

2014

Sustainability Report

ENERGIZE · HARMONIZE · REALIZE

2014 Sustainability Report

PetroChina Company Limited

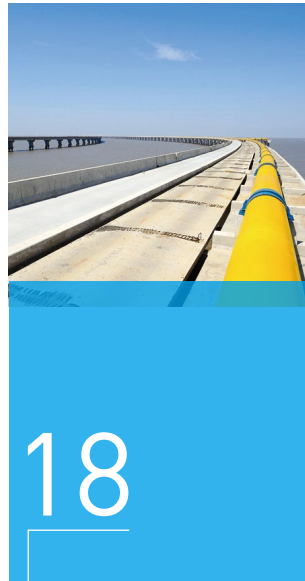
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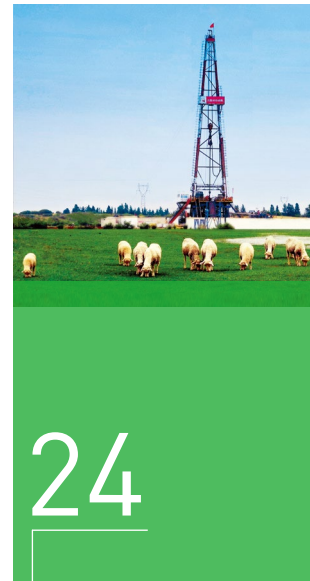
PetroChina Company Limited

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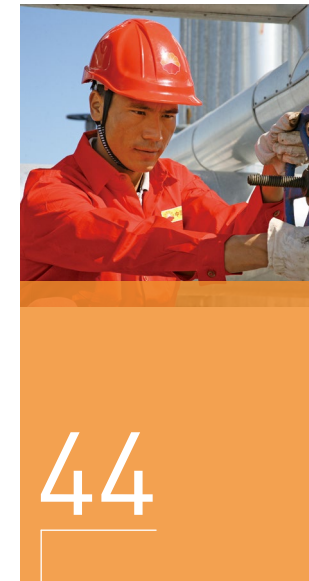
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About PetroChina

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

PetroChina is one of the major oil and gas producers and distributors in China, ranking among the leading international oil companies. It engages in a wide range of activities related to oil and natural gas and provides sustainable energy for socio-economic development. We pursue harmonious relationships between energy, the environment and the society.

Our Mission

Energize, Harmonize, Realize

Our Vision

To be a world-class international energy company

Business Strategy

Resources, Markets, Internationalization

Guidelines of Development

Quality, Efficiency and Sustainability

Our Values

Honesty, Innovation, Safety and Distinction

Forbes

10th in global top 2,000 enterprises

Platts Energy

Top 250 global energy companies

1st in Asian energy companies in overall ranking

1st in Asian integrated oil and gas companies

BrandZ

8th in top 100 most valuable Chinese brands

Top 10 most trusted Chinese brands

IR Magazine

Best IR by an energy company

Best IR by a mainland Chinese company

Two employees were granted Incentive Award for Outstanding Engineers by the International Scientific Exchange Foundation of China

Three employees were granted awards from the Sun Yueqi Science and Technology Education Fund

The Jabung Block project of PetroChina International (Indonesia) was presented the Special Contribution Award by the Indonesian Ministry of Energy and Mineral Resources in 2014 and was the only one from Indonesia’s oil and gas industry.

Core Business



Upstream

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

Oil and Gas Exploration, Development and Production

PetroChina takes a leading position in domestic oil and gas exploration and development business. We operate in a number of major oil and gas producing regions such as Daqing, Changqing, Xinjiang, Liaohe, Tarim and Sichuan. In 2014, we produced 945.5 million barrels of crude oil, 3,028.8 billion cubic feet of marketable natural gas, and 1,450.4 million barrels of oil and gas equivalent.



Mid-Downstream

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

Refining and Marketing of Crude Oil and Oil Products

We owned 8 ten-million-ton-level refining bases. In 2014 we processed 1010.6 million barrels of crude oil, produced 92.671 million tons of oil products. We are operating over 20,000 gas stations covering 31 provinces (municipalities and autonomous regions) and the HongKong SAR of China, and undertook the supply of about 40% of China’s oil products.

Production, Transportation and Marketing of Petrochemical Products

The Company is engaged in producing six categories of chemical products-synthetic resin, synthetic fiber and raw materials of synthetic fiber, synthetic rubber, urea, organic and inorganic compounds with thousands of trademarked products. Our production capabilities of products such as ethylene, synthetic resin and synthetic rubber ranked among the best in China. In 2014, we sold over 21 million tons of chemical products, and produced 4.976 million tons of ethylene.



International Business

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

International Business

Currently, we have established five international oil and gas cooperation zones in the Middle East, the Central Asia, the Asia-Pacific, the Americas and Africa, and three oil and gas operation centers in Asia, Europe and the Americas. The expansion and growth of our international oil and gas cooperation has been substantial in terms of size and scope, with operational quality improving greatly. In 2014, overseas oil and gas equivalent production reached 147.2 million barrels.



Message from the Chairman

「We sought to identify opportunities and challenges, and made progress in adversity. We continued to adhere to our principle of steady growth and our guidelines of quality, profitability and sustainable development. We accelerated our strategic transition from focusing on large-scale development to quality and profitability enhancement, thereby maintaining sound and stable development.」

The year 2014 saw a more complicated international economic environment and increasing downward pressure on the domestic economy, resulting in slower growth in demand in the oil and gas market. In particular, the international oil price has seen a big drop since July 2014, resulting in a sharp rise in the difficulties faced by production and operations, and posing increasing risks to our international businesses. In the face of growing pressures and challenges, we sought to identify opportunities and challenges, and made progress in adversity. We continued to adhere to our principle of steady growth and our guidelines of quality, profitability and sustainable development. We accelerated our strategic transition from focusing on large-scale development to quality and profitability enhancement, thereby maintaining sound and stable development.

We optimized our business structure and delivered more green and low-carbon products and high-quality services to the community.

With a focus on restructuring, maintaining growth and enhancing profitability, we prioritized the development of our core oil and gas business, and improved and optimized our value chain. The proportion of upstream investment climbed to over 75%, with domestic oil and gas reserves continued to grow, and oil and gas output hit a record high. The proportion of natural gas in total oil and gas equivalent rose to 35%. We intensified the restructuring of our refining business and gradually optimized our processing resources, operation processes and product mix. A number of major pipelines and storage facilities were completed and put into operation, and our sales services network was further improved. The proportion of revenue and profit from overseas operations continued to increase.

We steadily promoted reform and innovation and boosted growth momentum and vitality.

We expanded pilot projects to give greater operating autonomy to oilfield companies, and launched and implemented reform of our natural gas marketing system and the integration of downstream businesses. We continued to improve our systems and mechanisms for corporate and business development. We implemented a performance-based compensation scheme, reviewing employee remuneration in accordance with corporate profitability to provide incentives through performance appraisals. Through the active introduction of social capital, we ensured the orderly development of joint venture and cooperation projects. By implementing the innovation-driven development strategy, we made significant achievements in our major technology projects and field tests. We made relentless efforts to increase revenues, lower costs and improve profitability, and launched campaigns to strengthen our management. As a result, we have enhanced the level of lean management. Through reform, innovation and strengthened management, we have achieved a better-than-expected business performance in spite of a significant reduction in investment scale and declining oil prices.

We fully implemented three fundamental projects to lay a stronger foundation for sustainable development.

At PetroChina, we have taken concrete steps to implement three fundamental projects in safety and environmental protection, harmony and stability, and anti-corruption. We strengthened the foundations for safety and environmental protection and ensured the effective enforcement of our systems and accountability. We

continued to carry out the HSE system audit, and strengthened the risk prevention and control system and our emergency response capability. In addition, we accelerated the implementation of projects for energy conservation and emissions reduction. As a result, our HSE performance is generally stable and controllable. We made great efforts to develop a harmonious enterprise, giving top priority to the overall development of our employees. To this end, we built platforms for employee development, promoted local recruitment, safeguarded employee rights and interests, protected their physical and mental health, strengthened the protection of staff working overseas, and actively improved their living conditions. We strengthened corporate governance and compliance management in accordance with the law and explored an approach to anti-corruption work using a mix of systems plus technology. We cracked down on commercial bribery and strictly followed the relevant laws and regulations on commercial competition to maintain a fair and open market order and establish PetroChina as a model enterprise of transparency and integrity.

Today, the world's political and economic landscape is undergoing a profound readjustment, the relationship between global energy supply and demand is experiencing rapid change, and China is actively pushing forward energy reform. The quick establishment of a clean, efficient, safe and sustainable modern energy system will have a great and dramatic impact on economic development, social progress and even human civilization. As one of the major oil and gas producers and suppliers in China, PetroChina shoulders great responsibilities and has a mission to advance energy reform. Facing this new situation and our new role, we will make every effort to grasp important strategic opportunities for development, tackle the challenges in an innovative manner, and strive for business restructuring, fostering new growth drivers and low-cost

development. We will accelerate business transformation amid China's economic "new normal", and shift our development model from rapid development to sustainable and steady development. Furthermore, we will shift our focus from incremental investment to adjusting existing investments, optimizing new projects, promoting innovation-driven development and improving the quality of staff. We will benefit from the coordinated development of the upstream, midstream and downstream sectors, instead of relying on the upstream sector. We will better fulfill our economic, environmental and social responsibilities and continue to offer environmentally-friendly and low-carbon energy, allowing us to contribute to national energy security and socio-economic development.

We would like to express our heartfelt gratitude for your continuing interest in and support for PetroChina over the years. We welcome your valuable comments on this report.

Zhou Jiping, Chairman of the Board



Interview with the President

● **As China’s economic development has entered a “new normal” phase coupled with a slowdown in growth in demand for oil and gas, how will PetroChina foster new growth drivers and competitive advantages to achieve sustainable development?**

We believe that there is pressing need to develop new growth drivers. They not only help us address current development bottlenecks, but also lead us to achieving long-term sustainable development. Therefore, we will explore new areas for growth based on our existing business, strengthen the businesses where we have competitive advantages and sound profitability, and gradually improve the performance of loss-making operations. We will explore new catalysts through market development and seize opportunities arising from economic restructuring to maximize our share of the domestic incremental market. We will also explore new markets for our products and international markets, and cultivate potential markets. Moreover, we will seek growth drivers from new projects and business areas, accelerate the development of projects with high potential, actively deploy new businesses, develop and promote the use of new energy such as biomass, seek opportunities for cooperation in the gas-fired power plants, and make efforts to foster alternative businesses for growth.

● **How will PetroChina respond to the severe challenges brought about by declining global oil prices?**

We believe the low oil price is a “double-edged sword” that may not only affect our business performance but also force us to seek low-cost development through reform and innovation. In 2014, we took a series of measures to cut costs and increase profitability: we implemented consolidated management of capital expenditure, optimized the investment structure, and stipulated stringent criteria for returns on investment and process controls. As a result, we have reduced the scale of investment by nearly 20%, strengthened liquidity management, enhanced research on exchange rates,

interest rates and tax rates and the planning of tax expenditure, and improved the debt financing structure. Furthermore, we continued to lower our financing costs and improve our financial position. We tightened our controls over key cost indicators, significantly reduced our management costs and substantially scaled down the increase in labor costs. We also improved our internal control system, strengthened risk management and control, and strived to reduce the risks of loss resulting from market fluctuations.

We will step up efforts to further reduce costs and increase profitability, and adopt a more flexible and efficient production and management strategy to weather the changes in oil prices and the market. We will adhere to our supportive and control measures to optimize our investment structure and pace. We will strive to optimize our revenue and expenditure, ensuring the stable performance of our businesses. We will strictly control our costs, reduce non-productive expenditure, reduce construction and procurement costs, and strive for low-cost development.

● **The new *Work Safety Law of the People’s Republic of China* and the *Environmental Protection Law of the People’s Republic of China* were introduced in 2014. How did PetroChina implement them? What measures were taken and what improvements were made?**

We studied both laws carefully in order to implement the new regulations. Executives are primarily accountable for operational safety and environmental protection. We strictly assessed both process and accident indicators and are strict in holding accountable those responsible for accidents. We carefully examined our rules and regulations to ensure their compliance with the new laws. We have established a control mechanism at all levels and enhanced our HSE system for audits and rectifying issues. Furthermore, we focused on safety checks in key areas, strengthened security controls for oil and gas pipelines, and reinforced efforts on energy conservation and emissions reduction. Thirteen key emission reduction projects assessed by the State were completed on schedule and met national emission reduction targets. Our overall HSE performance is stable and under control.

● **The Chinese government is pushing forward reforms to promote mixed ownership of state-owned enterprises. What initiatives have been taken by PetroChina in terms of cooperation with social and private capital? What are your plans for the future?**

PetroChina upholds the principle of “open cooperation for mutual benefit”. We have strengthened our strategic capital planning, accelerated business integration and light-asset model of operations, and established a number of joint venture and cooperation platforms to further open up our businesses. In 2014, we entered into joint venture and cooperation agreements with provinces and regions such as Xinjiang, Heilongjiang, and Shaanxi, and a number of cooperation projects are being steadily put in place. In the future, we will continue to steadily promote and expand cooperation with social, private and foreign capital to make the most of our complementary advantages and develop side-by-side.

● **How does PetroChina cooperate with local governments and communities?**

With a mission of “Caring for Energy, Caring for You” and to ensure mutually beneficial and shared development, PetroChina has enhanced communication and coordination with the governments and communities in the countries it operates in order to achieve win-win cooperation.

First, we have strengthened compliance management in accordance with the law. All our overseas project companies attach great importance to laws, internal control and HSE management, and they ensure compliance with local laws in relation to environmental protection, labor and health while running our businesses. They respect local religions and customs, and protect the human rights of local employees and residents from infringement or negative impact.

Second, we attach great importance to health, safety and environmental protection. To this end, we have been actively involved in environmental protection, anti-terrorism and occupational health in overseas markets. At PetroChina, we give top priority to the management of pollution sources and ecological restoration. We promote green and safe development in order to build ourselves as an environmental friendly enterprise.

Third, we implement a localization strategy for our operations. We give top priority to the employment of local workers to create jobs for local communities and strengthen the skills training of local staff, promoting the joint development of local enterprises and PetroChina.

Fourth, we actively participate in public welfare undertakings. Our donations help build hospitals, roads, bridges, schools and drinking-water facilities, provide residents with medical services and medicines, promote local economic development and social progress in the host countries, and improve the living standards of local residents.

We earnestly fulfill our social responsibilities in overseas markets and vigorously promote joint development. As a result, we are highly recognized and appreciated by local governments and communities and have won numerous accolades and honors, such as the Kazakhstan CSR Award and the 2014 Special Contribution Award from Indonesia.

Wang Dongjin,
Vice Chairman of the Board and President

Highlights in 2014

Resource Base

Our new proven oil and gas reserves continued to grow; our oil and gas production hit a record high.

Cooperation Platform

We enhanced cooperation with social capital and private capital, entered into cooperation agreements with the provinces and regions such as Xinjiang, Heilongjiang and Shaanxi, and started the implementation of a number of cooperation projects.

Technological Innovation

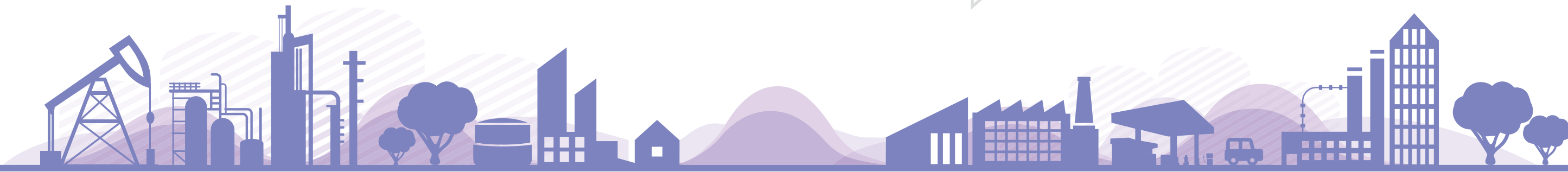
Key technology for the construction and operation of strategic oil and gas channels" won the first prize of the National Science and Technology Progress Award.

Environmental Protection

The Mohe-Daqing Section of the Russia-China Oil Pipeline was successfully passed the evaluation by the State in terms of water and soil conservation, environmental protection, safety facilities, and occupational health protection, and all of its water conservation targets have met or exceeded the national standard.

Employee Development

We launched an EAP network to provide overseas employees with online psychological counseling.



The PK project of PetroKazakhstan was presented the Social Responsibility Award for fostering local socio-economic development, by the President of Kazakhstan.

Overseas Community Engagement

We proactively implemented the *Action Plan for the Prevention and Control of Atmospheric Pollution*, and completed fourteen National-IV diesel upgrading projects on schedule. All our gasoline has reached the National IV standard.

Upgrading of Oil Products Quality

We established service stations in the Medog County in the Tibet Autonomous Region, the last county in China to gain road access to the outside world, expanding our sales services to 31 provinces (municipalities and autonomous regions) and the HongKong SAR of China.

