organized and promoted the performance of corporate social responsibility, implemented related requirements of "Global Compact" of United Nations, and guided the preparation of sustainability report.

In order to better perform corporate social responsibility, CNOOC actively joined related domestic and foreign organizations and associations, e.g. United Nations Global Compact, The International Petroleum Industry Environmental Conservation Association (IPIECA), International Associations of Oil & Gas Producers (OGP), Combat Climate Change (3C), China Association of Work Safety, China Occupational Safety and Health Association, All-China Environment Federation and China Chemical Safety Association, and paid related fees and provided support for the activities of such organizations and associations according to the articles of associations.

In 2009, CNOOC actively participated in the compiling of "Guidance on Responsible Business in Conflict-Affected and High-Risk Areas" of United Nations Global Compact and gave opinions of modification. Through participating in the formulation of related guides of associations and giving opinions of modification of related laws and regulations to governments, CNOOC had played a role in the formulation of public policies and industrial guides.

CNOOC incorporated social responsibility and other sustainable development factors to management systems, e.g. health, safety and environmental protection system, total risk management system. With the continuous perfection of related management systems, CNOOC will show related sustainable development factors such as employee rights, environmental protection and anti-corruption more definitely.

3C



Combat Climate Change, a climate change action organization made up of global leading business organizations, seeks for the response to climate change by means of market and trade.

At present, 3C is made up of 11 nations (G8+5) and 46 giant companies. Hope we will provide support for the climate change actions of policy leaders, participate in the discussions on policies to realize the transition to low carbon economic system at the probable lowest cost as soon as possible, and perform the responsibility for decreasing greenhouse gas emission as 3C member.

On Jan. 11, 2007, 3C passed a statement calling all circles of the globe and business leaders to cooperate in establishing a low discharge and sustainable development society and jointly prepare a route map for realizing such good wish.

5.2 Employee management

5.2.1 Basic concepts related to employees

“People-oriented” is an important part of CNOOC sustainable development concepts. Staff is the most important valuable asset and interested party of an enterprise, also an important factor of corporate sustainable development. CNOOC attaches great importance to the sense of identification of the staff, and fully shows the importance and value of the staff in respect of work safety, occupational health, salary and welfare, career development, etc. CNOOC tries to fully show the self value of every employee during the continuous growth of corporate value.

In recent years, the number of employees of CNOOC has grown in a reasonable speed, as provides firm human resource guarantee for the rapid development of this company. In 2009, CNOOC executed the Labor Contract Law of the People’s Republic of China, further optimized employment and payment system, and simplified the complicated internal labor relations. This company adopted new labor contract system to original 1,397 workers employed upon corporate engagement, 11,062 workers employed upon system reform, 4,793 workers employed upon corporate labor system and 2,379 workers employed upon other previous systems, and basically formed a marketization dominant labor pattern. Meanwhile, CNOOC established dynamic labor management mode connected with economic indicators, opened a payment and promotion passage for management personnel, technical personnel and operators, and set up a more reasonable and effective payment structure.

5.2.2 Employee quantity, structure and turnover rate

In the end of 2009, CNOOC headquarter and CNOOC affiliates had 65,800 employees in total. Male and female employees have the equal employment opportunities, equal pay for equal work. CNOOC is mainly engaged in offshore businesses with heavy work load and poor working environment, female employees are relatively fewer than male employees. Male employees accounted for 79% of total number of employees, while female employees accounted for 21%. Female managers accounted for 31% of total number of managers. In addition, partnerships and joint ventures controlled by CNOOC had total 32,016 employees.

CNOOC makes an effort to create good work environment and motivate the initiative of employees in work. Through perfecting retaining talents by good payment, emotion and career development plan, CNOOC raised the degree of satisfaction and loyalty of employees. In 2009, the employee turnover of CNOOC was total 1,416 employees mainly inclusive of those dismissed upon the expiration of labor contracts. The total employee turnover rate of CNOOC was 2.2%.

5.2.3 Relations between employees and the management

On the principle of equality and voluntariness, CNOOC employees signed labor contracts according to the Labor Contract Law of the People’s Republic of China at the signing rate of 100%. A labor contract strictly specifies working time, working strength, holidays, payment, welfare and others to maintain the labor rights and interests of employee.

CNOOC encourages the employees to report any discrimination or worries during work to the top management. An employee may give his or her opinion, suggestion or complaint via labor union, workers’ congress, complaint office and administrative department and other channels. The company properly handles the letters, visits, calls, complaints and others from employees, and convenes special coordination meetings and symposium to solve the problems reported by employees if necessary.

CNOOC is devoted to the harmony and unification of the maximization of corporate value and that of individual value, and gives full play to the potential of each employee, makes an effort to fairly evaluate and rationally reward employees’ professional dedication, work performance and innovations. Moreover, CNOOC has set up a complete set of performance management system involved in performance plan, performance assessment and performance improvement to help every employee to improve work performance and work competence. The result of performance assessment is a basis for determining promotion, job rotation, salary, welfare, punishment and reward, training and career development plan for an employee.

5.2.4 Occupational health and safety

Occupational health and work safety is important parts of corporate management and embodies the value orientation of “people-oriented”. In the thought of “All accidents are preventable”, CNOOC pursues “zero” injury on operational fields, and has made excellent achievements in occupational health and work safety through the efforts in multiple years.

☆ Occupational health

In recent years, the industry chain of CNOOC has extended continuously. Some types of work of CNOOC are inevitably involved in noise, dust, radiation and others, and these factors may cause occupational injuries. It’s a solemn commitment of CNOOC to guarantee the employees of CNOOC free of occupational diseases and further care their physical and mental health.

In 2009, CNOOC required every offshore oilfield to examine the execution of Management Regulations of Offshore Operation Facility Medical Apparatus and Personnel Arrangement, and requested every unit to take action for perfecting offshore medical equipments. At present, except individual offshore platforms, offshore oilfield platforms have been equipped with medical apparatuses and medical personnel according to the regulation.

This company conducted strict occupational health assessment for construction projects according to the requirements of laws and regulations. In 2009, CNOOC finished the audit of occupational disease hazard pre-assessment of 7 projects inclusive of Lishui 36-1, expert review of occupational health hazard pre-assessment report of Lufeng 13-2 Development Adjustment Project, the official reply to occupational disease hazard pre-assessment report of Bozhong 26-3 Oilfield and Kangfei Penglai 25-6/19-3 Oilfield Development Project D, E Platforms and Pengbo FPSO, review and acceptance of control effect assessment report of occupational health protection facility of Lufeng 13-2 Oilfield, Xijiang 23-1 Oilfield, Bozhong 34-1 Oilfield and Weizhou 11-1/6-1/11-4 Oilfield Development Projects.

While regarding occupational disease prevention, CNOOC also concerns about the mental health of employees. In 2009, CNOOC introduced mental intervention project against major accidents, and organized mental crisis intervention training for 3 times. Through mental intervention training, related personnel mastered how to keep mental health and balance during the investigation and treatment of major crises and personal injury accidents.

Type A H1N1 flu is a global public health issue in 2009. In order to effectively respond, CNOOC issued 6 documents inclusive of Epidemic Control Notice, Plan for Home Quarantine of Returnees and Notice for Epidemic Control of Offshore Operation Field in sequence. Meanwhile, CNOOC specially designated a department for closely tracing epidemic situation and government epidemic control policies and reporting to the staff in time.





☆ Work safety

Work safety is an important part of corporate social responsibility, also basic guarantee of sustainable development of CNOOC. CNOOC attaches great importance to work safety.

In 2009, one accident causing the death of an employee and one accident causing the death of a direct contractor operator occurred to CNOOC.

Risk identification and evaluation is the basis of health, safety and environmental protection work. In 2009, CNOOC started the work with risk identification and evaluation, specified the focus of the work and formed a work plan accordingly. Meanwhile, CNOOC enhanced the tracing and straightening up residual difficulties, and guaranteed good safety performance through forward-looking and rectification.

☆ Institutional construction

In 2009, CNOOC highlighted importance and pertinence in the perfection of work safety rules and regulations. CNOOC issued several important institutional documents involved in the tracing of rectification of hidden danger, selection of qualified diving service contractor, safety license of hazardous chemicals, construction of emergency information system, leader report of serious accident, road traffic safety management, insufficient safety distance of production place and others, and the issuance of such documents have good effects on the solution of related problems.

☆ Tracing and control of major hidden dangers of accident

Supervision and control of hidden dangers of major accidents are important part of work safety, also a key work safety task of CNOOC in 2009. Since the beginning of 2009, CNOOC has required CNOOC affiliates to control 10 major hidden dangers of accident within the specified time in accordance with inspection results and report the situation of rectification to the headquarter of CNOOC in time. In the year end, this company audited the control of hidden dangers, and finished the rectification of all major hidden dangers. The control of such major hidden dangers effectively prevented the occurrence of major accidents.

☆ Contractor safety management

CNOOC appointed a good many of contractors for multiple operation links. CNOOC takes reducing production accidents injuring contractor's personnel as own responsibility, and concerns about the work safety of contractor operators.

In 2006, CNOOC issued Management Regulations of Health, Safety and Environmental Protection of Contractors. In the past years, CNOOC affiliates have incorporated contractor's safety management to work safety management in accordance with these regulations to actively improve the safety management level of contractors.

