

# **2020 Social Responsibility Report**

## **Offshore Oil Engineering Co., Ltd.**

### **About the Report**

#### **Time Frame:**

From January 1, 2020 to December 31, 2020.

#### **Release cycle:**

The report is an annual report and the 13th social responsibility report of Offshore Oil Engineering Co., Ltd.

#### **Organizations covered:**

Offshore Oil Engineering Co., Ltd. and its subsidiaries (see the "Corporate Governance" part of the report for the organizational structure)

#### **Data sources:**

The data used in the report are collected from official corporate documents, statistical reports and financial reports, etc., and has been reviewed by relevant departments of the Company. The Company's Board of Directors guarantees the true, accurate and complete contents of the report, without false records, misleading statements or major omissions, and assumes joint and several liabilities.

#### **Preparation Basis:**

The Report is prepared based on the Notice of Strengthening Listed Companies' Assumption of Social Responsibilities (encouraging disclosure of sustainability) issued by SSE.

#### **Notes to Reference:**

For ease of expression and reading, "Offshore Oil Engineering Co., Ltd." in the report is also referred to as "COOEC", "the Company", or "We".

#### **Report Access Means:**

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## I. Basic information of the Company

The Company is the only large-scale EPCI company in China which integrates engineering design of offshore oil and natural gas development projects, onshore manufacturing and offshore installation, commissioning, maintenance and LNG projects. It is also one of the biggest general contractors for EPCI (engineering design, procurement, construction and installation) of offshore oil and gas engineering in the Asian-Pacific region. It is headquartered in Tianjin Port Free Trade Zone, and was listed on Shanghai Stock Exchange in February, 2002 (Stock abbreviation: COOEC, Stock code: 600583).



COOEC has about 8,000 employees, constituting a multi-level and wide-range professional team for general contracting of various projects, and has established the operation procedures and management standards that align with international standards. It owns an ocean engineering manufacturing base with a total area of over 1,200,000 m<sup>2</sup> in Qingdao, Shandong, an ocean engineering equipment manufacturing base with a total area of 575,000 m<sup>2</sup> in Lingang Industrial Area of Binhai New District, Tianjin, which is under construction, and an ocean engineering manufacturing base with a total area of 2,070,000 m<sup>2</sup> in Zhuhai, Guangdong, which is owned by the joint venture of COOEC-Fluor Heavy Industries Co., Ltd. (51% share held by COOEC and 49% held by FLUOR). These bases form a construction

base layout pattern facing the international market, which crosses south and north and covers both deep and shallow waters with complementary functions. The Company owns a professionalized offshore construction fleet made up of 21 offshore construction ships, including deepwater pipeline laying ship that has level III dynamic positioning capacity, 7,500 t crane vessels, underwater engineering vessels, deepwater trenching vessels, and 50,000 t semi-submersible type self-propelled vessels, with offshore installation and pipe laying capabilities of leading level in Asia.



Through construction and development over more than 4 decades, the Company has developed eight major capacities, including engineering design, construction and installation of offshore projects, offshore oil and gas field maintenance, underwater engineering inspection and installation, high-end skid-mounted product manufacturing, offshore project quality inspection, offshore EPCI management, and LNG engineering construction. It has a series of core technologies, such as technologies for the design, construction and installation technologies of 30,000-ton extra-large offshore platforms, underwater inspection and maintenance in 300 m deep waters, submarine pipeline repair and old offshore

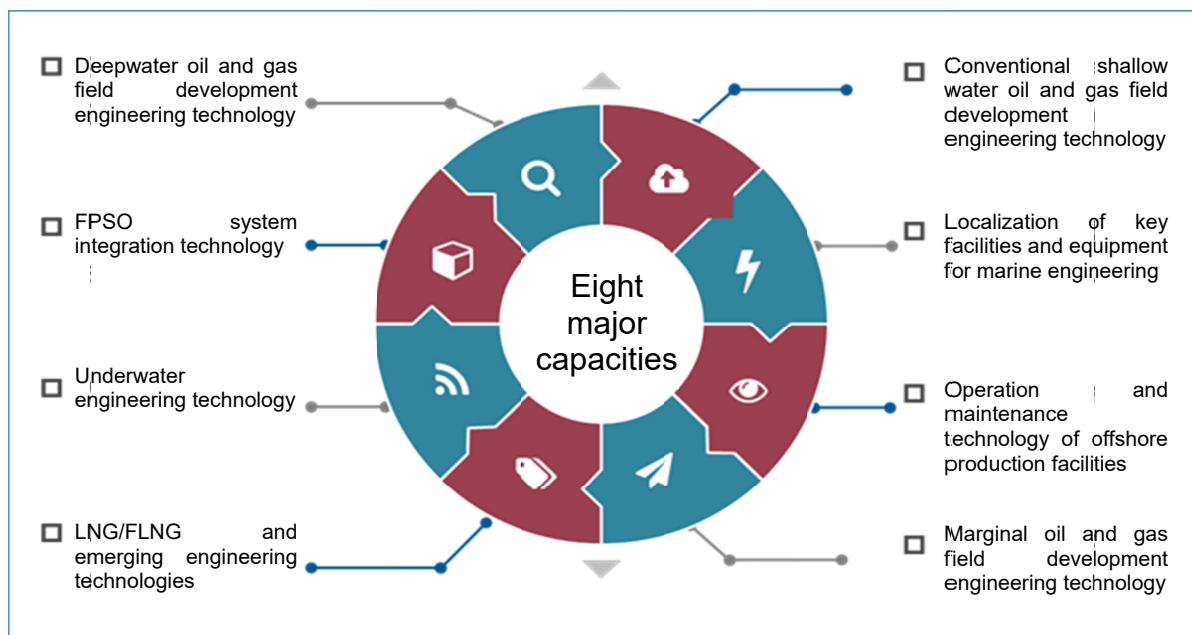


platform dismantling. The company is capable to lay pipe in 1,500 m deep waters.

COOEC has a complete business chain including design, land construction, loadout, transportation, offshore installation, subsea pipeline/cable laying, connection and commissioning, oil fields operation, inspection and maintenance, assessment and service life extension, and facility dismantling.



The Company successively provided engineering services to domestic and foreign clients, such as CNOOC Limited, ConocoPhillips, Shell, Saudi Aramco, Petrobras, Husky, Kerr-McGee, Technip, MODEC, AkerSolutions and FLUOR, for offshore oil and gas resource development, and has made its mark in many countries and regions such as Southeast Asia, the Middle East, Australia, Russia, Brazil, Europe and Africa, in addition to sea areas of China.



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In recent years, by strengthening and improving conventional marine engineering capability, keeping up with the main development trends of global oil & gas industries, and accelerating product and industry transformation and upgrading toward green and low-carbon development with higher added value, it cultivated and formed a batch of key industries adapting to the main trend of industry development, such as LNG industry (including global LNG module construction, domestic LNG receiving terminal and liquefaction plant projects), deepwater and underwater project industry and FPSO industry, and formed the new growth pole, which remarkably enhanced its comprehensive strength and anti-risk ability and further expanded the space for development. The Company will continue to unswervingly implement the development strategy, adhere to the concept of serving the national strategy as its own responsibility and customer-oriented concept, and strive to achieve high-quality development and build a world-class energy engineering company with Chinese characteristics.

## **II. Responsibility governance**

### **1. Principle for responsibility**

Facing the severe combined impact of low oil price and COVID-19, the Company actively performs its missions and tasks by always upholding the principle that the fundamental political task for a state-owned energy enterprise is to ensure national energy security, and makes the right choice to focus on increasing reserves and production of oil and gas in breaking China's over-reliance upon foreign energy. The Company actively shoulders and fulfills the responsibilities and obligations in serving the national energy strategy and CNOOC's deployment, with the important initiative "Seven-Year Action Plan" as the central task, to enhance its strategic resolve and pursue further reform and development. It endeavors to break new ground in its high-quality development over the 14th Five-Year Plan period, build core competitiveness and healthy and sustainable development capability, and strives to create greater value for its shareholders in serving national overall development and CNOOC's arrangement.

### **2. Corporate governance**

#### **2.1 Governance system**

The Company formulates Articles of Association, Rule of Procedure for Shareholders Meeting, Rule of Procedure for Board of Directors, Rule of Procedure for Board of Supervisors, Description of President's Work, System of Independent Directors, Management System of Information Disclosure and Investor Relations, Investment Management System and other standardized documents for corporate governance and forms systematical framework of corporate governance based on Company Law, Securities Law, Guide for Charter of Listed Companies, and relevant documents and requirements of securities market supervision authorities.