Service Network

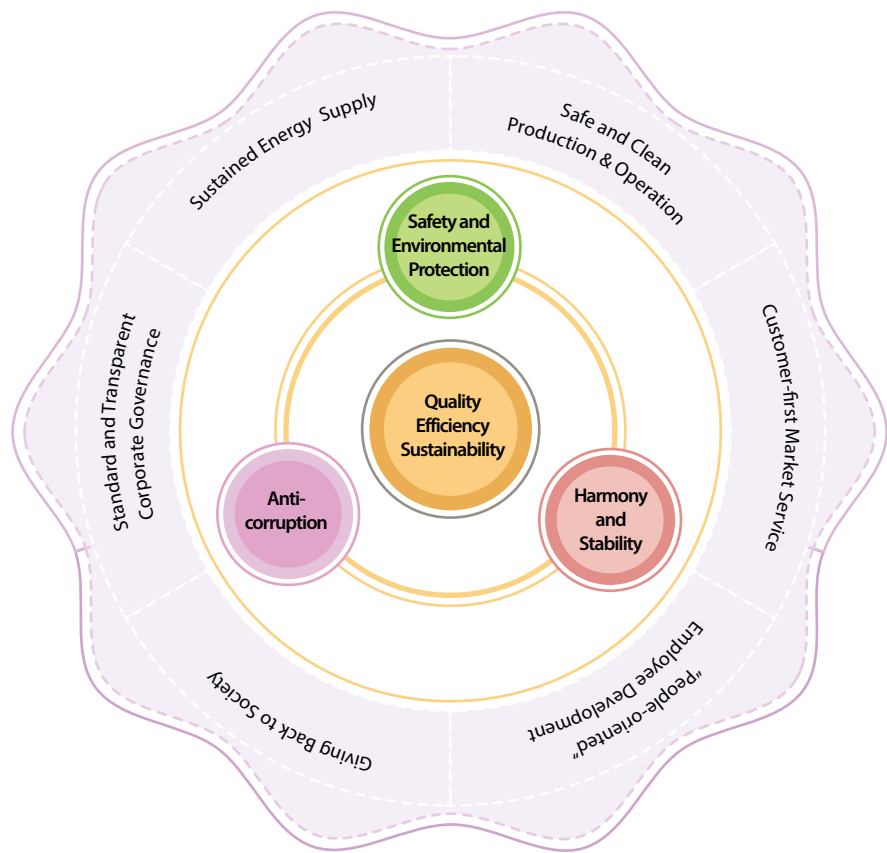
The South Xinjiang Gassification Project was granted the PMI (China) Outstanding Project Award. This project has established a gas trunkline network in the Tarim Basin Rim, effectively met the gas demand of people and businesses in South Xinjiang, and driven economic and social development.

Social Contribution

Corporate Governance

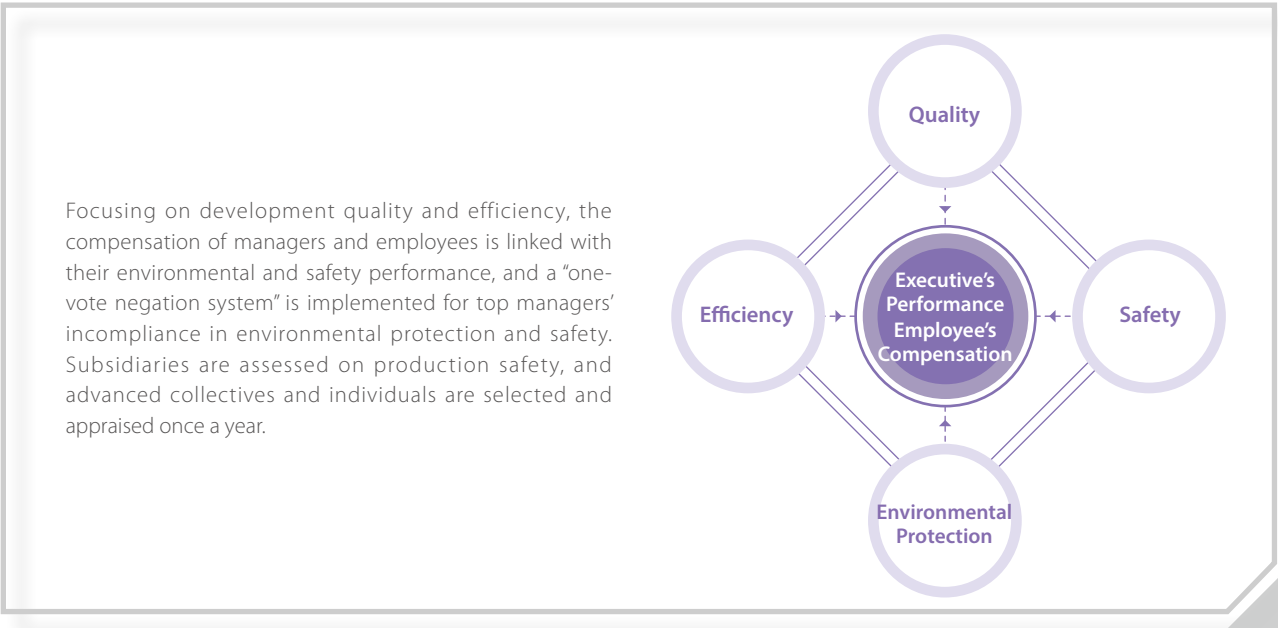
The rule of law, integrity and compliance are the foundation of an enterprise’s sustainable development. At PetroChina, we always advocate the rule of law, which calls for the supremacy of law, equal authority and responsibility, procedural compliance, honesty and trustworthiness, and justice and equity. We regularize our business and employee behavior through compliance management, improve our capability of enterprise management by law, and strive to achieve the modernization and internationalization of the corporate governance system, especially by institutional constraints. We will make unremitting efforts to explore the scientific and operable measures to enhance corporate governance and to promote efficient management and long-term operations in compliance with all legal requirements.

1. Sustainable Development



Sustainable development, as an indispensable internal need, runs through the Company’s production and operations. We integrate sustainable development into our overall strategies and follow a policy of quality, efficiency and sustainable development. The foundations of our corporate governance are safety and environmental protection, harmony and stability and anti-corruption. We strive to become an outstanding corporate citizen with outstanding wealth creativity, brand influence and social appeal.

The management solicits suggestions and requests on sustainable development from stakeholders through face-to-face meetings, site visits and other activities. In addition, a committee has been established to prepare the sustainability report, and matters concerning sustainable development are verified and disclosed.



2. Governance Framework

As one of the first Chinese companies listed in both the Hong Kong and New York stock exchanges, PetroChina has set itself the goal of being a market-oriented enterprise following international best practices. Since its debut, PetroChina established its corporate governance structure in compliance with international rules and regulations, including the Annual General Meetings of shareholders, the establishment of a Board of Directors with its affiliated committees, a Supervisory Committee, and the executive management led by the President. These management structures operate in compliance with domestic and foreign regulatory requirements.

PetroChina actively improves the legal decision-making mechanism, strengthens the evaluation and demonstration for decision making, and maintains the retrospective and lifelong accountability systems for decisions made. The Company keeps improving the supervision and restriction mechanism for the exercising of power, and clarifies the administrative authorities at different levels with equally detailed requirements on their authority and responsibility. Moreover, by coordinating all resources including legal affairs, internal control, auditing and supervision for internal supervision, PetroChina reinforces self-supervision, supervision by dedicated departments, and supervision between superior and subordinate departments, and accepts public supervision, in order to achieve well-documented decision making, appropriate authorization, well-controlled exercise of power, and tracing the accountability for abuses of power.

Shareholders’ and Annual General Meeting (AGM)

The general meeting of stockholders is the top authority in the Company and acts in accordance with the laws. PetroChina’s general shareholders’ meetings are held annually and all shareholders enjoy equal privileges to exercise their rights. As the controlling shareholder of PetroChina, CNPC will abstain from voting when a connected transaction is presented to the general meeting for consideration in order to ensure fairness.

Board of Directors and its affiliated Board Committees

The directors are elected by the general meeting of shareholders and are accountable to shareholders. The board has several committees: the Audit Committee, Evaluation & Remuneration Committee, Investment & Development Committee and the Health, Safety and Environmental Protection (HSE) Committee, all of which advise the board on its decisions. Shareholders with 3% or more of the Company’s voting shares may submit a written proposal to the General Meeting prior to the convening date with their intent to nominate a director for candidacy and the candidate’s acceptance of the nomination. A board director serves a three-year term, after which they may run for reelection. According to our *Board Diversity Policy*, nominees to the board are considered based on the needs and requirements of the Company, as well as the candidate’s age, educational background and professional experience. There are four non-executive independent directors in the Board of Directors, making up more than one-third of the Board. These independent directors are from different countries and technical backgrounds, including petroleum and petrochemicals, accounting, finance, international investment, and portfolio management.

Supervisory Committee

As specified in the *Company Law of the PRC* and the *Articles of Association*, the Supervisory Committee is responsible for carrying out the duties of the AGM, such as attending supervisory committee meetings, participating in all board meetings, reporting to the AGM, and preparing proposals and reports for the Supervisory Committee. The committee supervises company finance and monitors the legal compliance of the directors and senior management of the Company in order to ensure their responsibility to all shareholders. As of the end of 2014, the Company’s Supervisory Committee has nine members, with four employee members being involved.

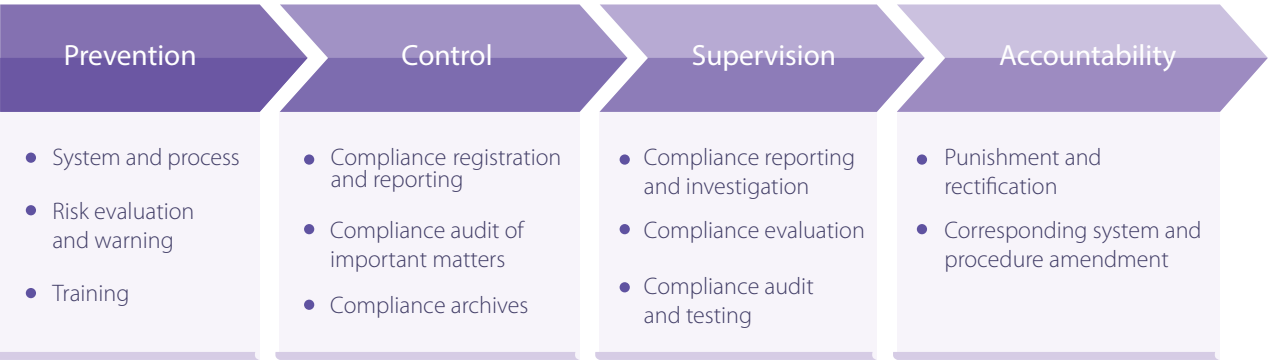
Executive Body

The Company’s executive management body consists of a Vice President and a CFO presided over by the President. They are appointed by and accountable to the Board of Directors, and are responsible for carrying out the board’s resolutions and day-to-day business operations as authorized under the Company *Law of the PRC* and the *Articles of Association* and the Board of Directors. The Company has a two-tier executive governance organization for the headquarters and local offices, and a three-tier business structure consisting of the headquarters, subsidiaries and local operations. We have four core business operations: exploration and production, refining and chemicals, marketing, and natural gas and pipelines.

3. Management System

The Company’s management approach stresses efficiency, specialization and integration to develop and improve internal control mechanisms that are accountable, rational, streamlined and dynamic to further restrict and monitor the exercise of power. We proactively seek integrate and ascertain the suggestions and feedback from the independent directors, in order to improve corporate social responsibility performance and achieve sustainable growth.

Compliance Management Mechanism of PetroChina



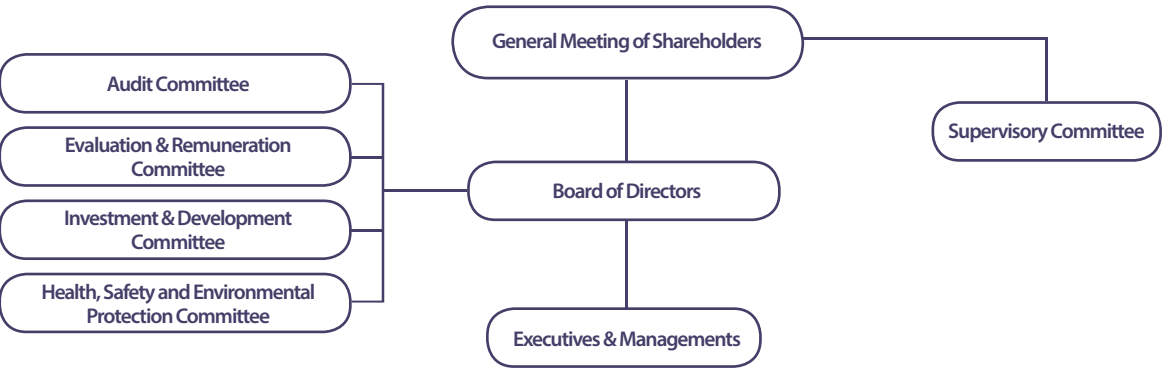
Compliance Management System

Integrity and compliance are the bottom line of our business operation and the cornerstone of the Company’s development. We know clearly that the Company’s reputation and sustainability are highly dependent on integrity and compliance. We have a “Zero Tolerance” attitude to irregularities and enhance process control while focusing on prevention. We have established a management framework with unified administration, clear job division and coordinated operation, and strive to build a compliance management system with complete regulations, scientific procedures and proper execution to cover all staff, entire process and all aspects. Moreover, we strictly comply with the applicable laws and regulations, abide by business ethics and adhere to the principle of honesty and credibility, in order to promote transparent trading, maintain fair and impartial competition and fight against unfair competition in any form, and conduct faithful, honest and legal external transactions.

Internal Control and Risk Management System

Following the Company’s development strategies, we actively implement the national *Comprehensive Risk Management Guidelines*, *Basic Standard for Enterprise Internal Control* and regulatory requirements of capital markets in order to improve our competitiveness. Specifically, for purpose of further improving internal control, deepening comprehensive risk management, optimizing business process management and enhancing the effectiveness of internal control and supervision, we promoted system construction and optimized system design; highlighted risk-orientation and strengthened the practicability of comprehensive risk management; reinforced process control, optimized the business process management and improved the power of execution; and strengthened the internal control testing and intensified examination and appraisal. Furthermore, we strengthened the construction of an auditing system and issued the *Provisions on Auditing Rectification*, *Audit Project Management Measures*, and *Audit Project Quality Management Measures*, and focused more on process design and the execution of significant investment, financing and acquisition projects. The Company’s internal control was in good condition and the internal control system was effective and sustainable throughout the year.

Corporate Governance Structure



Corruption Punishment and Prevention System

We treat our business partners, customers, suppliers, contractors and counterparts with integrity, respect and equality. We oppose any form of commercial bribery and require our business partners to follow the Company's anti-bribery and anti-corruption policies, with no abuse of one's position in signing business contracts for personal gain or other illegal or immoral benefits. Moreover, we never conduct, participate in or support any forms of money laundering.

Realizing the importance of taking a firm stance against corruption, we make unremitting efforts to combat corruption, putting it as our top priority and the foundation of our work. PetroChina has established an anti-corruption leading group and an anti-corruption coordination group, formulated a five-year work plan, work division scheme and annual advancement plan specific to the corruption punishment and prevention system, and constantly promoted the accountability system. We strengthened education on regulations on incorrupt administration and work ethics, perfected the anti-corruption system, built the electronic supervision platform, and used scientific means to prevent and control corruption risks. Moreover, efforts were made in inspection, compliance supervision, and discipline auditing, in order to firmly fight against corruption.

Technological Innovation System

In line with the technological philosophy of "strategy-driven, goal-oriented, and top-tier design", we continue to implement and improve the three projects of scientific innovation, with a technological innovation system combining technology development, organization of research, resources platform and technology service. The science and technology innovation system has propelled our innovation-driven development. Technological innovation was widely promoted in several national and company-level research projects and field tests, i.e., theories and technologies were further advanced for oil and gas exploration, water flooding and enhanced oil recovery of high water cut oilfields, development of heavy oil and super heavy oil, and development of low-permeability reservoirs; breakthroughs were made in the development of key technologies and new products including catalysts for refining and petrochemical operations; a process package with proprietary intellectual property rights was formed for liquefaction of natural gas; and a batch of technical achievements were popularized for the application, such as coiled tubing, substituting oil with gas for ships, and clean gasoline/diesel oil production. The overall conceptual design of the ERP-based application integration project was completed and trial programmes have been put into practice. The field implementation of the IOT project achieved remarkable results. Our data center with cloud computing was fully completed and put into use. In 2014, nine technological achievements we have taken part in won the National Science and Technology Progress Award and the National Technical Invention Award.

Communication with Stakeholders

We are dedicated to improving quality and efficiency to maximize returns to our shareholders and value for our stakeholders, to achieve our common goal of harmonious and mutually beneficial growth.

Gaining our stakeholders' trust and support is fundamental to the building of a sustainable business. We actively perform our obligation of information disclosure, and provide the public with timely, accurate, complete and reliable information through multiple means according to the *Articles of Association*, as well as laws, regulations and regulatory requirements where the Company is listed. We solicit suggestions from stakeholders, and respond to these suggestions and make improvements accordingly. We have improved the management and relevant systems for information disclosure of significant events, and document every opinion and suggestion, and channel them to relevant departments, so that the Company is aware of the needs of the stakeholders.

We have established a multi-level mechanism to communicate with stakeholders, through periodic reports, interim reports, media communication, interviews and visits, and interactive communication, which cover information on technological

development, safety, clean energy, energy-saving, environmental protection and governance performance. The top managerial personnel of the Company frequently attend high-level conferences and forums and deliver speeches. We keep improving our website to provide more information, and have introduced interactive features such as "Investor FAQs". We also respond to investors' questions through the "E-interactive Platform" of the Shanghai Stock Exchange. Moreover, we enhance communication with the media through press releases, by holding press conferences and media briefings, and organizing different forms of media visits and communications to attend to external concerns. Upon the occurrence of significant events, we issue notices promptly to provide our shareholders and investors with the latest information. We also organize roadshows and site inspections for investors, meet investors, and invite individual shareholders to attend the AGM, in order to improve mutual trust between stakeholders and the Company.