The safety management of helicopter service and diving operation are important for the operations of various contractors. In 2009, CNOOC carried out annual helicopter safety inspection in advance in order to enhance helicopter safety management. CNOOC engaged a professional audit company for the safety audit of 9 helicopters rented by north region and 4 helicopter bases. Meanwhile, CNOOC finished the safety audit of 6 helicopter bases of south region through cooperating with every operation institution. In 2009, CNOOC audited 14 diving service contractors according to related international standards, bulletined non-qualified diving contractors and excluded them from qualified contractors upon the audit results. As a result, the safeness of diving service contractors was greatly improved.

☆ Traffic safety

Through analyzing the causes of casualty accidents, CNOOC found out that traffic accidents causing employee casualty were more than other types of casualty accidents. Therefore, CNOOC has attached great importance to the traffic safety of employees for multiple years and taken traffic safety of employees as an important part of safety management, as embodied the care of CNOOC for employees.

As before, in 2009, CNOOC convened a traffic safety meeting at the beginning of year, summarized traffic safety management situations and tasks, made typical case study of traffic accidents, emphasized that traffic safety is important part of corporate work safety management, and arranged the key work of traffic safety management. In 2009, CNOOC increased the weight of traffic liability accidents in the performance assessment of the affiliates, and required every unit to pay special attention to the driving safety of employees through actively conducting private car club activity according to Instructions for Private Car Club. CNOOC reminded employees of safety cautions for probable risks arising from driving out on holidays.

5.2.5 Employee welfare and social guarantee

CNOOC and CNOOC affiliates established perfect salary and welfare system to maintain the fundamental interests of employees in strict accordance with the provisions of national laws and regulations as well as related policies and in combination with the actuality of the industry and this company.

This company strictly executes the salary-related regulations of the state and local governments, and enhanced the supervision of such execution by CNOOC affiliates. In order to share the corporate development achievements with the staff, the enterprises of CNOOC at all levels established normal salary rise mechanism to make the salary of employees stably rise with the growth of corporate economic benefits.

In order to ease the concerns of employees and establish harmonious labor relations, CNOOC has legally set up a variety of basic social insurances, inclusive of pension, medical care, work injury, childbirth and unemployment insurances, public accumulation fund for housing. Insurance coverage rate and the payment rate as stipulated reached 100%; the rate of enlisting housing accumulation fund and the payment rate as stipulated were up to 100%, as guaranteed the legal rights and interests of the employees.

Meanwhile, in respect of the characteristics of high risk operation of petrochemical industry, CNOOC established a multilayer and all-round spatial additional insurance system involved in personal accident insurance associated with industrial injury insurance, commercial medical insurance associated with basic medical insurance, corporate supplementary pension insurance (corporate annuity) associated with basic pension insurance, as provided multiple guarantees for the employees.

While making external donations, CNOOC established and perfected a long-term poverty relief system to aid the needy employees, appropriate special funds to solve the living, medical care and children schooling problems of the needy group of the on-job workers and retired staff and their family members in the mineral areas of CNOOC, especially provided special aid to the survivors in an industrial injury. CNOOC set up corporate supplementary pension insurance and serious disease fund for retired old employees and heavily-ill employees to overcome their practical difficulties.

In order to maintain the physical and mental health of employees, CNOOC established and executed paid vacation, maternity leave, paternity leave and convalescent leave systems much competitive in the same industry or even among domestic enterprises according to related national regulations. Meanwhile, CNOOC has set up mandatory vacation system to encourage the employees to take a leave, formulated and perfected the methods of reimbursement of medical expense and travel expense for relative visiting and other welfare policies to give economic grant for the leave employees.

The regular convalescent leave embodies the care for employees, eases the pressure of employees arising from stress work, improves the physical conditions of employees, creates a harmonious and relaxed atmosphere, makes the employees feel warm to work in CNOOC, and enhances corporate cohesion.

Summary Table of Various Leaves of CNOOC

No.	Type	Number of days	Condition	Remark
1	Paid vacation	5 days per year	With working seniority of less than 5 consecutive years	
		10 days per year	With working seniority of 5 to 10 consecutive years	
		15 days per year	With working seniority of 10 to 15 consecutive years	
		20 days per year	With working seniority of more than 15 consecutive years	
2	Home leave for spouse	30 days per year		
3	Home leave for parents	20 days per year	Unmarried	
		20 days per four years	Married	
4	Wedding leave	3 days	Newly-married	
		10 days	Late-married	
5	Maternity leave	90 days	Normal condition	Multiple pregnancy, 15 excessive days for per excessive child
		120 days	Late childbirth	
6	Paternity leave	15 days		
7	Family funeral leave	3 days		

5.2.6 Training and education

In 2009, CNOOC and all CNOOC affiliates made joint efforts according to the guideline of "Regard Practice, Adhere to Practicality and Pursue Actual Effect" and the basic principle of "Make Overall Planning, Specify Graded Responsibilities, Highlight Key Points and Conduct Scientific Management", and three CNOOC teams made important progress in training.

☆ Training of operation and management talents

CNOOC attaches great importance to the construction of senior management talent team, and takes the cultivation of a batch of excellent professional and modernized senior operation and management talents as an important strategic task.

In 2009, this company formulated Methods for Annual Performance Assessment of Direct Leaders, made new breakthrough from leadership assessment to work performance assessment, enhanced the motivation and discipline of direct leaders, and improved the integration ability of leading groups of all the affiliates.

In 2009, CNOOC enhanced the exchanges between upstream and mid and downstream or domestic units and foreign units, broadened the vision field of leaders and enriched the experiences of leaders. Meanwhile, CNOOC enhanced the trainings of leaders through making full use of various platforms, and selected total 82 leaders at all levels to study at Party School of the Central Committee of CPC, Chinese Academy of Governance, Party School of State-owned Assets Supervision and Administration Commission of the State Council, Dalian University of Technology, China Executive Leadership Academy in Yan'an and Jinggangshan; held training classes for 197 direct directors and 45 young and middle-aged leaders respectively. As a result, CNOOC greatly improved the political theoretical level, ideal beliefs, business management theoretical level and professional knowledge level of leaders.

In combination with the actuality of this company, CNOOC Leadership Academy established layered, classified and pertinent course system, and in-depth developed a large batch of internal courses with the characteristics of CNOOC. Such course system has become the foundation frame of teaching arrangement of CNOOC direct leader training in rotation, young and middle-aged leader training and other theme training classes.

In 2009, CNOOC senior managers, renowned experts and scholars gave lectures to the trainees during the centralized training in rotation, and helped the trained leaders improve their innovation ability, management level and leadership. Direct leaders went to Yan'an to accept field teaching, retrospect the history of Yan'an, review Yan'an Spirit, "Earthquake Disaster Relief Spirit", "Qinghai-Tibet Railway Construction Spirit" and others, as provided spiritual resources and spiritual drive for CNOOC to construct world-class energy company.



Field Teaching in Yan'an

In 2009, CNOOC Leadership Academy organized the second training class for young and middle-aged leaders in order to better cultivate senior operation and management talents. Through full-time training in 16 weeks, the trainees learnt political economics, history of philosophy, business administration, CNOOC culture and concepts and other courses, updated concepts, broadened field of vision, improved comprehensive quality and business management level.

☆ Training of technical talents and skilled talents

In 2009, CNOOC and CNOOC affiliates enhanced talent development enclosing the construction of technical and skilled teams, as a result, the quality and abilities of employees are changing profoundly.

This company properly expanded the coverage of technical (T) sequence and firmly propelled the implementation of T sequence; established and perfected CNOOC professional qualification management system and associated policies as important means of talent development; completed expert evaluation system and formed 5 core specialties and 8 affiliate expert appraisal methods for scientific research experts and production experts to make the selection of high-level technical talents more scientific.

In 2009, CNOOC Deputy General Manager Zhou Shouwei was selected as Academician of Chinese Academy of Engineering, and CNOOC Deputy Chief Geologist Deng Yunhua was selected as national outstanding technical talent, and such selections fully showed the performance level and spiritual style of high-level technical talents of CNOOC. Guo Taixian of CNOOC Tianjin Branch was recommended as Excellent Returned Student appraised by the Organization Department of the CPC Central Committee. Two overseas high-level talents introduced by CNOOC Offshore Engineering Company were incorporated to State 1,000 Top Talents Program.

CNOOC skilled talents showed themselves through professional skill authentication and professional skill competition. In 2009, CNOOC assessed technicians and senior technicians of 20 core types of work, and total 84 persons obtained the professional qualification of technician or senior technician. Meanwhile, CNOOC held CNOOC Third Professional Skill Competition, and selected players of 5 types of work including repair electrician, electric welder, sailor, well logging worker, atmospheric and vacuum distillation unit operator for final. In respect of competitions, every affiliate was enthusiastic for learning technologies, practising skills and increasing talent, and more than 5,000 employees directly participated in skill competitions at all levels. The players of China Blue Chemical Ltd. under CNOOC obtained excellent results in professional skill competitions, and China Blue Chemical Ltd. won the Second Place of Group Award of The Second "Zhongkong Cup" Chemical Chief Controller Skill Final, the Seventh Place of Group Award of Analyzer Skill Final and the Eighth Place of Group Award of Instrument Maintainer Skill Final of Chinese Oil and Chemical Industry.