No.	Governance system	No.	Governance system
1	Articles of Association	12	Working System for Secretary of the Board of Directors
2	Rule of Procedure for Shareholders Meeting	13	Procedure for Annual audit of Audit Committee of Board of Directors
3	Rule of Procedure for Board of Directors	14	Management System of Information Disclosure
4	Rule of Procedure for Board of Supervisors	15	Management System of Investment
5	Description of President's Work	16	Management System of Shareholding in the Company by Directors, Supervisors, Senior Managers and the Changes
6	Rules for Strategy Committee of Board of Directors	17	Confidentiality System for Insiders
7	Rules for Remuneration and Appraisal Committee of Board of Directors	18	System of Accountability for Major Errors in Information Disclosure of Annual Report
8	Rules for Nomination Committee of Board of Directors	19	Internal Accountability System of Offshore Oil Engineering Co., Ltd.
9	Rules for Audit Committee of Board of Directors	20	Management Measures of Investor Relations
10	Work System for Independent Directors	21	Measures for Management and Use of Raised Funds
11	Work System for Annual Report of Independent Directors		

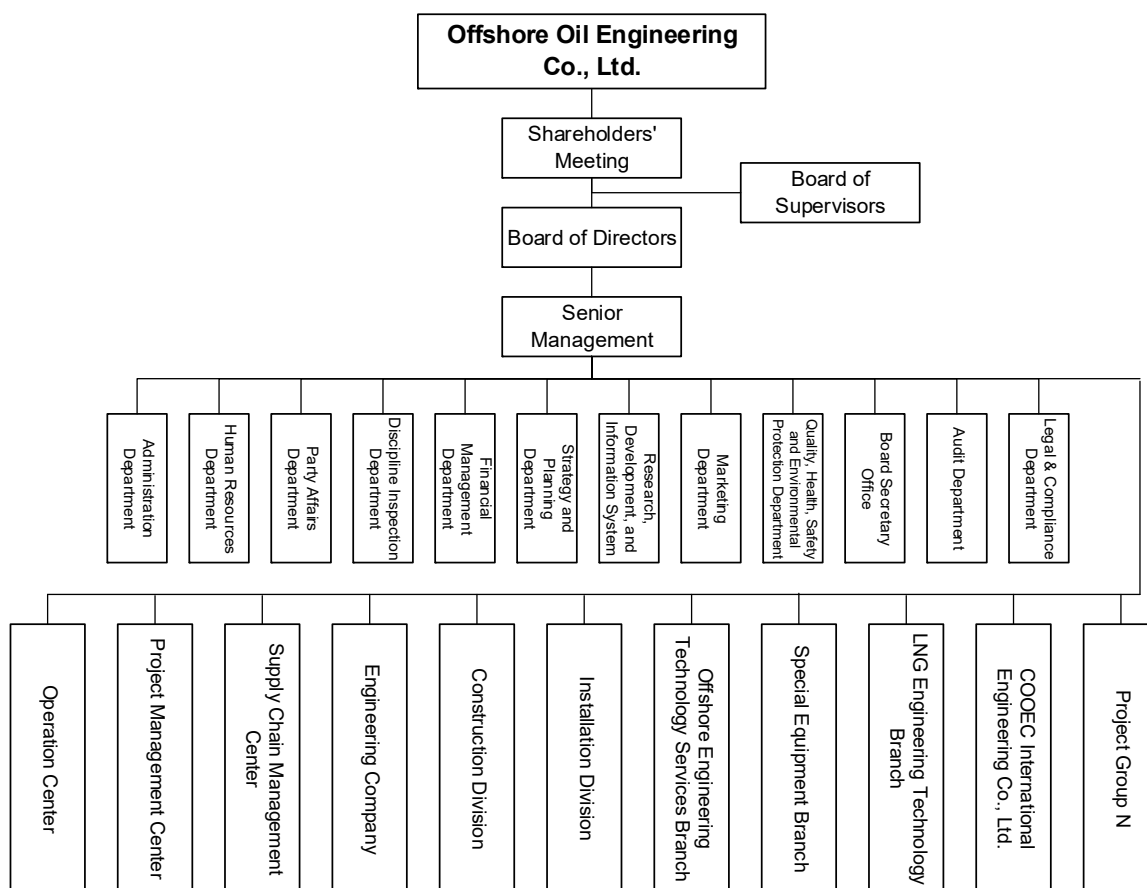
During the reporting period, the Company constantly improved its corporate governance structure in accordance with laws and regulations as well as the requirements of the supervision authorities, and revised and improved the Articles of Association and other governance systems and internal control systems in a timely manner, to ensure the collection of project payments and the performance of duties by legal representative in compliance with laws. It has effectively enhanced standard operation and guaranteed legal management, and safeguarded the legitimate rights and interests of the Company and its shareholders.

The Company continued to step up the building of the internal audit system, by making all-round efforts to conduct corporate internal control, audit and evaluation, promoting the rectification of defects in corporate internal control, and strengthening internal inspections to standardize operation and management. In view of the

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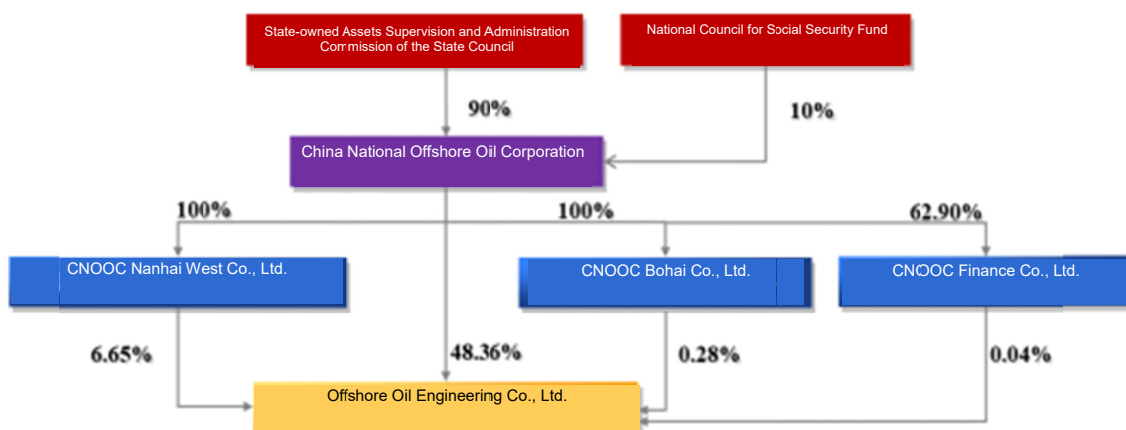
Company's business key points, it conducted targeted audits on management of construction projects, outgoing senior managers, economic responsibilities during the terms of office and special financial items.

During the report period, in response to the call to ensure a systematic and complete system, adopt a science-based and standard approach, maintain effective management, the Company persisted in optimizing the internal control system, based on the actual conditions of reform deepening. It revised and prepared a total of 150 system documents in the year, among which 39 were new documents, 111 were revised, and 4 that are zombie documents were abolished, realizing a completion rate of 138%, as compared to planned 108. As of December 31, the Company has a total of 419 system documents at Company level, covering 12 areas including engineering projects, supply chains, human resource management, and financial management, in addition to 25 regulations, 184 policies, and 210 rules. At the same time, in its efforts to advance the optimization of operation-level processes in the year, it organized the sorting out and optimization of core business processes of production and operation, and established 39 system documents at operation level, achieving 37% reduction on average in systems, processes and control points.



## 2.2 Controlling shareholders and actual controller

As of the end of 2020, general capital of the Company reached 4.421 billion shares. CNOOC and its wholly-owned subsidiaries hold 55.33% of the shares. The controlling shareholder and actual controller of the Company is China National Offshore Oil Corporation. The property titles and control relationship between the Company and its controlling shareholders are shown in the figure below.



## 2.3 Shareholders' equity

**Policy of profits of shareholder of the Company.** As a listed company, creating value for shareholders and return to shareholders becomes its institutional guarantees rather than merely its business philosophy. With full consideration of the investor's return and without violating rules of cash bonus in Company Law, profits of shareholder shall be distributed according to stipulated ratio of net profits that belongs to parent company in consolidated statement of the year. Profit-sharing policies of the Company remains continuous and stable and gives consideration to the long-term interests of the Company and whole benefits of shareholders and sustainable development. Cash bonus is the preferential method adopted for profit-sharing. The Company made 18 profit distributions from 2002 to 2020, involving an cumulative cash bonus of 4.577 billion yuan. The ratio of cash bonus in the net profit of the year has been rising year by year from 2011 to 2020.