Expectations

- Stable energy supply
- Harmonious economic and social development
- Leading role of brand and technology
- Tax payment according to law

Communication Approach

- Offer company expertise
- Attend to public concerns and improve corporate behavior
- Launch strategic cooperation with relevant departments
- Attend seminars and forums

Governments

Key Actions

- Behave legally and ethically, and abide by the applicable laws and regulations in the jurisdictions where we operate
- Stabilize oil and gas supplies
- Participate in discussions organized by the government on climate change, energy conservation and emission reduction
- Promote local employment and cultivate local talents
- Pay taxes according to law

Expectations

- Standardized corporate governance
- Stable business growth
- Sustainable development

Communication Approach

- Fulfill requirements on statutory information disclosure
- Organize roadshow and reverse roadshow activities, such as field visits
- Issue reports and announce results performance on a regular basis
- Launched an "Investor FAQs" mailbox to receive public opinions

Key Actions

- Operate in a responsible manner to maintain a good reputation
- Convene annual general meetings
- Equal treatment of shareholders, and value opinions of both small and medium-sized shareholders
- Hold dialogues with investors and shareholders in various ways

Shareholders

Key Actions

- Strengthen centralized procurement management to provide suppliers with equal opportunities
- Enhance communication and coordination with contractors and strengthen the HSE management of contractors by creating a safe and healthy working environment
- Improve security measures and the emergency response network
- Open the investment field

Communication Approach

- Hold tendering meetings
- Hold large cross-border business negotiations and technical exchange meetings
- Use the electronic trading platform
- Engage in sharing managerial practices and technical standards
- Conduct contract negotiations and routine meetings
- Hold training for business partners
- Conduct daily operation meetings

Expectations

- Fair and transparent procurement
- Win-win cooperation

Business partners

Expectations

- Basic rights guaranteed
- Professional development
- Growth in wages and benefits

Communication Approach

- Elect employee representatives to join the Supervisory Committee
- Establishment of trade unions at all levels
- Convene employee representatives' meetings and make reports
- Organize employee training programs
- Set up a complaints and feedback system

Key Actions

- Enhance employee training and skills development
- Organize vocational skill competitions
- Conduct occupational health checks
- Promote local employment in overseas operations
- Provide a career development platform for employees
- Protect employee safety in overseas operations

Employees

Key Actions

- Submit a progress report to the UN Global Compact
- Attend to external concerns through various forms of communication
- Play an active role in participating in and supporting international environment and standardization initiatives
- Participate in a wide range of forums and conferences

Communication Approach

- Share the Company's experiences
- Participate in NGO activities
- Promote international communication

Expectations

- Improve sustainable management
- Perform social responsibilities such as poverty alleviation and environmental protection

NGOs

Expectations

- Provide safe, environmentally friendly, high-quality products and services
- Constantly improve the quality and variety of services
- Operate with integrity

Communication Approach

- Carry out activities to protect consumers' interests
- Publicize commitment to quality services
- Provide hotline services
- Conduct customer satisfaction surveys

Key Actions

- Strengthen quality management
- Hold a Quality Month activity
- Develop an appraisal methodology for the quality management system
- Improve service quality at service stations
- Increase the supply of clean fuel, such as natural gas, high-standard gasoline and diesel
- Secure oil supplies for disaster relief and agricultural production

Consumers

Key Actions

- Participate in disaster relief and reconstruction, and provide financial support for education and poverty alleviation
- Support and drive local economic growth through large projects
- Supply clean energy, e.g. natural gas, to remote regions
- Hold volunteering activities among employees
- Procure locally, where the business is carried out
- Provide job opportunities and training for the local community

Communication Approach

- Hold dialogues with local communities
- Organize community visits
- Conduct social and environmental impact assessments of projects
- Promotion of education
- Increase information disclosure

Expectations

- Promote employment growth
- Protect community environment
- Promote economic development in the community
- Respect cultural traditions of the community

Communities



SUSTAINED ENERGY SUPPLY

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

A Safe, Stable, Diversified and Clean Energy Supply System

Population growth, economic development and urbanization continue to drive growth in global energy demand. However, inefficiencies in energy production and use lead to the depletion of precious energy resources and cause environmental problems, such as global warming, extreme weather and air pollution. They have also exacerbated global instability, hunger and poverty and slowed the progress towards achieving the United Nations Millennium Development Goals. Clean energy supplied in a safe, stable and efficient manner provides fair and sustainable energy solutions for all people and is a prerequisite for a sound economic system and sustainable social development.

At PetroChina, we are proactively changing the ways we produce energy. Through diversification, lower carbon emissions, innovation and cooperation, we strive to build a safe, stable, diversified and clean energy supply system. We further strengthen our resource base through technological and managerial innovations. To ensure sustainable energy supply in the future, we are building a diversified energy system, accelerating natural gas development, exploring unconventional energy, and supplying more clean energy. In addition, we are expanding international cooperation and optimizing our global businesses in order to play a leading role in supplying cleaner and greener energy and to fuel sustainable socio-economic development.

1. Consolidating Our Resource Base

Oil and gas resources are essential for supply capacity building and serve as the foundation for our sustainable business growth. Therefore, the resource strategy is our top priority. We have implemented a number of reserve-growth peak initiatives in order to acquire economic and quality reserves and to consolidate our resource base.

Stable Growth in Domestic Oil and Gas Reserves

In 2014, we focused on in-depth exploration at target zones, strengthened prospecting and risk exploration at key areas and basins, and made continuous efforts to improve our continental oil and gas exploration theories and technologies. As a result, notable achievements were made in gas exploration in the Ordos, Sichuan and Tarim basins. New progress was made in oil exploration in the Ordos, Junggar and Qaidam basins, and major breakthroughs were made in tight oil exploration in the Ordos, Songliao and Turpan-Hami basins. Our reserve replacement ratio is 1.05, according to an independent valuation agency.

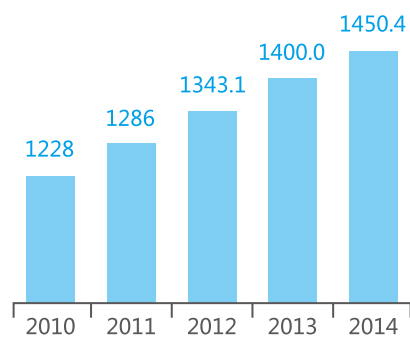
“Top Ten Geological Prospecting Achievement of 2014”

The project of “Natural Gas Exploration in Kelasu Area of Tarim Basin”, and the project of “Great Breakthrough made in Tight Oil Exploration in Yanchang Formation of Ordos Basin” were awarded the “Top 10 Geological Prospecting Achievements of 2014” by the Geological Society of China.

Increasing Oil and Gas Production Efficiency

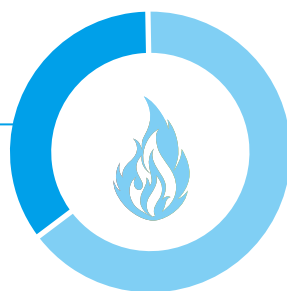
The Company optimized the overall development plans of our oil and gas fields, accelerated capacity building for major projects, continued to carry out finely controlled water injection, and implemented secondary development and tests for major developments, reinforcing the foundation for the stable production of mature oilfields. Daqing Oilfield maintained efficient and continuous development, and achieved annual oil output of more than 40 million tons for the twelfth consecutive year. Changqing Oilfield shifted its focus from increasing the scale of production towards lean management and produced 55.45 million tons of oil equivalent in 2014. In 2014, our domestic crude oil output and marketable natural gas output reached 823.2 million barrels and 2879.2 billion cubic feet respectively. Oil equivalent output reached 1303.2 million barrels.

Oil Equivalent Production (10⁶ barrels)



35%

In 2014, contribution from natural gas to our total oil equivalent output increased to 35%



2. Optimizing Our Product Mix and Refining Geographical Coverage

To meet society's growing demand for high-quality oil products, the Company has optimized its product mix based on market demand. We increased production of clean gasoline, low freezing-point diesel and jet fuel, accelerated new product development and stepped up efforts to enhance product quality and profitability. We made progress in the upgrading of oil product quality, with our entire diesel products for motor vehicles now meeting the National- IV standard. In addition, we further optimized the geographical distribution of our refining business. Sichuan Petrochemical Company's refining project was put into operation, Guangxi Petrochemical Company's sour crude oil support project was completed and put into operation, and the development of Yunnan Petrochemical's refining project was accelerated, enhancing the Company's capacity to supply oil products in southwest China.

3. Pushing Forward Pipeline Network Construction

Compared with transportation by water, road, railway and air, pipeline transportation is safer and more efficient, energy-saving and environmentally-friendly. We continue to expand the oil and gas pipeline network to reduce oil and gas transportation costs, boost our capacities in transportation and allocation, and optimize the market allocation of resources.

Improving Domestic Pipeline Network

In 2014, we made further improvements to our key oil and gas pipeline networks and a number of domestic oil and gas pipelines were completed and put into operation, including the west section of the Third West-East Gas Pipeline, the Hohhot-Baotou-Erdos Oil Product Pipeline, and the Fourth Daqing-Tieling Oil Pipeline. Therefore, the Company's emergency peak-shaving capacity was further enhanced. The throughput capacity of natural gas and oil products increased by 10.4% and 22.8% respectively on a year-on-year basis.

Expanding Transnational Oil and Gas Transportation Channels

In 2014, PetroChina continued to expand its transnational oil and gas pipelines and construct LNG receiving terminals. The Dalian LNG Project was completed and passed the national inspection. As a result, the Company's delivery capacity for imported gas has been further enhanced.

4. Developing Alternative Energy

In view of the continuous decline in conventional, easily accessible and high quality oil and gas resources, unconventional energy such as tight oil and gas, coalbed methane (CBM) and shale gas are now seen as realistic and viable replacements. PetroChina is focusing on the future of the energy supply and is actively promoting the development and use of unconventional oil and gas resources as well as renewable energy to create a sustainable energy supply system.

We continue to intensify our efforts in the exploration and development of unconventional resources such as tight gas, shale gas, and coalbed methane. PetroChina is now the home of the National Energy and Tight Oil and Gas Research Center and we are increasing technological research and development. In 2014, we made rapid progress in tight gas development and produced 26.7 billion cubic meters of tight gas, accounting for 28% of the Company's total domestic gas production. We continue to be active in shale gas development and we accelerate production in Weiyuan and Changning in Sichuan Province and Zhaotong in Yunnan Province. The Sichuan Changning long-distance shale gas pipeline was put into operation, enabling the delivery of regional shale gas to other areas. In CBM development, a series of economically viable supporting technologies for CBM exploration and development were employed and a total of 1.36 billion cubic meters of marketable gas from CBM was produced, an increase of about 58% over the same period in 2013.



Shale Gas Drilling Site Wei 204H-4 of PetroChina Southwest Oil and Gas Field



Case Study

Large-Scale Development of Shale Gas Accelerates Clean Energy Development

As an unconventional gas, shale gas plays an important role in improving the energy mix and promoting environmental protection. At PetroChina, we regard shale gas as an important alternative resource to achieve profit growth. In the Sichuan Basin, we actively carry out pilot experiments for shale gas development, promote the construction of national shale gas demonstration areas, and accelerate the large-scale development of shale gas.

Large-scale and efficient development We are the first company in China to carry out comprehensive geological evaluation of shale gas to select favorable areas and layers. We applied innovative systems and mechanisms for the industrial development of shale gas and developed a model for its efficient exploration and development that combines “platform-based well placement, industrial drilling and fracturing, skid-mounted construction, and digital production management”. In recent years, the Company has invested a cumulative RMB 7 billion, completed 42 shale gas wells and produced 177 million cubic meters of commercial shale gas, accelerating the development of the Changning- Weiyuan National Shale Gas Demonstration Zone.

Clean and energy-saving development As part of its QHSE management system, we apply a “treat while you drill” technology which promptly collects and treats drilling waste and stops it coming into contact with the ground. We also recycle waste oil-based mud and reduce the amount of waste generated. This further optimizes the use of water resources with a recycling rate of over 90% for fracturing flow back fluid. In addition, the company is actively exploring anhydrous fracturing technology to save water resources and applies platform-based well placement technology which reduces land use by over 70% compared with single-well placement.

Broadening joint ventures and cooperation When developing shale gas resources, we proactively carry out technical communication and cooperation with international companies such as Shell, ConocoPhillips and Schlumberger. We explore market-oriented operating mechanisms, adopt the engineering, procurement and contract (EPC) model for drilling and formation testing, provide venture exploration services, and integrate various advantages of different market players in geological research, technical research and professional services. In cooperation with social capital, the company has established Chongqing Shale Gas Exploration and Development Co., Ltd. to share risks and profits.

5. Deepening International Cooperation

We adhere to the principles of “cooperation for mutual benefit and joint development” and comply with the laws, regulations and energy policies of the host countries. Based on our advantages in funding, technology and management, we have participated in oil and gas exploration with our partners globally, in order to contribute to the global oil and gas market.

Overseas Energy Development

In 2014, we got considerable achievements in cooperation on oil and gas projects in countries such as Iraq, Peru and Venezuela. Phase II of the Halfaya Project developed in partnership with Total and Petronas in Iraq became operational. New breakthroughs were also made in venture exploration and rolling exploration in Chad and the PK project in Kazakhstan. Over the course of the year, we achieved a net overseas oil and gas equivalent output of 147.2 million barrels.

Promoting Oil and Gas Cooperation with International Partners

We continue to make steady progress on cooperation with international partners in developing oil and gas resources in China. In 2014, we entered into an agreement with HESS on joint research of shale gas in the Rongchang North Block in the Sichuan Basin. The Changbei Project in partnership with Shell at

the Changqing Oilfield maintained high and stable production. We have mechanically completed the purification plant and Well Site A for the Northeast Sichuan Project, developed in cooperation with Unocal East China Sea, Ltd., a wholly owned subsidiary of Chevron Corporation. In partnership with Total, we fully developed the project in South Sulige Block, which was hailed by Total as “one of the world’s best projects”. In 2014, net output from our domestic foreign cooperation projects reached 5.132 million tons of oil and gas equivalent, representing an increase of 6.3% over the same period in 2013.

Steadily Expanding International Trade

In 2014, we further enhanced our international trade in terms of volume and quality, and maintained steady progress at three main operating centers in Asia, Europe and the Americas. The average annual growth in international trade between 2006 and 2014 reached 20%.



Successful first delivery of oil of Missan Oil Export Pipeline (MOEP) in Iraq

SAFE AND CLEAN PRODUCTION AND OPERATION

The natural environment is essential for the survival of all life on Earth and it is therefore part of our philosophy of caring for people and protecting the environment. Upholding the principles of being “people-oriented, prevention-driven, all staff involved and continuously improving”, we strive to build a resource-saving, environmentally friendly and safety-oriented business with the goals of “zero injuries, no pollution and zero accidents”.

1. Improving HSE Management

Safety and environmental protection is essential to our development. In 2014, our safety and environment protection efforts remained under strict supervision. We attach great importance to health, safety and the environment (HSE), give priority to safety and environment in our operation, and fully conduct HSE system audits. By improving the management system and implementing stricter inspection of responsibility fulfillment, PetroChina promoted the evaluation and risk control of safe production, strengthened incident management, and strived to enhance HSE management performance. As a result, our overall HSE performance was stable and controllable in 2014.

Building a Sound HSE Management System

In 2014, we completed HSE system reviews covering all of our businesses, and continued to establish and improve HSE systems and standards, in order to enhance their operability and achieve closed-loop PDCA management, PetroChina provided refining enterprises with HSE counseling and strengthened management of weak processes; promoted training pilot projects on the HSE position matrix to enhance the effectiveness of HSE training; evaluated the competence of senior managers to enhance safety management; and carried out spot checks to identify and deal with any hazard or problem in a timely manner.

Strengthening the Mechanism for Responsibility Fulfillment, Evaluation and Supervision

PetroChina continuously improves job management, assesses the supervision system, and ensures overall and strict fulfillment of HSE responsibilities. In 2014, PetroChina entered into a *Safety and Environment Agreement* with the top managers of all subsidiaries for the eighth consecutive year; and revised the *Provisions on Management Duties for the Operational Safety and Environmental Protection*, to define the safety responsibility system for each position. Moreover, we strictly assessed safety and environmental performance with both process and accident indicators. The top managers of the subsidiaries were held accountable for accidents with a one-vote veto for any misconduct in HSE performance; safety and environmental performance was linked with the performance of the top managers and employees' remuneration; and safety and environment patrols were carried out to conduct supervision and spot checks of establishment, revision, implementation and assessment of the systems in all the units.

HSE Spot Checks

In 2014, PetroChina attached great importance to HSE spot checks. We went directly to the grassroots units and work sites for spot checks without prior notice, requiring no briefing or reception, in order to identify problems in grassroots production promptly, and to promote the intrinsic safety of our HSE performance.

Key Points of Safety Supervision and Control

Focusing on lessons, problems, and persons in charge; follow-up in operations, guidance and inspection.

HSE Management System Mode



Following the PDCA management model, our HSE management system is composed of 7 key elements. Through the process of PLAN, DO, CHECK and ACTION, we keep enhancing our management skills and performance.



Safety tips at workplace

Major Accident Risk Prevention

We are engaged in an industry involving high risks. Accidents may threaten employees' lives and even lead to public safety and environmental pollution incidents. Therefore, we attach great importance to accident risk management and control. At PetroChina, we have established a risk management mechanism implementing "management and control by different levels", and upgraded management for 14 categories of major HSE accidents. Risk management and control processes were streamlined, and key points and responsibilities for risk control at different levels were defined. In 2014, we upgraded the investigation and handling of accidents to the highest level, with field investigations conducted by the headquarters, those responsible seriously punished, and accident-hit units downgraded in their performance evaluation. We strictly investigated accident responsibility, established effective channels for accident and incident reporting, and strengthened the investigation and handling of anyone who conceals, falsely reports or delays the reporting of any accident. Drawing lessons from accidents, we enhanced employees' awareness of the prevention and control of major risks.