More than

5000 persons

In respect of competitions, every affiliate was enthusiastic for learning technologies, practising skills and increasing talent, and more than 5,000 employees directly participated in skill competitions at all levels.

☆ Internationalized Talent Cultivation and Other Theme Trainings

In respect that internationalization was quickened and internationalized talents were in great demand, CNOOC summarized the experiences in cultivating internationalized talents, combined centralized training with dispersed training, and cultivated internationalized talents systematically in all respects via multiple channels and means through relying on leadership academies, professional institutions, partners and foreign operation bases. CNOOC established three-level cultivation mechanism for internationalized talents, with specific personal responsibilities, post responsibilities and personal objects. Through building an international talent base, CNOOC systematically propelled the training and cultivation of internationalized talents in both technology and language, and cultivated an excellent team able to undertake significant internationalized tasks. In Oct. 2009, CNOOC held the first training class of overseas manager practices in order to propel the construction of world-class energy company, to standardize international business operation and raise international business management level.

CASES

In 2009, CNOOC organized the first training class of national manager practices, and 30 trainees systematically mastered international business management framework, rules and regulations and practical knowledge through such training; Offshore Oilfield Services under CNOOC signed a letter of responsibility for international talents cultivation with every division, and incorporated talent training to division performance assessment to guarantee the real implementation of international talents cultivation; Offshore Oil Engineering also made remarkable achievements via "International Talents Training Camp".



In 2009, CNOOC Leadership Academy organized three training classes of merged and acquired enterprises for the management personnel of newly merged and acquired enterprises, and such training helped the management personnel profoundly learn about CNOOC culture and management concepts, promoted exchanges and communication and improved overall competitive strength.



Hou Xiaofeng, Chief Engineer of the
Information Technology Center

CASES

Growing Course of the Young Chief Engineer

Hou Xiaofeng, a 34-year-old man, entered into CNOOC Information Technology Center in 1997. Presently, he is the chief engineer of the Center. Under the overall arrangement of the company, he participated in network management, UNIX system, OA development and a series of information technology training. In 1998, CNOOC officially launched the information construction with the network construction of CNOOC mansion as landmark, and started to construct the network and implement office automation system on a large scale. At that time, Hou Xiaofeng gained full practice in the urgent project construction, and nearly participated in or dominated the whole process from Notes development of office automation to the construction and operation of the Group's wan area network system, network management system, information safety system, and gradually became an IT generalist.

Through continuous learning and practice, Hou Xiaofeng gradually grasped relatively comprehensive knowledge in the field of information technology, and put the technologies into the practice of CNOOC information construction, meanwhile, his achievements were recognized by the company leaders. With the flourishing development of CNOOC information technology and thanks to the talent training strategies of the company, Hou Xiaofeng was appointed as the chief supervisor of the Information Technology Center in 2003 at the age of 27, and thus became the youngest manager of the parent company at that time.

In 2005, CNOOC officially launched ERP project which was intended to take three years to complete the implementation of SAP ERP in the whole company. In view of his rich experience in implementing IT project and strong learning ability, the company leaders appointed Hou Xiaofeng as the technical manager of ERP project, and let him lead the biggest team of the project to take charge of the application development and system management of the entire project.

ERP system is more than simple IT software; it is also the consolidation of business process, and closely related with the enterprise's operation. Under the perfect talent training system of the company, Hou Xiaofeng took part in relatively comprehensive ERP system trainings, including the implementation methodology of ERP system, material management, BW application module, system architecture of SAP software, SAP system management and authorization management, etc..

With the view of making CNOOC ERP project reach "national and international leading level", Hou Xiaofeng also visited CNPC, SINOPEC, China Minmetals and several other enterprises whose ERP implementation was in the domestic front. In the course of ERP project implementation among the secondary units, Hou Xiaofeng made thorough investigation into every unit, and had overall understanding on the business process and IT application of the units under the Group. Integrated the theory with the practice, the ERP technical work gained several national records under his lead.

Through the practice on ERP project, Hou Xiaofeng not only gained complete experience and knowledge structure in the field of informat technology, but also had overall understanding on CNOOC business process and IT application. Meanwhile, he expanded his international IT vision in the process of working with SAP, Accenture, IBM and other international enterprises, and gradually grew into a versatile talent specializing in technology and management.

In practice, Hou Xiaofeng studied hard in his spare time, and gained the technical certification of Microsoft, Sun, Cisco and more than 20 famous international enterprises, as well as PMP, ITLL, COBIT, BCM and other management certification, consequently, he became the first employee of central enterprise who gained CCIE certification.

In the process of managing his own team, Hou Xiaofeng gradually improved his management concept. He attached great importance to talent training, and required his employees to accomplish all the works by themselves under the guidance of consultant, which encountered the objections of some consultants on the ground of efficiency; however, it rapidly cultivated the strength of CNOOC itself and alleviated its dependency on consulting companies. In the aspect of construction of team culture, Hou Xiaofeng endeavored to create solitary and interdependent working environment and the working spirit of "work hard, play hard", and cultivated a group of hard working and fighting team with strong responsibility sense and powerful cohesion.

After ERP project was completed in 2009, Hou Xiaofeng was appointed as the chief engineer of the Information Technology Center in virtue of his strong technical management skill and outstanding performance. The growth of Hou Xiaofeng is the joint result of internal and external factors where the rapid development and talent training mechanism of CNOOC provided fertile soil, and his strong professional dedication and attribution to CNOOC spurred him to make unremitting efforts and pursuits, consequently, he grew into a young backbone of CNOOC with his achievements.

☆ Personnel training performance

In 2009, CNOOC held 17843 times of various trainings, and the participants reached up to 346524 persons, including 83796 management personnel, 97808 professional technicians and 164920 machine operators. The investment of the Group on training exceeded one billion RMB for two consecutive years and accumulated to 114 million RMB in 2009 with 1812 RMB on each person annually, and the training hour per person annually was 49.19 hours, which is higher than 44.5 hours of that of the global benchmark enterprise. The comprehensive and vigorous training promoted the improvement of employees' quality and the development of the company, and realized the common development between the employees and the enterprise.



5.3 Employees' rights

5.3.1 Status quo and role of labor union organization

All the 26 secondary units of CNOOC and their third tier units set up labor unions. Focusing on central task, the labor union at each level aimed at serving the whole company, adhering to emancipating the mind and seeking the truth and endeavoring to find out their correct position to make use of advantage, and wholeheartedly put the service for people as the starting point and objective of all works, strengthened ideological guidance, and attached importance on protecting the rights and interests of the staff and coordinating labor relations. It played an important role in unifying the company and the staff by means of reinforcing the employee's democratic management with the main form of workers' congress, actively participating in safety production supervision and inspection, carrying out assistance to needy workers, organizing economic and technologic innovation among the enterprise as well as colorful recreational and sports activities which effectively motivated the enthusiasm, initiative and creativity of the staff in offshore petroleum industry.

CASES

Colorful recreational and sport activities are good carriers of CNOOC labor unions to unify its employees.

In 2009, CNOOC undertook the Fourth "Offshore Petroleum Cup" of National Tennis Games for Oil Workers. There were 12 representative teams on behalf of CNPC and CNOOC, etc. and 131 tennis lovers gathering in Zhanjiang, Guangdong Province. Seven tennis amateur competitions were held for 5 days with more than 100 rounds, which strengthened the friendship and cultural communication among oil workers and improved their physical quality.

Besides, Beijing municipality, Bohai Sea, west and east of South Sea, Hainan and other regions successively organized all kinds of mass singing activity of military songs to celebrate the 60th anniversary of the founding of the PRC.

In 2009, one CNOOC worker won National May 1 Labor Medal, five with provincial honorary titles of Model Worker, one with honorary title of National March 8 Red Banner Pacesetter and 8 with Model Workers for Outstanding Contribution of China Energy and Chemical Trade Union. 4 teams as the quality inspection room of laboratory center of China Blue Chemical Ltd. won the honor of Model Post for Outstanding Contribution of China Energy and Chemical Trade Union, 9 workers won the title of Central Enterprise Technical Expert for the excellent behavior in technical competition.

Advocate "enriching retirement with culture" to promote harmony in the oilfield

Bohai Oilfield is the largest production area and living community of CNOOC at present. Taking charge of the management of more than 6800 retired employees, the Retirement Service Center of Bohai Company proposed the new ideas of "enriching retirement with culture", which make the life of retired employees carefree, colorful enjoyable and significant, and ensured "seven-in-place" retirement service (release the pension in place, reimburse medical care expense in place, timely visit in place, assistance and care in place, report study on time in place, recreational and fitness activities in place, fully exert the role of retired workers in place), which greatly promoted the harmony and stability of the entire Bohai Oilfield.

The integration with cultural traditions is reflected in retirement with proper arrangement. The Retirement Service Center implemented network and information management, and input retired employees' individual and family situations, hobbies and special skills into the database, and established standard management systems, and stipulated the quality, environment and healthy safety standards of activity place, and worked out service handbook, and specified the work objective, management responsibilities, service flowchart, service standards, etc. The service workers often came to deal with living difficulties for old comrades, and installed "emergency aid pager" (namely "push-to-talk") in the house of empty nester who lived alone with long absence of their children. "Push-to-talk" was affectionately called as "reassured button" and "love-giving button"

1

One CNOOC comrade was awarded with National May 1 Labor Medal.