**Distribution of COOEC from 2011 to 2020**

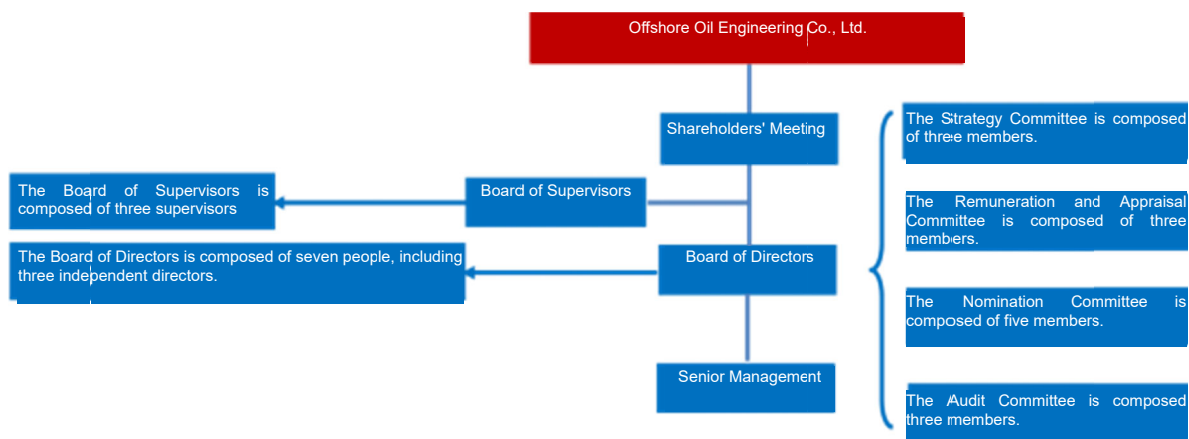
No.	Time	Cash bonus distributed per share (Tax included)	Cash bonus (100 million yuan)	Net profit of the year (100 million yuan)	Ratio of cash bonus in the net profit of the year
1	Year 2011	0.035	1.36	1.81	75.14%
2	Year 2012	0.030	1.17	8.48	13.80%
3	Year 2013	0.100	4.42	27.44	16.11%



4	Year 2014	0.230	10.17	42.67	23.83%
5	Year 2015	0.250	11.05	34.10	32.40%
6	Year 2016	0.100	4.42	13.15	33.61%
7	Year 2017	0.050	2.21	4.91	45.01%
8	Year 2018	0.050	2.21	0.80	276.25%
9	Year 2019	0.060	2.65	0.28	946.43%
10	Plan for Year 2020	0.070	3.09	3.63	85.12%

## **2.4 Operation of the shareholders meeting, Board of Directors and Board of Supervisors**

The Company establishes standardized and explicit corporate governance structure and forms scientific and effective assignment of responsibilities and balance mechanism meeting requirements of Company Law, Securities Law, Code of Corporate Governance for Listed Companies in China, Rules Governing the Listing of Stocks on Shanghai Stock Exchange, etc., and supervision requirements of China Securities Regulatory Committee, Shanghai Stock Exchange, etc. The shareholders meeting enjoys all rights specified by laws, regulations and Articles of Association, exerts decision-making rights for management, financing, investment, profit-sharing and other significant matters of the Company legally; Board of Directors is responsible for the shareholders meeting, and enjoys implementation rights to resolutions of the shareholders meeting and operating decision rights specified; Board of Supervisors shall be responsible for the shareholders meeting and inspect and supervise implementation, etc. of corporate financial staff, internal control personnel and senior managers; and management layer is responsible for organizing and implementing resolutions of the shareholders meeting and Board of Directors and being in charge of daily operation and management of the Company. The actual governance of the Company shall comply with requirements in the Company Law and relevant regulations of CSRC.



**First, the two “persistences” shall be put into practice.** Two “persistences” is an important conclusion and clear requirement to strengthen the party building work in state-owned enterprises under the new situation. It points out the direction for state-owned enterprises to adhere to the party’s leadership, strengthen party building and unswervingly do better and make greater progress in deepening the reform. As a state holding listed company, the Company actively implements the two “persistences” concepts and requirements in corporate governance practice, and embeds the party’s leadership into corporate governance in combination with the actual situation of the Company. It strengthens organizational guarantee by revising and improving the management system, and gives full play to the leading role of the Party Committee. The Company implements decisions and plans of the Party Central Committee, and keeps up efforts to promote ideological and political development, to enforce full and strict Party self-governance, to enhance production and operation and to give full play to the leading role of the Party Committee in the direction, overall situation and implementation.



**Second, the shareholders meeting.** The Company complies with Company Law, Securities Law, Rules Governing the Listing of Stocks and Rules of Procedure for Shareholders Meeting and is in strict accordance with relevant requirements during meeting convening, holding, meeting bill, meeting procedure, meeting resolution, information disclosure, etc. to ensure all shareholders, especially minority shareholders, can exert their own legal rights and enjoy equal positions. The Company has invited the lawyer to participate in all shareholders meeting to confirm and witness holding procedures and audited events of the meeting and identification of participants and provide legal opinion ensuring legal and efficient shareholders meeting effectively.

In 2020, three shareholders meetings were held by the Company respectively in January, June and September. Eleven proposals such as the Annual Report 2019, profit-sharing plan, work reports of Board of Directors, work reports of Board of Supervisors, final account report, further employment of financial and internal control audit institutions of the Company, election of directors, election of supervisors were deliberated and approved, which safeguarded the shareholders' legal rights practically.

**Third, the Board of Directors.** The Company, strictly following the selecting and engaging procedures stipulated in the Articles of Association, selects and engages directors with the legal quorum and member constitution. The Board of

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Directors is composed of seven people, including three independent directors and the number of independent directors accounts for more than one-third of total number of Board of Directors.

The Board of Directors enhances the principle of standard operation and legal management, perseveringly follows the principle of group discussion for decision making, and pays high attention to the role of independent directors. All the proposals in the board meeting and reporting matters are jointly discussed by the Board of Directors, guarantying all the important decisions in the Company are made after discussion of the Board of Directors, and maintaining overall interests of the shareholders.

The Company held eight board meetings in March, April, June, July, August, October and December 2020, including two spot meetings, two video meetings, three teleconferences, and one fax conferences, and deliberated the regular reports, profit-sharing plans, plans of director election and appointment of Chief Financial Officer, financial budget plans and capital expenditure plans and matters such as the provision of guarantees for subsidiaries, use of raised funds and change of financial policy. In addition, the Company's development plan, the requirements of the Board of Directors' resolutions, the implementation and other important matters were discussed to make science-based decision-making for normal production and operation of the Company.



**Fourth, the Board of Supervisors.** The composition of Board of Supervisors conforms to the law requirements. It is composed of three supervisors, including two

supervisors of shareholders, one supervisor of employee's representative, and the supervisors of the Company has professional knowledge and work experience in terms of accounting, auditing, human resources management, etc. The supervisors can perform their duties in accordance with the Articles of Association and the Rules of Procedure for Board of Supervisors, supervise production and operation management and internal control of the Company and regularly conduct investigation and research on the Company and propose suggestions for improvement, so they gave full play to their supervision function and protected the legal rights and interests of the Company and all shareholders.

During the report period, the Board of Supervisors held 6 meetings. Supervisors attended the shareholders meeting and all meetings of directors, reviewed regular reports of the Company, internal control evaluation reports, financial statements, allowance for assets depreciation reserves, profit-sharing plan, changes in accounting policies, usage of raised money, procurement of bank financial products and other important matters, and provided review opinions in writing form on regular reports prepared by the Board of Directors. All supervisors fulfilled their own responsibilities carefully and paid high attention to supervision of legal operation, finance, regular reports and responsibility implementation of Board of Directors and senior managers of the Company, etc.



## **2.5 Information disclosure**

The Company establishes and improves internal control system and constantly promotes standardized and process management to enhance corporate

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governance based on the requirements of Company Law, Securities Law, Rules Governing the Listing of Stocks on Shanghai Stock Exchange, etc., and corporate governance requirements of China Securities Regulatory Committee, Shanghai Stock Exchange. It performs information disclosure obligations legally, strengthens management over Investor Relations, fully protects the legitimate rights and interests of investors, and drives the sustainable development of the Company.

The Company can disclose relevant information truthfully, accurately and completely meeting laws, regulations, Articles of Association, and Information Disclosure System, and keep the information confidential before information disclosure to ensure the fair and just access to information by all shareholders.

The Board of Directors of the Company sets up specialized bodies and appointed personnel to them to legally perform information disclosure obligations, receive visits, respond to inquiries and conduct other necessary activities. Without divulging business secrets, the Company voluntarily discloses information through enterprise portals in accordance with laws and regulations, to offer fair access to all investors. The Company guarantees the information disclosure is true, accurate, complete, timely and fair.

In the report period, the Company paid high attention to the information disclosure work, and constantly consolidated the Company's standard operation foundation, and completed the preparation and disclosure of 4 periodic reports and 34 interim notices under the terms of Rules Governing the Listing of Stocks of Shanghai Stock Exchange and regulations and rules related to information disclosure. It focused on disclosure of business key points and detailed production data, made efficiency analysis of financial indexes according to industry changes and effectively predicted on the industry development trend and the Company's future development trend to offer valuable information for investors' decision-making.

In August 2020, the Company received the "Notice on the Rating Result of Information Disclosure of the Company in 2018-2019 from Shanghai Stock Exchange, which rates its information disclosure as Class A. This represents the regulatory authority's recognition of the Company's information disclosure quality and standardized operation, enhancing the company's credibility in the capital



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market and promoting the Company's image as a responsible listed company.