Prevention & Control of Major Accidents and Risks



Enhancing Emergency Management Capabilities

At PetroChina, we implemented laws and regulations including *the Emergency Response Law of the People's Republic of China*, built three key emergency response centers for drilling well control, pipeline and marine operations safety, improved the pipeline maintenance and rescue system, and improved the linkage operational mechanism for five major fire protection areas. By doing so, an emergency rescue system composed of full-time and part-time members was developed, which is backed by the Company's rescue measures and supported by other emergency rescue forces. To strengthen coordination and cooperation in oil spill response, we have established an integrated emergency response mechanism together with Sinopec and CNOOC for resource sharing and joint response in spill emergency and fire prevention, and the development and promotion of spill response technology. Five of our subsidiaries including Urumqi Petrochemical Company were designated as national bases for hazardous material rescue. Daqing Oilfield Company was designated as Daqing Base for national oil and gas field rescue.

2. Enhancing Operational Safety

PetroChina advocates the principle of “people-oriented safety management”, and believes that “safety comes from responsibility, design, quality and prevention”. Therefore, we have adopted production safety as one of our core values, and have implemented this concept in all our sectors and production and operation processes.

Pipeline Hazard Control

Pipeline hazard control is a common challenge for governments, oil and gas production and transportation enterprises and their contractors. To ensure the safe and smooth operation of oil and gas pipelines, in 2014, we carried out special hazard investigation and remediation, and promoted pipeline hazard control in cooperation with local governments. Furthermore, we established a working mechanism to supervise the identification and control of major hazards, by listing major hazards among the top tasks of the heads of our subsidiaries, and regularly checking and

announcing progress of these controls. We developed a platform to identify pipeline safety hazards, ensured the entry, tracking and supervision of basic risk and hazard information, and improved efficiency in hazard identification. We promoted pipeline integrity management, strengthened regular testing, and accelerated the shutdown and scrapping of old pipelines. As a result, 92 old pipelines have been suspended. In 2014, 3,721 pipeline hazards were corrected, completing the remediation plan ahead of schedule.

First-Class Enterprises in Operational Safety Standardization in Petroleum Industry

A total of 64 of our subsidiaries, including Northeast Sichuan Gas Field of Southwest Oil & Gas Field Company, were named “First-class Enterprises in Operational Safety Standardization in Petroleum Industry” by the State Administration of Work Safety.

“Demonstration Enterprises for National Safety Culture Building in 2013”

Five of our subsidiaries, including Ningxia Petrochemical Company and the Third Oil Production Plant of Daqing Oilfield Company, were named “Demonstration Enterprises for National Safety Culture Building in 2013” by the State Administration of Work Safety.

Offshore Operational Safety

In 2014, PetroChina improved its regulations on offshore safety. We amended the national *Management Measures on Safety Supervision of Offshore Oil Production*, and participated in the compilation of the *National Plan for Improving Emergency Response in Major Offshore Oil Spills*. Moreover, we implemented new safety and environmental laws, and conducted compliance reviews on the HSE performance of artificial islands, beaches and shores, jacket platforms, onshore terminals, subsea oil and gas pipelines, subsea cables and other oil and gas facilities. Training for safety qualification certification was carried out for the top managers of subsidiaries with offshore operations. In 2014, a total of 373 key personnel and safety management personnel were trained. We also promoted the building of an offshore emergency rescue response center, and maintained safe and smooth offshore oil and gas production throughout the year.

Contractor Management

Contractors are our partners in our production and operation activities. We attach great importance to their safety, and have incorporated contractors’ safety into our HSE management system, based on the principle that “the bidding party is in charge of supervision, and the employer takes the responsibility”. In 2014, we carried out two special supervision patrols for contractors’ operational safety, and urged them to correct the problems identified. Moreover, we further defined the safety

and environment responsibilities of the organizations that have established relations of cooperation, trust, contracting or lease, and labor export with PetroChina.

Safe Production Month

In 2014, we held the “Safe Production Month” campaign to strengthen the safety awareness and promote safe development. Through special columns on websites and TV, we organized knowledge contests and discussions for all employees, popularized safety knowledge, fulfilled safety responsibilities, and further improved and consolidated the long-effect operational safety mechanism. A total of over 200 headquarters managers and 89,000 employees took part in the consultation day activities of the “Safe Production Month”.

Training on the amended *Work Safety Law of the People's Republic of China*

As the amended *Work Safety Law of the People's Republic of China* puts forward higher requirements for enterprises’ operational safety capabilities, we provided relevant training for all employees via video conferences and special training courses. In compliance with the new requirements of the law, we conducted compliance checks and problem rectification to ensure operational safety.



3. Ecological Protection

A diversified environment is a valuable resource for humanity. Respecting nature, developing in harmony with nature and protecting nature are of significant and far-reaching importance to our sustainable development. As our oil and gas exploration and development projects and long-distance pipeline projects involve certain environmental risks, we strictly comply with relevant international and domestic laws and regulations, study and implement the *Environmental Protection Law of the People's Republic of China*, intensify hazard control and environmental protection during production, reinforce ecological restoration of environmentally sensitive areas, actively promote the development and utilization of clean energy and environmentally friendly products, and strive to develop in harmony with the environment.

Environmental Management

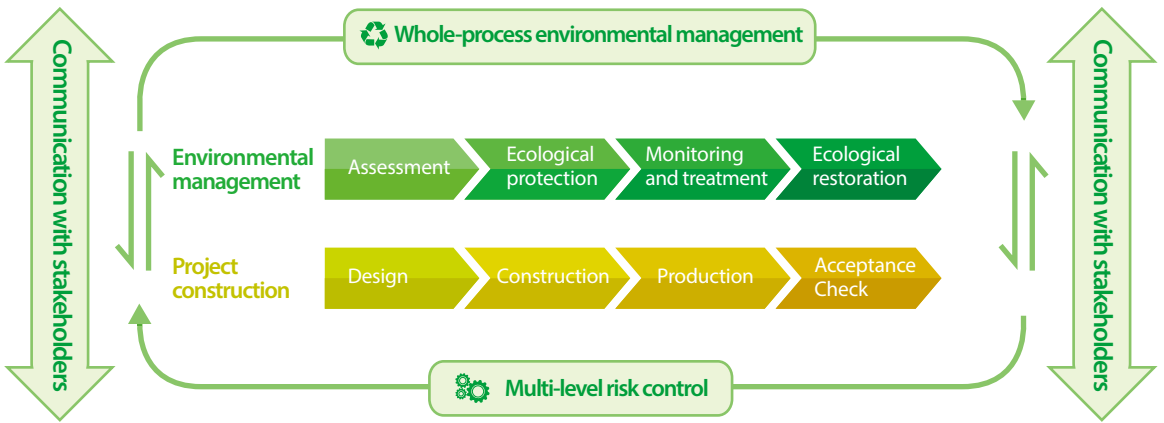
We take into account the environmental impact of our activities and decisions, improve the environmental management system, strengthen target and responsibility assessment, and environmental supervision and management, and strictly control environmental risks, in order to minimize our negative impact on the environment during operation and production. Environmental management is implemented in the whole process of construction projects, and preliminary environmental impact assessments are required in experimental pre-EIA projects. For each construction project, environmental protection facilities are required simultaneously with the main project in

the process of design, construction and operation. With regard to environmental risk factors in production, such as oil & gas spills, emissions and waste discharge, we have developed a multi-tiered risk management mechanism and formulated strict environmental protection measures, to eliminate pollution and protect the ecological environment at the source. While working in environmentally sensitive areas, we strive to minimize the occupation of arable land, ensure soil and water conservation, and take measures to restore vegetation restoration measures, in order to restore the ecological environment and protect the biodiversity wherever we operate.



Desert highway in Tarim

Lifecycle Environmental Management Diagram




Tarim Desert Highway Ranked Among Top 10 Most Beautiful Highways in China

The Tarim Desert Highway was built in Tarim Oilfield in 1993 exclusively for oil exploration and development in the Taklimakan Desert. Running across 446km of drifting deserts, it is the world's first classified highway built in the drifting desert. This highway has shortened the distance between Hotan Prefecture and Urumqi by more than 500km, lowered exploration and development costs, and promoted economic and cultural exchanges in South Xinjiang. In order to reduce the encroachment of sand on the road, Tarim Oilfield Company planted more than 20 million trees such as Haloxylon and Calligonum around the highway to ensure sand fixation. Photovoltaic technology was used to generate power to irrigate the ecological protection forests. Nowadays, thousands of tourists from home and abroad travel here every year, where animals such as hares run and birds fly. In 2008, the Ecological Shelterbelt Project of the Tarim Desert Highway was entitled the "National Environmentally Friendly Project". In 2014, it was ranked among the Top 10 Most Beautiful Highways in China by China Highway Network (www.chinahighway.com).

Ecological Protection for Mohe-Daqing Section of China-Russia Crude Pipeline


To build green, environmentally friendly and high-technology pipelines, we take effective measures to protect key nature reserves and other sensitive areas along the Mohe-Daqing Section of the China-Russia Crude Pipeline.




The Company invested special funds in six special research programs including the “Evaluation and Forecast of Geological Conditions in Permafrost Project for the Mohe-Daqing Section of the China-Russia Crude Pipeline”. As a result, we have provided systematic solutions to many global challenges, including the technology for pipeline construction and river crossing in permafrost regions.



The ecological diversity of transnational waters was protected. Special funds have been established to build fish breeding stations, conduct fish established and releasing, carry out research on artificial reproduction of burbot, and monitor and supervise water quality and aquatic life.



The ecosystem of arable land was protected. We invested in soil and water conservation, with 816 hectares of arable land reclaimed, 680,000 cubic meters of casing soil renovated, and 16,900 mus of afforestation completed.



Woodland occupation was reduced. We reduced the width of the operation area from 28m to 18m-20m, cutting land occupation by 8,210 mus.

All the water conservation indicators along the pipeline have reached or exceeded the national standard: disturbed land reclamation rate of 98.8%, total soil erosion control rate of 98.7%, percentage of dammed slag or ashes of 99%, controlled ratio of soil erosion modulus of 0.86, recovery percentage of forestry and grass of 97.6%, and percentage of forestry and grass coverage of 48.8%, as accepted by the Ministry of Water Resources of the People's Republic of China. In 2014, the four projects (soil and water conservation, environmental protection, safety facilities and occupational health protection) in the Mohe-Daqing Section were successfully accepted by the Ministry of Environmental Protection of the People's Republic of China.

4. Promoting Energy Saving and Emission Reduction

We continued to promote our Ten Energy Saving Projects and Ten Emissions Reduction Projects. We also intensified our efforts in research and development for technologies related to energy conservation, emissions reduction and energy optimization, increased our awareness of green and low-carbon development, strived to enhance energy efficiency, reduced the environmental pressure from energy utilization, and strived to build a resource-saving and environmentally friendly enterprise. In 2014, the Company saved 1.16 million tons of standard coal equivalent and 19.79 million cubic meters of water, accomplishing 145% and 141% of the annual plans respectively, while our COD, ammonia nitrogen, sulfur dioxide and nitrogen oxide emissions all decreased compared to 2013.

Energy Conservation

PetroChina has established an energy-saving management model focusing on consumption reduction via technology and management; revised the *Measures for Selection of Role Models for Energy and Water Conservation*, and improved the evaluation mechanism of energy conservation goals. To ensure energy conservation at source, we strictly managed energy-conservation evaluation and reviews of fixed asset investment projects. We fully promoted the energy efficiency management information system and provided technical training for affiliates. We also conducted energy efficiency benchmarking of oil and gas fields and petrochemical enterprises to analyze gaps and develop measures. In 2014, in response to the national initiative of the “Top 10,000 Enterprises Energy Efficiency Program”, we implemented 56 key energy conservation projects, including energy-saving upgrading of mechanical production and surface systems in oilfields, upgrading of heating furnaces, and steam system optimization. We also launched the “Energy Conservation Week”, to popularize knowledge on energy conservation and low carbon, boost communication about energy-conservation technology, and enhance the energy saving awareness of all the employees.

Waste Management

At PetroChina, we strictly monitor waste discharge during production, reinforce environmental monitoring capacity, complete the installation and data networking of online monitoring equipment for waste water and waste gas, and perform real-time monitoring and early warning of discharge from major pollution sources, to ensure treatment at source and process monitoring.

We make every effort to reduce waste emissions. Our emission reduction objectives are broken down to all the subsidiaries and integrated into the performance evaluation of the subsidiary top management. We have established the emission reduction verification and accounting center to verify the emission reduction measures and performance of key subsidiaries on site. In 2014, we attached great importance to the implementation of the ten FCC flue gas desulfurization projects and the three refining wastewater treatment projects listed in the national *Targets for Emissions Reduction of Main Pollutants*, and all these projects have been completed and put into operation on schedule. We conducted monthly scheduling for all the major emission reduction projects under the “12th Five-Year Plan” (National Economic and Social Development Plan 2011-2015). We also reinforced emission reduction, shut down companies with heavy pollution and poor efficiency, and reduced energy consumption.



5.Response to Climate Change

Global climate change affects our future. As a responsible energy company, we attach great importance to the control and reduction of greenhouse gas emissions, and actively support the policies and actions of the international community to address climate change. Furthermore, we took the initiative to reduce carbon emissions and sequester carbon to address climate change challenges together with the international community.


Participation in Greenhouse Gas Reduction Actions

We actively participate in carbon trading at home and abroad in order to achieve carbon reduction targets through market mechanisms. Before signing contracts for overseas investment and M&A projects, we fully consider the carbon constraints and requirements for total greenhouse gas control in the local area.

Development and Application of Low Carbon Environmental Technology

We carried out research on “key low-carbon technology” to promote innovation in energy-saving. Continuing to innovate in carbon dioxide flooding and sequestration technology, we established a national R&D center, and established a strategic alliance for technological innovation with more than 30 enterprises, universities and research institutes, and primarily developed an internationally-advanced theoretical and technical system for carbon dioxide separation and capture technology, and carbon dioxide flooding and sequestration technology for low permeability continental reservoirs. In Jilin Oilfield, our demonstration area for carbon dioxide flooding and sequestration experienced steady progress. In Daqing Oilfield, we accelerated the industrial application of carbon dioxide flooding technology.

And in Changqing Oilfield, we actively promoted field tests for carbon dioxide flooding.

 **Case Study**

Reduction of Carbon Dioxide Emissions for Daqing Oilfield CDM Project

In Daqing Oilfield, methane accounts for 70% of the components of associated gas. According to the international standard, the reduction of one cubic meter of methane emissions is equivalent to the reduction of about two kilograms of carbon dioxide emissions. To enable the recycling of associated gas, the CDM Project (carbon trading project) of Daqing Oilfield was put into operation in May 2012. Under the project, 900,000 cubic meters of natural gas can be recycled per day and 400,000 tons of carbon dioxide emission reductions can be sold every year. In 2014, 350,000 tons of certified emission reductions were issued by the United Nations, realizing the recovery of associated gas and reducing carbon dioxide emissions at the same time.

Research on low-Carbon Environmental Technology for Sustainable Development

In response to global climate change and in support of the Company's sustainable development, we have organized research on “key low-carbon technologies” in recent years. In order to save energy and enhance efficiency, reduce emissions and turn waste into resources, and adopt low-carbon strategies and standards, we carried out key research, including energy and water conservation technology for high water-cut oilfields, low-permeability oil and gas fields, and thermal recovery process; energy conservation technology for refining and chemicals, and long-distance pipelines; energy saving and emission reduction technology for drilling operation; technological integration for oily sludge utilization; efficient wastewater treatment and recycling technology in refineries; greenhouse gas capture and utilization; PetroChina's evaluation index system for energy conservation and emission reduction, the low-carbon development strategies, and the standards and policies. We made innovations in nine key low-carbon technologies, including digital pumping, unheated gathering and transportation, superheated steam generation, oil transportation with pour point depressant, energy compensation for gas drilling, segregated oil sludge treatment, and associated gas recovery. We also integrated 11 complete sets of technology, including energy and water conservation technology for typical major oilfields and refining, and carbon capture technology. By the end of 2014, we have saved a total of 350,000 tons of standard coal equivalent, reduced 900,000 tons of carbon dioxide emissions, saved 15 million cubic meters of water, cut 100,000 tons of sludge discharge, and reduced 205 tons of COD emissions.

Utilization of Renewable Resources

PetroChina reinforces technological research and development to promote the evaluation, development and utilization of biomass energy, geothermal energy, wind energy and solar energy, and to control greenhouse gas emissions at source. In the Xinjiang and Liaohe Oilfield, we built demonstration projects for photovoltaic power generation, wind power generation, and the development and utilization of geothermal resources. In Huabei Oilfield, we conducted pilot tests for the comprehensive utilization of geothermal energy, and made considerable achievements in geothermal power generation, heating, and heat tracing for oil transportation. Liaohe Oilfield independently developed shallow recirculation technology, enabling the industrial application of geothermal resources, with more than 10 projects completed for applying groundwater source heat pumps.

Afforestation

Forests are an important carbon sink of nature, a climate stabilizer and a shelter for biodiversity. The Company is actively engaged in forestry carbon sequestration transactions, promotes full participation in afforestation efforts, and strives to cultivate forest resources.

What is carbon sequestration forest?