5

Five CNOOC employees were conferred with the honorable title of provincial labor worker.

8

Eight CNOOC comrades won the title of national model for energy chemical union.

Living and learning is the sublimation of emphasizing cultural quality. Adhering to the principle of proximity, retirement service center founded 113 learning groups and insisted on carrying out study once every half month with a view to refreshing the spiritual life of retired workers and enhancing their cultural quality. In the center, about 10 specialized courses, such as calligraphy and painting, photography, computer and dancing, were opened in the senior college to provide a platform for retired workers to enrich knowledge and raise cultural taste. In the 60th anniversary of the founding of the People's Republic of China, the "Photography Exhibition of Bohai Oilfield Retired Staff" displayed more than 3000 new and old photos, among which 15 works of eight people won the first, second and third prize of CNOOC Photography Exhibition respectively.

Living and enjoying is the highlight of the application of cultural carriers. Retirement Service Center set up Senior Citizen's Art Troupe, Gate Ball Association, Photography Association, Bicycle Riding Club and 19 recreational and sports associations. Every year, there were about 200,000 people participating in over one thousand of small-scale activities. The evening art show of "Blue Ocean Gives out Brilliance, and Joyful Songs Are Presented to Motherland", passionate songs on square, calligraphy and painting exhibition, essay competition of "My Opinion on Harmonious Oilfield" and other activities greatly enriched retirement life, and the Retirement Service Center was invited to Tianjin for competition and performance several times, and was entitled as "One of the Ten Major Activity Bases" and listed in the demonstration units of senior cadre management, it became a bright spot of massive recreational and sports activities in Bohai Oilfield.

5.3.2 Prohibit employment of child labor

In accordance with international convention and the stipulations of Chinese government, CNOOC clearly defined the difference between child labor and juvenile labor, and worked out measures to eliminate child labors, resolutely prohibited using child labors. Besides international laws, the company also complied with the relevant stipulations of China's Labor Law, and put an end to employment of child labor and juvenile labor from a system perspective by means of establishing perfect procedures in employment, recruitment and other crucial links. In addition, it had strict restriction on outsourcing companies and labor service agencies. Once they are detected to illegally employ child labor and juvenile labor, they will be punished according to the stipulations of contract and reported to local competent department of labor. In 2009, CNOOC and its subsidiaries did not employ child labor and juvenile labor according to the management stipulations.

5.3.3 Oppose compulsory labor

The company permits employees are free to choose their work. When employees resign, the company wouldn't oppose their choice for any reason and means, nor restrict their personal freedom in any form. It never allows compulsory labor by means of retaining certificate, salary and other property, paying loans, monitoring, threatening and so on. In 2009, no complaint, appeal nor petition of compulsory and forced labor was lodged against CNOOC.

5.3.4 Guarantee employees' rights

The company advocated and emphasized harmonious relations between enterprise and employees, respected the differences of employees in gender, age, health condition, nationality, religious belief and other aspects, and guaranteed no discrimination with strict system implementation, supervision and inspection.

CNOOC has constantly improved petition channels. CNOOC auditing and supervision department and its subsidiaries specified the petition responsible person, contact information, mailing and office address, and set up special fax, email, voice telephone and other reporting channels for accepting petitions, and publicized the petitions to employees and cooperators in order to ensure employees' opinions or proposals can be promptly and conveniently conveyed to the management level of CNOOC and its subsidiaries.



5.4 Social influence

5.4.1 Contribution to the community

Community is the important interested party of CNOOC. In the operation process, CNOOC established a harmonious relation with the community and actively participated in the community activities and made great contributions to community development.

☆ Successfully completed "heart-warming and love-giving" social donation organized by the government.

In December, 2009, the staff in CNOOC Mansion participated in the "heart warming and love-giving" social donation organized by Beijing Municipal Government. Within only ten days, CNOOC staff donated 103 pieces of beneficence and 61100 RMB, which ranked the first in this area. The staff of CNOOC in other places also responded to the call of local government and actively donated money and materials to social vulnerable group.

☆ CNOOC donated 500,000RMB to Beijing "Timely Rain" activity

CNOOC is headquartered in Dongcheng District of Beijing. In order to help the poor elderly, empty nester, child with leukemia and poverty-stricken college students in Dongcheng District, CNOOC participated in the "Timely Rain" activity organized by Beijing charity Association and donated 500,000 RMB on April 10, 2009.

☆ CNOOC employees actively donated blood

On August 4th, 2009 when Beijing was in very hot weather, 20 CNOOC employees joined in Beijing emergency blood donation for high-temperature season, and completed the blood donation task of Beijing city in the blood low season of 2009, which interpreted CNOOC employees' sense of social responsibility and carried forward their spirit of "humanity, caring for life, dedication, fraternity and mutual assistance". Other subsidiaries also actively organized staff to donate blood in their local place.

☆ Offshore rescue

In 2009, CNOOC carried out the following offshore rescues:

Date	Location	Dangerous situation	Rescue
January 15-16	Sea are of Liaodong Bay	One working vessel of the team encountered malfunction	Urgently dispatched SZ36-1 oilfield standby vessel and helicopters to provide aid.
February 18	In the vicinity of the sea channel of Jintang Port	The cargo tank of sand barge "Taichangxin 168" completely leaked, and the situation was very urgent.	Arranged Binhai-264 vessel to the site for researching survivors, and 7 mariners in distress were rescued from danger.
April 2	In the vicinity of LF13-2 oilfield	The barge (ER301) was in gale accident.	"Nanhai-671 vessel" participated in rescue, and safely pulled the barge into the land.
April 15	The sea area near the coast of Dagang District	Two construction boats run into the breakwater due to the impact of gale, 14 people who fell into water and 9 on-board people asked for emergency aid.	Dispatched three flights, and successfully rescued 22 people, discovered 4 corpses. Moreover, three people were missing.
April 14-15	In the vicinity of Jintang Port	Boats met with a mishap near Jintang Port.	QHD32-6 oilfield standby vessel urgently sailed to the site to provide aid.
April 28	Outside Tianjin Lingang Industrial Area	A piling construction boat was in danger due to the impact of gale.	Binhai 215 Boat was dispatched to the site for assistance.
May 14	Erhekou Port of Suizhong County of Liaoning Province	One sand barge was capsized, and 11 men and 11 women on board were missing.	Suizhong 36-1 standby vessel "Binhai-242" went to the site and participated in rescue.

June 20	Dagu Anchorage	Two boats collided into each other.	Offshore petroleum 604 boat was arranged to provide assistance on site.
July 18	Pearl River terminal	Dozens of women and children came to Pearl River terminal for refuge after suffering the attack of Typhoon "Molave".	Pearl River terminal properly arranged victim villagers.
July 22	Caofeidian Port	People fell into water	Offshore petroleum 567 Boat provided on-site rescue.
August 8	Dagu Anchorage	People fell into water	Offshore petroleum 654 Boat participated in rescuing survivors, and it discovered and saved the people.
September 5	In the sea area near Jingtang Port	The fishing boat "Jileyu 3076" met with a mishap, and "Taihe No.9"boat was capsized, and there were people falling into water.	QHD32-6 Oilfield standby vessel went to provide help and help the drowning people, and six fishermen were successfully rescued.
September 18	In the vicinity of Caofeidian Port	"Shengtai 106"Boat leaked seriously and was in danger of sinking.	Cooperated the boat in distress, and successfully tackled the danger
September 20	Outside of the northern anchorage of Tianjin Port	"Wenchuan 8" met with a mishap and was sunk.	"Binhai 253 Boat" provided assistance for the rescue.
October 22	Anchorage of Jingtang Port	The cabin of Changsheng 108 sand barge was leaked.	Binhai 244 Boat headed to the accident site at full speed, and all the mariners were rescued.
October 24	In the vicinity of NB35-2B platform	One cargo boat was capsized.	Oilfield standby vessel headed to the accident site at full speed and participated in rescue.
October 30	In the vicinity of Boxi sea area	One barge was in gale distress.	QK17-3 standby vessel pulled the barge in distress to the vicinity of the breakwater, and successfully rescued them.
November 9	Bohai Sea	One fishing boat drifted away due to the fault of steering engine, and nine fishermen on the boat asked for rescue.	Two working boats headed for assistance, and successfully rescued them

☆ Other activities

1. Participated in guaranteeing the celebration of the 60th anniversary of the National Day, and took part in the patrolling organized by the community, and took charge of the patrol around CNOOC Mansion, and ensured the stability of the community.
2. Participated in the propaganda of civilized discharge of fireworks in the community during spring festival, posted 12 pieces of posters, 2 banners, and placed 3 signboards to prohibit firework discharge.
3. Participated in patriotic heath activity organized by the community, and took charge in snow removing around CNOOC Mansion.
4. On October, 2009, 26 peoples from CNOOC headquarter participated the Fourth Massive Fitness Sports of the local community, and achieved good results with two gold medals, four silver medals and eight bronze medals. Besides, CNOOC took part in long-distance running race of local community, community table tennis and billiard competitions, etc, and it made contributions to supporting the construction of harmonious community and building a safe community.