## **2.6 Investors interests**

In 2020, with the outbreak of COVID-19 pandemic, the fluctuations on the international financial market, and the slump of international oil price, significant impact was produced on economic and social development and business operations in the short term home and abroad. Facing the difficulties and challenges, the Company still decided to increase communication with the capital market and continued to strengthen and improve the investor communication system, communicating patiently on questions concerned by investors, including the Company's gross profit rate level of orders in hand, the progress of key deepwater projects, the utilization of sites, the positive impact brought by CNOOC's "Seven-Year Action Plan", the development of overseas markets, the Company's orders newly signed and in hand, and the prediction of future new energy development. In light of the gradual rise in international crude oil prices, it directed investors' attention to the Company's development strategy in the next three years by discussing the order structure, workload trend and industry prospects, achieving positive results.

During the report period, the Company convened a total of twelve telephone exchanges, attended by 247 people from more than 230 research institutions, the people and institutions both doubled in number compared with last year. Through exchanges, many research institutions were firmly optimistic about the medium- and long-term sustainability of the "Seven-Year Action Plan", agreeing that the Company's sufficient orders and workload are the most important guarantee for maintaining growth amid the current complex internal and external environment, and conducted research, analysis, and decision-making on the Company as the core subject matter of A-share listed company in oil and gas service and engineering industry, laying a sound foundation for the Company to utilize the capital market in the future.

## **2.7 Recognition from capital market**

In the past two years, the Company Law, Securities Law, and Rules Governing the Listing of Stocks on Shanghai Stock Exchange have been revised in succession, advancing higher requirements on the governance of listed companies. The

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Company earnestly studied the latest regulatory requirements, revised the Company's Articles of Association, Rule of Procedure for Board of Directors, Investment Management System and other governance systems based on the actual situation of the Company, and improved decision-making efficiency through appropriate authorization, boosting governance efficiency. In 2020, the ESG of CNOOC Engineering was rated as BBB by MSCI, surpassing most peer companies in China, which indicates the corporate governance of the Company has earned recognition across the international capital market.

## **2.8 Party building**

The party building and leadership has an increasingly prominent role and the party building takes on a new look. The Company convened fifty-nine party committee conferences to study three-hundred and thirty one issues related to decision on major issues, appointment and removal of important cadres, investment decision on major projects and use of large amount of funds. It implemented the new strategy featuring Four Reforms and One Cooperation and set up a "Seven-Year Action Plan" leading team and office to ensure the smooth implementation of the "10+1" Project. It formulated "Regulations" and "Lists" for exercising full and rigorous governance over the Party, established a regular meeting mechanism, to comprehensively promote the implementation of responsibilities, and to give full play to the major exemplary role of Party organizations and Party members in responding to the challenge of low oil prices, and to seek for benefits from reform, management, market, innovation, and safety.



Reward Ceremony of "Three Major Activities" of the Party, Labor Union and League in 2019 & Flag Presentation Ceremony in 2020

## **2.9 Anti-corruption**

The Company formulated the COOEC Employee Handbook, specifying rules

for matters such as fair trade and fair competition, conflicts of interest, prohibition of insider trading, environmental safety and health, enforcement and disciplinary measures. At the same time, it paid high attention to the building of a clean enterprise, and consolidated the Company's foundation by intensifying efforts on learning and education. The Company improved the professional ethics system through organization and leadership, and developed a complaints and reports handling process, with regard to any complaint and report against violations of the "Professional Code of Conduct" to effectively control risks.



### III. Quality and safety responsibility

In 2020, the Company conscientiously implemented the state's and CNOOC's instructions and requirements on work safety, actively put the concept of safe development into action, and made sustained efforts to comply with CNOOC's safety and environmental protection concept of "putting safety, and environmental protection first, taking a people-centered approach, and keeping the equipment intact" and the safety principle with CNOOC's characteristics of "taking people-centered approach, implementation and offering help". It strengthened the accountability system for leading officials and principal entities, specified more detailed responsibilities for all employees, directed more attention to management and control over high-risk operations and upgrading of emergency response capabilities, and enhanced the implementation of QHSE management over project subcontracting, etc. by aiming at taking the lead in achieving world-class safety and

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environmental protection, sticking to systematic management, and focusing on driving the implementation of the three-year special rectification action plan for work safety and special improvement of QHSE management.



**1. Regular anti-epidemic response measures and making utmost efforts to ensure work safety in the Company**

**First, a science-based approach was taken to prevent and Control COVID-19 realizing no mortality and no new transmitted COVID-19 cases.** The Company paid high attention to the prevention and control of the COVID-19 epidemic, conscientiously implemented the national regulations of epidemic prevention and control and strictly abided by the prevention and control requirements issued by the offshore oil industry and local governments, and always upheld the lives, safety and health of employees as the primary criterion. It responded for epidemic prevention and control the first time, and made decisions and deployments immediately. The Company formed the epidemic prevention and control leading team and working team, formulated comprehensive and thorough prevention and control plans and schemes, and strictly implemented them. The sound momentum in COVID-19 response enables the Company to realize production resumption the first time. After a major strategic success has been achieved in the nationwide control efforts, the Company still maintained constant

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vigilance and took control measures on a continuing basis, and enhanced COVID-19 response not only among employees of the Company but also among the workers of its subcontractors through direction and management in Qingdao, Tianjin, Zhuhai and other construction sites. It adopted ship-by-ship treatment in all sea areas of China, to carry out effective epidemic prevention and control on offshore vessels and resolutely prevented the epidemic from spreading into the sea area from land. In overseas operations areas with complex environments such as Saudi Arabia, Nigeria, and Canada, the Company offered protection and psychological counseling for overseas employees by actively pooling resources, guided the overseas employees to do their best to protect themselves, and helped the "Lanjiang Vessel" and the "Offshore Oil 202 Vessel " return to China safely from the Middle East and Nigeria, effectively protecting the lives, health and safety of employees.

Through the foregoing work, the Company has achieved the target of no confirmed COVID-19 cases and no suspected cases among the employees of the Company, which enable the Company to catch up the schedule affected under the impact of the epidemic outbreak and to guaranty the normal production and operation throughout the year.



In the COVID-19 pandemic, the Company's Party Committee solved the



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practical difficulties of employees, and ironed out the concerns and worries for personnel stationed abroad, by directing more efforts to giving caring for employees and to safeguarding the health and safety of employees and their families. It built up confidence in the employees that they can win the fight against the pandemic and gave them encouragement by sending regards to a total of 19,924 employees via online means such as phones, text messages, WeChat, QQ, emails, and video phones, and to a total of 720 employees by personal visit and providing psychological counseling to 284 employees, and made cooperative efforts to ensure the orderly and smooth implementation of production and operation in the Company.



**Second, Work Safety Month Campaigns was launched to promote the spirit and cultivate the work safety atmosphere.** During the period, 3 sessions and 18 sessions of safety lectures were given respectively by the leaders of the Company and leaders from departments of subordinate units and government agencies; 1,172 safety education campaigns were launched, involving a total of 47,000 people; more than 700 discussions were held on "Hidden Dangers and You", involving 12,352 people; in addition, 272 safety promotion banners were made, 702 safety posters of various types were put up, and 10,914 copies of publicity materials were distributed.





Pre-shift Meeting on Work Safety for All before Lifting Operation

**Third, quality system was promoted, and awareness and ability in quality control was raised among all employees.**

In 2020, the Company fully achieved its overall quality goals, and had the number of major engineering quality accident due to negligence kept to zero. Based on the actual situation of the Company, it organized and launched quality cultural activities with characteristics of the Company taking the new carrier, i.e., theme weeks, to carry out more than 20 activities covering five areas, including quality awareness promotion, quality education and training, hidden danger inspection, quality improvement and quality system promotion, and extended the activities beyond to engage contractors, which involved a large number of participants and multiple forms, and was large-scaled and broad-based. In addition, it constantly promoted a "zero defect" quality management culture, by organizing foreign experts to ensure the effective implementation of six zero-defect management procedures through tour guidance and training, and launching "Zero Defect Day" and "Ten Best Zero Defect Trainers Competition" and other campaigns at the same time.



## **2. The QHSE management system was constantly optimized and safety management was strengthened.**

In 2020, the Company organized and completed the revision of 22 company-level QHSE management system documents, including Rules on Responsibility System for Quality, Health, Safety and Environmental Protection of All Personnel and Rules on Leaders Taking Inspection and Personal Charge of Shift, and promoted and implemented them in time. It organized and completed the internal auditor and process audit/layered process audit/product audit training in ISO45001: 2018 to further enhance the professional capabilities of the system audit team. The overall work safety was basically stable, fulfilling HSE assessment targets issued by CNOOC. In 2020, the Company (including direct contractors) invested 63.57 million man hours, a year-on-year increase of 44.4%; has a loss time incident rate of 0.019, a year-on-year decrease of 16.9% and a recordable incident rate of 0.028, a year-on-year decrease of 30.8%.

## **IV. Social harmony responsibility**

### **1. Talent team construction**

**First, employee composition.** As of the end of 2020, the Company has a total of 7,894 in-service employees, including 2,575 production personnel, 3,263 technicians, 95 financial personnel, and 1,961 operation management and project management personnel. Among them, 1,084 have a master degree or above, 3,862

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have a bachelor degree, 1,491 have a college degree, and 1,457 have a secondary school degree or below.