The forest can absorb 11.83 tons of carbon dioxide and release 1.62 tons of oxygen on average for each one cubic meter growth of stock volume. The forestry carbon sequestration is a forestation activity to give full play to the forest's carbon sequestration function, for the purpose of reducing carbon dioxide concentration and mitigating climate warming. The forestry carbon sequestration should measure and monitor the accumulated carbon sequestration of the project, take full account of the project's effect on improving the forest's ecological system and protecting the biodiversity, and enhance the public awareness on environmental protection. The development of carbon sequestration forest requires appropriate market mechanism and lawful means to gain benefit from carbon sequestration trade, and improve the economic effect of forestation.



The carbon sink forest base of PetroChina Xinjiang Oilfield Company, covering an area of 148,000 acres, is the largest stretch of plantation in Xinjiang, playing an important role in carbon storage, air purification and windbreak and sand fixation

CUSTOMER-FIRST MARKET SERVICE

Petrochemical and gas products play a vital role in China's economy as well as in the lives of the Chinese people. The Company attaches great importance to the environment, safety, quality and people and adheres to the principle of "honesty, quality and excellence". Our goal is to produce zero-defect products with the highest domestic and international standards and realize zero accidents. We promote management and technological innovation and make our best efforts to provide a diverse range of products and services to consumers.

1. Enhancing Quality Management System

At PetroChina, quality is always our top priority. We have put into practice the State Council's Quality Development Program 2011-2020 and continually improved our quality management system in order to enhance the quality, metrology and standardization management, to improve our product and service quality, and to ensure the high quality of our products, safety, environmental protection and efficiency.

Quality Management System

The Company reinforces its quality management system and makes vigorous efforts on brand building and quality supervision and inspection, aimed at securing the certification of its quality management system. In 2014, the quality management system certification covered all of our branches, with the certification rate increasing by 5.11% to 87.4% from 2013. We carried out the second round of the review of our quality management system and integrated the quality management system with other management systems to enhance the efficiency of the overall system. In addition, we launched the "Quality Month" campaign to strengthen the quality management of all staff members and processes, with employees participating in it a total of 550,000 person times.

Metrology Standards

At PetroChina, we strictly comply with the government's laws and regulations and strengthen the maintenance of our measuring tools to ensure their accuracy and reliability. We carry out audits and spot checks so as to promptly rectify any defects that may arise. Moreover, we actively promote new measuring technologies and leverage informatization technology to increase the metrological efficiency, thereby enabling us to offer consumers high quality and specified quantity of our products. In order to further enhance our overall metrological capabilities, the Company developed and issued the Program for Implementation of the Measurement Development Plan in accordance with the national Measurement Development Plan, setting forth our objectives, tasks and execution plans in this regard by 2020.

Answering Netizens' Questions about the Quantity and Quality of Gasoline on the "Refueling Experience Day"

"Do you get the amount of gasoline that the fuel dispenser meter shows?" "If an attendant turns the nozzle and off repeatedly while refueling, will I get less gasoline than what I paid for?" "Why is the amount refueled more than the volume listed for the vehicle?" These are the questions frequently asked online. Therefore, Shaanxi Marketing Company invited some 60 netizens from two popular Chinese Internet forums, Tianya Club (www.tianya.cn) and Kaidi Network (www.kdnet.net), to visit its gas station for a closer look at the refueling process. Staff from the Xi'an Institute of Measurement and Testing Technology, the Xi'an Administration for Industry and Commerce, 4S automobile stores and fuel dispenser manufacturers briefed them on the workings of the fuel dispenser meter and the structure of the fuel tank in the vehicle. Through metrological verification of fuel dispensers, they showed the visitors that to shut off and start fuel dispensers repeatedly while refueling did not result in less gas being supplied. Meanwhile, workers from the quality inspection center at Shaanxi Marketing Company showed them the advantages of National-V gasoline over National-IV gasoline. The visit and demonstrations enabled the public to have a more comprehensive understanding of the quantity and quality of PetroChina's oil products and helped clear up their misunderstandings.

Comments from Netizens

@YUZHONGFEIYAN: I used to watch the attendant closely when he was refueling my car at the service station. However, during the visit, I didn't spot any shortfall although they stopped and started the fuel dispenser many times during the refueling. It's just hearsay that repeated stopping and starting of the fuel dispenser would result in less gasoline being supplied. Of course, this doesn't mean that netizens are credulous. It's just because we have no way to find out the truth. This is a communication problem between two sides.

@SHANGSHANRUOSHUI: It was widely known that the quality of PetroChina's oil products were good, so we had long been loyal customers for many years and were never disappointed. But, we had no way to find out whether its oil products were really good or not, their advantages, sources or quality assurance. Today, we witnessed the sampling and inspection processes for a variety of oil products, getting first-hand information on why we can trust PetroChina.

@HAI88: We watched a promotional video to learn about the entire sales process for oil products, which covered transportation, testing and measurement. Each phase is strictly controlled, ensuring the safe delivery of qualified oil to the car of each consumer.

We establish service stations in Medog County in Tibetan Autonomous Region, the last county in China to gain road access to the outside world. Turn to page 42 for more.

Achievements in Standardization

PetroChina is active in raising its own standards and participating in the revision of industry standards. The Company takes measures to improve its scientific management levels and to increase the utilization rate of industry resources in order to ensure the high standards of its products and services. In 2014, nine standards won the third prize of the China Standards Innovation Contribution Award, including *Natural Gas - Determination of Sulfur Compound - Part 4: Determination of Total Sulfur Content by Oxidative Microcoulometry Method (GB/T11060.4-2010)*. Two international standards for natural gas were officially released, including *Natural Gas - Determination of Sulfide – Determination of Total Sulfur by Oxidizing Microcoulometry Method*. Three new international standard proposals including *Geological Hazard Risk Management*

for Onshore Pipelines were officially approved. We also entered into an agreement with the American Petroleum Institute (API) to enhance cooperation on standardization. In 2014, we developed and modified 120 enterprise standards.

Supply Chain Management

At PetroChina, we actively promote the sustainable development of its supply chain and the joint fulfillment of corporate social responsibility with our partners to provide the public with high-quality products and services. We have established a steering team for contractor management, composed of the managers of relevant departments and subsidiaries and headed by PetroChina's Chairman. We have also established a complete supplier quality management mechanism which covers quality

accreditation, inspection, supervision and factory supervision for major products. Moreover, specific supplier requirements on business ethics, human rights, HSE, quality standards and public responsibility were highlighted for the process of supplier approval, evaluation, strategic supplier development, materials procurement, tender invites and tender evaluations. A supplier database was established and through open tenders and online transactions, we provide suppliers with fair, transparent and competitive opportunities. With "open business, controlled processes, fully documented, and permanently traceable" as our watchwords, we ensure the quality of procured products and services.

2. Focusing on Product Innovation

Focusing on the development of our main business, we strive to make key technological breakthroughs and develop new technologies, processes, equipment and materials to upgrade our production facilities. We carry out product innovation based on market demand to provide consumers with a diverse range of quality products. PetroChina Lanzhou Petrochemical Company produced a full series of green nitrile rubber; and PetroChina Daqing Petrochemical Company was engaged in the industrial production of heat-resistance polyethylene pipe materials. The large-diameter, low-sag PE pipes of PetroChina Jilin Petrochemical Company were well received; and great progress was made in the production technology and products of environmentally friendly extended rubber. In 2014, the Company developed 22 new petrochemical products brands and produced 740 thousand tons of new petrochemical products of 62 brands.



Oil worker carefully checking instruments

1709

In 2014 , we were granted 1709 patents in China

8859

As of December 31, 2014, the company owns 8859 patents

3. Providing High-Quality Products

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

Upgrading Oil Product Quality

In 2014, we proactively implemented the *Action Plan for the Prevention and Control of Atmospheric Pollution* and drove the upgrading and replacement of diesel-powered vehicles with those of National IV standards. Meanwhile, we successfully applied PHF diesel hydrotreating technology to accelerate the upgrade of diesel quality to the National V standards.



Providing High-Quality Chemical Products

The Company cultivates high-quality brand products, and provides consumers with environmentally friendly and diversified products. Four products were named the Distinguished Brand in 2014 by the China Petroleum and Chemical Industry Federation, including polypropylene pipe material from Daqing Refining & Petrochemical Company and the industrial acrylic acid from Lanzhou Petrochemical Company. Jilin Petrochemical Company was awarded the title of Model Enterprise for Brand Building in China's Petroleum and Chemical Industry. Kunlun acrylic fiber from Daqing Petrochemical Company was awarded the title of National Product for Customer Satisfaction.

PetroChina’s Products were named the Distinguished Brand by the Chinese Petrochemical Industry

Product Name	Production Unit
Kunlun industrial acrylonitrile	Jilin Petrochemical Company
Kunlun polypropylene pipe compound	Daqing Refining & Chemical Company
Kunlun acrylonitrile-butadiene-styrene (ABS) resin	Jilin Petrochemical Company
Kunlun industrial acrylic acid	Lanzhou Petrochemical Company



Case Study

Develop Premium Brands and Improve Service Efficiency

Guided by its strategic policy of “ensuring superior quality and building a first-class brand”, Jilin Petrochemical Company has implemented a brand strategy, improved its quality management system, and enhanced quality awareness among all of its employees. As a result, the company is experiencing high-quality and efficient development.

Strengthening standardization and implementing stringent quality analysis. Jilin Petrochemical continues to improve its quality, health, safety, environment and measurement management systems. It has strengthened process control, improved management standards and documentation, established a materials market access and appraisal management system, and strictly organized production. It implemented dynamic monitoring and statistical analysis of product quality and established a comprehensive random sampling system. Moreover, the company also strengthened quality management training and included quality assessments in employee performance evaluations.

Promoting technological innovation to enhance competitiveness. To meet market demand, Jilin Petrochemical has intensified independent technological research and introduced technologies for re-innovation and new product development. Breakthroughs were made in core technologies for special fibers, C5 separation and isoprene rubber. In addition, a number of new products were developed that constitute internationally recognized achievements, such as environmentally friendly SBR and oil-extended SBR, high-grade EPR, high-density polyethylene resin and carbon fibers.

Meeting customer needs and improving service quality. Jilin Petrochemical has established a full process of customer service including surveys, analysis, feedback and improvement. The company categorizes and stores user files so it can visit and phone customers regularly for satisfaction surveys. It is then able to adjust the product mix, production plans and quality indicators in a timely manner to meet different consumer’s unique demand for quality and product.

Through technological innovation and brand building, Jilin Petrochemical has nurtured a number of branded products in the ethylene, propylene, and butadiene industry supply chain, including two national “Famous Brands”, five “Renowned Brands” in China’s petroleum and chemical industry, and 17 “Famous Brands” in Jilin Province. The total sales volume and value of output of these notable branded products accounted for 13% and 20% of the totals respectively. In 2014, Jilin Petrochemical was awarded the title of Model Enterprise for Brand Building in China’s Petrochemical Industry.



4. Delivering Considerate Services

Giving priority to customer satisfaction and upholding a customer-oriented concept, we are making great efforts to expand the coverage of our service network and functions.

Optimizing Service Network

In 2014, by putting 150 new service stations into operation, we continued to optimize our service network, covering 31 provinces (municipalities and autonomous regions) and the HongKong SAR of China as well as Medog County in Tibet Autonomous Region, the last county in China to gain road access to the outside world. The one-stop service at our service stations was further expanded to cover refueling, rest, shopping and vehicle maintenance.

Case Study

The Micro-Blog and the Service Station

Medog County sits at an elevation of 1,200m above sea level, nestled into the south side of the eastern end of the Himalayas and downstream of the YarlungZangbo river in the Tibet Autonomous Region. Its first highway opened to traffic as late as 2013. Local Tibetan Jiduo runs a gravel plant in Medog, but has faced difficulties as there was no accessible road or service station. Before the highway opened, he wrote to PetroChina via his micro blog: "In Medog County, there are a great number of gasoline and diesel users apart from government agencies and the military, including businesses like Huaneng Group and gravel plants owned by a dozen farmers and herdsmen, as well as 170 trucks and 30 passenger cars. However, there is only one service station in the whole county. It offers poor quality products at high prices, and it often runs out of fuel". He said that he hoped PetroChina would build a service station in his county.

PetroChina therefore took the initiative to coordinate with the local government and established the PetroChina Medog Lotus Service Station in 2014, extending our service station network to Medog, the last county in China to gain road access to the outside world. Close to the county's main road, the service station is equipped with an oil and gas recovery system and an explosion-proof system featuring energy conservation, consumption

reduction, explosion protection, fire retardancy, corrosion protection, anti-static protection, surge elimination and oil and gas volatilization inhibition. The oil and gas recovery rate can reach 90%-97%.

Villager Lobsang Rabten said, "We used to go to Bomé County for fueloil. It's far away and very costly. Now that we have the PetroChina service station we can refuel in our own county, which is great!"



The first

According to the appraisal results jointly issued by the CNIS Customer Satisfaction Measurement Center and Tsinghua University, the satisfaction level for PetroChina's service stations was 72.7 in 2014, the highest among the companies evaluated in the industry.

Improving Service Quality

The Company focuses on the customer and takes steps to enhance service awareness, capacity, brand influence, and customer recognition. We have been promoting our "one card for nationwide refueling" service, and as of 2014 have sold 64.07 million Kunlun fuel cards. These cards can be purchased and used in counties as well as cities above the county level. At the 5th Prepaid Card Industry Summit jointly held by the China General Chamber of Commerce and the Commercial Prepaid Card Regulatory Committee, the Kunlun Fuel Card won the Most Influential Brand Award. We improved our online service channels. To facilitate customer consumption, we provided "BESTPAY" and WeChat payment services at service stations and online recharge. We improved our field services at service stations, paid mystery-shopper visits, improved the specialized business in our convenience stores, shaped the "USmile" brand, improved our 95504 customer service platform, and enhanced customer experiences. We have also launched many campaigns such as the Autumn Cool, Spring Outing and World Cup Fan Season campaigns to provide convenience and benefits to our users. These campaigns have enriched our services and improved customer satisfaction.



A customer easily paying for refueling with the "BESTPAY" card

5. Ensuring Stable Supply

PetroChina sees ensuring stable supply as an important social responsibility. To this end, we are strengthening coordination and organizational efforts in order to establish a long-lasting mechanism and give back to society. In 2014, during the peak agricultural periods of spring, summer and autumn and important periods when events like the National People's Congress, the Chinese People's Political Consultative Conference and the Asia-Pacific Economic Cooperation meetings were held, critical moments when natural disasters such as the Ludian earthquake and Kangding earthquake hit, and the peak gas consumption periods in winter, we actively mobilized our resources, optimized transport capacity, strengthened on-site services, and ensured a continuous oil and gas supply in our service stations. In 2014, our refined oil and natural gas supply accounted for about 40% and 70% of the domestic market share respectively.

In order to meet the peak in demand for oil and gas during the winter, PetroChina activate the "plan for winter gas supply" in mid-2014 and enhanced gas supply capacity by increasing the production load of our four leading gas zones of Changqing, Tarim, Southwest and Qinghai, improving the operational efficiency of our gas storage facilities, and increasing gas imports. In the winter of 2014 from October to December, PetroChina supplied 33.48 billion cubic meters of natural gas to the market, an increase of 10.1% over the same period in 2013.

"PEOPLE-ORIENTED" EMPLOYEE DEVELOPMENT

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

1. Employee Rights

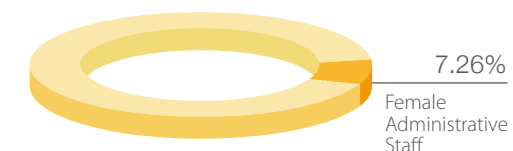
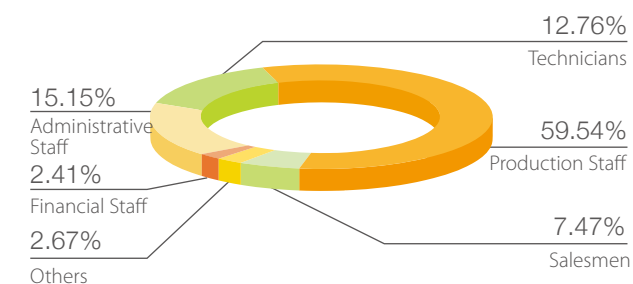
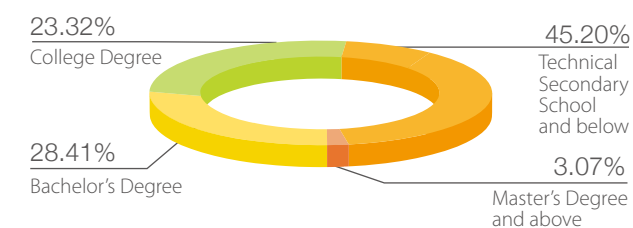
We remain committed to a people-first philosophy in treating our employees with respect and equality while protecting their legal rights. We strive to resolve the practical issues that most concern our employees and make sure that all employees can equally share in the fruits of our development.

Fair Treatment

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

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

In 2014, we made recruitment information public for college graduates through a recruitment platform, such as recruitment procedures and standards, remuneration and benefits, and requirements for employment. We announce results to the public and do not set restrictions on applicants on the basis of their ethnicity, gender and religion.




Remuneration and Benefits

The Company has further improved its performance appraisal and remuneration system, as well as its employee compensation and benefits framework. The framework pays attention to the value and performance of employees according to their different roles, so that each employee can reach his or her potential. In addition, we are steadily extending employee coverage of social security programs in accordance with the *Social Insurance Law of the People's Republic of China*, and we have improved supplementary medical care and insurance, corporate annuity and living allowance schemes to ensure employees' interests and rights are addressed. We are adjusting overseas risk allowances according to the risk level to ensure the system is reasonable and fair.