Central Leaders, He Guoqiang et al., Highly Appreciated Anti-corruption of CNOOC

5.4.2 Business ethics and work ethics

☆ Fully promote construction of punishment and defense system

Practice and experience on construction of punishment and defense system in CNOOC were highly appreciated by state executive leaders as well as related ministries and commissions in 2009. The company introduced experience on construction of punishment and defense system successively in the theory seminar "New China 60-Years Construction of the Party Conduct and Incorruption", symposium on construction of punishment and defense system in state-owned enterprise, special column of Supervision in China on commemorating two-year anniversary of NBCP's establishment and central training class for chief disciplinary officers in central enterprises. CNOOC was confirmed as one of the two pilot units for corruption prevention in national state-owned enterprises. Under specific guidance of NBCP, pilot work has been developed at all levels.

☆ Continuously perfect responsibility system for construction of the Party conduct and incorruption

Based on anti-corruption spirit of Party Central Committee, CNOOC formulated and implemented Interim Measure for Leader Accountability and Measure for Direct-management Cadre Hearing Opinion from Discipline Inspection Group of Leading Party Group before Service (Trial Implementation) to enhance responsibility coverage and inquisition for construction of the Party conduct and incorruption. Inspection was conducted on construction of punishment and defense system and the responsibility system with work product contained in examination on the responsibility and annual performance evaluation. Based on measurement for implementation of the responsibility system and five-years planning of punishment and defense system construction, CNOOC signed responsibility document on construction of Party conduct and anti-corruption with all subordinate units and departments.

☆ Enhance education on honest business for leaders

By learning and implementing Regulations on Honest Business of State-owned Enterprise Leaders (new edition), CNOOC requires 221 direct-management cadres to write honest business reports targeting on 39 requirements for honest business aimed at leaders of state-owned enterprise from five aspects in the regulation. As statistics, all these reports are in accordance with the 39 requirements with no violation and the cadres claimed to be responsibility for truth of the reports. In addition, division of auditing & supervision, immediate Party committee and legal division developed education on honest business in conjunction with educational resources targeting on duty crime prevention. Touring Party lectures were developed for leaders of CNOOC and skeleton Party members were organized to visit education base of duty crime prevention and prison; Specialists from Beijing People's Procuratorate were invited to give lectures on duty crime prevention and leaders were organized to watch Anti-corruption Mirror, an education video on duty crime prevention and answer activity on the regulation and Amendment VII to the Criminal Law was developed as well; In combination with Beijing People's Procuratorate, management center of anti-corruption legal education base as well as Dongcheng District People's Procuratorate, CNOOC developed six education activities containing start ceremony of Beijing anti-corruption legal education itinerant exhibition. As this is the first combined education program developed jointly by different bodies, branched leaders of CNOOC presented high attention and played leading role. With smart education styles and rich content, the activities were popular with employees and audiences were up to 10, 000.

In 2009, no important violation events and tax evasion occurred in CNOOC.

RMB 96.41 million

Prioritizing purchase bidding, supplier management and cost management, 107 efficiency supervisions were approved in the whole system with 139 supervision advices put forward, 330 regulations built and capital of RMB 96.41 million saved.

☆ Improve effect of internal audit and efficiency supervision

Prioritizing audit of new capital investment, new involved filed and new merged enterprise ("three news"□), 153 audit projects were accomplished in the whole system with general assets RMB 215.1 billion involved, 1197 audit findings and 653 management proposals put forward, construction cost of RMB 158 million saved and amount of 7.4 million dollars eliminated in joint account book. Prioritizing purchase bidding, supplier management and cost management, 107 efficiency supervisions were approved in the whole system with 139 supervision advices put forward, 330 regulations built and capital of RMB 96.41 million saved. Thereinto, bodies were organized for bidding efficiency supervision for the first time, which implements brother supervision on departments of CNOOC. Efficiency supervision on purchase bidding is developed over the whole system successfully in three years with management of supplier database highlighted. In some projects, investment project audit and efficiency supervision on purchase bidding were cooperative separately with efficiency supervision on cost management and projects purchase bidding audit.

By internal audit, CNOOC implemented transfer of case clue, preliminary audit of petition letter, audit enhancement as well as case investigation efficiency. It converted closing meeting of audit to career talk, initiated meeting of audit case and published audit journals like Construction Project and Material Management and issued Audit Bulletin so as to draw attention of all management levels to audit, enhance audit reform thus acquire significant comprehensive effect of audit supervision. In addition, CNOOC strengthened outward publicity that it conducted report and communication on experience of audit supervision for 54 times, which improved its influence of supervision.

☆ Highlight servitude and accretion effect of internal audit

Internal audit embodies the idea "implement effective supervision in service, improve audit value in service". Only construction cost audit for construction projects and amount elimination audit in joint account book have saved cost over RMB 200 million for CNOOC. In order to show up issues in regulation implementation, internal audit control was deepened and management issues like violation and non-execution of regulations were profoundly analyzed. Coverage of economic responsibility audit was extended that underlying issues like illegal subcontracting hidden under connected transaction and irregularity of internal balance were disclosed. In order to prevent flow-out of corporate income, audit of investment project was enhanced and project balance audit was intervened in advance with audit for final accounts of completed project strictly controlled. About RMB 300 million, saved money as audit, has been withdrawn. In order to preserve corporate right in cooperative oil field, audit in compound book was deepened that amount elimination of 17 million dollars was withdrawn. To seek for way of cost reduction for basic level, cost management audit was practically carried out and key links of cost control were straightened out. Combined audit by shareholders was promoted to enhance supervision on company under diversity of equities which is shared or held by CNOOC, thus preserve right of CNOOC.

☆ Enhance abidance training for cadres of all levels

In 2009, CNOOC developed honest business reporting work aimed at direct-management leaders including members of its leading Party group. 1581 of these leaders promised honest business as reports and discussions on honest business were held for 796 person-times, office holding talks 407 person-times, dissuasion and encouragement talks 103 person-times, hand-over of gifts near RMB 0.22 million, 17 person-times. Two unauthorized departmental coffers were cleared. Honest business education concerning duty crime prevention was deeply developed that in the whole system, honest business educations were held for 256 times, audiences near 70, 000 person-times, which enhanced legal and disciplinary consciousness of staffs, especially managements of all levels. Bodies of CNOOC developed a series of activities. For example, Bohai Branch developed anti-corruption education hierarchically according to features of different objects; Tianjin Branch consistently developed warning education by sticking to joint arrangement, joint inspection and joint summary of internal supervision and production management; in China Blue Chemical, trainings of management regulation, flow and service authority were carried out for leadership of restructuring and merging and project construction management.

5.4.3 Public Benefit & Charity Undertaking

In November 2009, SASAC issued Notice of Matters in Strengthening Management for Donation of Central Enterprises, where donation scope of central enterprise was explicated. Donation scale should be confirmed in a reasonable way and approval procedure for donation should be strictly observed as specified in the document. Moreover, register system is to be set up for annual donation budget of central enterprises, projects in budget above the specified quota and all projects out of budget. According to the document in conjunction of leaders' requirements to perfect donation system for project without significant public benefit, CNOOC amended Working Rule of Charity Committee issued in 2007. In addition, to meet requirements for personnel knowledge structure in charity office, related professional staffs were appointed as office members by leader of CNOOC.

In 2009, CNOOC inverted RMB 152.51 million for charity projects like poverty alleviation, aid to Tibet, assistance for construction of earthquake region in Sichuan Province, disaster relief and education assistance. Also, its units positively developed poverty alleviation, education assistance, handicap assistance as well as community construction. In total, CNOOC system invested charity capital of RMB 168.57 million all over the year.

☆ Targeted poverty alleviation

In April, poverty alleviation cadres from CNOOC taking temporary posts in Lingshui and Baoting County of Hainan Province satisfactorily accomplished task within term of service. CNOOC and CONHW timely organized cadre rotation subsequently. After work hand-over, new cadres rapidly entered into spirit of character and initiated a new round of poverty alleviation. RMB 3 million and 4 million were donated to construction of teaching building in Zongshan Primary School in Lingshui County and comprehensive building in Baoting Secondary Vocational and Technical School, respectively. The two projects were started in 1st ten-day of December and last ten-day of November.

In September, "CNOOC Student Accommodation" contributed by CNOOC in Wuzhishan Middle School was completed and put into service, which resolved accommodation issue of 1200 students. With capital RMB 6.2 million, CNOOC's capital for poverty alleviation from 2007 to 2009, intensively used, 100 student accommodations, 4060 m², and school dining hall 848 m², were built in the project. Completion and service of the project changed the past situation in the school that student accommodations were in short and student dining hall was in absence meanwhile satisfied requirement that the middle school should admit migrated impoverished students from three towns. It largely supported implementation of impoverished student migration in Wuzhishan City.

A team of CNOOC, under leading of member of leading Party group, charity committee principal Wu Guangqi, surveyed targeted poverty alleviation in Hainan Province and presented in completion ceremony of "CNOOC Student Accommodation" in Wuzhishan Middle School and visited and saluted poverty alleviation cadres.

RMB 168.57 million In total, CNOOC system invested charity capital of RMB 168.57 million all over the year.