**Second, remuneration and benefits.** The Company implements the remuneration system consisting of the post & performance-based pay system and other distribution systems. Establishing the benefit bonus distribution mode in combination with the Company's business performance and the employees' personal performance, the Company explores diversified salary incentive methods, strengthens the differentiated salary distribution, highlights the incentive for important and key positions, and forms an incentive mechanism that focuses on actual performance and contribution, and allocates resources to excellent talents and key positions in various forms, to attract and retain talented professionals providing guarantee for the Company's development.

**Third, talent development.** In 2020, by conscientiously implementing the strategy of reinvigorating the enterprise through talents and the "3+1" Project for the building of cadre teams, the Company further improved and optimized the training management system, made greater efforts to promote the knowledge management project, and unceasingly nurtured employees with higher comprehensive quality and competence. It organized and implemented 4,299 training sessions, and the training hours per person met the target requirements, and improved training efficiency with innovative training means by encouraging the wide use of "Hai Xue" platform for launching online training, to bolster its efforts to turn to be a first-class international energy engineering company with Chinese characteristics.



**Fourth, caring for employees.** In 2020, the Company created a upbeat corporate culture and increased the employees' sense of belonging, benefit, and happiness, by implementing cultural activities and assistance and support policies in various forms, which include establishing the Company's calligraphy and painting association, holding the first Golden Mike Emcee Contest, high temperature measures, inviting experts to give occupational health lectures and emergency training courses, and the organization of team development, QHSE safety training and other activities in which labor protection of employees, occupational disease prevention, and other relevant themes are embedded.

More caring for sick employees. The Company created enabling conditions for sick employees to return to China soon by pooling relevant resources and mobilizing every force available. It transported Pan Guoqiang, a malaria-infected employee, from Nigeria to China for emergency treatment under the help of International SOS and set up a special COOEC overseas medical working team for emergency transport, to launch a transnational rescue according to the requirements of national authorities and CNOOC, under explicit assignment of duties including contact and formalities handling, medical resources targeting, logistical support, and families soothing.

More caring for employees at the front line and new employees. During the



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Chinese Spring Festival season, the Company's heads sent festive greetings via video link to employees stationed abroad and at the front line of the offshore projects. At Qingdao Site of the Construction Division, the employees, who stayed at the front line during the festival, never ceased to expedite the work, but all rolled up their sleeves and worked with added energy, fully presenting the image of "Iron Army of Offshore Oil Engineering and Construction. In particular, many migrant workers in the team opted to stay put and remained on their post during the Spring Festival holiday in response to the Company's and government's call, jointly creating a unique festival atmosphere and also providing manpower support for production resumption after the Festival for projects under construction in Qingdao. At the same time, the heads of the Company celebrated the Spring Festival with the employees newly recruited in 2020 who opted to stay in Tianjin to enhance their sense of belonging.



More caring for women employees. During the International Working Women's Day (march 8), the Company has carried out various activities such as commendation meetings, mental health counseling, fun sports games, and flower arrangement to show caring for women employees and enrich their cultural life.



More caring for workers in difficulties. Branches and subsidiaries have started to visit the underprivileged families of workers, extending regards from the Company to them on the eve of the Spring Festival, and also provided professional psychological counseling platform for them to help the workers change the mindset



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and weather the tough time.



## 2. Benefitting society

**First, targeted poverty alleviation.** In 2020, the Company prudently fulfilled social responsibilities as a central enterprise in combination with its own business practice, and has done a great deal in launching social assistance activities such as poverty alleviation, education, culture, health and sports, as well as youth volunteer activities such as serving the society, helping to transmit corporate love, establish the image of CNOOC and promote social harmony.

In Spring Festival special activity "Visit Underprivileged Families of Workers" and visiting workers in difficulties before festivals in 2020, the Company visited underprivileged families of 24 workers, with a total poverty alleviation amount of RMB 244,000. The Company helped 35 children of the workers in difficulties for study, and granted RMB 119,400. It provided one-time assistance to 2 staff who suffered from serious diseases, with the expenditure of RMB 40,000. 375 disabled people were rescued, with the spend amounting to RMB 865,000. The total amount was RMB 1,268,400.



Visit to Hope Primary School

During the report period, in response to the call of the Party Central Committee and the State Council, the Company launched the Poverty Alleviation Day with theme of "Go forward Hand in Hand to Win the Battle against Poverty" to fully present the achievements in poverty alleviation, and to pool all resources to create synergy in the battle against poverty. Exhibition and sales booths were carefully arranged in the building in the bonded area, displaying about 40 kinds of agricultural products from five regions under paired assistance of CNOOC, in Tibet and in Hubei Province. Products were sold both online and offline at the same time, and were purchased by many employees who contributed to the fight against poverty.





Employees are purchasing products for



Banner with Employees' Signatures

**Second, fulfillment of duties of Bay Master.** The Company earnestly fulfills the duties of the Baymaster, in its efforts in implementing the national ecological civilization thought and the guiding principles of the fifth plenary session of the 19th CPC Central Committee. It facilitated the implementation of environmental

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protection measures, by staying true to the principle that lucid waters and lush mountains are invaluable assets and keenly aware of the Four Needs. The Company organized the establishment and improvement of rules and regulations governing the Bay Master system, and carried out daily inspections and checks, to ensure that responsibility will continue to be assumed at all levels, and that various environmental risks are strictly prevented. It acted proactively, and with practical actions and excellent environmental management performance, made contribution in the fight against pollution in Bohai Sea and in building the Bohai Bay into a beautiful bay with "clear water, green shores, clean beaches and scenes".



Group photo of staff unveiling the billboard of "Bay Master System",

**Third, donations.** The Company continuously subsidizes the aided "CNOOC Hope Primary School" in Longhua County of Hebei Province. In 2020, RMB 79,100 were donated to renovate the insulation roof of two Hope Primary Schools and RMB 20,900 were donated to reward outstanding teachers and merit students and fund poverty-stricken students, with a total donation of RMB 100,000. Offshore Oil Engineering (Qing Dao) Co., Ltd. established the COOEC naming sponsorship fund of RMB 3.5 million for 2019-2021, during which period 3% added value of the fund (RMB 105,000) is donated annually to Charity Federation of Qingdao Economic and Technical Developing Zone for the purpose of helping those in need. RMB 105,000 was donated in 2020. The total investment amount was RMB 205,000.





**Fourth, activities for public good.** The youth volunteers of the Company launched the "Love-Sunshine" Charity Sales activity, raising a total fund of RMB 57,000 and more than 2,000 sets of medical supplies including masks and disinfectants, which are donated to the two CNOOC Hope Primary Schools in Longhua County of Hebei Province, and has carried out volunteer service activities such as "March 5th - Learning from Lei Feng" activity, Coastal Environmental Day and Ocean Day activities, and activities offering friendship to lonely elderly people and providing care to mentally retarded and autistic children, to fulfill the social responsibilities. The total investment amount was RMB 57,000.



## **V. Economic Development Responsibility**

### **1. Maintained robust operation to make return to shareholders**

2020 was an extraordinary year in the Company's development history when it, facing the combined impact of the coronavirus epidemic and the low oil prices, made efforts to secure success in the prevention and control of COVID-19 and in the campaign of production and operation. In the face of opportunities and unprecedented challenges, the Company, by taking well-considered steps, withstanding the pressures, and adopting precise measures, stayed committed to implement the "1235" development plan, kept a close eye on the annual production and operation targets, and focused on the two key tasks of the construction of "10+1" Project and cost reduction and quality and efficiency improvement. It took steps to carry out tasks such as epidemic prevention and control, market development, and deepening reforms, considering all factors. The Company has achieved positive results, and made a turn in management benefit, realizing operating incomes of RMB 17.843 billion, an increase of 21% over the same period of the last year. The net profit attributable to shareholders of the listed company was RMB 363 million, a marked increase over the same period of the last year. As of the end of December 2020, the total assets were RMB 33.284 billion, the net assets attributable to shareholders of listed companies were RMB 22.651 billion, and the



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asset liability ratio was 32%.



During the report period, the Company operated a total of 51 projects in the year, including 32 offshore oil and gas engineering projects, 6 LNG onshore construction projects and the construction of ocean engineering equipment manufacturing base around Tianjin Harbor, as well as preparations for some unstated projects. 12 projects including Liuhua 29-1 Project, Qinhuangdao 33-1 South Oilfield Phase I Development Project, Nexen Long Lake EPC Project, and Zhejiang Ningbo LNG Project were completed. The Company completed the onshore construction of 11 jackets and 12 modules, implemented the offshore installation of 10 jackets and 13 modules, and completed the laying of 324 km of subsea pipelines in the year. It made all-around efforts to win the fight in "10+1" Project and caught up the schedule and the progress by expediting the projects affected by the impact of the outbreak. The ten projects that should be completed in 2020 were all put into production ahead, accumulatively 381 days in advance.