Democratic Participation

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

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

 Case Study

The General Manager's Mailbox for Communicating with Employees

In order to solicit employee opinion, Qinghai Oilfield Company launched the general manager's mailbox, through which employees' concerns are reviewed and forwarded to the personnel and departments responsible to be solved within a specified period of time. For example, the company sped up an external wall insulation renovation project on residential buildings for employees after receiving letters raising this issue. So far, 94 buildings have been renovated at the Dunhuang and Golmud bases. Since the mailbox was set up five years ago, over 3,300 messages have been handled with a resolution rate of over 95%.



A variety of activities to enrich the life of employees in Liaohe Oilfield Company

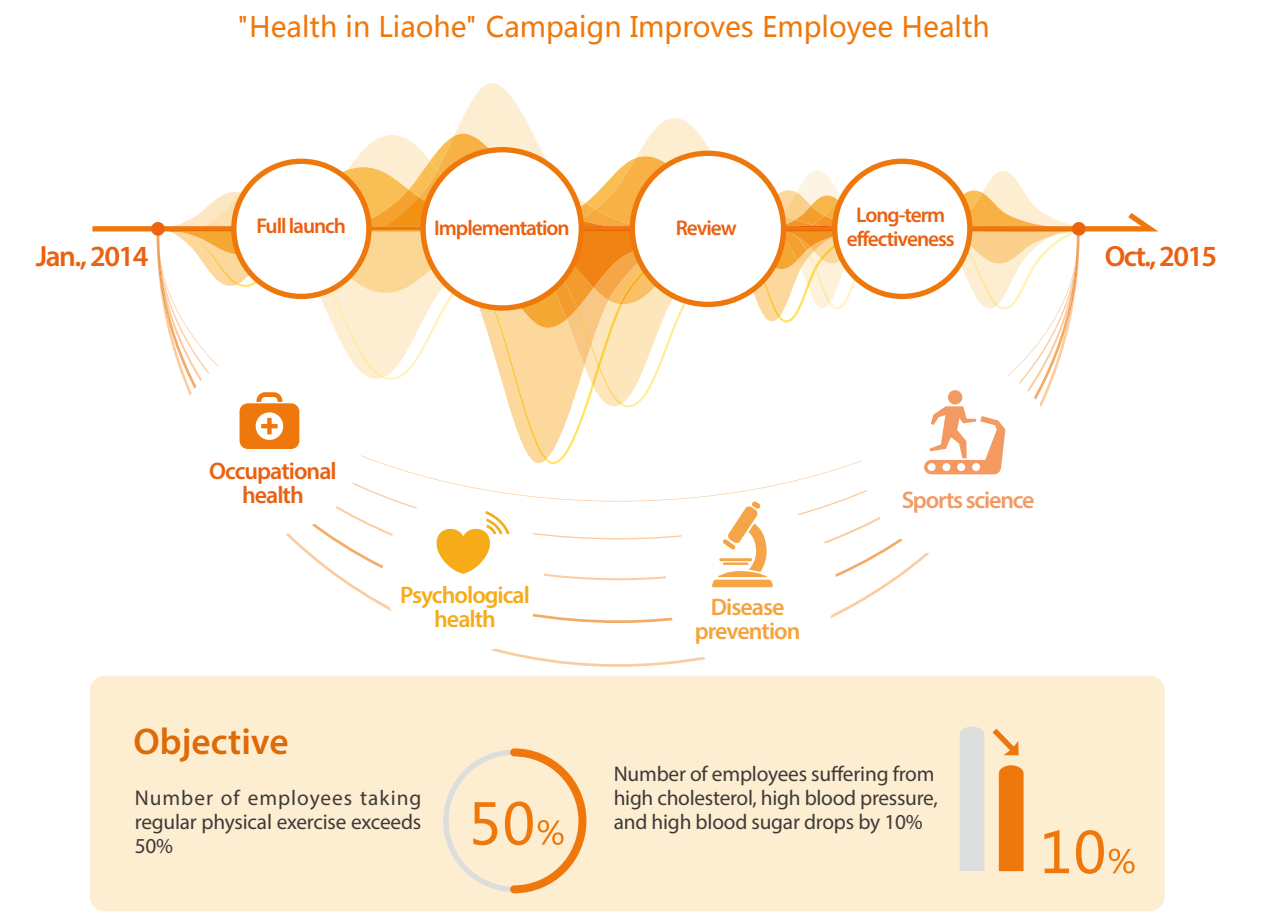
2. Occupational Health

The Company abides by the *Prevention and Control of Occupational Diseases Act* of the People's Republic of China in its occupational health management, focusing on the prevention and control of hazards as well as the implementation of related measures. By emphasizing occupational health management and protection at field operations, we give top priority to employee health and personal safety. In 2014, the rate for physical exams for occupational health remained at over 97% and the detection rate for occupational hazards in the workplace was also over 97%.

We place great importance on monitoring our employees' occupational health and have stepped up physical exams for front-line staff, contractors, and temporary workers. We provide pre-deployment, on-the-job and post-deployment health checks for staff who work in hazardous roles. The Company has improved the management of employee health surveillance records to provide customized medical services for employees. In 2014, Liaohe Oilfield Company launched a two-year campaign named "Health in Liaohe" in order to raise awareness of health issues

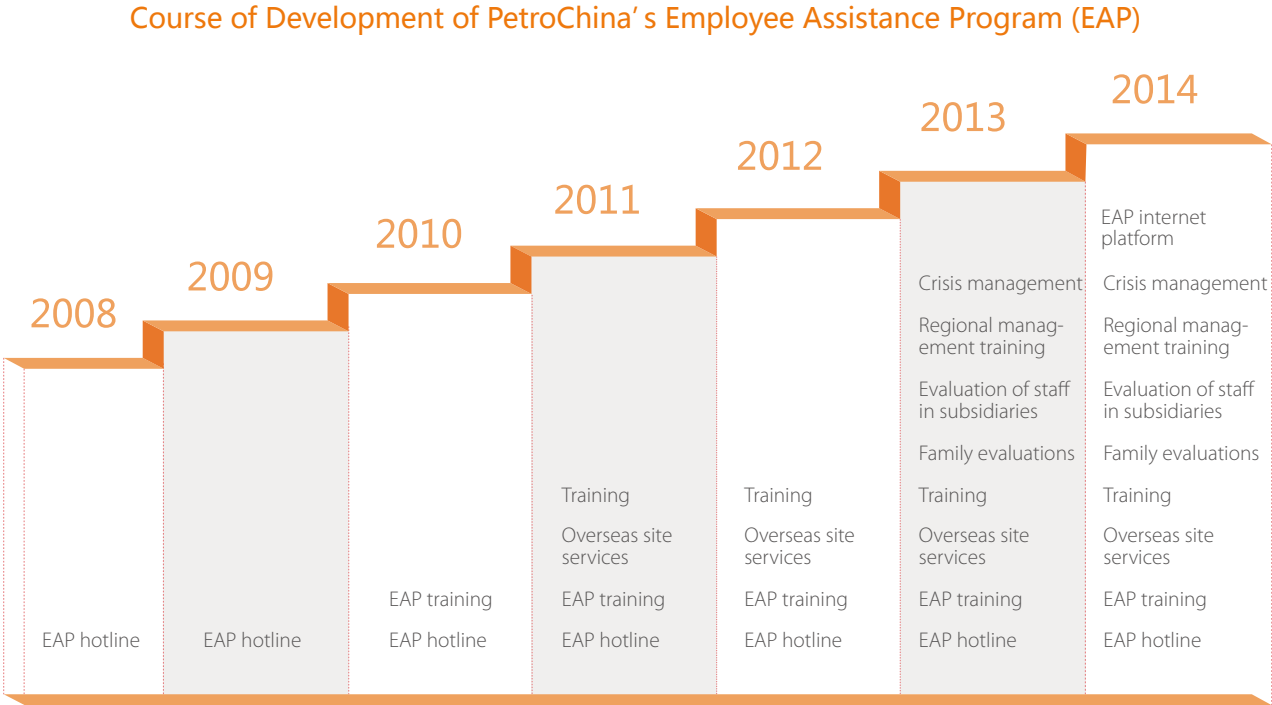
among employees and enhance the ability of employees to tackle health issues.

We proactively monitor and control workplace and occupational hazards and have standardized the evaluation of occupational hazards for construction projects. We ensure that employee health and safety facilities in a construction project are designed, constructed, and put into use at the same time as the main project, and continue to improve employees' working and living environment. In 2014, we issued the Management Regulations for the "Three Simultaneous Measures" for Occupational Health at Construction Projects, which regulates the management of occupational health facilities for new construction, renovation and expansion projects. We provided occupational health protection facilities at more than 60,000 projects to protect our employees from occupations hazards such as toxins, dust, and noise, and brought the inspection and maintenance of such facilities within the scope of safety and environmental hazard control.



We pay close attention to our employees' mental health. PetroChina was among the first Chinese enterprises to implement the Employee Assistance Program (EAP) in overseas projects. Since the launch of the program, the proportion of overseas employees with poor mental health has dropped by 21%. In 2014, we launched an EAP internet platform to provide overseas employees with online psychological counseling.

PetroChina has carried out training and promotion on occupational diseases prevention and treatment across the board and at all levels. In 2014, we carried out a promotion week on the prevention and treatment of occupational diseases and over 20,000 employee and health managers took part in occupational health training. We also organized for employees to attend the national contest for occupational disease prevention and treatment, where the Company won awards.



3. Platform for Employee Development

The Company uses modern corporate concepts and advocates innovation in creating space and mechanisms for employee development. We have improved our training centers and network and address our employees' need for career development at different stages by providing career planning services. We aim to build a learning organization with knowledge-based staff and provide a stage for employee development.

Employee Training

PetroChina continues to perfect its training bases and the e-learning platform through a combination of professional training, specialist training, distance training and outsourced training to improve the theoretical and practical skills of all employees. In 2014, 670,000 employees took training courses via

the e-learning platform, which was further improved with a wider range of courses. In order to enhance the scientific management abilities of our management personnel, the headquarters held two training sessions for key management staff from our subsidiaries, two business management training sessions and two chief accountant training sessions. To enhance competitiveness and capacity for innovation for top level technical experts and highly-skilled personnel, we organized for 40 technical experts to study at Tsinghua University and China University of Petroleum (Beijing). We also provided training on cutting-edge technologies including unconventional oil and gas development and 19 demonstration training classes on topics such as oil quality analysis. We strive to cultivate the integrated skill level of international talent, and held 15 pre-travel and overseas training (study abroad) sessions for 351 trainees.

PetroChina believes in the power of contests to encourage training. We enhance the practical skills of our employees at grassroots levels by using skills contests to promote vocational

training on a large scale. In 2014, we held competitions for four types of vocational skills in three contest areas, attracting 241 employees from over 40 subsidiaries. We also actively took part in international and domestic competitions and achieved remarkable results. Our employees won two first prizes, two second prizes and two third prizes in the youth group at the third ARC Cup International Welding Competition. We also won the individual championship in the first national petroleum and petrochemical system vocational skill competition, as well as the top three team prizes.

163

In 2014, PetroChina headquarters organized 163 training programs



Career Development

With a corporate culture that values moral integrity as well as professional competence, the Company has developed a selection process that is democratic, open, competitive and merit-based in order to create a positive workplace atmosphere that enables the recognition and best use of talent. We promote a parallel managerial and technical system in our research institutes to provide our technical professionals and management personnel with equal opportunities to develop, as well as gaining corresponding remuneration packages. We exercise the dynamic management of technical experts and have increased the number of experts. We have also started to bring the review process online, in order to provide opportunities to employees with outstanding technical expertise. We have been active in attracting high caliber talent from other countries, and introduced six overseas-educated experts as part of the “Thousand Talents” program. Meanwhile, three candidates we recommended have become national experts as part of the program. We expanded the rotation and temporary transfer of staff within PetroChina, and promoted exchanges between management personnel as well as participation in overseas projects to strengthen management capabilities.

We value incentives for innovation and have sought to establish mechanisms such as funds for technological innovation and incentives for enhancement in technological efficiency. We have pushed forward the establishment of studios for technical experts and expanded communication and reviews to allow skilled experts, grassroots technicians and technical workers to play a role in technological innovation. We believe in the importance of growth and development for technical staff, and select young key research staff to take part in national and company-level technology programs for domestic and overseas key projects, major works and research bases. In 2014, two employees were granted the Incentive Award for Outstanding Engineers by the International Scientific Exchange Foundation of China while three employees were granted awards from the Sun Yueqi Science and Technology Education Fund.

By the end of 2014, the Company had 12 academicians at the Chinese Academy of Sciences and the Chinese Academy of Engineering, 980 experts entitled to the Government Special Allowance, as well as 193 senior technical experts, 84 management experts, 197 skilled experts, 3,367 senior technicians, and 19,662 technicians.



Case Study

Roz Mamat Barker, from a Beginner to a Technical Expert

In Xinjiang Oilfield Company, ethnic minority employees account for 25.7% of the total staff. The company encourages employees from all ethnic groups to learn from and support each other at work and to communicate and integrate in daily life. Training and learning opportunities are provided to help employees overcome language and technical difficulties as well as to facilitate growth through practice.

Roz Mamat Barker is an employee of Xinjiang Oilfield Company. When he joined the company, he could not speak Chinese and had yet to develop his skills. However, he studied hard and improved himself by taking advantage of the training and technical learning opportunities provided by the company to employees from all ethnic groups. In the 20 years since joining the company, he has attended more than 20 off-the-job sessions training totaling 1,200 days. The training means that this young man who did not understand Chinese has become a promoter of Mandarin Chinese and gone from being a beginner in the oil production industry to become a training coach and a national technical expert. Since 2004, he has trained over 4,000 employees in oil production jobs in the heavy oil development company. In his spare time, he has written four books including the *Phonetic Textbook on Practical Oil Production for Ethnic Minority Employees*. These four books have become training materials at Xinjiang Oilfield. He has also established a website (www.hlsyw.com) to provide a free communication platform to oil workers from all over the country. By the end of 2014, he had won 27 honorary titles, including “National Exemplary Individual for National Unity and Progress”, “Technical Expert”, “Xinjiang Uygur Autonomous Region Model Worker”, and “Young National Skilled Expert”. His team has also won more than 30 honors, including “National Exemplary Collective for National Unity and Progress”, “Top Ten Unit for Culture Building by Company Teams in China”, “Top 1000 Exemplary Unit”, “PetroChina Iron Man Pioneer”, and “Pioneer Worker” in Karamay. In Xinjiang Oilfield Company, more than 46% of the ethnic minority workforce are management personnel, key technicians and experts.

4. Local Staff Development

At PetroChina, we embrace a respectful, open and inclusive culture and are committed to the localization, professionalization and marketization of skills when managing overseas talent. We have developed *Protocols on Local Employee Management in Overseas Operation* covering hiring, attendance, vacations, performance appraisals, incentives and penalties for each management process and position in line with the laws and regulations in host countries to attract and train top local talent and to provide a working environment more conducive to employee development.

Local Hiring

We actively recruit and train local employees and with our competitive hiring system we do not discriminate against local candidates for managerial positions. By the end of 2014, we hired professionals from over 30 countries and regions to work in exploration and development, project construction, international trade, finance, accounting, and human resources at our overseas projects.

In Oman, we have built a long-term partnership with local training institutions and developed a comprehensive training program. In 2014, we provided local managers at the middle level and upwards with systematic training, enhancing their operational management, team-building and conflict resolution capabilities.

5. Security in Overseas Operations

In 2014, PetroChina faced threats such as social unrest and terrorism at its overseas operations. The Company put its emergency management system into use, including establishing early warnings and precautions, launching its 24-hour crisis management mechanism, monitoring events as they unfold and organizing the orderly evacuation of employees. In response to the Ebola crisis in West Africa, the Company issued early warnings and quickly established temperature monitoring and psychological counseling for employees in order to ensure the safety of employees overseas. The Company also carried out extensive anti-terrorism safety training, organizing 230 sessions for almost 15,000 participants. There were no any significant or major overseas accidents or issues relating to production security, environmental pollution or ecological destruction during the year.



Case Study

Responding to Security Challenges in Iraq

Beginning in July 2014, the security situation in some regions of Iraq sharply deteriorated due to terrorist attacks. PetroChina rapidly launched its emergency response mechanism, quickly establishing an emergency leadership team and preparing an evacuation plan. The Company strengthened communication with diplomatic organizations in the local area and in surrounding countries to gain diplomatic assistance for the employee evacuation plan. The Company carried out reconnaissance on overland roads and ports for evacuation routes, contacted with aerial evacuation planners and arranged commercial charter flights to ensure the feasibility of the evacuation plan. In case of a sudden change in the situation, the Company also stockpiled emergency supplies of water, food and fuel. These strong security precautions ensured the smooth operation of the projects in Iraq and that the personal safety of employees was not affected.

Respect for Cultural Differences

PetroChina fully respects cultural diversity and local customs. We promote mutual understanding and respect for different values and traditions and foster cross-culture cooperation in a culturally diverse workplace. Chinese employees are encouraged to learn about the laws, history, and culture of local communities. At the same time, we arrange for foreign employees to visit our headquarters in China and experience Chinese culture. Our project company in the Americas holds cultural salons for employees to better understand the cultural differences between China and the Americas and to enhance mutual understanding and recognition.

91%

By the end of 2014, local employees accounted for 91% of our overseas workforce



GIVING BACK TO SOCIETY

As a member of society, we have a duty to give back to the community. Bearing in mind that our ultimate goal is to promote socio-economic development, we attach great importance to the well-being of people and social advancement. We expand joint ventures and cooperation, enhance local development capability, give donations to impoverished students and organize our staff to join volunteer activities and community services. Through our efforts, we strive to build a harmonious society.