☆ Aid to Tibet

In 2009, with RMB 18.86 million invested, CNOOC continued to carry out a group of effective hemopoiesis projects and that for people's well-being in Tibet under the thinking "solving difficulty, supporting from root, hemopoiesis and setting up effective system".

With over RMB 8 million invested, frontage commercial houses (third-stage) over 800 m² were built as well as Jingyi Road stretching over county seat in east-west direction in Nima County. Completion of the two projects further improved condition of municipal base installation and commercial facility in the county seat and promoted economic development in urban and rural area. RMB 500 million was contributed to build settlement projects for herdsmen, labor skill training base for middle school in the county and conduct maintenance and reform for dining halls in Shenya Town Primary School and Xianwan Primary School.

In the beginning of October, Tibet assistance team purchased an excavator and two Dongfeng dumpers for the county government using capital of RMB 0.65 million saved in 2009 so as to improve overall constructability of farmers and herders construction team in Nima County and promote employment and economic income of farmers and herders in the county.

In order to strengthen construction and quality of cadre team in Nima County, during Oct 26 to Nov 18, cadres over section chief level in Nima County were organized to interior area for training and communication. 21 cadres over section chief level in Nima County participated in training in Beijing and went to units subordinate to CNOOC like Huizhou Refinery, CNOOC and Shell Petrochemicals Co., Ltd., Shenzhen Branch for visit and learning thus the training activity was called as a tour to "broaden outlook, increase knowledge, strengthen communication and friendship, enhance confidence and capability". Moreover, CNOOC carried out medical training jointly with general hospital of Tibet Military Region. Farmers and herders were organized to be subject to training of husbandry economy and featured industry to cast off poverty and get rich. Learning and training activity was developed for teachers in the county for the first time. Implementation of these projects promoted medical level in the hinter land of Chang Tang Plateau and improve educational management and teaching quality.

In July 2009, during Horse Racing Festival, leaders of CNOOC Energy Technology & Services Limited (hereinafter referred to as CNOOC Development) subordinate to CNOOC led team to go to Nima to visit and salute cadres for Tibet assistance on behalf of leaders in CNOOC and donated office supplies and educational things.

Tibet assistance of CNOOC was highly appreciated by state and Tibet autonomous region government. In April 2009, symposium for overall Tibet assistance cadres was initiated in Lhasa where cadre from CNOOC made a speech as a representative to introduce experience of Tibet assistance. In January 2010, CNOOC received letter of thanks from TAR Committee and People's Government of TAR signed by secretary of the Party committee and chairman of TAR.



Assistance for Settlement Construction for Herders in Nima County of Tibet

☆ Assistance for reconstruction of earthquake area in Sichuan

In September 2009, CNOOC organized assistance project team to Sichuan and formally initiated assistance project in the earthquake area. In January 2009, the team accomplished preliminary designs for comprehensive internal medicine building of Deyang People's Hospital, comprehensive surgery building of Guangyuan First People's Hospital and comprehensive outpatient service building of Luojiang People's Hospital. In March, the design of working diagram for the three assistance projects was accomplished. Design units of the three projects all have national class-A qualification of construction design and present rich experience of design for hospital of the same type.

CNOOC paid much attention to design quality of assistance projects and required to make them as reassurance projects and true refuges for people in disaster area. According to requirements of CNOOC, Structural Engineering and Disaster Prevention Research Institution of Tongji University carried out stimulation test on anti-seismic level of design for the three projects according to collapsing force of "5•12" Wenchuan's earthquake, under entrusting of assistance project team. The team provided anti-seismic level analysis report and technical analysis report on energy elimination and shock absorption of the three projects. In addition, the team entrusted design unit to adjust and improve anti-seismic level based on original local design standard as 8-degree fortification and 9-degree structure.

In April 2009, foundations were laid for the three projects and, structural caps were accomplished prior to Spring Festival of 2010.

From September 2008, under time pressure, short of manpower and heavy task, based on repeated incubation, discussion and modification, the project team formulated Management Manual of CNOOC's Assistance Project in Earthquake Area of Sichuan to guide management of the project team.

Sichuan assistance project of CNOOC was highly appreciated by government and related bodies. Leaders from provincial Party committee, provincial political consultative conference, provincial construction department and health department of Sichuan visited project field for inspection and guidance more than once and gave high appreciation. The three projects were all listed as important projects in aided region.



Comprehensive Surgery Building of Guangyuan First People's Hospital (Design Sketch)



Comprehensive Internal Medicine Building of Deyang People's Hospital Foundation Stone Laying Ceremony



Comprehensive Outpatient Service Building of Luojiang People's Hospital (Design Sketch)

☆ Other Donation

1. Emergency relief

Typhoon "Morakot" heavily attacked Taiwan in August 2009 and caused heavy loss of life and property, which affected staffs of CNOOC. After knowing suffering of siblings in Tawian, CNOOC contributed RMB 10 million to them via ARATS as a partisan of ARATS. In the afternoon of August 12, CNOOC participated in combined donation ceremony initiated by 18 partisans of ARATS, which demonstrated CNOOC's love and goodwill to Taiwan siblings. Almost at the same time, CNOOC sent letter to its partner, CPC Corporation, Taiwan, to lament death of victims and present sincere salutation to victims' family members and all suffered siblings. In reply of Shi Yanxiang, President of CPC Corporation, Taiwan, he presented sincere thanks to CNOOC on behalf of suffered people and related departments.

Nima County of Tibet was attacked by heavy snow in May 2009, which heavily destroyed people's properties and economic development.

After learning about the disaster from Tibet assistance cadres and media, management level required to raise fund by all means under much worry and attention to provide aid for disaster relief and post-disaster reconstruction thus to struggle over difficulty and reconstruct homeland. In August, CNOOC allocated RMB 1 million from special poverty alleviation fund to aid Nima County, which demonstrated profound friendship formed in eight-year cooperation and development between CNOOC and Nima.

2. Second-stage project of Song Qing Ling Fund (SOLF): CNOOC invested RMB 3.36 million in 2009 sequentially to provide education assistance to impoverished college students in 30 universities over the country.

3. Hope Project: units including CNOOC Engineering and China Oilfield Services Limited (COSL) went to four CNOOC Hope Primary Schools in Heibei Province for two times under organization of Youth League Working Committee of CNOOC to develop greetings in Children's Day and Teacher's Day with cash of RMB 0.15 million contributed to heighten guardrail of teaching building, improve teaching facilities, campus environment and accommodation warming.

In November 2009, CNOOC was awarded "Special Contribution Prize of Hope Project in the Recent 20 Years" by China Youth Development Foundation.

4. Mother Water Cellars: in 2009, CNOOC contributed RMB 1 million to China Women Development Foundation for the seventh time. Up to December 2009, donation to the charity project, "Mother Water Cellars", by CNOOC, has accumulated to RMB 6.8 million. As incomplete statistics, CNOOC has helped 28,198 people (6,921 households, 40 natural villages, 30 towns, 19 counties) in four prefectures resolve drinking difficulty thus promoted production development and improvement of people's living.

On September 26, 2009, report-back meeting on the charity project, Mother Water Cellars, sponsored by China Women Development Foundation of ACWF, was held in Yan'an College of Cadre. At the meeting, China Women Development Foundation issued "Award of Charity Pioneer" to CNOOC to commend its support for public welfare for Chinese women. Municipal Party committee and municipal government of Yan'an presented a broad with inscription "Deep love to Mother Water Cellars, enthusiastic help to Yan'an". CNOOC seriously promised at the meeting that it would further enhance performance of social responsibility and continuously support Yan'an to develop construction of "Mother Water Cellars". As promised, CNOOC will donate RMB 2 million to "Mother Water Cellars" every year in the next ten years, RMB 20 million in total.



06 Environmental Responsibility and Performance



During communication with interested parties, CNOOC heavily felt concern of government and community residents on environment issue. The company strives to use clean material and energy and save use of resources. Environmental and resource protection and prohibition of environmental pollution accident are important bases for sustainable development of CNOOC. Minimizing environmental impact of construction project and continuously improving overall environmental benefit are targets of CNOOC. In 2009, CNOOC presented good performance of environmental protection with no important environmental pollution accident.

6.1 Improving resource utilization

Resource is material base for human living. How to efficiently use resources in each process is an issue subject to high concern of CNOOC as well as inescapable important social responsibility of the company. In recent years, CNOOC has enhanced construction of

In 2009, positively overcoming adverse impact of international financial crisis, CNOOC carried out examination on objective responsibility of energy saving and emission reduction, enhanced field supervision and monitoring and improve capital investment to continuously perfect system and mechanism of energy saving and emission reduction, which improved the work of energy saving and emission reduction to a higher level.

In 2009, for energy saving and emission reduction, CNOOC invested RMB 799 million in total, completed 284 projects and implemented energy saving equivalent to 0.416 million tons of standard coal.

In 2009, CNOOC accomplished field assessment on 2008 objective responsibility of energy saving and emission reduction aimed at its units of energy consumption. 160 management personnel involved in these units were organized to receive training of professional knowledge. During national energy-saving week, CNOOC organized publicity activities on energy saving in different forms. Its monitoring center of energy saving and emission reduction was organized to conduct energy saving monitoring for 17 companies of six secondary units, environment monitoring for 27 companies of 5 secondary units and energy audit for 12 companies of 7 secondary units. 168 related issues were found in total with 133 rectification advices and 53 propagable energy saving measures put forward. In 2009, CNOOC developed and set up management information system for energy saving and emission reduction and formulated four energy-saving corporate standards including Regulation of Energy Saving Statistics Management to gradually implement informatization, standardization and systematization of energy saving and emission reduction.