## **2. Planning carefully to implement the strategic plan and ensuring the increase of the oil & gas reserves**

**First, The deepwater capability is enhanced constantly.** The Company owns an engineering fleet consisting of 21 vessels including crane vessels, pipe-laying vessels, underwater vessels, and engineering auxiliary vessels, and such large deepwater equipment as 6 DP underwater vessels, 17 underwater robots, one deepwater flexible pipe-laying system and one trenching plough, and is capable of underwater operations in 3,000 m deep waters. In 2020, the Liuhua 16-2 Project implemented by the Company was completed and put into production, and new breakthroughs were made in the large-scale FPSO high-end manufacturing capabilities and deepwater construction technology of the Company. The Lingshui 17-2 Project has completed the construction of the first  $1 \times 10^5$  DWT deepwater semi-submersible production and storage platform in the world in 21 months, setting a speed record in the global ocean engineering. The construction of the jacket of Lufeng 15-1 Project was commenced, marking China's new progress in the design and construction of the jacket of deep-water ultra-large offshore oil and gas platform. Vessel Offshore Oil 201 realized 1,542 m of pipe-laying depth for the first time and set a new record of laying 3.42 km of pipe in deepwater per day in China.

With the final push that lasted for six months, in Lingshui 17-2 deepwater

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project of "10+1" Project, the Company completed the construction of the main body of an oil storage platform with a total weight of 53,000 tons at the end of October 2020; the progress was ahead of schedule in December; and the platform was delivered and shipped in the middle of January 2021 to the sea area of Lingshui 17-2 gas field in the South China Sea for offshore installation, which ensures the realization of production in 2021. Lingshui 17-2 platform is an epitome in the field of ocean engineering construction of China, and its successful delivery marks a major breakthrough in the construction of deepwater ocean engineering equipment of China and is most relevant to enhancing China's ocean resource development capabilities.



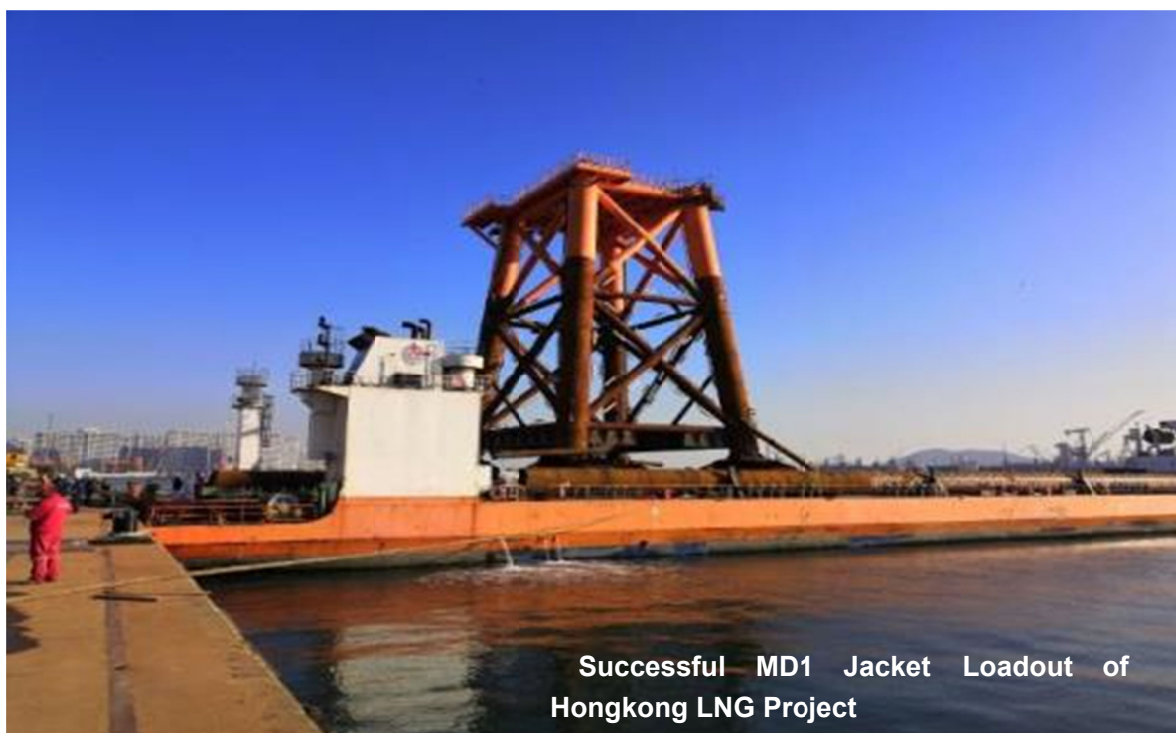
Towage Operation of Lingshui Project

**Second, transformation to green energy projects was promoted.** The LNG clean energy market is a market area that the Company has paid great attention to and will be developed on a continuing basis in recent years, and has contributed considerably to orders and revenue of the Company. During the report period, by constantly seizing the opportunities in the construction of natural gas production, supply and distribution, and actively developing the LNG engineering market, the Company signed contracts for the Hong Kong Offshore LNG Receiving Terminal



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Project, the Longkou Nanshan LNG Receiving Terminal Project Phase I, and the Tianjin LNG Receiving Terminal Project Phase II, all of which are on enlarged scale of construction, each having a contract value exceeding RMB 4 billion, or totaling more than RMB 12 billion, contributing greatly to the development of the market in the year. They presents the results continuously achieved in new-industrial development direction followed by the Company in implementing the "1235" development concept.



**Third, cost reduction, quality improvement and efficiency enhancement was implemented.** Winning the cost control battle throughout the year is a key part of achieving business objectives. The Company made every effort to take business goals as the objective in safeguarding shareholders' interests, by always staying true to and adhering to the principle of putting the shareholders' interests above anything else, and tried hard to reduce cost, improve quality and enhance efficiency, by sticking to the principle that all costs can be reduced. It planned in advance, defined the cost reduction targets, and formulated effective measures to reduce costs and improve quality and efficiency. The Company provided organizational guarantees by setting up a leading team and 7 special working teams and implementing three rolling cost reduction plans, and studied method guarantee by

fully integrating business and finance, putting into perspective the room for cost reduction based the “Profit Statement”, “Balance Sheet” and “Cash Flow Statement” and building a control system to outline a road map and work out a cost reduction plan. It encouraged participation of all employees, by launching publicity of the situation and tasks in time to ensure pressures and responsibilities are shouldered by all employees, and strengthening targeted incentives and punitive measures to create an atmosphere for cost reduction that demand joint effort to complete the major work and individual employees to meet their specific targets. Thanks to the joint efforts made by everyone in the whole company, positive results has been made in cost reduction, quality improvement and efficiency enhancement, laying the foundation for the realization of the operating objectives of the year and also providing reference for the continuous cost reduction and efficiency enhancement in the future.



Panorama for Zhejiang LNG Project Phase II

**Fourth, the "Seven-Year Action Plan" for increasing domestic oil & gas reserves and production was closely followed.** In order to implement the state's instructions and requirements for increasing domestic oil & gas reserves and production, realize national energy security, continue to expand capital expenditures for oil and gas, and achieve production targets, the Company actively developed the domestic market, distributed important construction resources taking into account all the factors, and established a regular communication mechanism

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with customers in the systems, for the purpose of assisting China National Offshore Oil Corporation in the smooth implementation of the “Seven-Year Action Plan” and in making rewarding initial efforts during the 14th Five-Year Plan period. During the report period, the Company undertook a number of domestic offshore oil and gas production platform projects such as regional development project of the Lufeng oil field group, Lvda 6-2 Project, Block 4-3 Project of Lvda 4-2 Oilfield, Central Bohai Bay 16-4 Project, etc., among which the Lufeng project, as a large-scale deepwater project in the South China Sea, will continue to consolidate the Company's market position in domestic offshore oil and gas projects.



## **VI. Energy saving and environmental protection responsibility**

### **1. Promoting the improvement of environmental management and consolidating the foundation of environmental protection**

In 2020, the Company promoted the environmental protection management measures of "source reduction, process control, and end-of-pipe treatment" in a coordinated manner, by studying and implementing the national ecological civilization thought, taking environmental protection regulations and standards and environmental assessment documents as the criteria, unfailingly ensuring compliance, and sticking to risk-based thinking and staying problem-oriented.

**First, the political resolve were enhanced, and work were done to prepare**



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**for the central government inspections on environmental protection.** The Company organized the formulation of the evaluation and inspection plan, convened deployment meetings, promotion conferences, and leadership coordination meetings, and released 4 periods of weekly inspection reports and submitted daily inspection reports every day, efficiently completing the four stages of work including "deployment and mobilization, self-inspection and preparation, central government inspections, and regular inspections". It arranged study of ecological civilization thoughts and popularized all kinds of environmental protection knowledge, including two sessions of study conducted by the party committee and two sessions of study launched in each unit, involving more than 11,000 participants, and four sittings for quiz for popularization of environmental protection law, involving a total of nearly 23,000 people.