1. Promoting Local Development

PetroChina's development is inseparable from the support of governments, communities and the public. While providing stable energy supply for local economic development, we maintain close cooperation with multiple investment bodies based on the principle of "open cooperation for mutual benefit". We fully enhance our cooperation with state-owned capital, social capital, private capital and foreign capital. We have built platforms to attract more social, private and foreign capital for joint ventures and cooperation in the upstream, midstream and downstream sectors. During the process of developing and running our projects, we help to nurture local suppliers and contractors, creating jobs and driving the growth of related business segments, thereby giving back to local residents.

Examples of Joint Venture and Cooperation Projects Operated by PetroChina

Name of JV (Project)	Partner	Project Description
Yan'an Petroleum and Natural Gas Co. Ltd	Shaanxi Yanchang Petroleum (Group) Co., Ltd.	Oil and gas development
Karamay Hongshan Oilfield	Government of Xinjiang Uygur Autonomous Region Xinjiang Production and Construction Corps	Oil and gas development
Chongqing Shale Gas Exploration and Development Co., Ltd.	State Development & Investment Corporation (SDIC) SINOCHEM Group Chongqing Institute of Geology and Mineral Resources	Shale gas development
Sichuan Changning Natural Gas Development Co., Ltd.	Sichuan Energy Industry Investment Group Co., Ltd. Yibin State-Owned Asset Operation Corporation Beijing Guolian Energy Industry Investment Fund	Shale gas development
Third West-East Gas Pipeline, Western Sections of First and Second West-East Gas Pipelines	National Council for Social Security Fund (SSF), Baosteel Group, Guolian Foundation, Taikang Asset Management Co., Ltd.	Pipeline construction and operation

A campaign launched by PetroChina Fujian Marketing Company to donate clothes to children in mountainous areas in Northern Fujian to help them through the cold winter

2. Poverty Alleviation

The pursuit of sustainable economic growth and shared prosperity is a basic requirement for the sustainable development of human society. However, income inequality, natural disasters and other constraints stand in the way of achieving this goal in China and elsewhere in the world. To meet the specific needs of local residents in underdeveloped regions, we make the most of our markets, resources, technology and talents, to support local industries, create jobs and improve the mindset and technical skills of local residents to drive self-development of local economies.

We actively support and participate in poverty alleviation programs in China with China National Petroleum Corporation. In 2014, PetroChina carried out targeted and pairing assistance programs for poverty alleviation in 8 provinces (cities and autonomous regions) and 14 counties (districts), including Xinjiang, Henan, Guizhou, Jiangxi, Tibet, Fujian and Chongqing. With our proprietary production and engineering technology, we assisted in building the FCC catalyst project in Changting County, Longyan City, Fujian Province. The project has driven the development of the local rare earth industry, creating jobs for more than 300 people. In Fanxian County, Henan Province, PetroChina supported the 50kt/a maleic anhydride project of Shengyuan Petrochemical Company by providing technical training to the employees. In Shuanghu County of Tibet, we took part in the reconstruction of the central elementary school and launched the shopping complex (Phase II) in Suoga Street, giving local residents access to supermarkets, book stores and a school.

Our long-term economic and social development is inseparable from the great support of PetroChina over the years. People in Fanxian County appreciate it very much.

—— Government of Fanxian County, He'nan Province

Additionally, PetroChina provided 8 training programs in Xinjiang, Tibet and Qinghai, offering practical skill training to farmers and herdsmen and training to junior managers. In 2014, the South Xinjiang Natural Gas Pipeline Project was presented the PMI (China) Outstanding Project Award. This project has established a gas trunk pipeline network in the Tarim Basin, effectively met the gas demand of people and businesses in South Xinjiang, and powered economic and social development.

In response to major natural disasters in 2014, such as the earthquakes in Ludian and Pu'er in Yunnan Province, PetroChina swiftly launched the Emergency Response Plan, opened green channels to distribute oil, food, water and other emergency supplies to victims in the stricken areas, facilitated post-disaster reconstruction.



We opened our service stations along all national and provincial roads in the areas such as Fujian during the Spring Festival for four consecutive years to provide thousands of migrant workers on their way home by motorcycle with food, refueling and other services free of charge

3. Supporting Education



Supporting education by giving help to children

It takes ten years to grow trees, but a hundred years to rear people. Supporting education is important for social progress. We have set up scholarships and student subsidies and supported contests in order to assist students. In 2014, we offered scholarships and subsidies to a total of 635 impoverished students and students with excellent academic performance. Moreover, all subsidiary enterprises also organized various activities to assist students and helped young people around the world gain equal opportunities for education and pursue their goals and personal growth. We also supported Kunlun Lubricant Formula Student China (FSC) to nurture talents for the automobile industry.

Case Study

Ten Years of Assistance to Students in Need

In the remote, mountainous areas in Gansu Province, some outstanding students may drop out of school because their families cannot afford school fees. To help these students finish school, PetroChina has launched a scholarship program in conjunction with the Communist Youth League Gansu Committee and the Union of Students of Gansu Province since 2005. This program was implemented by PetroChina Lanzhou Petrochemical Company. Every year, we help pay part of the tuition for those high school and college students with financial difficulties. Over the past ten years, PetroChina has made continued efforts to improve the management of the program, increased its funding and expanded its coverage from the original 7 counties (including Zhuanglang, Yongdeng, Huining and Minqin) to 13 counties (including two ethnic minority autonomous counties). A total of approximately RMB 10 million in scholarships has been distributed, helping more than 7,000 outstanding students further their studies. "The sponsorship program has become a good role model in promoting education in poverty-stricken counties. It inspires other enterprises and people to make donations for education", said Pan Youwei, Director of Minqin Education Bureau.

4. Volunteer Activities

PetroChina keeps improving the voluntary service system to care and serve local communities. We also encourage and support employees to devote their personal time, skills and expertise to participate in volunteer activities.

In 2014, we formulated the Regulations on Youth Volunteer Service to ensure youth volunteer activities are carried out in a regulated and systematic manner. Qinghai Oilfield Company has established three volunteer service systems: technical services (training and consulting services to help young technicians realize their full potential), community services (services to promote civilized behavior and the culture of respecting the elderly and

caring for children and the needy) and social services (services to support major campaigns), making its contribution to building a harmonious society. The Snow Lotus Volunteer Service Team of Xinjiang Oilfield Company was named by PetroChina as one of “Ten Benchmark Youth Volunteer Service Teams” for its dedication over the past 14 years. Zhang Zhaoxia, an employee of Dagang Oilfield Company, was given the title of “Outstanding Youth Volunteer in China” by the Association of Chinese Youth Volunteers. In 2014, we had 6,359 youth volunteer teams with 169,000 members. They provided 506 thousand hours of volunteer services to 2.09 million beneficiaries.



Our volunteers visiting the elderly of the Uyghur ethnic group

5. Contributions to Overseas Communities

While conducting business overseas, PetroChina has adhered to the principle of “cooperation for mutual benefit and joint development”. We respect the cultures and conventions of the countries in which we operate as part of our efforts to develop long-term stable partnerships with them and promote their socio-economic development. We have set up environmental protection and community relations coordination departments in many overseas areas to promote cooperation with local governments, NGOs, and community representatives. By holding conferences, issuing reports and paying visits, we strengthen communication and coordination for common development.

Local Procurement

Local procurement can boost the development of local SMEs and generate more income and job opportunities for local communities. Therefore, PetroChina places strong emphasis on reliance on local resources and the procurement of local products and services, strengthening cooperation with local enterprises in technical services, logistical support, catering and logistics to boost and promote the development of local SMEs. Our oil and gas cooperation projects in Iraq have created total business exceeding USD 400 million and job opportunities for over 20,000 people. The oil and gas cooperation projects in Africa have created nearly 10,000 jobs for local communities.

Environmental Protection

We emphasize the balance of business development and environmental protection. Therefore, we strictly comply with the laws and international standards on environmental protection in the countries we operate, protect the local ecological environment and strive to minimize the impact of our operations on the environment. In Niger, we carefully protected animals and plants in our operating areas during the construction process, and promptly cleaned up rubbish and waste we produced. We also provided leak protection of mud pits and promptly backfilled the pits after relocation of the drilling crew to restore the landscape in accordance with HSE regulations and operating procedures.

Community Welfare

We take an active role to help improve the living conditions of local people, give donations to education, health care and other public welfare programs so as to achieve harmonious and mutual development. In Indonesia's Jambi province, we built water purification equipment in 14 villages which were hit hardest by severe shortage of drinking water, aiming to offer drinking water to local residents.

A Visit to Halfaya Oilfield

To strengthen communication with the local community, the Halfaya project company in Iraq invited students from local primary and secondary schools and universities to visit the oilfield in order to help them better understand the oilfield's development and its contribution to local development. Halfaya Oilfield has become a demonstration center for local students. As of the end of 2014, nearly 1,000 students had visited the oilfield.



Students being lectured by technicians of the production and control center in Halfaya Oilfield



Case Study

MMG Hailed as “Most Respected Company” for Community Services

Located in Mangystau Province in Kazakhstan, MangistauMunaiGas (“MMG”) is an oil and gas company jointly acquired by PetroChina and KazMunayGas in 2009. It is engaged in onshore and offshore oil and gas exploration and development in the Caspian Sea. Since its acquisition, the company has been actively involved in local economic development, job creation, and social welfare services, gaining a good reputation from local communities.

Oil and gas cooperation for common development Before it was taken over, MMG had developed oil exploration business for more than 30 years. The oilfields it operated had a composite water cut of 86% with their production rate declining rapidly. In cooperation with its partner, PetroChina kept optimizing management and promoting innovation-driven development. As a result, the oil and gas production of mature oilfields has been rising, thereby achieving high-quality, high-efficiency and sustainable development. This project has driven the rapid development of related industries, directly creating over 20,000 jobs.

Put people first and promote cultural integration Upholding the principle of putting people first, MMG has taken various measures to strengthen communication with employees and promote the localization of its workforce. It communicated with employees through company newsletters and collected their opinions which allowed the company to make timely adjustments. Moreover, it improved employees’ working and living conditions by renovating dormitories, canteens, and sports and living facilities; and promoted mutual understanding between its Chinese and Kazakh employees by establishing channels for communication and creating a working atmosphere of mutual respect, understanding, trust and support. Most of the existing 6,000 employees are local residents.

Communication and community services MMG strives to balance the interests of all stakeholders, takes the initiative to communicate with the local government and communities, and maintains good relations with trade unions. A total of USD 55.44 million was invested to build sports centers, art schools, desalination plants, bus stations and public facilities, and to revamp village roads, schools, houses and water supply systems. Thirty eight local high school students with outstanding academic performance were selected and sent to China for further study, with more than 370 graduates recruited by it.

The project company has made relentless efforts to fulfill its social responsibility. It has received high recognition from local stakeholders. Moreover, PetroChina was regarded by the local government and local residents as the “most respected company”.



Training on vocational skills for local teachers of Zone 6 and Zone 7 Projects in Peru

Awards in Overseas Communities

Outstanding Contribution Award 2014 from the Indonesian Ministry of Energy and Mineral Resources

The Jabung Block project of PetroChina International (Indonesia) was presented the Special Contribution Award by the Indonesian Ministry of Energy and Mineral Resources in 2014. The award winner is selected annually by the Indonesian government in recognition of the organizations with great contributions to the energy and mineral industry in that year. Only five organizations won the award in 2014, and CNPC International (Indonesia) was the only one from Indonesia’s oil and gas industry.

Kazakhstan Social Responsibility Award

PetroKazakhstan actively participates in local economic and social development. In 2014, the PK project of PetroKazakhstan was presented the Social Responsibility Award, the highest honour for social contribution, by the President of Kazakhstan.

Investor FAQs

How does PetroChina guarantee that its business partners strictly comply with the Company’s *Code of Conduct*, in order to avoid HSE violations, bribery, corruption and other issues?

A: The *Code of Conduct* is applicable to contractors, subcontractors and suppliers. We help our contractors, subcontractors and suppliers understand the *Code of Conduct* and the moral requirements of the Company, and build partnerships with those observing laws and disciplines and respecting the Company’s values and code of conduct. Additionally, we have made specific criteria and procedures for selecting business partners.

We regulate our business processes and employee behavior by means of compliance management, internal control, auditing and supervision. We strengthen the compliance audits on business behavior, and thoroughly investigate and handle any violations, in order to ensure the observation of law and regulations in external cooperation.

Please explain how PetroChina fulfills its commitments in the execution of existing contracts.

A: PetroChina attaches great importance to the control of the entire contract performance process. We keep improving contract management measures, with specific regulations on contract execution, which cover five aspects including subjective requests, process management, and abnormal activity reporting and disposal. First, the contract execution party is specified as the subject of liability on the overall performance of contract, and relevant departments should collaborate on and supervise such performance based on their due responsibilities. Second, the contract undertaking department should clarify, prior to contract execution, the details of the contract to the contract execution party and personnel, including contract contents, significant risks and performance requirements, in order to avoid contractual risks and losses due to the disconnection between conclusion and performance of the contract. Third, the contract execution party is required to designate specific personnel to sign the work quantity verification documents, with specified requirements on the authority, performance requirements, change notice of the signing representative. Fourth, the risk assessment mechanism should be established, by which the contract execution party should make regular risk assessment on contracts with a long time limit and high risks, in order to find and solve problems promptly in contract performance. Fifth, the contract execution party should timely report any abnormal activities that may affect or change the contractual rights and obligations during the performance of contract to the comprehensive contract management department.

What are the Company’s current health and safety system and indicators? How do the measures taken by the Company function properly?

A: The Company implements the health, safety and environment management system (HSE management system) which is geared to international standards and widely accepted by the petroleum industry. We have formulated the *Administration Measures on Production Safety and Environmental Protection Accountability System* to standardize the top-down accountability system and assessment requirements throughout PetroChina. The *Provisions on Management Responsibility of Headquarters Production Safety and Environmental Protection* were set out to specify the safety and environmental protection responsibilities of the HQ executives, departments and subsidiaries. We have established the safety and environment responsibility assessment system, and signed safety and environment agreement with senior executives of the subsidiaries for 8 years in a row. Besides, the sanction to the persons responsible for production safety and environmental accident was formulated to investigate and punish persons of the regional company responsible for production safety and environmental accidents.

The Company has identified and confirmed 8 major production safety risks and 6 major environmental risks at the company level and formulated risk prevention and control management methods. The safety risk prevention and control responsibilities in all production activities are assigned to different layers of management, and the key points, responsible subjects, and accountabilities for risk prevention and control are defined for all levels. In this way, we have set up and improved the hierarchical production safety risk prevention and control mechanism with clear and classified responsibilities and risks.

How does PetroChina guarantee the application of unified standards in its global operations?

A: In recent years, maintaining an international approach, PetroChina has actively adopted advanced foreign standards and participated in the formulation and amendment of international standards, in order to improve its own standards and adapt to the global operations.

First, PetroChina has set up the goal to establish a standard system that is “unified, advanced and internationally-recognized”, and promotes the application of unified standards in construction, production, operation and management. We adopt and participate in the formulation and amendment of advanced international standards, promote the quality consistency of our products, projects and services, and strive to enhance our voice in international standards.

Second, PetroChina adopts international standards and advanced foreign standards systematically, in order to improve the Company’s product quality and technical capacity, and reduce the technical trade barriers and adapt to the international trade needs.

Third, international or advanced foreign standards are preferably applied in international economic and technical cooperation and international trade, in order to guarantee that business operations conform to the prevailing international rules and requirements and to reduce risks in overseas operations. If relevant standards are not available or local country has no specific requirements, through negotiation, we prefer to use PetroChina’s technical standards on the basis that local laws and regulations are observed, thus enabling the recognition of PetroChina’s standards internationally.

Fourth, PetroChina carries out international standardization exchanges and cooperation and participates in the formulation and amendment of international standards. On one hand, PetroChina gives a full account of its demand during the formulation and amendment of international standards and advanced foreign standards through active participation in ISO activities. So far, PetroChina has taken part in 12 activities of ISO Technical Committees and Technical Sub-committees, and entered into agreements with the American Petroleum Institute (API) and the International Association of Oil and Gas Producer (OGP) on standardization cooperation. On the other hand, PetroChina transforms its unique technologies into international standards, in order to promote its technical standards globally. Now, PetroChina serves as the secretariats of three ISO technical committees and sub-committees for coalbed methane, natural gas and pipelines. The Company is participating in the formulation and revision of nearly 20 international standards and advanced foreign standards, and two sets of international standards formulated by PetroChina were launched in 2014.

Fifth, PetroChina strives to promote the international mutual recognition of standards. Based on the situation of our overseas operations, PetroChina facilitates the mutual recognition of standards between Chinese standardization authorities and local countries, in order to take the lead in the industry to effectively reduce production and operation costs, and increase work efficiency.



What measures does the Company take to ensure that the contractors and suppliers work as per PetroChina’s standards?

A: In order to reinforce the management of engineering construction contractors so that they can perform according to the project standards, PetroChina takes the following measures in accordance with the Contractor Management Measures and as agreed in contracts:

(1) Organization guarantee. The Company has established the engineering construction contractor management leading group led by the Chairman of the Board and participated in by relevant departments and regional subsidiaries. Each subsidiary company has appointed dedicated managers to be responsible for the contractor management within their respective scope of responsibilities.

(2) System guarantee. The Company has established administrative measures on bidding and contractor management in engineering construction and maintenance, as well as the enforcement regulations on annual contractor evaluation.