In 2009, energy consumption in CNOOC was equivalent to 6.296 million tons of standard coal in total, energy intensity was 0.3284 ton of standard coal/ RMB 10, 000, energy consumption per unit added value was 0.5516 ton of standard coal/ RMB 10, 000, water consumption per output value was 1.93 tons/ RMB 10, 000.

In 2009, in assessment and examination on energy-saving by NDRC, CNOOC-FD Co., Ltd., Inner Mongolia Tianye Chemical Co., Ltd, CNOOC Tianjin Branch, Shenzhen Branch, all under CNOOC, were assessed as outperforming and Zhanjiang Fuel Oil Co., Ltd was assessed as fulfillment thus CNOOC was assessed as excellent in general. Up to the end of 2008, the above five enterprises, which were important objects of examination, accomplished energy saving equivalent to 0.321 million tons of standard coal, 309.2% of objective in "Eleventh Five-Year Plan".

CASES

Cooling fan water turbine renovation project in circulating water yard of CNOOC Ningbo Daxie Petrochemical Corporation

The two cooling tower fans in 2×4000m³/h circulating water yard in Ningbo Daxie Petrochemical Corporation applied electric drive in preliminary design, which presented waste of redundant lift. To further tap corporate potential in energy saving, CNOOC decided to carry out energy saving modification for one fan, that is, circulating water design was applied and redundant energy common in use was to be taken as kinetic energy for water turbine to drive rotation of fan blade by driving water turbine and meet requirements for air draft and temperature reduction with original power equipments like reduction box and motor saved. As standardization, electric energy of 160.8 kWh was saved per hour. As calculated based on this, electric energy of 1.35 GWh and electric charge of RMB 0.837 million may be saved every year.

Reclaimed water reuse device put into production in China Blue Chemical Ltd.

Qualified water was successfully produced from reuse device of China Blue Chemical Ltd., which developed new supplementary water resource for circulating water device in the company and implemented recycling of water drained in production. After the device was put into production, water of 0.96 million tons may be saved every year, recycling rate of waste water reached 75%.

Drained water from Fudao second-stage chemical fertilizer plant in Dongfang Chemical Park in Hainan Province and CNOOC Jiantao 0.6 million-ton methanol circulating water device was used as raw water for the device. Treatment capacity of the device is 160 m³ per hour, water from which is supplementary water for circulating water system.

In September 2009, CNOOC Zhanjiang Branch was awarded “Guangdong Province Advanced Unit in Energy Saving” for its prominent performance in energy saving.

6.2 Emission reduction

Minimizing pollutant emission is an important part of environmental protection by CNOOC, which is also an important factor embodying social responsibility of the enterprise. CNOOC positively adopts targeted measure to further reduce pollutant emission meanwhile complies with local regulation and law all the time.

Annual objective responsibility system was carried out for pollutant emission. In order to enhance supervision on emission reduction of its units, CNOOC continued to carry out objective responsibility system for pollutant emission reduction in 2009. For all of its units, CNOOC conducted field inspection and examination on the completion of last-year’s objective, result of which was reported in the system in the form of documents. This largely promoted its units to positively complete objective of emission reduction.

Information system was set up for management of energy saving and emission reduction. In order to sufficiently use information-based method and tool to support and deepen the work of energy saving and emission reduction in CNOOC thus implement scientificity, normalization and constancy, CNOOC developed information system for management of energy saving and emission reduction in 2009. At present, the information system has been put into trial service and is to be expanded over the whole system in July 2010.

Inspection listing system was carried out for hidden danger in environmental protection. In order to efficiently complete rectification of residual problems in environmental protection, inspection listing system was carried out for hidden danger in environmental protection in 2009 in CNOOC. These rectifications mostly involved downstream merged enterprises. In the end of 2009, all related units have finished rectification of environmental issues.

Discharge of water from production in offshore oil and gas field of CNOOC is 0.18 billion m³ in 2009.

CASES

China Offshore Oil & Gas Development & Utilization Company was awarded “China Environment friendly Company”.

In July 30, 2009, China Offshore Oil & Gas Development & Utilization Company was awarded “China Environment-friendly Company” for its prominent performance in environmental protection. China Offshore Oil & Gas (Taizhou) Petrochemical Company was awarded “Taizhou 2009 Green-level Company” by environmental protection bureau of Taizhou.

“Zero release” of oily drilling in CNOOC Nanhai West

By striving for over two years, China Oilfield Services Limited successfully developed economical and practical recycling system for oily drillings. The system consists of conveying equipment, drainer equipment and rock debris collecting equipment. Conveying equipment is to convey rock debris to drainer to separate drilling fluid and debris. Following body fluid exhaustion, debris will be enched to be conveyed to land for distillation. Rock debris subject to treatment can be applied in paving and brick fabrication. COSL has specially set up research project “Research on Drilling Waste Treatment Technology and Process” to strive to implement “zero release” of oily rock debris.

Nowadays, the system has been successfully used in application of 11-1N Oilfield, Weizhou 12-1 Oilfield and Yacheng 13-1 Gas Filed.

Enormous amount of capital investment for reconstruction of gas desulfurization system in Weizhou terminal

On Dec 14, 2009, three high white round towers rose straight from ground in Weizhou Terminal Treatment Plant on Weizhou Island, Beihai of Guangxi Province, looking stainless and striking under blue sky. These were gas desulfurization systems newly built by Zhanjiang Branch with enormous amount of capital. Under the tower, analyst Xiaozhang was masterly carrying out sampling test in natural gas inlet and outlet. “Natural gas in outlet is out of sulfur without any smell of sulphur. The gas desulfurization system comprehensively implements zero release.”

In the plant, the premier desulfurization system was put into use in 1998. In order to apply more advanced desulfurization process, in 2009, RMB 4 million was invested to oilfield working area in Weizhou at one stroke to redesign and reconstruct a desulfurization system. Despite huge preliminary investment, the system is capable to generate huge environmental benefit since it doesn’t consume fresh water or produce sewage and risk of sour gas leakage is reduced. The system can save 150 tons of standard coal and fresh water of 6, 000 m³ every year.

**6.3 Circular economy**

In order to relieve drawbacks from traditional economy and implement sustainable development of economy and society, countries all over the world are positively exploring and developing circular economy and take it as favorable way to resolve issue of sustainable development.

Targeting to be an international top-ranking energy company, CNOOC insists on development idea of “clean, green, low-carbon and circular economy” over the years and strives to develop circular economy to minimize resource consumption and pollutant emission thus to implement harmony and uniformity of enterprise, society and nature.

In September 2007, CNOOC’s production project that uses LNG (liquefied natural gas) cold energy for air separation was formally started in Putian of Fujian Province, which was the first LNG cold energy utilization project and does credit to development of circular economy in CNOOC. The project was invested jointly by CNOOC Development and USA Products & Chemicals, total investment is RMB 300 million. LNG of -162°C or so will release mass of cold energy when restored as gas. At present, LNG receiving station uses seawater for warming.

Cooled seawater will cause uneven distribution of temperature in sea area when drained to sea without treatment and impact eco-environment. Thus, recycling of LNG cold energy can not only protect eco-environment in ocean but also implement energy saving and emission reduction.

CNOOC is further improving research on technology of LNG cold energy utilization and formulates specific development planning. As planning, CNOOC will build air separation project and civil cooling project successively in the four LNG receiving stations respectively located in Putian of Fujian Province, Ningbo of Zhejiang Province, Dapeng of Guangdong Province and Shanghai. And, comprehensive construction and development of LNG receiving stations will be completed for comprehensive utilization of cold energy during the years from 2010 to 2015. Up to then, CNOOC will implement comprehensive development and utilization of LNG cold energy meanwhile supply LNG clean energy to the country thus develop a new mode of circular economy in low-temperature application field.

6.4 Protection of biodiversity

Main working area of CNOOC is ocean. Thus, protection of marine organisms is an important issue under concern of CNOOC. For protection of biodiversity, environmental impact assessment was first developed for offshore projects according to government's requirements, whereof biological conservation played an important role.

After assessment on current marine environment quality (including current sea water quality, current bottom sediment, marine ecological and biological resource, lives in tidal zone and island ecology) and assessment on fishery resource, CNOOC analyzed impact on biological protection from each stage like construction and operation according to assessment results. After confirming scope of biological impact and level, each ocean protect is supposed to formulate measure for ecological protection in detail, including elimination of ecological impact and modification of ecological impact, etc. These measures include biological transplanting, applying environment-friendly blasting method, formulating emergency respond plan and selecting reasonable construction time to avoid impact on spawning, etc. In the meantime, CNOOC carried out ecological recovery by measures like manual releasing, construction of artificial fish shelter and island greening. Implementation of these measures minimized ecological impact and laid a positive effect on protection of biodiversity.

6.5 Combat climate change

Climate warming from mass of greenhouse gas exhausted in human activities is an important subject internationally focused. Harm from climate warming is increasingly obvious. Delaying climate change has been a challenge for governments and enterprises around the world.