**Second, environmental protection management was improved by seizing the opportunity in central government inspections on environmental protection.** 58 tasks for improvement were planned by focusing on the four areas including "consolidating the foundation, upgrading and reforming, online monitoring, and long-term mechanism" and following the environmental protection management measures of "source reduction, process control, and end-of-pipe treatment". 25 tasks have been completed as planned, 15 tasks are being implemented, and 18 tasks have been launched as planned.

**Third, investment was ensured, upgrading and reform were promoted, and compliance was guaranteed.** In 2020, the Company applied for 3 pollutant discharge permits and made 5 pollutant discharge registrations, so as to discharge pollutant with permit and in compliance standards; made greater efforts in environmental protection upgrading and reform, completing 4 tasks as planned, and pushing forward 5 tasks; and implemented the three-year action plan for prevention and control of pollution in Bohai Sea and completed zero domestic sewage emission improvement of five vessels.

**Fourth, active response was made to the tightening of environmental protection management and special pollution control was pushed forward.**

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The Company formulated an environmental transformation/upgrade scheme of non-road mobile machinery, and completed submission of environmental protection information to government authorities and detection of exhaust gas; and worked out a volatile organic compound (VOCs) management and control technology improvement plan, simplifying the auxiliary system for painting, and finalizing screening of coating products.

**2. Solid work was done to advance the green and low-carbon strategy and to accelerate the transition to low-carbon development of the Company.**

The green and low-carbon strategy is an right choice to made to conform to the green and low-carbon development trend of the global industry and energy sectors. The Company's green and low-carbon strategy includes the development of green and clean ways of production and the driving of growth of green and low-carbon sectors.

**First, production costs for the Company were saved by focusing on energy conservation.** During the "13th Five-Year Plan" period, the Company upheld the principle of energy conservation with cost reduction and efficiency enhancement at its core, and implemented 86 energy-saving and efficiency-enhancing measures such as the "Energy-saving and Optimizing Operation Plan for Vessels at Berth" to accumulatively save energy of 12,700 tons of standard coal equivalent and water of 27,600 tons, saving cost of RMB 107 million for the Company, by starting with the design source, concentrating on the optimization of production management and construction scheme, and identifying further opportunities for innovation in technological transformation. At the same time, it applied 30 optimized designs to design projects, potentially saving 8,849.62 tons of standard coal equivalent per year in energy consumption during the project operation period (after commissioning) and saving RMB 46,805,200 per year in project operating costs, to contribute to the enhancement of the energy efficiency in oil and gas fields by CNOOC from the design source.

Index	2018	2019	2020
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<b>Energy saving (tons of standard coal equivalent)</b>	1595.00	1622.00	2292.00
<b>Water saving (t)</b>	3920.00	3906.00	4252.00

**Second, Qingdao Company of the Construction Division was recognized as a National Green Factory.** Since the "13th Five-Year Plan", CNOOC has implemented important measures centering on the green and low-carbon strategy, laying a solid foundation for industrial upgrading of CNOOC's subsidiaries. Under the unified leadership of CNOOC, the Qingdao Company of COOEC Construction Division launched the green factory building in 2019, and successively implemented a range of energy-saving and low-carbon technological innovation projects including optimization of adsorption drying of air compressor station, section erection scheme of bottom deck of the SPMT transporter, wastewater recovery of water purification unit, and workshop lighting optimization. In October 2020, the Ministry of Industry and Information Technology officially issued the "Notice on Announcing the List of Green Manufacturers (the Fifth Batch)", noting that Qingdao Company has earned the title of Green Factory, after being subject to self-evaluation, expert evaluation and verification, public review, and other procedures.

**Third, low-carbon publicity was launched among crew, to make the concept deep in their mind.** In July 2020, the Company held the launching ceremony for the low-carbon strategy of "mass effort in low-carbon production, and green development through energy-saving and efficiency-enhancing". The QHSE Protection Department and personnel charged with energy-saving of all units visited the project team, operating vessels, and work sites for Tianjin ocean engineering equipment manufacturing base construction project, and had in-depth exchanges with workers at the front line to draw lesson from typical cases and to publicize green and low-carbon strategy of CNOOC and the next plan of the Company. The leaders and employees actively participated in the launching ceremony which was videotaped, making a joint commitment to contributing to the green and low-carbon development of the Company.



### 3. Strengthening the environmental management of main pollutant discharging units

**Pollutant discharge information.** The wholly-owned subsidiary Offshore Oil Engineering (Qing Dao) Co., Ltd. (hereinafter referred to as “Qing Dao Subsidiary”) was listed as one of key pollution discharge units of Qingdao, Shandong in 2020, with regulatory categories involved including water environment, atmospheric environment and soil environment. Pollutants of Qing Dao Subsidiary mainly refer to domestic sewage in the plant area, organic waste gas from painting operation and hazardous waste generated in the production.

**Construction and operation of pollution prevention and control facilities.** The Qingdao Subsidiary is equipped with an integrated sewage treatment equipment in the plant area, with a treatment capacity of 200 tons per day, and the treated sewage reaching the Class B standard of Wastewater Quality Standards for Discharge to Municipal Sewers (GB/T31962-2015). The painting workshops in the plant area are provided with organic waste gas purification and dust removal equipment. The environmental protection equipment was regularly maintained and the maintenance was recorded. All environmental facilities are operating normally, and the discharge of all organic waste gases meets the standard.

**Pollutants discharge standard implemented.** Table 1 in Emission Standard

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of Volatile Organic Compounds-Part 5: Surface Coating Industry (DB37/2801.5-2018) is implemented for organic waste gas emission; Table 1 (Emission Concentration Limit of Air Pollutants (Phase III)) in Regional and Integrated Emission Standard of Air Pollutants (DB37/2376-2013) for organized emission of particles; Table 2 in Integrated Emission Standard of Air Pollutants (GB16297-1996) for unorganized emission of particles; and Class B standard in Wastewater Quality Standards for Discharge to Municipal Sewers (GB/T31962-2015) for wastewater discharge.

**In the report period, Qing Dao Subsidiary was free from environmental pollution accidents.**

#### **4. Focusing on the management and control of the vessels from the source to strengthen the environmental management**

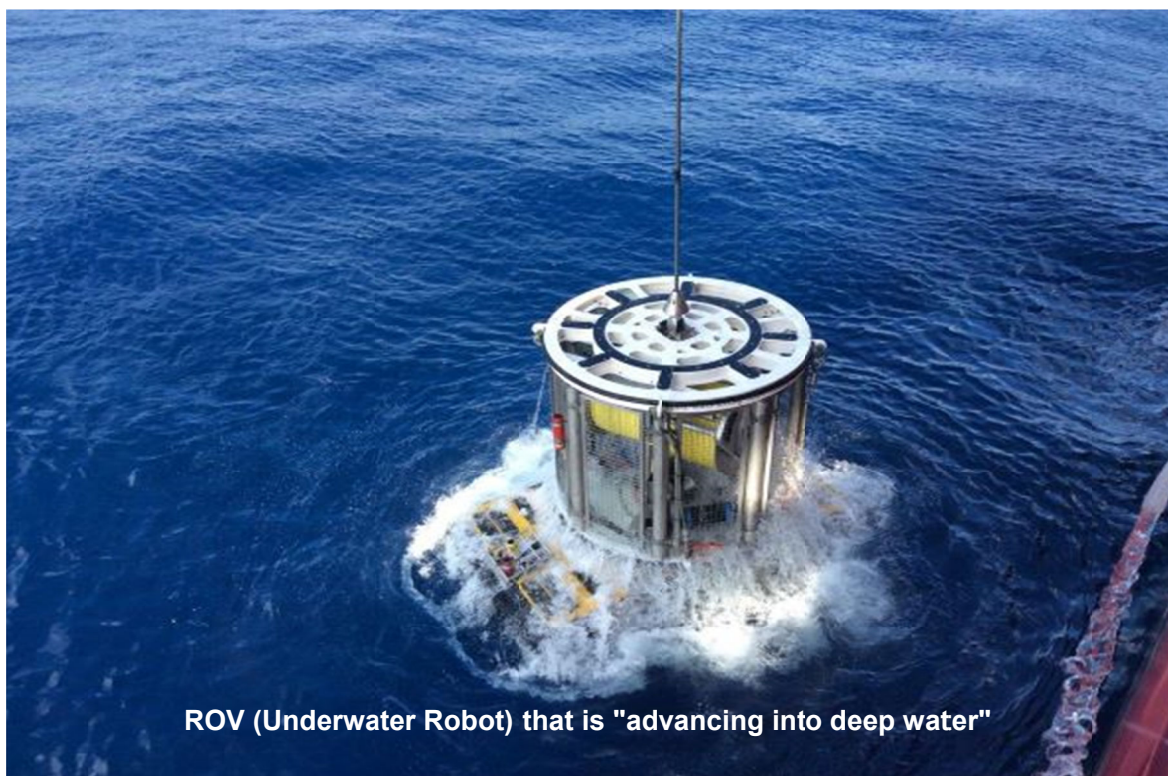
Transformation of zero discharge of domestic sewage from large ships was promoted. In accordance with the requirements of Regulations of Lead Sealing Management of Ship Sewage Disposal Equipment in Coastal Area (JHF [2007] No. 165), oily sewage from ships of the Company is disposed of under the principle of zero discharge, and transferred to a qualified pollutant treatment organization that has signed a recycling agreement with the Company for recycling. The Company strictly implements the Discharge Standard for Water Pollutants from Ships (GB 3552-2018), and the transformation plan has been implemented for the domestic sewage system of 8 ships owned by the Company. The Company actively introduces leading environmental protection ideas and concepts, and constantly improves its environmental protection management level by optimizing equipment structure, scientific and technological innovation and other effective management means, thereby ensuring an accord development between ship operation in accordance with laws and regulations and environmental protection. In the report period, the Company was free from environmental pollution accidents from ships.