(3) Main practices.

a. Strict contractor access. Any enterprise applying for access to the Company's engineering construction contractor database will be assessed in respect of qualifications, technical capability, project performance and reputation, in a series of procedures including recommendation by regional companies, verification by professional branch companies, evaluation and review by expert groups, approval by the headquarters, and announcement.

b. Prudent contractor selection. PetroChina selects the contractors from the contractor database through bidding in accordance with the Administrative Measures for Bidding.

c. Strict contractor management. The project company supervises and manages the contractors with appropriate measures at different stages of the project in accordance with the contract, in respect of construction arrangement, quality management, HSE management, construction cost management, schedule management, subcontractor management and information management.

d. Audit of management system. Regular audits are made by the regional company (project owner) on its contractors or by the contractor on its subcontractors, in order to be informed of the quality and the HSE management of the project, and timely find out and correct problems.

e. Annual evaluation. In the fourth quarter of each year, the Contractor Management & Leading Group organizes all project owners to examine and evaluate the contractors used in the year on whether they perform their contractual responsibilities and obligations during the implementation of the projects; whether their operations violate the Company's standards; whether their operational quality meets the requirements; and whether there are safety, occupational health and environment problems, etc. The contractors can be classified into four levels based on the evaluation results, i.e. Excellent, Qualified, Observed and Disqualified. Any disqualified contractor will be refused access.



How did the Company establish the reward and punishment mechanism for health and safety?

A: The Company establishes and implements the *Evaluation Rules for Production Safety and Environmental Protection Performance and Regulations on Management Responsibilities for Production Safety and Environmental Protection* and has established and improved the performance appraisal indicator system which combines process indicators and outcome indicators. The safety performance of each regional

company is considered in the assessment of its managers' performance, the company's gross compensation, and employees' personal salary. Specific assessment is made of the company managers' personal safety action plan and implementation of safety responsibilities, and the one vote negation system is continuously applied on production safety. The Company carries out the assessment of advanced enterprise, advanced collective and advanced individual in respect of production safety once a year, and the advanced enterprises or individuals are rewarded. The Company implements the *Evaluation Rules for Production Safety and Environmental Protection Performance*, and has established and improved the performance appraisal indicator system which combines process indicators and outcome indicators. The safety performance of each regional company is considered in the assessment of its managers' performance, the company's gross compensation, and employees' personal salary. Specific assessment is made on the company managers' personal safety action plan and implementation of safety responsibilities, and the one vote negation system is continuously applied on production safety. The Company carries out the assessment of advanced enterprises, advanced collectives and advanced individuals in respect of production safety once a year, and the advanced enterprises or individuals are rewarded.



What are the risks posed by global climate change, and how does the Company cope with them?

A: PetroChina sticks to the green and sustainable development strategy and proactively adapts to the global trend of low carbon development. We have made contributions in the reduction of greenhouse gas emission and mitigation of global warming by adjusting business structure, developing clean energies, improving energy efficiency, accelerating low carbon technology development and increasing carbon sinks, which are mainly demonstrated in the following four aspects:

(I) Maintaining sustainable and rapid growth in natural gas business. Natural gas is currently the fastest-growing business of PetroChina, while unconventional gas is a strategic alternative for future oil and gas growth. As for CBM, a series of economical and practical exploration and development technologies have been developed, with two major production bases built in Qinshui and Eastern Ordos. Two demonstration areas for shale gas industrialization are under construction.

(II) Expanding the renewable energy business. PetroChina vigorously promotes the evaluation, development and utilization of conventional and unconventional gas, biomass energy, geothermal energy and solar energy, and actively controls greenhouse gas emissions from the source. Demonstration projects for photovoltaic power generation, wind power generation, and geothermal resource development and utilization have been constructed in Xinjiang Oilfield and Liaohe Oilfield. A pilot test on the comprehensive utilization of geothermal energy has been carried out in Huabei Oilfield, achieving significant results in the utilization of geothermal energy for power generation, heating and heat-tracing for oil transportation.

(III) Reinforcing energy conservation and efficiency improvement. Focusing on energy conservation and efficiency improvement, PetroChina actively transforms its development pattern, and optimizes the industrial structure. We conduct assessments of the energy-saving targets and responsibility, especially in oil and gas production and refining, and increase the efficiency of energy utilization and raise the energy saving and emission reduction level by promoting the Energy Saving Projects and Emissions Reduction Projects, and reinforcing the management of energy saving and emission reduction in key segments.

(IV) Improving the low carbon development capability. For the purpose of greenhouse gas control, PetroChina has worked hard on low carbon technology innovation, carbon emission permits trading, CDM projects, and carbon sinks. For example, the demonstration project has been constructed in Jilin Oilfield for carbon dioxide capture, sequestration and enhanced oil recovery (CCS-EOR); and we also participated in the Tianjin Climate Exchange establishment and operation.

Objectives and Plans

Looking ahead to 2015, in order to build a world-class international energy company, PetroChina will continue to implement its strategies with regard to resources, markets and internationalization guided by the development policy giving priority to quality, efficiency and sustainability. We will promote the three fundamental projects including safety and environment, harmony and stability, and anti-corruption, and make efforts in business restructuring, fostering of growth points, and low-cost development. We will also deepen overall enterprise reform, promote innovation-driven development, improve corporate governance according to law, strengthen development momentum and vitality, and enhance our core competitiveness, in order to play a greater role in the energy revolution and boost social harmony and prosperity.

Aspects	2015 Objectives	2015 Action Plans
Corporate Governance	Implement law-based corporate governance throughout the whole process of promoting energy reform and sustainable corporate development, step up the establishment of a scientific and complete system of law-based corporate governance	<div><div>1.</div><div>Establish the concept of “supremacy of law”, and improve the law education mechanism</div></div> <div><div>2.</div><div>Promote management system reform, improve the governance mechanism and institutional system, and strengthen risk prevention and control</div></div> <div><div>3.</div><div>Strengthen the management incentive and restraint mechanism</div></div> <div><div>4.</div><div>Safeguard the interests of the Company and the employees according to law</div></div> <div><div>5.</div><div>Close loopholes of violation of laws and regulations, seek benefits through compliance management</div></div>
Oil & Gas Production and Supply	Give priority to oil and gas operations, stabilize domestic oil and gas supply, and promote energy and resource conservation	<div><div>1.</div><div>Keep consolidating our resource foundation; focus on quality and efficiency in oil and gas exploration and development</div></div> <div><div>2.</div><div>Focus on value enhancement, and accelerate gas development</div></div> <div><div>3.</div><div>Actively plan for unconventional and offshore oil and gas development, and keep abreast of the development and utilization of biomass and other new energy sources</div></div> <div><div>4.</div><div>Deepen oil and gas cooperation, and develop overseas business in a quality and efficient manner</div></div> <div><div>5.</div><div>Optimize the allocation of regional resources, accelerate the development and application of new and special technology, and increase the production of high-value-added products and new chemical products</div></div> <div><div>6.</div><div>Actively respond to market changes, and improve the network layout</div></div> <div><div>7.</div><div>Continuously enhance brand value and reputation</div></div>

Aspects	2015 Objectives	2015 Action Plans
Safety and Environmental Protection	Strictly enforce the <i>Work Safety Law of PRC</i> and <i>Environmental Protection Law of PRC</i> , strengthen supervision, seek both temporary and permanent solutions, and fully improve intrinsic safety	<div><div>1.</div><div>Accelerate the revision of relevant safety and environmental management regulations</div></div> <div><div>2.</div><div>Continue to carry out hazard control of long-distance oil and gas pipelines, and improve emergency plans and monitoring measures</div></div> <div><div>3.</div><div>Strengthen regulation over key areas and processes including dangerous chemicals, refining equipment, storage facilities, offshore construction and operations, and road traffic</div></div> <div><div>4.</div><div>Continue to promote the HSE system audit and regulate its operations</div></div> <div><div>5.</div><div>Fully implement administrative measures for risk control of production safety, and accelerate improvement of emergency response capacity</div></div> <div><div>6.</div><div>Strengthen energy conservation and emission reduction, and accelerate implementation of key energy conservation projects</div></div> <div><div>7.</div><div>Save water, and promote water recycling technology</div></div>
Employee Development	Give priority to professional and international development, improve systems and mechanisms, and fully improve staff quality and competence	<div><div>1.</div><div>Protect the interests of employees according to law, and improve the employee representatives' meeting system</div></div> <div><div>2.</div><div>Improve the mechanism to link payroll with performance, implement incentive and restraint supporting policies, and favor employees with great contributions and heavy responsibilities and employees taking front-line positions in our compensation and benefits policy</div></div> <div><div>3.</div><div>Expand trial units for parallel managerial technical system</div></div> <div><div>4.</div><div>Develop personal career development programs for technical, managerial and skill experts, and support their rapid growth</div></div>
Social Contribution	Benefit the people with our development and reform achievements, and jointly build a harmonious society	<div><div>1.</div><div>Enhance cooperation, and expand value sharing with all sectors of society</div></div> <div><div>2.</div><div>Improve the community health and pension service system</div></div> <div><div>3.</div><div>Continue to conduct target and non-target programs in poverty alleviation, disaster relief, donations for education, and youth volunteer campaigns and other activities</div></div> <div><div>4.</div><div>Enhance communication with investors, partners, customers, suppliers and other stakeholders</div></div> <div><div>5.</div><div>Explore cultural integration with partners and achieve mutual benefits and win-win outcomes</div></div>

Performance Statistics

Category	Indicator	2010	2011	2012	2013	2014
Economic	Total assets (RMB 10 ⁸)	16,565	19,176	21,689	23,421	24,055
	Turnover (RMB 10 ⁸)	14,654	20,038	21,953	22,581	22,830
	Net Profit (RMB 10 ⁸)	1,400	1,330	1,153	1,296	1,072
	Taxes (RMB 10 ⁸)	2,870	3,744	3,620	3,758	3,745
	Proven crude reserves (10 ⁶ barrels)	11,278	11,128	11,018	10,820	10,593
	Proven gas reserves (10 ⁸ ft ³)	655,030	666,530	675,810	693,230	710,980
	Oil equivalent production (10 ⁶ barrels)	1,228	1,286	1,343.1	1,400.0	1,450.4
	Crude oil production (10 ⁶ barrels)	858	886	916.5	932.9	945.5
	Marketable natural gas production(10 ⁸ ft ³)	22,212	23,964	25,588	28,019	30,288
	Total length of crude oil pipelines (km)	14,782	14,782	16,344	17,614	18,107
	Total length of refined products pipelines (km)	9,257	9,334	9,437	9,534	10,086
	Total length of natural gas pipelines(km)	32,801	36,116	40,995	43,872	48,602
	Crude runs (10 ⁶ barrels)	904	985	1,012.5	992.3	1,010.6
	Ethylene production (10 ⁴ tons)	361	347	369	398.2	497.6
Safety	Death rate caused by accidents (person/100 million working hours)	1.02	0.70	0.20	0.25	0.466
	Total accident rate (incidents/million working hours)	0.0120	0.0326	0.0387	0.0522	0.0487

Category	Indicator	2010	2011	2012	2013	2014
Environment	Energy conserved (10 ⁴ TCE)	173	113	121	108	116
	Water conserved (10 ⁴ cubic meters)	2,865	1,744	1,926	2,007	1,979
	Oil discharged in waste water (tons)	698	642	604	577	500
	COD in wastewater (tons)					*
	SO ₂ emission in waste gas (tons)					*
Employees	Number of employees (10 ⁴)	55.3	55.3	54.8	54.4	53.5
	Percentage of employees receiving occupational health checks (%)	96	95	95	91	97
	Percentage of non-Chinese nationals in overseas hires (%)	94	94	94	93.4	91
Public welfare	Contribution to poverty alleviation(RMB 10 ⁴)	6,308	3,706	4,124	6,799	8,974
	Educational donations (RMB 10 ⁴)	3,458	11,928	9,151	10,736	6,431
	Donations to disaster relief (RMB 10 ⁴)	4,499	595	1,881	2,152	314
	Environmental protection (RMB 10 ⁴)	5,588	75	965	1,377	85

*As of the date the report released, the statistics of COD in wastewater and SO₂ emissions in waste gas of the company in 2014 are under review of the Ministry of Environmental Protection of PRC (MEP), which will be publicized once verified. The verified statistics for the year 2014 shall be unveiled in this Sustainability Report Next year.

Note: Measurement units

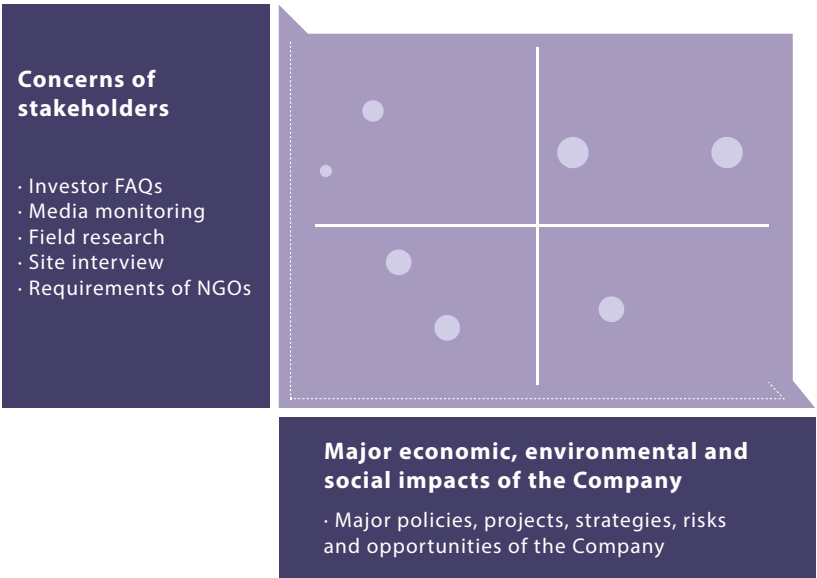
1 BOE = 1 barrel of crude = 6,000 cubic feet of NG = 169.9 cubic meter of NG

1 cubic meter of NG = 35.315 cubic feet of NG

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

Approach to Reporting

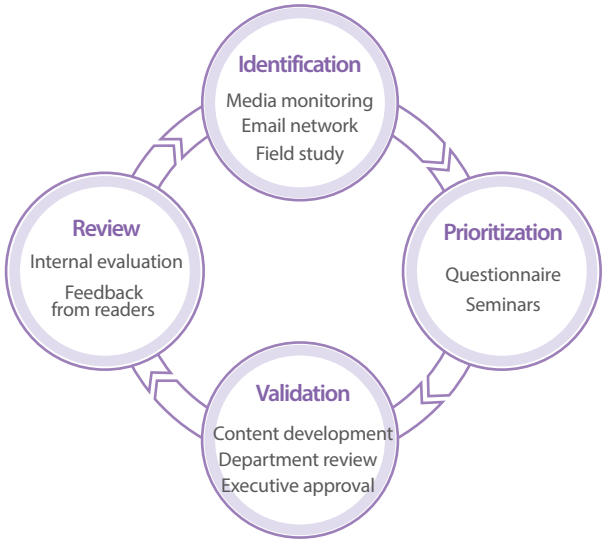
This Report focuses on major international and domestic events related to the sustainable development of the Company and its subsidiaries.



Content Selection Process

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

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



About This Report

This report illustrates activities the Company undertook in 2014 pursuant to its ongoing commitment to advance the community, the economy and the environment. All information disclosed in this report was sourced from PetroChina's official documents and statistics as well as from statistics gathered from the Company's affiliated enterprises. It takes into account the Company's development priorities and stakeholder concerns. This report has been reviewed in accordance with the Company's Rules for Information Disclosure Control and Disclosure Procedures. For continuity and comparability purposes, this report provides explanations on past and future initiatives on certain issues.

This report is formulated according to the key principles of accuracy, transparency and consistency. We took reference from the Guideline on Preparing the Report on Performance of Corporate Social Responsibility issued by the Shanghai Stock Exchange and the Environmental, Social and Governance (ESG) Reporting Guide issued by the Hong Kong Stock Exchange. Furthermore, we continued to consult the Sustainability Reporting Guideline (Version 4.0) released by the Global Reporting Initiative (GRI) and the Oil and Gas Industry Guidance on Voluntary Sustainability (2010) co-published by the International Petroleum Industry Environmental Conservation Association (IPIECA) and the American Petroleum Institute (API). As a member of the United Nations Global Compact (UNGC), we report our progress in compliance with the Ten Principles and will submit the report to be posted on UNGC's website (<http://www.unglobalcompact.org>).

This report includes a set of Forward-Looking Statements. Excluding historical facts, all events that may or will occur (including, but not limited to, premise, objectives, estimation and business plans) and descriptions of such events are categorized as Forward-Looking Statements. Due to the presence of external uncertainties, actual outcomes or the future climate may differ from those expressed in the Forward-Looking Statements. As the Forward-Looking Statements were made prior to December 31, 2014, PetroChina holds no responsibility or liability for any modifications made subsequent to the said date.

Thank you for taking the time to read this report. We welcome any comments and suggestions you may have as we believe that your feedback can improve our performance. This report is published, along with the Company's Annual Report 2014 in March 2015, in simplified Chinese, traditional Chinese and English. In the case of any discrepancy, the version in simplified Chinese shall act as the lead publication. Please visit our website (www.petrochina.com.cn) for more information or to download the electronic version of this report.

The Board and all the Company's directors hereby certify that there are no misrepresentations, misleading statements or material omissions in this report. Furthermore, we jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of this report.

Saving paper to build a greener earth together

Please visit www.petrochina.com.cn to review PetroChina's compliance with *Sustainability Reporting Guidelines* (Version 4.0) released by the Global Reporting Initiative and *Oil and Gas Industry Guidance on Voluntary Sustainability* (2010).

You can log on to our website www.petrochina.com.cn or scan the QR code to browse or download the electronic version of this report and learn more about us.