As members of "Combat Climate Change (3C)" and U.N. Global Compact "Caring for Climate", CNOOC takes measures to reduce emission of greenhouse gas with a positive attitude. Measures adopted in 2009 are as following:

- I. Enhance development and utilization of wind energy, solar energy and biomass energy.
- II. Largely improve supply of natural gas. CNOOC pays much attention to the use of natural gas, a kind of clean energy, to improve energy structure. In 2009, CNOOC continued to invest and build LNG project in coastal cities in South China.
- III. Improve energy efficiency. Investment to technologies of energy saving and energy efficiency improvement was improved accompanied with expanding technology of energy saving and consumption reduction and improving energy utilization.
- IV. Recycle associated gas in oilfield. Associated gas in oilfield was reduced or recycled by different measures to reduce quantity combusted of oilfield torch.
- V. Accelerate energy saving and emission reduction by government's requirements. In recent years, China government put forward clear requirements for energy saving. In 2009, CNOOC continued to develop energy saving strictly complying with requirements for management policy and standard for energy saving.

CASES

The first ship of LNG from Qatar arrived at Dapeng Bay, Shenzhen

On Oct 19, 2009, CNOOC held grand loading ceremony for the first LNG carrier from Qatar. This was the first time that our country received ultra large LNG carrier of 0.21 million m³, which marked capacity of our country to operate and manage LNG and development of clean energy industry reached a higher stage.

Object of the loading was the first cargo carrier specified in contract signed by CNOOC and Qatar in 2008, contract period 25 years, supplying LNG 2 million tons each year.

CNOOC tried out "carbon trading" in petrochemical field

In the afternoon of July 28, 2009, CNOOC Energy Technology & Services Limited held signing ceremony concerning CDM project involving annual residual heat comprehensive utilization of 400,000 tons of calcined coke, with Macquarie Bank, the largest investment bank in Australia. This was the first time that CNOOC concluded CDM project agreement with foreign buyer in petrochemical field as well as one of a few "carbon tradings" in domestic petrochemical field.

The project is located in petrochemical industrial park in Daya Bay, Huizhou. CNOOC Energy Technology & Services Limited plans to introduce the most advanced waste heat recycling equipment in the world from foreign country, which is for use of residual heat from calcined coke, the secondary product in refinery. Steam and power from this equipment can be put into use in other projects of CNOOC, which not only reduces operating cost but also improves comprehensive utilization of resource. As introduced, the project will formally enter stage of declaration and registration following signing ceremony to be subject to step review by domestic and international department in charge of CDM.

Macquarie Bank, buyer of the project, is the first investment bank in Australia and the seventh in the world. "In the recent two years, CER of CDM projects signed in Chinese market by us were mostly at the level of one hundred of thousands. In contrast, annual CER of 0.39 million is considerable", bluntly said Gu Peipei, senior manager of Macquarie Bank.

For promotion of CDM strategy by CNOOC, an officer from division of climate change in NDRC presented his expectancy. As he said, government will give more and more limits on enterprise's emission. "Carbon trading" and "carbon finance" will be tendencies with perfection of carbon emission trading market in China.

6.6 Environment policy and measures

CNOOC always carries out systemic management in health, safety and environmental protection over the years, which is systemic, normative and traceable so that makes environment management of CNOOC increasingly efficient and refined. In 2009, its units continued to perfect system documents as ISO14000 environmental system standard. For newly-merged enterprises, CNOOC required them to formulate systemic management documents for health, safety and environmental protection. Especially for newly-merged petrochemical and dangerous chemical enterprises, CNOOC required them to perfect systemic management as soon as possible. For example, the company promoted sales branch of Refining and Chemicals Corporation, China Blue Chemical (Dayukou) and Czech Petrochemical Group to set up and implement HSE management system.

Governments around world formulate specific laws and regulations of environmental impact assessment on new and reconstruction projects. CNOOC carries out environmental impact assessment and public notification of related environmental protection information strictly complying with laws and regulations. For all opinions from interested parties, CNOOC carries out perfection and improvement as specified to reduce environmental impact from construction project.

CNOOC further perfected system construction for environmental protection in 2009. Within the year, Regulation of Management for Inspection on Work Report concerning Liability Accidents of Health, Safety and Environmental Protection and Regulation of Management in Environment Monitoring Lab were issued as well as measure for qualification management for staffs of environmental protection in working field. These documents further put liability of health, safety and environmental protection into practice, strengthened basic work in environmental protection and improvement management level of environmental protection.

CNOOC organized a meeting on environmental protection management over the system in November 2009 to publicize and implement new rules of environmental protection. Moreover, specialists from State Oceanic Administration were invited to give training on laws and regulations of environmental protection for operators working in offshore oilfields.

6.7 Renewable resources

As an important energy company in China, besides supplying traditional oil & gas products, CNOOC is paying close attention to the development and use of renewable resources as well as derived new industry and new technical reform. It is striving to optimize industrial structure and change development mode to positively meet the tendency.

In 2009, considering development of renewable resource as an important service field from the angle of strategy, CNOOC listed it in corporate strategic planning and provided special organizations dedicated to the development and use of renewable energies like wind energy, solar energy and biomass energy.

In 2009, CNOOC carried out three wind energy projects in total in Huade of Inner Mongolia, Dongfang of Hainan and Gansu respectively, and 60, 000-ton bio-diesel project in Hainan Province as well as fatty acids methyl esters project in the city of Nantong. Thereinto, wind energy project in Huade has completed commissioning and put into grid-connected system on Dec 18, 2009, which marked first formal operation of new energy project by CNOOC.

CASES

CNOOC formally operated new energy project for the first time

On Dec 18, 2009, wind energy project of CNOOC New Energy Investment Co., Ltd in Huade completed commissioning and been put into grid-connected system. This is the first time that CNOOC output wind energy.

Winter in area beyond the Great Wall presented a solemn atmosphere. Wind sounded through Huade County of Wulancabu City in Inner Mongolia. 33 new fans stood straightly in wind, bodies of which were marked "CNOOC", very striking.

In the celebration ceremony of the date, after issue of the order "combined to the grid", the scene that blades of the 33 fans rotated together was put on direct broadcasting screen in meeting room and a storm of cheers rose. CNOOC took a practical step in development green energy. Fu Chengyu, president of CNOOC, extended his congratulation and put forward hope and requirements for accelerating development of new energy industry.

Floor area of wind energy project in Huade is 18, 000 m², installed capacity 49.5 MW. With 33 wind driven generators of 1500 kW installed, the project transmits green energy 1.3 TWh to Inner Mongolia-Tibet grid every year.

The project injects new energy for Inner Mongolia-Tibet grid and provides electric support for local development. Huo Jianzhong, head of Huade County, said excitedly, "hearts of employees from CNOOC are filled with common people, people's livelihood and government. You always bring good project to your destination."



6.8 Oil spill prevention and emergency response

In 2003, CNOOC set up a special recycling team for offshore oil spill—China Offshore Environmental Service Ltd. (CEOS). As the first professional company operating as international convention and standard and providing second-class emergency repose to oil spill, CEOS takes the heavy responsibility of emergency service for oil spill in oil & gas exploration and development in sea area of China. In order to meet requirement for effectively coping with risk of offshore oil spill from CNOOC, COES has set up emergency response bases in Tanggu, Suizhong, Huizhou, Longkou, Zhuhai, Shenzhen and Weizhou Island. Its working scope covers area of Bohai Sea and Huanghai Sea on the whole.

To implement strategic target to set up service network for emergency response to oil spill covering the whole sea area of China, as predicted, up to2010, COES will gradually set up emergency response bases in Zhoushan, Dongfang and Wenchang, etc. to provide the service more rapidly and efficiently.

There are internationally top-ranking equipments for spilled oil recycling, internationally advanced software for predicting excursion track of spilled oil, professional emergency response programs as well as efficient normative QHSE management system and experienced high-quality professional team in COES.

Offshore oil spill of CNOOC was 2.3 m³ in 2009.



07 Summary of Social Responsibility Performance of This Year and Outlook



As world economy was under recession in 2009, identical to other enterprises, CNOOC was faced with severe challenges. Under the macroscopic background, with firm confidence, courage to face to difficulty and effort, CNOOC further improved core competitiveness and capacity of sustainable development.

2010 is the sprint period for CNOOC to implement objective of "Eleventh Five-Year Plan", the year for completion of "Offshore Daqing", annual output equivalent to 50 million tons, as well as a year of reform to promote change of development mode. In the year, CNOOC will continue to coordinate relations of economy, society and environment and respect appeals of interested parties and provide more better high-quality energy for society with energy saving and emission reduction got done thus contributes more to development and progress of society.

CNOOC will continue to coordinate relations of economy, society and environment and promise to respect appeals of interested parties and provide more better high-quality energy for society with energy saving and emission reduction got done thus contributes more to development and progress of society.

经济

社会

环境

08 Annex: Index of Sustainability Reporting Guidelines

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HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	38
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	39
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor	39
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	39
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	39
Society		
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	15
SO2	Percentage and total number of business units analyzed for risks related to corruption	42
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	42
SO4	Actions taken in response to incidents of corruption	42
SO5	Public policy positions and participation in public policy development and lobbying	27
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SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	43
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PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes	42
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PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	42