## **VII. Innovation responsibility to drive development**

In 2020, the Company has 1,734 R&D personnel, and made an R&D investment of 983 million yuan, increased mainly due to more R&D investment on making breakthroughs in key core technologies for deep water.



**First, core technologies for the construction and installation of deepwater semi-submersible platforms were developed by strengthening deepwater technology research on the basis of deepwater projects.** With the implementation of deepwater projects that represent milestones in the Company's development history including Lingshui 17-2 deepwater gas field project, Liuhua 16-2 oil field project and Liuhua 29-1 deepwater project, the Company actively conducted deepwater technology research, strengthened key technology innovation and process innovation, and developed technologies for construction, installation and commissioning of deepwater semi-submersible platforms, deepwater FPSOs, and underwater production systems, including 17 techniques such as overall design techniques of deepwater semi-submersible platforms, of deepwater polyester mooring system, and of deepwater steel catenary riser system, construction, installation and commissioning technique of deepwater semi-submersible platforms, operation and maintenance of deepwater semi-submersible platforms and facilities integrity management, safety assessment technique of floating structures in deep sea, design and analysis technique of anti-typhoon deepwater taut mooring system, and integration technique of hull and modules of deep-water semi-submersible

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production, storage and offloading platform. Thanks to these, the Company made important breakthroughs in a variety of mainstream deepwater development models, and realized a leap from 300 m to 1,500 m in some offshore engineering technologies.



**Second, transformation of achievements was steadily promoted, and the Concept of "Three News, Three Principles" was practiced, to highlight the core value of cost reduction through technology.** In 2020, the Company implemented a total of 178 projects complying with the the Concept of "Three News, Three Principles" and measures for scheme optimization, and saved a total of RMB 266 million cost and increased RMB 87 million profit with application of the projects. The first domestic FPSO LPG recovery unit independently designed and manufactured by China was successfully put into production, marking a major breakthrough in CNOOC's LPG recovery technology on FPSO. The LPG recovery unit of the Development Project of Liuhua 16-2 oil field group has saved cost by more than RMB 9.6 million yuan through localization. The application of subsea pipeline pre-commissioning technology using domestic coiled tubing equipment in



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Liuhua 29-2 Project has saved costs of various kinds by approximately RMB 19.24 million yuan, thanks to the use of coiled tubing equipment owned by the Company.



### **VIII. Outlook for the Year 2021**

In 2021, the starting year of the "14th Five-Year Plan", COOEC will always be committed to “serving the national strategies, keeping customer-centric, insisting on high-quality development, and turning to be the world-leading energy engineering company with Chinese characteristics”, and implement the guiding principles of the fifth plenary session of the 19th CPC Central Committee and the Central Economic Working Conference and the plans made on CNOOC’s conferences. It will strengthen its strategic thinking, adhere to its strategic goals, and enhance its strategic actions, to make every effort to ensure the high-quality completion of various tasks in 2021 and continue to elevate its high-quality development to a new level to welcome the Party's centenary with outstanding achievements.

#### **Development strategies:**

The Company implemented the maritime power policy, the new strategy featuring Four Reforms and One Cooperation, the instructions on reinforcing domestic oil & gas exploration and development and “the Belt and Road” initiative. It sticks to the “1235” strategy of COOEC, i.e., taking the design-led EPCI capacity

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construction as the only core, with the operation management capacity and the technical leading capacity as two bases, following the international, deepwater and new-industrial development directions, and focusing on five aspects including talent, market, cost, risk control and information.

**Planning objectives:**

Integration of services: It will realize leapfrog development in engineering capabilities, strive to make breakthrough in key core technologies and try to improve the Company's general contracting capabilities with design; it will basically master the deepwater and underwater engineering design and construction capabilities in 1,500 m deep waters, make the initial progress in building underwater product development and construction capabilities, and further optimize the equipment structure and will be capable to operate in 3,000 m deep waters.

Development of diversified sectors: It will be significantly more competitive in the conventional offshore oil and gas engineering business chain; keep on to expand the LNG engineering business; establish competitive advantage by and large in the field of domestic deepwater floating offshore windfarms; and explore to lay foundation of technology and market for new sectors such as aquafarm pasture of sea and hydrogen energy engineering.

Application of digital technologies in business: It will accelerate development of delivery capabilities of digital and intelligent products, and speed up digital transformation of business processes to upgrade conventional production to digital and intelligent manufacturing.

International development: It will has the capability to provide engineering and technical solutions with cost leadership strategy for global customers, oriented by market demand and the ability to allocate global resources through market-driven measures; build a diversified international customer base with the Company's brand; and steadily improve the international project management capacities and international procurement capabilities.

Modern governance: It will put the two “persistences” into practice, strengthen the Party’s unified leadership over state-owned enterprises, implement reform and



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development of state-owned enterprises in accordance with China's three-year plan for SOE reform, to spur the vitality of the Company; make constant effort to improve the management system of the Board of Directors; and continuously upgrade the operation and management, project management, and procurement capabilities and improve organizational structures and institutional mechanisms.

**Major work plans:**

The Company will spare no effort to guarantee the completion and operation of 17 projects: The year 2021 will witness the operation of Lingshui 17-2 deepwater gas field project before June 25, the operation of Bohai bay shore power project, and the as-scheduled operation in the year of Lufeng oil field group, Caofeidian 6-4 and other projects contributing substantial increase of oil and gas. The Company will do its best to manage various resources, guarantee work safety and quality goals, ensure as-planned operation of offshore oil and gas fields, by focusing on project milestones for process management and control, to assist with increase of China's oil and gas reserves and national energy security.

The Company emphasizes the importance of work safety and project management and control, for safety is the most important benefit, while accidents are the hugest cost. The high-risk, high-tech, and high-investment features of the offshore oil industry has determined that work safety is the cornerstone, and that without safety there can be nothing else. In 2021, the Company's workload will reach a new high, and the safety risks brought along will increase exponentially. The Company will continue to strictly implement national requirements on work safety, apply the concept of development based on safety, and persistently follow the requirement of "putting safety and environmental protection first, taking a people-centered approach, and keeping the equipment intact". It will seize the opportunities brought by the comprehensive implementation of the three-year special rectification action plan of work safety, to ramp up risk management, focus on the special improvement of QHSE management, strengthen the accountability system for leading officials and principal entities, specify more detailed responsibilities for all employees, aiming to "avoid major accidents, guard against

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all accidents, and always ensure zero fatality” so that positive results will be achieved in high-risk operations management and control, in enhancement of maritime emergency capability and in QHSE management in subcontracted projects to provide an optimal safety guarantee for the operation of projects.

The Company will continue to strengthen cost reduction, quality improvement and efficiency enhancement: it will uphold the principle that all costs can be reduced, raise cost awareness from top to bottom, and make persistent effort in creating a corporate culture that emphasizes cost reduction is the duty of everyone. In 2021, cost reduction and efficiency enhancement results achieved in 2020 will be solidified and the “integration of business and finance” (i.e., financial personnel actively engage in business operations) will be further promoted, with the “five costs in one” (i.e., tender estimate, budgetary estimate, control budget, construction budget and accounting) as the major task for management and control, the “three curves of projects” (i.e., workload curve, revenue-cost curve, and cash flow curve) as the basic method, and with the “four major costs” of projects (i.e., subcontracting fees, chartered ship charges, engineering material costs, and fuel fees) as the focus to make every effort possible in cost reduction in all stages of projects. The Company will systematically improve and resolutely implement cost management and control system, strengthen assessment on cost reduction and efficiency enhancement and strive to fulfill the predetermined goal of cost reduction and efficiency increase in the year, to set up a cost competition advantage.

The Company will strive to expand the market: By focusing on the “Seven-year Action Plan” for domestic market, the Company will actively explore the offshore oil and gas engineering market and serve customers, and systematically learn and track in time the latest developments of projects, to realize rapid growth in the conventional offshore oil and gas field engineering business. It will continue to open up new domestic and foreign markets in LNG engineering field and closely follow the identified key LNG receiving terminal projects to try to get awarded contracts. For overseas market, it will steadily exploit other international markets, based on CNOOC's international market. In addition, the Company will open up more

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channels for diversified development, with the emphasis on green energy sectors such as offshore wind power.

Offshore Oil Engineering Co., Ltd.

March 19, 2021